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# Collaborating with For-Profits

## Agenda

- Who
- Possible collaboration methods
  - Contract for services
  - Joint venture
  - Combining entities (merger or acquisition)
- General charitable considerations
- Specific issues for each collaboration structure
- New partnership audit rules

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## Definitions

- Charity =
  - Nonprofit corporation;
  - Tax-exempt under 501(c)(3); and
  - Public charity
- For-profits =
  - Individuals;
  - Corporations; or
  - LLCs or partnerships

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## Possible collaboration methods

- Collaborate via contract
- Collaborate by forming a new entity (joint venture)
- Collaborate by combining (merger or acquisition)

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## First some basics

- 501(c)(3) requires:
  - Organizational test
  - Operational test, including:
    - No undue private benefit
  - No inurement (insider profit sharing)
    - Section 4958 intermediate sanctions
  - No substantial lobbying
  - No electioneering
- Charities may be subject to tax on unrelated business income

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## Private benefit

- Some private benefit is permissible
- Weighing of:
  - Benefit to charity and public
    - vs.
  - Benefit to for-profit

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## Title search: Collaborating with For-Profits

Also available as part of the eCourse

[2017 Nonprofit Organizations eConference](#)

First appeared as part of the conference materials for the  
34<sup>th</sup> Annual Nonprofit Organizations Institute session  
"Mergers, Joint Ventures, and For-Profit Subsidiaries"