

 <p><b>Category:</b> Administration</p> <p><b>Policy applicable for:</b> Colleges, Faculty/Staff</p>	<p><i>Policy Title:</i></p> <p><b>Affiliated Entities</b></p> <p><b>Effective Date:</b> 06/15/2015</p> <p><b>Prior Effective Date:</b> N/A</p> <p><b>Enabling Act(s):</b> University Board Rules 30-21-02,10-17-08</p>	<p><i>Policy Number:</i></p> <p><b>1.5.3</b></p> <p><b>Policy Owner:</b> Sr. VP for Academic Affairs &amp; Provost</p> <p><b>Responsible Office(s):</b> Sr. VP for Health Affairs Provost Sr. VP for Health Affairs</p>
---	--	---

## A. Background

Separate entities are affiliated with the university because the services they provide help advance the university’s mission. The university has a vital interest in and recognizes the value of each affiliated entity. The university is committed to ensuring that each affiliate operates in a proper manner, while seeking to maintain the appropriate independence from its affiliates.

To protect the university’s interests, the following principles shall apply to the university’s relationships with affiliates:

1. The creation and activities of affiliates must promote, advance, or complement the educational, scientific, research, charitable, or cultural activities of the university or one or more of its units.
2. The university will monitor affiliates through a regular reporting process.
3. Affiliates must adhere to high standards of ethics and must avoid conflicts of interest.
4. The university’s relationship with an affiliate is not necessarily intended to be perpetual. Relationships with affiliates will be examined periodically to determine whether the affiliate relationship will be continued or whether a sunset provision is appropriate.

Through the application of these principles, this policy provides a framework to guide the university in establishing and monitoring its relationships with affiliates.

## B. Policy and Procedures

### 1. Definitions

a. “Affiliated Entity” or “Affiliate” means an organization that:

- 1) has a legal existence separate from the university;

- 2) is formed or operated to support or complement the mission of the university;
- 3) was created by the university; is controlled or strongly influenced by the university; receives significant financial support from the university; or uses the university's resources or name; and
- 4) has entered into an affiliation agreement with the university.

b. "Responsible Party" means the director, executive officer, or other designated individual who is principally responsible for managing the daily operations of an Affiliate.

"Sponsoring Unit" means the university unit desiring to establish an Affiliated Entity.

"University Liaison" means a university employee designated by the president, or the president's designee, with oversight responsibility for an Affiliate relationship. The University Liaison may, but is not required, to serve as a member of the Affiliate's governing board.

## **2. Process for Establishing an Affiliated Entity**

Affiliates may be established by the university or by entities and individuals outside the university. To receive approval for establishing an Affiliate or establishing an affiliation with an existing entity, the Responsible Party or Sponsoring Unit must submit a proposal and, for newly-created Affiliates, a business plan to the Compliance Committee (the "Committee"). The Committee shall consult with the Office of General Counsel at the earliest stage of the planning process to ensure that the proposal meets all legal and contractual constraints.

### **a. Written Proposal**

1). The detailed written proposal must contain all relevant facts, including, but not limited to, the following:

- Description of the proposed activities, goals, and objectives of the Affiliate, with three-year milestones
- Description of the Affiliate's "value added"
- Faculty participation and qualifications
- List of external organizations expected to participate (e.g., industry, foundations, school districts, other universities) and the nature of their involvement (include letters of support and/or commitment)
- The Affiliate's articles of incorporation, code of regulations, or other organizational and governance documents in official or draft form
- Anticipated funding sources

- Other resource requirements
- A thorough risk assessment that defines and classifies risks inherent to both the Affiliate and the university, including potential conflicts of interest. The risk assessment must include mitigation strategies and metrics designed to quantify the risks
- A proposed affiliation agreement defining the Affiliate's relationship with the university

2). Proposals must include a realistic budget that identifies all sources of revenue. Because proposals to external entities are not always successful, the proposal also must include a clear set of alternatives that will be pursued in the event proposed external funds are not raised. Furthermore, to justify the establishment of an Affiliate relationship, proposals must include strong evidence of the Affiliate's value-added. "Value-added" means that the Affiliate's operations must amplify the university's mission and strategic objectives, and not duplicate current university efforts.

3). The Committee, in its discretion, may appoint a special committee or university official to review and to provide recommendations regarding the proposal. If a primary justification for the formation of the Affiliate relationship is to support the educational mission of the university or to serve an educational function, the Committee first must present the proposal to the senior vice president for academic affairs and provost ("provost") for review and approval. The Committee and provost may consider all relevant factors and, if deemed appropriate, recommend to the president the authorization of the establishment of a new Affiliate or the establishment of a relationship with an existing Affiliate. The president, or the president's designee, shall make the final determination.

4). If the proposal is approved, the university shall enter into an affiliation agreement with the Affiliate detailing the university/Affiliate relationship, expectations, and governance requirements. Affiliation agreements must identify the person appointed by the president, or the president's designee, to serve as the University Liaison. The affiliation agreement may also address university services and financial contributions, use of university marks, and other support provided by the university. Upon approval of the president, the affiliation agreement may exempt an Affiliate from requirements of this policy.

#### b. Review Criteria

When reviewing written proposals and business plans for the establishment of a new Affiliate or the establishment of a relationship with an existing Affiliate, the Committee (and other university officials) must consider all relevant facts. Minimally, such factors must include the following:

- 1) Evidence of Viability. The proposal and business plan, if applicable, must demonstrate a strong likelihood that the Affiliate and the relationship

between the university and Affiliate will be successful. The proposal must include clearly defined goals, programs, activities, and objectives for at least the first three years of operation. The business plan, if applicable, must include a viable management and governance structure and a realistic business model.

2). Financial and Administrative Commitments. A sound financing strategy and revenue model is a critical factor. The proposal and business plan, if applicable, should have adequate administrative funding committed, and the support of necessary administrative officials (deans, chairs, etc.). If university space, computing, or other administrative support is needed for the Affiliate, a letter from the appropriate dean or other university official is required to address these resources. A statement of the Affiliate's potential for external funding, as well as an explicit plan for pursuit of external funding, consistent with existing opportunities, should be included. Each Affiliate is expected to demonstrate a strong foundation of non-university support to justify its establishment, affiliation with the university, and continued operation.

3). Evidence of "Value Added". The Affiliate must avoid unnecessary duplication, and must advance the missions of the university. New Affiliates and relationships with existing Affiliates should be created only when there is a strong case to be made for why the missions of the university cannot be achieved within existing structures.

### **3. Reporting Requirements for Affiliates**

#### **a. Affiliates**

Each Affiliate must submit to the Committee an annual report. The annual report must be submitted using the form in Attachment A. The annual report requires the Affiliate to submit:

- 1) A copy of its year-end financial report (e.g., audited financial statements);
- 2) A copy of its federal tax return (e.g., IRS Form 990);
- 3) A letter signed by the Affiliate's Responsible Party certifying that the Affiliate has complied with this policy and any affiliation agreement between the university and the Affiliate;
- 4) The articles of incorporation, bylaws, or other organizational and governance documents, if there are changes to those documents;

- 5) A list of the Affiliate's officers and board members, if there is a change to the membership;
- 6) An itemization of university resources provided to the Affiliate (e.g., financial and administrative support, facilities, and institutional effort provided by faculty, which can be in the form of amount of faculty time, required deliverables, and costs); and
- 7) Other information requested by the annual report form and the Committee.

In addition to the annual report, each Affiliate must submit to the Committee periodic reports, updates, or other information requested by the Committee.

#### b. Faculty

Faculty members providing services to an Affiliate must adhere to all university policies, including, but not limited to, policies on conflicts of interest, collateral employment, and the submission of outside activity reports.

### **4. Discontinuance of Affiliated Relationship**

An Affiliate established by the university or a relationship with an external Affiliate should be discontinued when it no longer serves the purpose for which it was created. The University Liaison shall review the continued existence of the Affiliate upon any change in the Responsible Party, and in any event, no less often than once every five years. The University Liaison may submit to the Committee a recommendation of Affiliate termination. Upon receiving a termination recommendation, the Committee may consider all relevant factors and make a recommendation to the president regarding the continued existence of the Affiliate or Affiliate relationship. The president, or the president's designee, shall make the final determination. The president, in his or her discretion, may terminate an Affiliate or Affiliate relationship at any time, subject to the terms of any affiliate agreement.

#### **Related Links**

University Board Rule 3361:30-21-02, Employment: policy on collateral employment for faculty members and librarians.

University Board Rule 3361:10-17-08, Conduct and ethics: policy on conflicts of interest in the conduct of research at the University of Cincinnati.

[University Policy Number 1.5.2, Centers and Institutes.](#)

#### **Phone Contacts**

Office of the Provost	556-2588
Office of the Sr. VP for Health Affairs	558-2485

**Affiliated Entity:**

Report Prepared by:  
 Report Submitted & Reviewed By:  
 Date Report Submitted:  
 For Fiscal Year Ending:

Pursuant to the University of Cincinnati's Policy on Affiliated Entities, each affiliate is required to submit an annual report to the President or his designee, covering activities from the prior fiscal year and plans and budgets for the current fiscal year.

**Documentation to be submitted**

Please submit the documents listed below, *preferably electronically* to \_\_\_\_\_. If any documentation is not available, please explain and submit separately when available.

- Articles of Incorporation, if applicable
- Code of Regulations/Bylaws, if applicable
- Financial Statements for prior fiscal year (balance sheet, income statement, statement of cash flows) – including comparison to budget to actual
- Audit Report for prior fiscal year
- Auditor's Management Comments & Management's Response for prior fiscal year
- Budget for current fiscal year
- IRS tax return for prior fiscal year (e.g., Form 990)
- Current listing of all board members/directors, including professional affiliations and term expiration dates
- Letter signed by the responsible party certifying compliance with the affiliation agreement, if any
- Contracts with the University executed during the prior fiscal year

If any of the requested documents are not submitted, please explain why:

Click here to enter text.

**Governance**

**Board Information**

Are there any current vacancies on the Board of Directors?  
 If so, how many?

Yes  No

How is the affiliate planning to fill those vacancies?

Click here to enter text.

Dates of Board Meetings – prior fiscal year \_\_\_\_\_

Board Meetings Scheduled – current fiscal year \_\_\_\_\_



### **Use of University Resources**

Please describe and quantify the affiliate's use of University resources, including use of University employees, facilities, and services (e.g., the University serves as the affiliate's fiscal agent).

Employees: [Click here to enter text.](#)

Facilities: [Click here to enter text.](#)

Services: [Click here to enter text.](#)

Marks: [Click here to enter text.](#)

Other: [Click here to enter text.](#)

### **Contracts with the University**

Please describe any contracts or memoranda of understanding that the affiliate has entered into with the University during the past fiscal year.

[Click here to enter text.](#)

### **Fees or Support to the University**

Please describe and provide the amount of any fee or other support the affiliate paid or provided **to** the University during the past fiscal year.

[Click here to enter text.](#)

**Business Overview**

Please provide a review of the affiliate's activities over the past fiscal year, including, but not limited to significant business issues (e.g., pending or threatened litigation), changes in governance structure, and transactions with the University. Please describe how the affiliate's activities benefit or help advance the mission of the University.

Click here to enter text.

Please provide a summary of the significant business issues (e.g., pending or threatened litigation) or activities anticipated in the coming year.

Click here to enter text.

**Please submit this report to:**

Vice President and General Counsel  
Office of General Counsel  
Telephone (513) 556-3483