

3.2.13

Governance and Administration: Institution-related entities

For any entity organized separately from the institution and formed primarily for the purpose of supporting the institution or its programs: (1) the legal authority and operating control of the institution is clearly defined with respect to that entity; (2) the relationship of that entity to the institution and the extent of any liability arising out of that relationship is clearly described in a formal, written manner; and (3) the institution demonstrates that (a) the chief executive officer controls any fund-raising activities of that entity or (b) the fund-raising activities of that entity are defined in a formal, written manner which assures that those activities further the mission of the institution.

Judgment

Compliance Partial Compliance Non-Compliance Not Applicable

Narrative

Four organizations have been identified that provide external support for the University. The Tennessee Technological University Foundation and the Agriculture Foundation for Tennessee Tech, Inc., exist to provide direct support of the University through fund raising and advocacy. The Bryan Symphony Orchestra Association and the Friends for the Appalachian Center for Craft of Tennessee exist to provide indirect support in an affiliated manner.

The Role of the TTU Foundation and the University

Tennessee Technological University (TTU) and the TTU Foundation, a non-profit 501(c)(3) organization originally incorporated in 1976 solely for the support of the University [1], have entered into an agreement [2] that outlines the legal authority and operating responsibilities of the TTU Foundation. The agreement between the University and the TTU Foundation establishes executive officer control over the activities engaged in by the TTU Foundation and continues in full force and effect until terminated by written request of a three-fourths majority of the TTU Foundation Board of Directors [3]. The Board of Directors has authority to dissolve the Foundation at any time. The TTU Foundation agrees that it will not make any changes in its articles of incorporation or its bylaws without the consent of a majority of the TTU Foundation Board of Directors [4].

By virtue of the composition of the Executive Committee of the TTU Foundation, the President of TTU, the Vice President for University Advancement, and the Vice President for Business and Planning have the legal authority to deal with the TTU Foundation. Within their roles on the Executive Committee, those positions can impact the day-to-day operation and decision making of the Foundation Board as a whole [5].

No such separate, external entity exists to support intercollegiate athletics. The support is established via the TTU Foundation.

The essential elements of the contractual agreement between the TTU Foundation and the University are outlined within the formal agreement between the two entities [2]. The elements involve certain services provided by the institution such as gift acceptance, record keeping, and donor relations. The agreement clearly identifies that no gift can be accepted by the Foundation without approval from the University, therefore limiting the liability of the gift with respect to the University [6]. The TTU Foundation has fiduciary responsibility for the assets of the Foundation as outlined in the Investment Policy [7].

The mission of the TTU Foundation [1] is to contribute to the general welfare of society and to TTU as a

public-benefit corporation. More specifically, its mission is:

- To provide guidance and assistance in coordinating an organized, University-wide program in support of all TTU advisory groups and other University organizational entities for obtaining and using private gift support from alumni, friends, faculty, staff, corporations, business establishments, organizations, and private foundations for both annual and capital purposes
- To promote the development program at TTU
- To provide advice, counsel, and assistance to the President of TTU on strategic issues that impact the direction and future of the University
- To encourage, recognize, and reward outstanding achievements by faculty, staff, students, alumni, and friends of TTU
- To receive and administer private funds which are contributed to support TTU following any donor-imposed restrictions
- To perform any and all acts necessary or desirable to achieve the purposes specifically or generally set out above or reasonably incident thereto

In that a portion of the TTU mission states, "TTU's mission as the state's only technological university is to provide leadership and outstanding programs in engineering, the sciences, and related areas that benefit the people of Tennessee and the nation," both the TTU Foundation and the University are congruent in their support of the welfare of society. Furthermore, as identified in the TTU Foundation bylaws, should the Foundation cease to exist, all assets are thereby transferred to the University [3].

The financial position of the TTU Foundation impacts the University through dollars for scholarships as well as programmatic needs of the University [7]. Because many of the funds within the Foundation are permanent endowments [8], a constant influx of income should be expected to come from the Foundation for donor-restricted purposes in line with the University's mission.

Since the Foundation is a separate entity from the University with its own charter and bylaws, the University does not bear any liability with its association to the Foundation. However, according to Article IX of the bylaws of the TTU Foundation [3], in the event that the Foundation should become a liability to the University, the President of the University, as Co-Chair of the Foundation, may unilaterally dissolve the Foundation in the best interest of the University. In the event of dissolution, the residual assets of the corporation will be turned over to the University, an agency of the State of Tennessee. Leadership of the TTU Foundation is comprised of a non-University volunteer serving as co-chair along with the University President [5]. The Executive Committee of the TTU Foundation Board of Directors, which is charged to carry out the business of the Board and on behalf of the Board, is comprised of an additional three non-University volunteer members and three University employees (total of eight members). This combination of University and non-University staff on the Executive Board ensures the appropriate check and balance and further ensures the Foundation is in line with the University's mission and priorities. The Executive Committee meets at least twice annually [9].

The University President is responsible for all fund-raising activities pursuant to Tennessee Board of Regents (TBR) guidelines [10]. By virtue of the relationship between the TTU Foundation and the University, its membership, and its agreements [1] [2], the fund-raising activities are defined in a formal manner, assuring those activities further the mission of the University.

The Role of the Agriculture Foundation for Tennessee Tech, Inc. and the University

TTU also has entered into an agreement with the Agriculture Foundation for Tennessee Tech, Inc. (hereinafter referred to as the Ag Foundation). This agreement [11] outlines the legal authority and operating responsibilities of the Ag Foundation. The agreement between the University and the Ag Foundation establishes executive officer control over the activities engaged in by the Ag Foundation and continues in full force and effect until a majority of the members vote to dissolve the corporation [12]. The Board of Directors possesses the authority to dissolve the Ag Foundation if no membership or director's meeting has been held for five consecutive years. The Ag Foundation agrees that it will not make any changes to its bylaws without a two-thirds majority vote of the Ag Foundation Board of Directors [13].

By virtue of the composition of the Executive Committee of the Ag Foundation, the dean of the College of Agriculture and Human Ecology has the legal authority to deal with the Ag Foundation [14].

The essential elements of the contractual agreement between the Ag Foundation and the University are outlined within the formal agreement between the two entities [11]. The elements involve certain services to be provided by institution employees such as gift acceptance, record keeping, and donor relations. The gifts to the Ag Foundation remain a part of the Ag Foundation and are managed outside the university, therefore causing no liability to the university.

The mission of the Ag Foundation [15] is

- To promote and advance education, research, and development in agriculture in the State of Tennessee; to receive, hold, and administer gifts and grants of capital funds, bequests, and property for the support and enhancement of the School of Agriculture of TTU with the primary object of serving the purposes other than those for which the State of Tennessee makes sufficient appropriations; and to aid TTU in its development as a leading educational institution.

In that a portion of the TTU mission states, "TTU's mission as the state's only technological university is to provide leadership and outstanding programs in engineering, the sciences, and related areas that benefit the people of Tennessee and the nation," the Ag Foundation and the University are congruent in their support of agriculture in the State of Tennessee.

The financial position of the Ag Foundation minimally impacts the University through dollars for scholarships as well as programmatic needs of the School of Agriculture.

Leadership of the Ag Foundation is comprised of a non-University volunteer serving as ex officio [14]. The Executive Committee of the Ag Foundation Board of Directors, which is charged to carry out the business of the Board and on behalf of the Board, is comprised of four non-University volunteer members and the dean of the College of Agriculture and Human Ecology. This combination of University and non-University staff on the Executive Board ensures the appropriate check and balance and further ensures the Foundation is in line with the University's mission and priorities. The Executive Committee meets regularly [16].

The University President is responsible for all fund-raising activities pursuant to Tennessee Board of Regents guidelines [10]. By virtue of the relationship between the Ag Foundation, the School of Agriculture, and the University, its membership, and its agreements, the fund-raising activities are defined in a formal manner assuring those activities further the mission of the University.

The Role of the Bryan Symphony Orchestra Association and the University

The Bryan Symphony Orchestra Association (BSOA) raises over \$150,000 annually in support of orchestral performances by the Bryan Symphony Orchestra (BSO), which includes faculty, auditioned students, and professionals from throughout Tennessee, as well as featuring soloists from throughout the world of classical music. An agreement between the University and the BSOA governs the relationship between the two entities [17]. The BSOA is controlled by an independent board outside the University [18] and is a separate 501c3 [19].

The Role of the Friends for the Appalachian Center for Crafts of Tennessee and the University

The Friends for the Appalachian Center for Crafts for Tennessee (FACCT) was established to support and extend the activities and usefulness of the Appalachian Center for Crafts. An agreement between the University and the FACCT governs the relationship between the two entities [20]. The FACCT is controlled by an independent board outside the University [18] and is a separate 501c3 [21].

Conclusion

Agreements are in place that define the relationship, legal authority, control, liability, and fund-raising activities of all related entities that provide direct or indirect support to the University. Therefore, the

Sources

-  [01] TTU Foundation Charter of Incorporation_Part_1_Item_6
-  [02] Agreement Between TTU and the TTU Foundation
-  [03] TTU Foundation Bylaws_Article_IX
-  [04] TTU Foundation Bylaws_Article_V
-  [05] TTU Foundation Bylaws_Article_III
-  [06] Gift Acceptance Procedure
-  [07] TTU Foundation Investment Policy
-  [08] TTU Foundation Letter of Agreement
-  [09] TTU Foundation Executive Committee Meeting Minutes
-  [10] Tennessee Board of Regents Solicitation and Acceptance of Gifts
-  [11] Agreement Between TTU and the Ag Foundation
-  [12] Ag Foundation Bylaws_Article_XI
-  [13] Ag Foundation Bylaws_Article_X
-  [14] Ag Foundation Bylaws_Article_VI_Section_1
-  [15] Ag Foundation Charter of Incorporation_Item_5
-  [16] Ag Foundation Meeting Minutes
-  [17] BSOA Agreement with TTU
-  [18] Snippet of the TTU Financial Statement
-  [19] BSOA IRS determination Letter
-  [20] FACCT Agreement with TTU
-  [21] FACCT IRS Determination Letter