

COLUMBIA UNIVERSITY AFFILIATES POLICY

This guide sets forth the policies of Columbia University with respect to its: academic and business relationships with independent organizations; establishing an affiliated corporation; and the organizational and fiscal requirements for affiliated entities.

I. ACADEMIC AND BUSINESS RELATIONSHIPS WITH INDEPENDENT ORGANIZATIONS

Columbia University (“the University”) may choose to enter into ongoing academic or business relationships with separately incorporated entities for various reasons. Although these entities are independent of the University, the purpose of this policy is to define the various types of relationships and reference the University’s policies and procedures governing them.

Primary Educational and Research Affiliates

The University maintains several clinical and educational affiliation agreements with other organizations. Some of these relationships are so substantial from a financial, educational or clinical standpoint, that any significant changes to the operating agreements with these entities would have a material effect on the University. Therefore, any significant changes in these relationships will be brought to the attention of the Trustees for their review and or approval. The University’s Primary Educational and Research Affiliates are:

- New York Presbyterian Hospital
- Barnard College
- Teachers College
- Union Theological Seminary
- Jewish Theological Seminary
- NY State Psychiatric Institute

Related Entities

The University has relationships with certain separately incorporated entities that, though organizationally and structurally independent of the University, utilize the University name or other resources to carry out their mission. In these cases, the University does not have both control and economic interest in the organization but does maintain an ongoing business or academic relationship. Therefore, according to AICPA guidelines, consolidation within the University’s financial statements would be prohibited. Financial disclosures may be required, and therefore, the Office of the Controller must be informed of any new related party relationship to ensure initial and ongoing evaluation of financial implications.

The operating, licensing, or other type of agreement would be the governing document that sets forth the relationship. The terms of each agreement should characterize the relationship and should outline any obligations of the University and/or the related entity.

Scope

Affiliation agreements should clearly define the nature of the relationship, including the responsibilities and obligations of all parties involved. The agreement should address the appropriate limitations on the delineated responsibilities or obligations with respect to both time and scope; potential indemnification issues in the event of litigation; the need for naming the University as an additional insured on insurance policies where applicable; the right to review financial records where applicable; and the date of termination or reevaluation of the affiliation agreement.

Refer to “**University Agreements with Related Entities**” for the types of agreements needed and the Departments or University officials with signature and approval authority.

Procedures

The University’s affiliation agreement should encompass the following issues that may arise as a result of the proposed relationship:

- Indemnification and liability issues;
- Public and government relations issues;
- Real property use issues;
- Employment relations issues including benefits and legal issues;
- Tax-Exempt status issues including unrelated business taxable income, private inurement, private use, and other tax compliance related issues;
- Government and Private grants and contract related issues;
- Conflicts of interest issues

Generally, where an arrangement presents legal issues, or if the entities involved in the relationship require general legal guidance, the Office of the General Counsel should be consulted. The Risk Management Department should be consulted on proposed relationships where there is a potential for risk or liability concerns. The Tax Department should be consulted on proposed relationships where there is a potential for issues pertaining to the University’s tax-exempt status.

Relationships Not Covered

The following situations are not intended to be covered by this affiliates policy:

- Conferences and summer camps;
- Visiting scholars;
- Independent Contractors and Consultants;
- Externally-sponsored projects and gift-supported programs;

- Investments funded by the Investment Management Company at Columbia University;
- Direct University ownership of real property;
- The procurement of goods or services for University use in the ordinary course of business;
- Normal business and licensing transactions entered into by the office of Columbia Technology Ventures.
- Global Centers and other overseas related entities

II. ESTABLISHING A UNIVERSITY-RELATED AFFILIATED CORPORATION

The University may seek to affiliate itself with separately incorporated related organizations over which it has control and in which it has an economic interest. These entities are consolidated in the University's financial statements as required by the American Institute of Certified Public Accountants' Statement of Position 94-3.

Policy

While most programs can be managed through Columbia University's accounting and administrative systems and function as part of a School or Department, the University will establish corporate entities that operate as separate subsidiaries or legal affiliates if there are compelling legal and/or business reasons to justify the creation of a separate corporation.

In order to ensure that proper consideration is given to the legal and accounting structure in advance, all proposals for new University programs with any of the following characteristics must be reviewed by the Offices of the Treasurer, Controller, and General Counsel:

- Endeavors outside of the University's teaching or research mission;
- Collaborations with multiple institutions;
- Transactions that involve a substantial acquisition of assets;
- Programs located outside the greater metropolitan area.

The establishment of new corporate entities must be approved by the Trustees of the University. To ensure that appropriate tax, legal, and financial concerns are addressed, the Offices of the Treasurer, Controller, and General Counsel must be involved in the exercise.

The University imposes tight controls on the creation of affiliated corporations in order to: exercise responsible stewardship over the University's tangible and intangible assets; to manage risk exposure; and to facilitate compliance with reporting and other legal requirements.

Responsible University Officers

- ◆ Jane Booth, General Counsel
- ◆ Mark Hawkins, Vice President, Finance and Controller

Roles & Responsibilities

The major responsibilities each party has in connection with this policy are as follows:

Responsible Party / Office	Action
Dean, Chair or Vice President	Ensures coordination with General Counsel and Finance when new program is considered. Submits formal memorandum of request for Trustee approval addressed to the President, Provost and Executive Vice President for Finance and Information Technology. Appoints University Officers as Relationship Manager who will be responsible / accountable for relationship with affiliate.
Relationship Manager	This individual works closely with Finance and General Counsel to ensure appropriate controls are established.
Office of the Controller	Assists in establishment of financial controls, and appropriate accounting structure. Reviews proposal to ensure all financial concerns are addressed. Determines the annual reporting and tax compliance requirements as defined by the Controller’s Office policy entitled, “<u>Annual Reporting of Separate Entities.</u>”
Office of the Treasurer	Assists in the establishment of banking operations including opening bank accounts and investment strategies. Reviews insurance risks and recommends the type and amount of coverage to be extended by the University and any additional coverage that must be obtained by the affiliated entity. <p style="text-align: right;">(continued on next page)</p>

General Counsel	<p>(continued from previous page)</p> <p>Makes recommendations regarding appropriate legal structure.</p> <p>Reviews proposal to ensure all legal concerns are addressed.</p> <p>Determines if additional University Departments or outside counsel should be consulted.</p>
Board of Trustees	Grants final approval of structure.

Procedures

Once it has been determined that there are compelling reasons to establish a University related corporate entity, the protocol for seeking final approval is as follows:

- Refer to the “Proposal for New University Affiliate – Departmental Checklist” to ensure all facets of the relationship are considered.
- Work with the Office of General Counsel to determine the appropriate corporate structure, to establish and determine the composition of the governing body, and the University official responsible for the operations.
- Work with Finance to establish financial controls for the operations. Finance will also determine the financial and tax compliance reporting requirements.
- A formal memorandum of request from the Dean or Director should be addressed to the President, the Provost and the Executive Vice President for Finance and Information Technology, requesting that the Trustees approve the proposed structure. Included in the memo should be:
 - Background on the program including the importance and appropriateness of establishing a separately incorporated entity to advancing the University’s mission;
 - Description of the proposed structure, including an organizational chart depicting the entity’s position in relation to other University departments or administrative units;
 - Requirements for proper governance of the entity, including board responsibilities and reporting and monitoring arrangements (include name of the University representative who will act as the entity’s Relationship Manager);
 - The total resource implications, including funding sources, establishment costs, compliance costs, domestic and other jurisdiction taxation where appropriate; and
 - Any request to establish bank accounts, if necessary to support the program.

- Upon approval by the Trustees, the Office of General Counsel and Finance may assist in the preparation and submission of initial filings to federal, state or local agencies. Thereafter, the Relationship Manager and governing body of the entity must comply with the standards set forth in the University policy “**Organizational and Fiscal Requirements for Affiliated Entities.**”

III. ORGANIZATIONAL AND FISCAL REQUIREMENTS FOR UNIVERSITY-CONTROLLED AFFILIATED ENTITIES

The University may own, control, or have an economic interest in certain separately incorporated organizations. These entities are consolidated for reporting purposes in the University’s financial statements and are expected to comply with the requirements set forth in this policy.

A “Controlled Affiliate” entity, as set forth in the policy entitled, “Academic and Business Relationships with Independent Organizations” is expected to be operated in an appropriately controlled and fiscally responsible manner. Therefore, the University requires that there be a means by which the University maintains fiscal familiarity and comfort with the affiliate organizations as a condition for the use of the University’s name and / or resources.

Policy

Affiliate organizations are required to meet minimum organizational standards and must implement appropriate fiscal procedures as a requisite for such organizations to remain in good standing with the University. Failure to demonstrate adequate organizational governance and fiscal controls or adhere to University imposed requirements may result in termination of the affiliation.

Responsible University Officers

- ❖ Jane Booth, General Counsel
- ❖ Mark Hawkins, Vice President, Finance and Controller

Who Should Know This Policy

- Dean/Department Chair
- Relationship Manager
- Entity’s Board of Directors

Procedures

Initial Affiliation

All entities seeking to become affiliates of the University must provide the following indicators of adequate governance and proper fiscal controls:

- The entity has a Board of Directors that meets as frequently as business activities suggest, however, a minimum of two meetings a year are required.
- The entity has an annual independent audit of its financial statements.
- The entity is in good standing with its resident state and with the IRS.
- The entity maintains a formal set of operating policies and procedures that emphasize proper internal controls and adequate safeguards over organizational assets.
- The entity either utilizes the University's systems for processing payments/receivables or utilizes an alternative accounting package that is approved by the Office of the Controller.
- The entity has proper insurance coverage, as recommended by the University's Office of Risk Management.
- A letter of understanding certifying that the affiliate organization has in place the minimum organizational standards and appropriate fiscal controls must be signed by appropriate individuals at the University and each affiliated organization. The letters of understanding will be maintained by the University's internal auditor and will serve as official University recognition of the organization's affiliate status. Affiliate organizations are subject to periodic review by the University's internal auditor to ensure compliance with the foregoing policies and procedures.

Periodic Affiliation Compliance

Additionally, the University requires affiliate organizations to abide with the following University imposed requirements:

- Copies of current Corporate Bylaws and Articles of Incorporation must be kept on file with the Office of the General Counsel.
- The Board of Directors must have a University representative who will act as Secretary of the organization.
- Upon request, the affiliate organization must allow the University access to employees, directors, property, books, records, papers, financial accounts or other documents pertinent to the University initiated audits or reviews.

- Minutes from board meetings must be documented using the guidelines provided by the Office of the General Counsel. These minutes should be forwarded at least annually to the Office of the Controller for retention.
- Copies of annual independent audits and federal and state filings must be sent to the Office of the Controller for review.
- Copies of bank reconciliations, financial statements and documentation of other investment/finance activities must be sent to the Office of the Controller on a quarterly basis for review.
- If the entity maintains accounts in the University's accounting system (ARC), the entity is required to use the Consolidated Operating Budget (COB) tool. On an annual basis, variances from budget to actual must be evaluated and presented to the Controller by the Relationship Manager.
- If the entity does not maintain accounts in ARC, budget to actual comparison results must be calculated and variances reported to the Controller.
- The entity is responsible for its own regulatory compliance and must provide evidence of such compliance to the University.

Enforcement of Affiliate Relationship

All University Affiliates are subject to an Internal Audit financial review, operational review and/or risk assessment once every five years.

- Audit results will be distributed to the following: Office of the Executive VP of Finance, Offices of the Treasurer and Controller, External Audit Firm, and President of the University.
- High Risk issues (such as deficits and funding issues) and appropriate action plans will be reported to the Trustees of the University.
- Failure to comply with the foregoing provisions will result in an immediate severance of all relationships including a public disclosure of such action.

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