

NONPROFIT CORPORATE GOVERNANCE

LeadingAge Iowa Board of Directors

Dorsey & Whitney LLP

1. **Follow policies.** LeadingAge Iowa should follow its own policies, procedures, and audit recommendations, and the Board of Directors should monitor management's compliance with such policies, procedures and recommendations.
2. **Be transparent.** LeadingAge Iowa should ensure that the Form 990 accurately describes its programs and finances. Program names, activities, and financial information listed in audited financial statements and the IRS Form 990 should be consistent.
3. **Oversee the finances.** One of the core responsibilities of the Board of Directors of LeadingAge Iowa is to manage the financial resources of the organization and to use them in a responsible, efficient and effective manner to further LeadingAge Iowa's mission.

The Board of Directors should approve an operating budget prior to the beginning of each fiscal year and receive financial reports, at least quarterly, comparing actual to budgeted revenue and expenses.

4. **Establish a rebuttable presumption of reasonableness.** Non-profit organizations may protect themselves against assertions by the IRS that compensation is reasonable, by establishing a rebuttable presumption of reasonableness for all transactions with directors, officers, senior management and other "disqualified persons".

To establish a rebuttable presumption that compensation is reasonable, the compensation must be approved by the Board of Directors (or a board committee comprised of individuals who do not have a conflict of interest), the Board needs to rely on appropriate data as to reasonableness of the compensation prior to making its determination, and the Board must adequately document the basis for its determination at the time that it makes the determination (not "after the fact").

5. **Establish an audit committee or finance committee.** LeadingAge Iowa should have a separate audit committee of the Board of Directors consisting of Directors to select and oversee LeadingAge Iowa's auditors, review audit plans and findings of LeadingAge Iowa's auditors, review financial statements, accounting policies and financial reporting processes, review internal compliance program and tax legal and regulatory matters and engage independent auditors. At least one member of the committee should have an accounting or financial management background. The full Board should approve the audit results.

6. **Adopt and abide by a substantive conflict of interest policy.** LeadingAge Iowa should have a conflict of interest policy in place and should require that its Board members complete annual disclosures regarding their conflicts in a timely manner. The non-conflicted members of the Board have the responsibility to determine whether a particular member has a conflict of interest in a particular matter. Directors should disclose the existence of a conflict, should abstain from voting on any transaction that is subject to the conflict, and the fact of any conflict (and action taken in response, including any abstention), should be recorded in the minutes. The Board should also consider whether the conflicted member should be permitted to participate in the meeting for some or all of the meeting considering the affect that participation would have on chilling the discussions among the non-conflicted members. Also, if the Board decides to enter into a transaction with a party that has a conflict, the Board should document the reasons for the transaction with the related party that further LeadingAge Iowa's mission to a greater extent than entering into the same transaction with an unrelated party.
7. **Establish a means for employees to anonymously report compliance concerns.** The Board and/or its audit committee should assure that there is an appropriate and effective means for employees to report compliance concerns and raise possible ethical issues about LeadingAge Iowa's practices. LeadingAge Iowa should have a method for reviewing and addressing such concerns. The Board should have a whistleblower policy that sets forth a formal process to prohibit retaliation against any individual for raising concerns or questions about ethical matters.
8. **Conduct Board and committee self-evaluations.** LeadingAge Iowa should establish and implement an effective annual self-evaluation mechanism for the Board of Directors to review its performance and the performance of its committees.
9. **Ask the hard questions.** Directors have a fiduciary duty to be fully informed and to make necessary inquiry. Thus, the Directors of LeadingAge Iowa should be empowered to ask the "hard questions" and should be sure that Directors have an opportunity to review and consider relevant information before making a decision.

LeadingAge Iowa should offer regularly scheduled briefings to the Board on various issues, including strategic plans, significant financial, accounting and risk management issues, its compliance program, its code of ethics, its management structure and internal and independent auditor reports.

While the Board is permitted to rely on information, opinions and reports prepared by others e.g.,(senior management, consultants, and legal counsel), the ability to appropriately rely on others is not an invitation to shirk individual responsibility. Board members should actively question management and outside advisors when they see a

red flag. Additionally, the Board needs to be careful to retain necessary oversight over committees, and not rubberstamp committee or senior management recommendations.

LeadingAge Iowa should consider having an executive session periodically so that the Board members have an opportunity to meet without senior management present to strengthen the Board member's ability to review LeadingAge Iowa's performance and determine whether changes, improvements or other actions are needed to ensure LeadingAge Iowa's strategies and practices are aligned with its mission.

10. **Implement a system of internal controls.** Internal controls should be in place for financial reporting. Senior management should inform the Board of significant transactions so that the Board is aware of and can proactively monitor LeadingAge Iowa's activities. LeadingAge Iowa could consider adopting a policy to ensure that funds are properly handled so that no one person bears the sole responsibility for receiving, depositing, and spending its funds. The executive director should review the Form 990 before it is submitted to ensure it is accurate, complete and filed on time. The Board should also review and approve the financial statements and Form 990 tax returns for completeness and accuracy.
11. **Define roles and responsibilities.** The Board should clearly delineate and communicate the respective roles and responsibilities of the Board, committees, and senior management. Board committees can improve the Board's effectiveness, particularly if the Board is large. However, since committees are subject at all times to the control and direction of the Board, the Board must clearly delineate the scope of responsibilities of each committee (e.g., whether the committee has Board-delegated authority or has the authority only to make a recommendation to the Board). The Board must be careful to retain necessary oversight over committees and not rubberstamp committee recommendations.
12. **Assembling an appropriate Board.** Directors bring to the Board a range of experience, knowledge and judgment. The Board should monitor whether the Board members have the array of experience and skills necessary to perform its oversight functions effectively. The Board should include directors who are passionate about LeadingAge Iowa's mission, and also directors who have a financial background.