San Antonio Business Development Organizations
Board Development Resources

LISC SAN ANTONIO Community Allies JPMORGAN CHASE & CO.

Effective Board Meetings for Good Governance

The best board meetings leave us focused and energized: the goal of the meeting is clear, our team is motivated, the process is smooth, and there are well-defined outcomes. Not-so-great meetings, on the other hand, drain energy and lower morale because of the perceived waste of time.

We've pulled together 10 tips and a number of resources to help you set the stage for meetings that are strategic, outcome-oriented, and productive for all. Here are our favorite meeting hacks followed by a curated list of resources for more effective board meetings (although many of these ideas apply equally to other types of meetings):

1. **Rotate which committee/board members or participants lead each section of the meeting.** Listening to a new person can help reengage board members, and being responsible for sharing information or facilitating discussion builds leadership skills.
2. **Co-create the rules of engagement** for the meetings, such as sharing meeting norms and expectations. Example: what's the expectations for the use of cell phones during meetings? If your meetings are virtual, is it acceptable for members to turn their video screen off?

3. **Send out the agenda beforehand,** so everyone knows what to expect and can prepare as necessary: basic but important! Should the board meeting agenda include an executive session (BoardSource)? Some support adding a placeholder for an executive session to each board meeting agenda, just so it's there as needed and not a "red flag" that there is a problem. Others only include it when it's clear that the board will need to meet without staff present.
4. **Give each agenda item a set time frame**. Sticking to the timeframes on the agenda consistently shows board and committee members that they, and their time, are valued.
5. **Noncontroversial items can be voted on** as part of a consent agenda to save time during the meeting for deeper discussion on more strategic issues (BoardEffect).
6. **Collect RSVPs** in advance to ensure enough people will attend to make the meeting worthwhile.
7. **Note off-agenda topics and agree to set them aside for discussion at a later date** to make sure the primary agenda is addressed first and to get participants in the habit of focusing and not being sidetracked by tangents.
8. **Use periodic self-assessment or post-meeting surveys** to ensure there is a regular feedback loop so attendees can share their views of how meetings are working for them. Use the feedback to improve meetings and help the board be most effective.
9. **Document decisions**! Board meeting minutes are legal documents; committee meeting minutes are also important, both to document institutional memory and to document whether a committee's actions created a commitment by the organization. Guidance on keeping corporate minutes (Probono Partnership).
10. If your meeting will be virtual - everyone should **test out the technology in advance of the meeting!** Make sure you offer any accommodations needed for virtual meetings.

Tips and Tools for effective meetings

- 12 ways to liven up your board meetings and your board (Gail Perry)
- 12 handy tips for running remote meetings (Hubspot)
- Four researched-based tips to maximize your meetings (Happy Brain Science)
- Working group meeting warm-ups and toolkit (Collective Impact Forum)

Related Insights & Analysis

- Board Engagement
- Board Roles and Responsibilities
- Smooth sailing into your next board meeting

Additional Resources for Effective Meetings

- Meeting and Exceeding Expectations: A Guide to Successful Board Meetings (BoardSource)
- Parliamentary Law and Practice for Nonprofit Organizations (Rosenthal)
- Virtual Board Meetings (BoardSource)
- What Makes a Board Meeting a Home Run (Joan Garry)

Thomas A. McLaughlin, Founder, McLaughlin & Associates

RED FLAGS, YELLOW FLAGS

Are Your Financial Statements Trying to Tell You Something?

Your financial reports come with warning signals. Do you know where to look for them?

Smoke detectors chirp. Automobile dashboards use an array of lights and colors. Computers flash messages in machine language. What do all of these things have in common? They are all methods of telling us when something we are using is about to stop working or go bad.

Wouldn't it be great if nonprofit organizations came equipped with built-in financial warning signals? How nice would it be if the accounting department chirped when cash was running out, or if boxes popped up on the chief executive's computer when the year's revenue is falling dangerously short of projections?

Financial statements do carry all kinds of warning signals — if you know where to look and how to interpret them. We call them red flags and yellow flags. Red flag indicators mean STOP; ask probing questions, and don't move forward until you're satisfied. Yellow flag indicators mean CAUTION; trouble may lie ahead depending on the answers to some well-formulated questions.

There are red flags and yellow flags in just about every type of financial report, but we'll concentrate on the type of financial information most board members see: the audited financial statements. This isn't an exhaustive list of flags, just a handful of the more helpful and interesting ones.

THE OPINION LETTER

An auditor's opinion letter is a rich source of red and yellow flags. It can be found just inside your audited financial statements, and is formatted like a regular letter.

The first sentence of the letter says something other than "We have audited . . . ."

An audit represents the highest level of assurance and reliability that can be given by an auditor to a nonprofit organization. If you see words such as "we have reviewed" or "we have compiled," be forewarned that the information you are about to see has not been subjected to the highest forms of testing and confirmation. In the United States, all but the smallest of nonprofits must have audits each year. Even those not required to have independent audits should strongly consider doing so, since it is the only way an organization can assure outsiders of its own accountability.

A sentence that qualifies the auditors' opinion, usually occurring somewhere in the third or fourth paragraph. The sentence may say something like "except for . . ." or "it was not possible to . . . ."

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This yellow flag means the auditor is giving a qualified opinion. It may amount to little more than a technical provision, but it could suggest deeper problems in the organization. In rare instances, it can be a "disclaimer of opinion," meaning the record keeping is so bad that the auditor is unable to give an opinion at all. Read carefully, and beware of the word "except…."

The presence of the words "going concern" toward the end of the letter.
No getting around this one — it's the auditor's equivalent of pulling a fire alarm. It means the auditor is worried that the organization may go out of business within the next 12 months.

The difference between the end of the fiscal year and the date of the letter is more than 90 days.

The difference between the end of the fiscal year and the date of the letter is more than 120 days.
The date at the bottom of the page is officially considered the last day of field work or the last day the auditor spent a significant amount of time on-site. Ordinarily, audits should be wrapped up within 90 days of the end of the fiscal year. The longer the elapsed time, the greater the cause for worry, because it may suggest the nonprofit was unable to get itself organized in time to complete the audit. Ask probing questions about the reasons for the delay. Even if there are good reasons, it means the information in the audited financial statement is stale by the time the board receives it.

THE BALANCE SHEET

After the opinion letter, you'll see the Statement of Financial Position, also called the balance sheet. A flag you may find here:

Asset imbalance
Look for the single largest number under "assets." Depending on the category of asset, you could be seeing evidence of problems. If the amount of cash on hand is large — more than, for example, 10 percent of the total yearly revenue — it may mean the organization's financial managers aren't making efficient use of their excess cash. If the amount of cash is small — 5 percent or less of the total yearly revenue — it could mean the organization is cash-starved.

If "accounts receivable" is the largest category of assets, it means the organization doesn't truly control its most valuable resource. Accounts receivable represent bills that have been sent out but not yet paid. What happens if the people or groups that received those bills never pay them? That would mean the balance sheet needs to be completely restructured, and the financial picture would look grim as a result.

RED FLAGS, YELLOW FLAGS

Are Your Financial Statements Trying to Tell You Something?

THE INCOME STATEMENT

Now move into the body of the financial statements. Look for the second page of numbers, normally titled the Statement of Activities/Income Statement.

Deficits; more expenses than revenue

You'll see parentheses around the number representing the total expenses subtracted from the total revenue. This is not a major cause for alarm, as long as the number appears manageable, but find out why there was a deficit. Is it a fluke, or yet another in a string of bad years? The answers to these questions could reassure you — or prompt you to wave a red flag instead.

THE FOOTNOTES

Finally, look at the footnotes to the financial statements. This is where you will find some juicy details. Here are a few possible flags:

Related party transactions

Not usually forbidden by law (doing so might be a restraint of trade), related party transactions can cause outsiders to question whether the organization is dealing fairly with vendors. Why did the chief executive find it necessary to award her husband that lucrative direct mail contract when there were other companies available?

High interest rates charged on short-term borrowing

Banks are pretty good at assessing risks. If they feel it is necessary to charge a high rate on a line of credit (more than about 1.25 percent over the prime rate), maybe you should be worried too.

Lawsuits against the organization

A lawsuit can devastate a nonprofit organization, even if it is unfounded. See if management's response is included in the footnote. A sad reality — the larger and more complicated your organization is, the more likely it is you will routinely have one or more active lawsuits. Check your state's liability laws. You may have more protection than you think.

Financial statements are never likely to chirp, buzz, or change colors. But they don't have to do that to be useful. They contain lots of yellow and red flags. You just have to know how to see them.

Resource: ***Understanding Nonprofit Financial Statements***

CHAPTER 3

SUPPORT AND EVALUATE THE CHIEF EXECUTIVE

Selecting the top staff person is only the beginning of what everyone hopes will be a long and productive relationship with the governing board, a relationship that will bring real achievement and long service to the organization.

The chief executive's success is linked to the board's determination to do its part to sustain an effective relationship — one marked by mutual respect on both sides and an understanding of the distinction between board and executive responsibilities that is determined, first and foremost, by open communication.

Put another way, the ideal relationship is marked by continuing candor about expectations rather than relying solely on the annual review to provide feedback. The board chair has an especially important responsibility, as does the chief executive, to provide the board with the bad news as well as the good.

The board chair's and chief executive's respect for one another's different but complementary responsibilities affects how well the board itself functions. Again, the chief executive and board chair positions are distinct and separate; their responsibilities should not be confused.

The chief executive's and chair's shared responsibilities mostly center on working together to ensure the board is functioning effectively. In the best of circumstances, they are seen by everyone as collaborating on virtually everything related to the board's agendas, committee assignments and activities, matters bearing on trustee candidate cultivation and recruitment, board retreat planning, and the like.

A SUPPORTIVE ENVIRONMENT

Providing personal and organizational support for executive leadership, periodically assessing the chief executive's performance, and acknowledging superb service through appropriate compensation are key board responsibilities as well. A high-performing board gives ongoing attention to these matters.

The only place the chief executive can look for support that really counts is in the governing board, beginning with its top elected leader — the chair. For the chair and the board, being supportive means being reasonably predictable in how they react to and address emerging problems, encouraging the chief executive to be decisive, standing by the chief executive when constituencies may not like certain decisions, providing encouragement when it may be needed, and responding to the chief executive's requests for help by being readily available.

The quality of the relationship between the board chair and chief executive cannot be overemphasized. In fact, one characteristic of a high-performing board is its record of retaining effective chief executives over time. The board chair has special responsibilities in this regard: The chair–chief executive relationship affects the executive's relationship with the entire board.

The chief executive's second line of support ordinarily comes from and through the board's executive committee, or from the board's elected leaders when the board does not have one. But make no mistake about it: The chief executive welcomes an occasional pat on the back or a word of support from any board member at any time on any successful initiative!

A subset of board members may assume special responsibility to monitor the chief executive's morale, understand the issues of greatest concern, and look for opportunities for the whole board to offer needed support through the good times and especially the difficult times — there are plenty of both! Again, the way a board's leaders react to bad news reveals their true character as well as their confidence in the chief executive.

Specifically, the board should ensure that the chief executive

- is introduced by board members to key community leaders who can assist and support the organization
- receives invitations to important social events, opening opportunities for the chief executive to speak at significant or high-profile community functions
- receives frequent, substantive, and constructive feedback (not just at the time of the annual performance review)
- has confidence that the board chair will intervene with any board members who may misunderstand or abuse their positions
- feels that on-the-job performance is being assessed fairly and appropriately, without resorting to oversimplified checklists, or rating scales
- receives compliments for exceptional initiatives; every chief executive appreciates the occasional "job well done" from board members, especially the board's leaders
- is encouraged to use professional and personal leave time for renewal
- feels that at least the board chair is aware of and sensitive to any personal situations or needs and respects the confidentiality of their private conversations about personal issues

In all of their dealings, both the chief executive and the board should do their best to adhere to the doctrine of no surprises, whether the news concerns cash-flow problems or major personnel problems. In other words, the board chair and the full board should be the first to know of any problems rather than hearing the news from others or reading about them in the newspaper. Similarly, the chief executive should know early on if the board or its leaders have concerns about staff management or leadership. The chief executive can make improvements if there is merit before little irritations or disappointments become more serious and consequential.

PRINCIPLES OF PERFORMANCE ASSESSMENT

Performance reviews for executives with long periods of service — whether they be formal, written annual reviews (recommended by BoardSource) or more casual, discussion-based reviews — work best when guided by the following four principles:

1. *The primary purpose of performance reviews is to help the chief executive perform more effectively and to proactively and constructively address any performance issues.* To keep the process healthy and constructive, compensation and contract renewal decisions should not be considered the only or primary purpose for conducting executive performance reviews.
2. The chief executive should be consulted on and comfortable with the review process.
3. The chief executive's and board's performance are interdependent — neither can be assessed completely independently. In this regard, the board should periodically and earnestly assess its own performance.
4. It is the board's responsibility to assess the chief executive's performance, which includes his or her leadership and management of the senior team and organization as a whole. It is *not* the board's responsibility to assess the performance of any staff member other than the chief executive. This point does not exclude individual board members from occasionally expressing their positive or negative comments *privately* to the chief executive concerning a staff member when appropriate, however.

PERFORMANCE REVIEWS

Evaluating the chief executive's on-the-job performance, whether through informal or formal means, can be a delicate business. To reduce the potential for confusion or misunderstandings, the board and chief executive should agree on evaluation purposes and processes. Annual goals and objectives, mutually discussed and agreed on, should serve as the primary, but not exclusive, criteria in performance reviews.

It is interesting to note, by the way, that simply relying on the chief executive's job description to provide the benchmarks or key elements for performance assessment is often found to be inadequate or even unworkable. There are several reasons for this, including the inherent limitations of typical job descriptions that generally fail to capture what really characterizes effective organizational leadership. Although efforts to improve such job descriptions may be a laudable effort in this regard, the larger point made here is that leadership is difficult to reduce to a job description for the purpose of performance assessment. The qualities that distinguish effective leaders from ineffective leaders in certain circumstances, for example, are not found in simple checklists. There are special challenges accompanying the board's responsibility to assess the chief executive properly, effectively, and sensitively, lest the process do more harm than good to the position or its incumbent.

In the end, although we may not be able to precisely define what outstanding leadership is, we know it when we see it! Let's admit that this very subjective process is more art than science, more human than anything else. We can and should use various objective measures or strategic indicators of the organization's progress on its financial condition, for example, as part of the assessment process — but whether a leader stays or goes often hangs on much more subtle factors.

Annual Review

Although the board chair usually leads the annual review process, she or he may designate another senior board member to take the lead, on behalf of the executive committee or with an ad hoc committee specifically charged with conducting the performance review and recommending possible compensation adjustments. The committee's chair should provide an opportunity for all board members to submit written comments with assurances that they will be held confidential and without attribution.

The annual review process should center primarily on the annual goals mutually and previously agreed upon by the board and the executive. The chief executive should prepare a candid and confidential report, first for the board committee responsible for conducting the process that may subsequently be provided to the full board, perhaps with its own report. The report should present a review of the preceding year with explicit reference to the annual goals — those achieved and those that were frustrated. In effect, it is the chief executive's statement on the condition of the organization and calls attention to noteworthy issues and achievements. The report should also suggest new and perhaps some continuing goals that the chief executive believes the board should consider for the next 12 months — appropriately linked to the organization's current plan and priorities, of course.

Boards should be cautious to avoid overly simplistic or generic assessments that risk focusing feedback on general impressions, rather than substantive results and leadership characteristics and aptitude. Board members should offer their feedback on the chief executive's most noteworthy achievements and be asked to identify areas in which the chief executive could improve. The board chair (or designee) should present a summary of major themes and points of consensus to the committee, *after sharing feedback personally with the chief executive.*

At a meeting with the chief executive, the chair uses the board's feedback, coupled with the executive's written report, as the basis for a good conversation. It eventually turns to each of the executive's proposed goals, which are then adopted, clarified, amended, or expanded based on previous input from the board. Subsequently, the chief executive's report and agreed-upon goals should be sent to all board members with an invitation to offer any further comments to the board chair. Thereafter, the committee can proceed with private conversations about possible compensation adjustments.

All board members understandably expect to hear about the results of the performance review process, as well as compensation adjustments, in executive session. This should be done by the board chair or appropriate committee chair in reasonable detail, and he or she should be able to respond to any questions that may be asked. Board leaders who fail to ensure that this is done at the appropriate time will usually wish they had!

Comprehensive Review

A comprehensive review process is ordinarily reserved for chief executives who have served for at least three years, but more likely five or so years. Timing is often tied to major extensions of employment agreements, if applicable. The comprehensive review process, with the chief executive's consent (especially if it is not included in an employment agreement), should invite the participation and views of at least senior staff and often includes others who represent key stakeholder groups, such as constituencies, program and service users, donors, and community leaders.

When budgets permit, consider retaining an experienced and qualified consultant to conduct the process, someone mutually agreeable to the chief executive and the board's leaders. This investment is especially worthwhile when the governing board and the chief executive are prepared to make a commitment to one another for an extended period. In any case, it is not a good practice for board members to conduct interviews of staff members about their chief executive's performance if they expect candor and to avoid awkwardness for themselves and those interviewed.

The Compensation Question

A good performance review process helps to inform compensation adjustments. However, it is also important to remember the Internal Revenue Service's "safe harbor" measures if an organization comes under scrutiny about possible "excessive compensation." The IRS expects all nonprofit, tax-exempt organizations to demonstrate that, when setting the chief executive's compensation, they have studied compensation levels at similar-mission organizations, documented the findings, and ensured that the final decision was made by individuals who did not have a personal stake in the results.

Moreover, the IRS may penalize both the organization and board members personally if it finds that decisions were made to provide what is deemed excessive total compensation (not just base pay). As a result, familiarity with evolving IRS rules and guidelines — terms such as "safe harbor" and "intermediate sanctions" — is essential in all tax-exempt nonprofit organizations. Although there may be little probability of running afoul of federal regulations in this area, especially in organizations with modest operating budgets, being ignorant of them is never a viable defense.

Consider adopting these good practices:

- At least every other year, obtain reliable comparable compensation and benefit data from peer organizations of comparable size and missions in order to benchmark the range of practices. The comparison group need not be only nonprofit organizations, but those data are most relevant for most organizations.
- Ensure every board member — not just those who might ask — knows the details of the chief executive's total compensation. Regardless of who negotiates the compensation package, *the majority or all* of the board's members should be comfortable with the decisions. In some organizations, the full board approves the appropriate committee's detailed recommendations concerning the chief executive's total

compensation package. In others, an executive committee formally approves the details of the final compensation, having been delegated this authority by the board in the bylaws or a separate standing policy. But the full board should always be informed about the process employed and the general outcomes of both the performance review and compensation decisions. It is a best practice for annual adjustments to the chief executive's compensation package to be approved by the governing board and its action *(not the details)* properly recorded in its minutes.

- Document in official records the details of how the performance and compensation reviews were conducted. Include such information as what comparative compensation data were used and the names of the board members who participated. In the event of an audit, this documentation will be required.

- Ensure that all compensation, including taxable benefits, appears on the IRS W-2 forms. Incidentally, basing part of total compensation on bonuses for meeting certain pre-determined criteria — a commonplace practice in the for-profit sector — is permissible, although often controversial, in nonprofit organizations. Take great care if using bonuses; seek professional advice to ensure the organization does not inadvertently ignore evolving IRS rules.

For more on chief executive performance reviews and compensation practices, see *Legal Responsibilities of Nonprofit Boards* and *Structures and Practices of Nonprofit Boards,* Books 2 and 6 in the BoardSource Governance Series.

SAMPLE BOARD CULTURE AND WAYS OF WORKING POLICIES

Board Culture
ABCD NON-PROFIT's board will conduct meetings and other board activities in a way that give board members the rewards of collegiality, discussion of interesting and important topics, connection with who and what is important for the neighborhood's future, and effective tools for advancing our important work.

The ABCD NON-PROFIT board will conduct its affairs with these principles:

- A sense of mutual respect, trust and inclusiveness among board members.
- The ability to explore divergent views in a respectful manner.
- The awareness that once a board member has spoken, those who haven't yet had the opportunity to do so are given priority to speak before she/he speaks again. All board members are strongly encouraged to speak up if their opinion on an issue has not already been put forth by someone else.
- A willingness to gather relevant information to inform decisions.
- Equal access to information.
- An individual and collective commitment to decisions, plans of action, and accountability to follow through on the board's agreements.
- Seek and respect the opinion or recommendation of staff.
- We encourage the nonconformist and the hard questioning of ideas, but never a personal attack.

If these principles have been adhered to, we should always be able to answer these following questions affirmatively after a vote:

- I was able to voice my viewpoint
- I believe that the other board members understood my viewpoint
- I believe that I understood the other board members' viewpoint
- Whether or not I prefer this decision, I support it because the board came to it in an open, fair and inclusive manner.

Rudeness, aggressiveness, and hostile behavior have no place our boardroom. We work as a team and each member of the team must contribute to creating a conducive atmosphere for deliberation and decision-making. This does not mean that tough questions and differing opinions must be subdued — on the contrary. However, when rude behavior prevents us from doing our job, something must be done. The chair of the board should do the following:

Should unproductive behavior prevent us from doing our job, the president of the board should do the following:

- Ensure that all opinions on issues are welcome.
- Focus the discussion on key board issues. Immediately stop negative personal comments or insinuations and veer the discussion back to issues.
- Have private discussions with board members as needed to find out what the reasons for unproductive behavior might be and ensure that the principles are followed.

We are all committed to making these principles of our culture not just held principles but operational principles. When our behavior falls short of our principles, we apologize, and we move forward with grace.

One Voice
It is the board as a body that speaks for the board, not each board member except as he or she contributes to the final board product. Hence, board practices must recognize that it is the board, not board members, who have authority. The board speaks authoritatively when it passes an official motion at a properly constituted meeting. Statements by board members have no authority. In other words, the board speaks

with one voice or not at all. The "one voice" principle makes it possible to know what the board has said, and what it has not said.

Board Decision-Making Model (*adapted from Zingermans*)

- The board is considered to be in agreement if all members present are at least 80% satisfied with a decision. They lend their consensus by being 100% committed to living by the decision and 100% committed to supporting it in the future.
- If a member can't support a decision 80%, they must provide a viable alternative for the group to vote on.
- If a simple majority of the board does not agree with the alternate proposal, the board moves forward with 100% support of the decision.
- Board members should be alerted to significant decisions, and provided with materials to review, in advance of the board meeting at which the discussion will be held. Alternate proposals should also be given time for consideration and may need to be held for a vote until the next board meeting.
- The board speaks with one voice or not at all. Board members have a duty of loyalty to the organization and must publicly support decisions made by the board, including programs, staff, policy, and goals.

Board Grievance

As part of its duties, the Board Development Committee (BDC) will serve as a fair and impartial hearing body for ABCD Non-Profit Board member grievances and disciplinary actions. Unofficially, board members are encouraged to speak to a BDC member at any time with concerns about the board. Official grievances must be in writing, either mailed or e-mailed, to the one or the entire Grievance Board member(s).

Once a written grievance notification is received, the BDC will identify the issue(s), gather information and review the facts. A meeting may be held to discuss the issues in dispute but a meeting is not required. The grievant will hear a response from a BDC member within 7 business days. The response will address the issue(s) and the relief requested. If the grievant finds the response from the BDC unsatisfactory, s/he may petition the executive committee for further action.

Accountability

At ABCD NON-PROFIT we hold ourselves accountable as not just problem namers but also problem solvers. Each one of us is individually accountable for seeing problems, naming them, and being actively involved in solving them. We strive to avoid procrastination, finger-pointing, and assigning responsibility to others.

"Two Hats" of Board Service

As Board members of ABCD NON-PROFIT, we may often be involved in a program activity as an assistant to staff. It is important to know which "hat" we are wearing when we are involved with the organization.

The board member hat:

> Example: The events committee creates a recommendation about an event it believes is no longer serving its purpose.
>
> When a Board member participates in this kind of committee, the recommendations would go back to the Board for potential new policy creation. The executive director would need to follow the guidance of the Board's policy and s/he 'works for' the whole Board.

The staff assistant hat:

> Example: A task force is formed to help organize an event.
>
> When a Board member acts as a volunteer for the work of the organization, the Board member in effect has a staff assistant 'hat' on and 'works for' the ED of the organization.

Racial Equity Commitment
(adapted from the Wallace Center and Common Future)
ABCD NON-PROFIT commits to centering anti-racism, racial equity, and inclusion in our programs, operations, culture, and metrics of success. We manifest this commitment by:

- Being explicit about the history and enduring impacts of racism on [INSERT SERVICE AREA, POPULATIONS SERVED], creating spaces for open dialogue, feedback, discovery, and shared learning on race and racism
- Amplifying the voices of communities of color, deliberately centering representation of people and organizations that have been previously under-resourced and under-recognized
- Shifting power and resources to historically disinvested communities so that they can own, transform, and create wealth in ways that best serve their interests
- Upholding an intersectional approach to diversity including recruiting across race, class, and other identities within all levels of our organization and work
- Creating an institutional culture that celebrates our shared humanity and cultivates empathy, humility, and accountability
- Developing metrics that track the impact of its initiatives on communities of color and measure systemic change

<u>Appendix C</u> **- Basic requirements of the Board of Directors form**

Basic requirements of the Board of Directors of the ABCD NON-PROFIT
In addition to the basic legal and fiduciary responsibilities outlined by the State of Illinois (see Appendix A), directors will promote and support the member businesses of the ABCD NON-PROFIT through:

- **Preparation for and attendance at board meetings**
  There are ten board meetings per year plus a board dinner. Directors should attend monthly meetings and may not miss more than three meetings per year. A complete schedule of meetings is distributed at the beginning of the year, or at the start of the board member's term. Directors should arrive at meetings prepared, having reviewed materials sent to them in advance.

- **Attendance at other key ABCD Non-Profit functions**
  Board members should attend ABCD NON-PROFIT's annual meeting/board elections and ABCD NON-PROFIT's annual member party, and should make best efforts to attend other periodic community meetings called by ABCD NON-PROFIT throughout the year.

- **Fundraising**
  Each ABCD Non-Profit director is expected to contribute or raise a minimum of $XXX annually. Directors should also create or provide relationships and connections to

- **Committee and task force participation**
  Each director should actively participate (attend meetings and contribute to activities) in at least one of the ABCD Non-Profit's ongoing committees and task forces. These include: XXXXX.

- **Event assistance**
  Directors should devote at least ten total hours of volunteer time helping to run the ABCD Non-Profit's yearly fundraising & promotional activities, including XXXX.

- **Ambassadorship**
  Directors should assist with outreach, member support, communications, and goodwill by acting as ambassadors for ABCD NON-PROFIT programs, reaching out to members, clients, funders, and other constituents.

Directors who are unable to meet these basic requirements may be asked to relinquish their board seat. Board members who are having difficulty meeting the requirements should contact the board chair or a member of the Board Development Committee for assistance.

I have reviewed the requirements, and I agree to take on these responsibilities as a board member of the ABCD NON-PROFIT.

____________________________	______________________________	____________
Signed	Print name	Date

Policy for Board Approval of Compensation
Sample

The Executive Director of ABC Nonprofit (the "Nonprofit") is the principal representative of ABC Nonprofit, and the person responsible for the efficient operation of the Nonprofit. Therefore, it is the desire of the Nonprofit to provide a fair yet reasonable and not excessive compensation for the Executive Director (and any other highly compensated employees and consultants).

The annual process for determining compensation is as follows: The Nonprofit shall [either the full board or a compensation committee/executive committee] annually evaluate the Executive Director on his/her performance, and ask for his/her input on matters of performance and compensation.

Board Approval: The [human resource or executive committee] will obtain research and information to make a recommendation to the full board for the compensation (salary and benefits) of the Executive Director (and other highly compensated employees or consultants) based on a review of comparability data. For example, the [human resource/executive/compensation] Committee will secure data that documents compensation levels and benefits for similarly qualified individuals in comparable positions at similar organizations. This data may include the following:

1. Salary and benefit compensation studies by independent sources;
2. Written job offers for positions at similar organizations;
3. Documented telephone calls about similar positions at both nonprofit and for-profit organizations; and
4. Information obtained from the IRS Form 990 filings of similar organizations.

Concurrent Documentation: To approve the compensation for the Executive Director (and other highly compensated employees and consultants) the board must document how it reached its decisions, including the data on which it relied, in minutes of the meeting during which the compensation was approved. Documentation will include:

1. A description of the compensation and benefits and the date it was approved;
2. The members of the board who were present during the discussion about compensation and benefits, and the results of the vote;

3. A description of the comparability data relied upon and how the data was obtained; and
4. Any actions taken (such as abstaining from discussion and vote) with respect to consideration of the compensation by anyone who is otherwise a member of the board but who had a conflict of interest with respect to the decision on the compensation and benefits.

Independence in Setting Compensation: The Chair of the board of directors, who is a volunteer and not compensated by the Nonprofit, will operate independently without undue influence from the Executive Director.

No member of the Executive or Human Resources Committee will be a staff member, the relative of a staff member, or have any relationship with staff that could present a conflict of interest.

Date approved:

This conflict of interest policy is designed to help Directors, officers and employees of the NONPROFIT ORGANIZATION identify situations that present potential conflicts of interest and to provide a procedure which, if observed, will allow a transaction to be treated as valid and binding even though a director, officer or employee has or may have a conflict of interest with respect to the transaction. The policy is intended to comply with the procedure prescribed in Texas Non-Profit Corporation Act, Art. 1396-2.30 , governing conflicts of interest for directors of nonprofit corporations. In the event there is an inconsistency between the requirements and procedures prescribed herein and those in Art. 1396-2.30, the statute shall control.

1. Conflict of Interest Defined. For purposes of this policy, the following circumstances shall be deemed to create Conflicts of Interest:

A. Outside Interests.

(i) A Contract or Transaction between NONPROFIT ORGANIZATION and a Responsible Person or Family Member.

(ii) A Contract or Transaction between NONPROFIT ORGANIZATION and an entity in which a Responsible Person or Family Member has a Material Financial Interest or of which such person is a director, officer, agent, partner, associate, director, personal representative, receiver, guardian, custodian, conservator or other legal representative.

B. Outside Activities.

(i) A Responsible Person competing with NONPROFIT ORGANIZATION in the rendering of services or in any other Contract or Transaction with a third party.

(ii) A Responsible Persons having a Material Financial Interest in; or serving as a director, officer, employee, agent, partner, associate, director, personal representative, receiver, guardian, custodian, conservator or other legal representative of, or consultant to; an entity or individual that competes with NONPROFIT ORGANIZATION in the provision of services or in any other Contract or Transaction with a third party.

C. Gifts, Gratuities and Entertainment. A Responsible Person accepting gifts, entertainment or other favors from any individual or entity that:

(i) does or is seeking to do business with, or is a competitor of NONPROFIT ORGANIZATION; or

(ii) has received, is receiving or is seeking to receive a loan or grant, or to secure other financial commitments from NONPROFIT ORGANIZATION;

(iii) is a charitable organization operating in the United States of America;

Under circumstances where it might be inferred that such action was intended to influence or possibly would influence the Responsible Person in the performance of his or her duties. This does not preclude the acceptance of items of nominal or insignificant value or entertainment of nominal or insignificant value which are not related to any particular transaction or activity of NONPROFIT ORGANIZATION.

2. Definitions.

A. A "Conflict of Interest" is any circumstance described in Part 1 of this Policy.

B. A "Responsible Person" is any person serving as an officer, employee or member of the Board of Directors of NONPROFIT ORGANIZATION.

C. A "Family Member" is a spouse, parent, child or spouse of a child, brother, sister, or spouse of a brother or sister, of a Responsible Person.

D. A "Material Financial Interest" in an entity is a financial interest of any kind, which, in view of all the circumstances, is substantial enough that it would, or reasonably could, affect a Responsible Person's or Family Member's judgment with respect to transactions to which the entity is a party.

E. A "Contract or Transaction" is any agreement or relationship involving the sale or purchase of goods, services, or rights of any kind, the providing or receipt of a loan or grant, the establishment of any other type of pecuniary relationship, or review of a charitable organization by NONPROFIT ORGANIZATION. The making of a gift to NONPROFIT ORGANIZATION is not a Contract or Transaction.

3. Procedures.

A. Prior to board or committee action on a Contract or Transaction involving a Conflict of Interest, a director or committee member having a Conflict of Interest and who is in attendance at the meeting shall disclose all facts material to the Conflict of Interest. Such disclosure shall be reflected in the minutes of the meeting.

B. A director or committee member who plans not to attend a meeting at which he or she has reason to believe that the board or committee will act on a matter in which the person has a Conflict of Interest shall disclose to the chair of the meeting all facts material to the Conflict of Interest. The chair shall report the disclosure at the meeting and the disclosure shall be reflected in the minutes of the meeting.

C. A person who has a Conflict of Interest shall not participate in or be permitted to hear the board's or committee's discussion of the matter except to disclose material facts and to respond to questions. Such person shall not attempt to exert his or her personal influence with respect to the matter, either at or outside the meeting.

D. A person who has a Conflict of Interest with respect to a Contract or Transaction that will be voted on at a meeting shall not be counted in determining the presence of a quorum for purposes of the vote. The person having a conflict of interest may not vote on the Contract or Transaction and shall not be present in the meeting room when the vote is taken, unless the vote is by secret ballot. Such person's ineligibility to vote shall be reflected in the minutes of the meeting. For purposes of this paragraph, a member of the Board of Directors of NONPROFIT ORGANIZATION has a Conflict of Interest when he or she stands for election as an officer or for re-election as a member of the Board of Directors.

E. Responsible Persons who are not members of the Board of Directors of NONPROFIT ORGANIZATION, or who have a Conflict of Interest with respect to a Contract or Transaction that is not the subject of Board or committee action, shall disclose to the Chair or the Chair's designee any Conflict of Interest that such Responsible Person has with respect to a Contract or Transaction. Such disclosure shall be made as soon as the Conflict of Interest is known to the Responsible Person. The Responsible Person shall refrain from any action that may affect NONPROFIT ORGANIZATION's participation in such Contract or Transaction.

In the event it is not entirely clear that a Conflict of Interest exists, the individual with the potential conflict shall disclose the circumstances to the Chair or the Chair's designee, who shall determine whether there exists a Conflict of Interest that is subject to this policy.

4. Confidentiality. Each Responsible Person shall exercise care not to disclose confidential information acquired in connection with such status or information the disclosure of which might be adverse to the interests of NONPROFIT ORGANIZATION. Furthermore, a Responsible Person shall not disclose or use information relating to the business of NONPROFIT ORGANIZATION for the personal profit or advantage of the Responsible Person or a Family Member.

5. Review of policy.

A. Each new Responsible Person shall be required to review a copy of this policy and to acknowledge in writing that he or she has done so.

B. Each Responsible Person shall annually complete a disclosure form identifying any relationships, positions or circumstances in which the Responsible Person is involved that he or she believes could contribute to a Conflict of Interest arising. Such relationships, positions or circumstances might include service as a Director of or consultant to a nonprofit organization, or ownership of a business that might provide goods or services to NONPROFIT ORGANIZATION.

Any such information regarding business interests of a Responsible Person or a Family Member shall be treated as confidential and shall generally be made available only to the Chair, the President, and any committee appointed to address Conflicts of Interest, except to the extent additional disclosure is necessary in connection with the implementation of this Policy.

C. This policy shall be reviewed annually by each member of the Board of Directors. Any changes to the policy shall be communicated immediately to all Responsible Persons.

Conflict of Interest Information Form

NAME ____________________________

DATE ____________________________

Please describe below any relationships, positions, or circumstances in which you are involved that you believe could contribute to a Conflict of Interest (as defined in NONPROFIT ORGANIZATION's Policy on Conflicts of Interest) arising.

1. ____

2. ____

3. ____

I hereby certify that the information set forth above is true and complete to the best of my knowledge. I have reviewed, and agree to abide by, the Policy of Conflict of Interest of NONPROFIT ORGANIZATION that is currently in effect.

Signature: _________________________

Date: _____________________

The policy is intended to comply with the procedure prescribed in Texas Non-Profit Corporation Act, Art. 1396-2.30 , governing conflicts of interest for directors of nonprofit corporations.

SAMPLE
Gift Acceptance Policies

SAMPLE #1

1. [Name of Nonprofit] solicits and accepts gifts that are consistent with its mission and that support its core programs, as well as special projects.
2. Donations and other forms of support will generally be accepted from individuals, partnerships, corporations, foundations, government agencies, or other entities, subject to the following limitations:
   a. [describe limitations here, such as delivered to the agency, new or nearly new condition, proof of ownership.]
3. Gifts of Real Property, Personal Property or Securities may only be accepted upon approval of the [name of appropriate reviewing body, such as the nonprofit's Finance Committee].

SAMPLE #2

1. [Organization Name] solicits and accepts gifts that are consistent with its mission.
2. Donations will generally be accepted from individuals, partnerships, corporations, foundations, government agencies, or other entities, without limitations.
3. In the course of its regular fundraising activities, [Organization Name] will accept donations of money, real property, personal property, stock, and in-kind services.
4. Certain types of gifts must be reviewed prior to acceptance due to the special liabilities they may pose for [Organization Name]. Examples of gifts which will be subject to review include gifts of real property, gifts of personal property, and gifts of securities.

SAMPLE #3
[in the format of a corporate resolution]

Whereas [Organization Name] actively solicits gifts and grants to further the mission of the organization, and

Whereas there is the potential for controversy if certain gifts are accepted, the organization has adopted the following Gift Acceptance Policy:

When considering whether to solicit or accept gifts, the organization will consider the following factors:

- Values—whether the acceptance of the gift compromises any of the core values of [Organization Name]
- Compatibility—Whether there is compatibility between the intent of the donor and the organization's use of the gift
- Public Relationships—whether acceptance of the gift damage the reputation of [Organization Name]
- Primary Benefit—whether the primary benefit is to [Organization Name], versus the donor
- Consistency—is acceptance of the gift consistent with prior practice?
- Form of Gift—Is the gift offered in a form that [Organization Name] can use without incurring substantial expense or difficulty?
- Effect on Future Giving—Will the gift encourage or discourage future gifts?

All decisions to solicit and/or accept potentially controversial gifts will be made by the Executive Committee of the Board in consultation with the Executive Director. The primary consideration will be the impact of the gift on the organization.

SAMPLE #4

[Organization Name] solicits and accepts gifts for purposes that will help the organization further and fulfill its mission. [Organization Name] urges all prospective donors to seek the assistance of personal legal and financial advisors in matters relating to their gifts, including the resulting tax and estate planning consequences. The following policies and guidelines govern acceptance of gifts made to [Organization Name] for the benefit of any of its operations, programs or services.

Use of Legal Counsel—[Organization Name] will seek the advice of legal counsel in matters relating to acceptance of gifts when appropriate. Review by counsel is recommended for:

A. Gifts of securities that are subject to restrictions or buy-sell agreements.
B. Documents naming [Organization Name] as trustee or requiring [Organization Name] to act in any fiduciary capacity.
C. Gifts requiring [Organization Name] to assume financial or other obligations.
D. Transactions with potential conflicts of interest.
E. Gifts of property which may be subject to environmental or other regulatory restrictions.

Restrictions on Gifts—[Organization Name] will not accept gifts that (a) would result in [Organization Name] violating its corporate charter, (b) would result in [Organization Name] losing its status as an IRC § 501(c)(3) not-for-profit organization, (c) are too difficult or too expensive to administer in relation to their value, (d) would result in any unacceptable consequences for [Organization Name], or (e) are for purposes outside [Organization Name]'s mission. Decisions on the restrictive nature of a gift, and its acceptance or refusal, shall be made by the Executive Committee, in consultation with the Executive Director.

Gifts Generally Accepted Without Review—

- *Cash*. Cash gifts are acceptable in any form, including by check, money order, credit card, or on-line. Donors wishing to make a gift by credit card must provide the card type (e.g., Visa, MasterCard, American Express), card number, expiration date, and name of the card holder as it appears on the credit card.
- *Marketable Securities*. Marketable securities may be transferred electronically to an account maintained at one or more brokerage firms or delivered physically with the transferor's endorsement or signed stock power (with appropriate signature guarantees) attached. All marketable securities will be sold promptly upon receipt unless otherwise directed by [Name of Organization]'s Investment Committee. In some cases marketable securities may be restricted, for example, by applicable securities laws or the terms of the proposed gift; in such instances the decision whether to accept the restricted securities shall be made by the Executive Committee.
- *Bequests and Beneficiary Designations under Revocable Trusts, Life Insurance Policies, Commercial Annuities and Retirement Plans*. Donors are encouraged to make bequests to [Organization Name] under their wills, and to name [Organization Name] as the beneficiary under trusts, life insurance policies, commercial annuities and retirement plans.
- *Charitable Remainder Trusts*. [Organization Name] will accept designation as a remainder beneficiary of charitable remainder trusts.
- *Charitable Lead Trusts*. [Organization Name] will accept designation as an income beneficiary of charitable lead trusts.

Gifts Accepted Subject to Prior Review—Certain forms of gifts or donated properties may be subject to review prior to acceptance. Examples of gifts subject to prior review include, but are not limited to:

- *Tangible Personal Property*. The Executive Committee shall review and determine whether to accept any gifts of tangible personal property in light of the following considerations: does the property further the organization's mission? Is the property marketable? Are there any unacceptable restrictions imposed on the property? Are there any carrying costs for the property for which the organization may be responsible? Is the title/provenance of the property clear?
- *Life Insurance*. [Organization Name] will accept gifts of life insurance where [Organization Name] is named as both beneficiary and irrevocable owner of the insurance policy. The donor must agree to pay, before due, any future premium payments owing on the policy.
- *Real Estate*. All gifts of real estate are subject to review by the Executive Committee. Prior to acceptance of any gift of real estate other than a personal residence, [Organization Name] shall require an initial environmental review by a qualified environmental firm. In the event that the initial review reveals a potential problem, the organization may retain a qualified environmental firm to conduct an environmental audit. Criteria for acceptance of gifts of real estate include: Is the property useful for the organization's purposes? Is the property readily marketable? Are there covenants, conditions, restrictions, reservations, easements, encumbrances or other limitations associated with the property? Are there carrying costs (including insurance, property taxes, mortgages, notes, or the like) or maintenance expenses associated with the property? Does the environmental review or audit reflect that the property is damaged or otherwise requires remediation?

ABC, Inc.

Policy Number: ___
Investment Policy
Date of Board Resolution:

Purpose

This policy establishes investment objectives, policies, guidelines and eligible securities related to all assets held by ABC, INC., and/or any of our subsidiary corporations, primarily for investment purposes. ('institutional funds") In doing so the policy:

- clarify the delegation of duties and responsibilities concerning the management of institutional funds.
- identifies the criteria against which the investment performance of the organization's investments will be measured.
- communicates the objectives to the Board, staff, investment managers, brokers, donors and funding sources that may have involvement.
- confirms policies and procedures relative to the expenditure of institutional funds.
- serves as a review document to guide the ongoing oversight of the management of the organizations' investments.

Delegation of Responsibilities

The Board of Directors has a direct oversight role regarding all decisions that impact ABC, INC.'s institutional funds. The Board has delegated supervisory responsibility for the management of our institutional funds to the (Oversight Committee Name). Specific responsibilities of the various bodies and individuals responsible for the management of our institutional funds are set forth below:

Responsibilities of the Board

The Board shall ensure that its fiduciary responsibilities concerning the proper management of ABC, INC.'s institutional funds are fulfilled through appropriate investment structure, internal and external management, and portfolio performance consistent with all policies and procedures. Based on the advice and recommendations of the (Oversight Committee Name), the Board shall:

- select, appoint and remove members of the Committee.
- approve investment policies and objectives that reflect the long-term investment-risk orientation of the endowment.

Responsibilities of the (Oversight Committee Name)

Members of the (Oversight Committee Name) are not held accountable for less than desirable outcomes, rather for adherence to procedural prudence, or the process by which decisions are made in respect to endowment assets. In consideration of the foregoing, the Committee is responsible for the development, recommendation, implementation and maintenance of all policies relative to ABC, INC.'s institutional funds an shall:

- develop and/or propose policy recommendations to the Board with regard to the management of all institutional funds.

- recommend long-term and short-term investment policies and objectives for our institutional funds, including the study and selection of asset classes, determining asset allocation ranges, and setting performance objectives.
- determine that institutional funds are prudently and effectively managed with the assistance of management and any necessary investment consultants and/or other outside professionals, if any.
- monitor and evaluate the performance of all those responsible for the management of institutional funds.
- recommend the retention and/or dismissal of investment consultants and/or other outside professionals.
- receive and review reports from management, investment consultants and/or other outside professionals, if any.
- periodically meet with management, investment consultants and/or other outside professionals management, investment consultants and/or other outside professionals.
- convene regularly to evaluate whether this policy, investment activities, risk management controls and processes continue to be consistent with meeting the goals and objectives set for the management of institutional funds.

Responsibilities of Management

Management shall be responsible for the day-to-day administration and implementation of policies established by the Board and/or the (Oversight Committee Name) concerning the management of institutional funds. Management shall also be the primary liaison between any investment consultants and/or other outside professionals that may be retained to assist in the management of such funds. Specifically, management shall:

- oversee the day-to-day operational investment activities of all institutional funds subject to policies established by the Board and/or the (Oversight Committee Name).
- contract with any necessary outside service providers, such as: investment consultants, investment managers, banks, and/or trust companies and/or any other necessary outside professionals.
- ensure that the service providers adhere to the terms and conditions of their contracts; have no material conflicts of interests with the interests of ABC, INC.; and, performance monitoring systems are sufficient to provide the (Oversight Committee Name)with timely,
- accurate and useful information.
- regularly meet with any outside service providers to evaluate and assess compliance with investment guidelines, performance, outlook and investment strategies; monitor asset allocation and rebalance assets, as directed by the (Oversight Committee Name)and in accordance with approved asset allocation policies, among asset classes and investment styles; and, tend to all other matters deemed to be consistent with due diligence with respect to prudent management of institutional funds.
- comply with official accounting and auditing guidelines regarding due diligence and ongoing monitoring of investments, especially alternative investments. Prepare and issue periodic status reports to the Board and the (Oversight Committee Name).

Investment Considerations

In accordance with ABC, INC.'s understanding of NYPMIFA, the (Oversight Committee Name) must consider the purposes of both ABC, INC. and our assets in managing and investing institutional funds. All individuals responsible for managing and investing ABC, INC.'s institutional funds must do so in good faith and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances. In making any decision relative to the expenditure of institutional funds, each of the following factors must be considered, and properly documented, in the minutes or other records of the applicable decision-making body:

1. general economic conditions;
2. possible effect of inflation or deflation;
3. expected tax consequences, if any, of investment decisions or strategies;
4. the role that each investment or course of action plays within the overall investment portfolio of the fund;
5. expected total return from the income and appreciation of investments;
6. other resources of the organization;
7. the needs of the organization and the fund to make distributions and preserve capital; and,
8. an asset's special relationship or special value, if any, to the organization's purposes.

Guidelines for Investing

The investment goal of the total return fund is to achieve a total return (income and appreciation) of 5% after inflation, over a full market cycle (3-5 years). The following guidelines apply to the three main investment asset classes:

***Money Market Funds*: Allowable range: Minimum 5%; Maximum 45% of total assets**

A quality money market fund will be utilized for the liquidity needs of the portfolio whose objective is to seek as high a current income as is consistent with liquidity and stability of principal. The fund will invest in "money market" instruments with remaining maturates of one year or less, that have been rated by at least one nationally recognized rating agency in the highest category for short-term debt securities. If non-rated, the securities must be of comparable quality.

***Equities*: Allowable Range- Minimum 20%; Maximum 60% of total assets**

The equity component of the portfolio will consist of high-quality equity securities traded on the New York, NASDAQ or American Stock exchanges. The securities must be screened for above average financial characteristics such as price-to-earnings, return-on-equity, debt-to-capital ratios, etc.

No more than 5% of the equity portion of the account will be invested in any one issuer. As well, not more than 20% of the equity portion of the account will be invested in stocks contained within the same industry.

It is acceptable to invest in an equity mutual fund(s) adhering to the investment characteristics identified above, as long as it is a no-load fund, without 12(b)(1) charges, which maintains an expense ratio consistent with those other funds of similar investment styles as measured by the Lipper and/or Morningstar rating services.

Prohibited equity investments include: initial public offerings, restricted securities, private placements, derivatives, options, futures and margined transactions.

Exceptions to the prohibited investment policy may be made only when assets are invested in a Mutual Fund(s) that periodically utilizes prohibited strategies to mitigate risk and enhance return.

***Fixed Income*: Allowable Range- Minimum 35%; Maximum 75% of total assets**

Bond investments will consist solely of taxable, fixed income securities that have an investment-grade rating (BBB or higher by Standard & Poor's and Baa or higher by Moody's) that possess a liquid secondary market. If the average credit quality rating disagrees among the two rating agencies, then use the lower of the two as a guideline.

No more that 5% of the fixed income portfolio will be invested in corporate bonds of the same issuer. As well, not more than 20% of the fixed income portfolio will be invested in bonds of issuers in the same industry.

The maximum ***average maturity*** of the fixed income portfolio will be 10 years, with not more than 25% of the bond portfolio maturing in more than 10 years.

Prohibited securities include: private placements, derivatives (other than floating-rate coupon bonds), margined transactions and foreign denominated bonds.

Exceptions to the prohibited investment policy may be made only when assets are invested in a Mutual Fund(s) that periodically utilizes prohibited strategies to mitigate risk and enhance return.

Performance Measurements Standards
The benchmarks to be used in evaluating the performance of the two main asset classes will be:

- **Equities:** *S&P 500 Index*- Goal: exceed the average annual return of the index over a full market cycle (3-5 years)

- **Fixed Income:** *Lehman Brothers Government/Corporate Index*- Goal: exceed the average annual return of the index over a full market cycle (3-5 years).

It will be the responsibility of the (Oversight Committee Name)of the Board of Directors to regularly review the performance of the investment account and investment policy guidelines, and report to the Board of Directors at least quarterly with updates and recommendations as needed.

Expenditure Considerations
The Board of Directors and the (Oversight Committee Name) are responsible for the establishment of a balanced reserve fund spending policy to: (a) ensure that over the medium-to-long term, sufficient investment return shall be retained to preserve and grow its economic value as a first priority; and, (b) to provide funds for the annual operating budget in an amount which is not subject to large fluctuations from year-to-year to the extent possible.

Expenditure of Institutional Funds
All decisions relative to the expenditure of institutional funds must assess the uses, benefits, purposes and duration for which the institutional fund was established, and, if relevant, consider the factors:

1. the duration and preservation of the institutional fund;
2. purposes of ABC, INC. and the fund;
3. general economic conditions;
4. possible effect of inflation or deflation;
5. expected total return from income and appreciation of investments;

6. other organizational resources;
7. all applicable investment policies; and
8. where appropriate, alternatives to spending from the institutional fund and the possible effects of those alternatives.

For each decision to appropriate institutional funds for expenditure, an appropriate contemporaneous record should be kept and maintained describing the nature and extent of the consideration that the appropriate body gave to each of the stipulated factors.

Donor Restrictions

In all instances, donor intent shall be respected when decisions are rendered concerning the investment or expenditure of donor restricted funds. If a donor, in the gift instrument, has directed that appreciation not be spent, ABC, INC. shall comply with that directive and consider it when making decisions regarding the management and investment of the fund. Any attempt to lift restrictions on any fund shall be conducted in full compliance with the law.

Reserve Fund Expenditures

Each year, the nonprofit is authorized to withdraw ***up to 5%*** of the total market value of the insurance premium reserve investment account (market value to be determined as of the last business day of the preceding year) for the organization's operating purposes. That spending percentage is applied to the three year average of the December market value. Using a three-year market value average will help to even out any fluctuations that may occur in the value of the account. The dollar amount and timing of any distribution(s) from the investment account will be left up to the discretion of the Chief Executive Officer and the Treasurer.

Whistleblower Protection Policy

Sample

Organization's name} requires directors, officers and employees to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. As employees and representatives of the {Organization's name}, we must practice honesty and integrity in fulfilling our responsibilities and comply with all applicable laws and regulations.

Reporting Responsibility

This Whistleblower Policy is intended to encourage and enable employees and others to raise serious concerns internally so that {Organization's name} can address and correct inappropriate conduct and actions. It is the responsibility of all board members, officers, employees and volunteers to report concerns about violations of {Organization's name}'s code of ethics or suspected violations of law or regulations that govern {Organization's name}'s operations.

No Retaliation

It is contrary to the values of {Organization's name} for anyone to retaliate against any board member, officer, employee or volunteer who in good faith reports an ethics violation, or a suspected violation of law, such as a complaint of discrimination, or suspected fraud, or suspected violation of any regulation governing the operations of {Organization's name}. An employee who retaliates against someone who has reported a violation in good faith is subject to discipline up to and including termination of employment.

Reporting Procedure

Organization's name} has an open door policy and suggests that employees share their questions, concerns, suggestions or complaints with their supervisor. If you are not comfortable speaking with your supervisor or you are not satisfied with your supervisor's response, you are encouraged to speak with [insert here another title, such as Executive Director, or a board member, if the organization is very small and involving the board would be appropriate]. Supervisors and managers are required to report complaints or concerns about suspected ethical and legal violations in writing to the {Organization's name}'s [Compliance Officer] [or designated employee or board member], who has the responsibility to investigate all reported complaints. Employees with concerns or complaints may also submit their concerns in writing directly to their supervisor or the Executive Director or the organization's Compliance Officer [or other designated person].

Compliance Officer [or other title that is appropriate for your organization]

The {Organization's name}'s [Compliance Officer] is responsible for ensuring that all complaints about unethical or illegal conduct are investigated and resolved. The Compliance Officer will advise the [Executive Director and/or the Board of Directors] of all complaints and their resolution and will report at least annually to the [Treasurer/Chair of the Finance Committee/Audit Committee] on compliance activity relating to accounting or alleged financial improprieties.

Accounting and Auditing Matters

The {Organization's name}s [Compliance Officer] shall immediately notify the Audit Committee/Finance Committee of any concerns or complaint regarding corporate accounting practices, internal controls or auditing and work with the committee until the matter is resolved.

Acting in Good Faith

Anyone filing a written complaint concerning a violation or suspected violation must be acting in good faith and have reasonable grounds for believing the information disclosed indicates a violation. Any allegations that prove not to be substantiated and which prove to have been made maliciously or knowingly to be false will be viewed as a serious disciplinary offense.

Confidentiality

Violations or suspected violations may be submitted on a confidential basis by the complainant. Reports of violations or suspected violations will be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation.

Handling of Reported Violations

The {Organization's name}'s [Compliance Officer] will notify the person who submitted a complaint and acknowledge receipt of the reported violation or suspected violation. All reports will be promptly investigated and appropriate corrective action will be taken if warranted by the investigation.

Compliance Officer: * {Note: The Compliance Officer may be a board member, the Executive Director, or a third party designated by the organization to receive, investigate and respond to complaints.}

{Name}
{Title/Organization}
{Contact information}
Policy approved by the Board of Directors on {Date}.