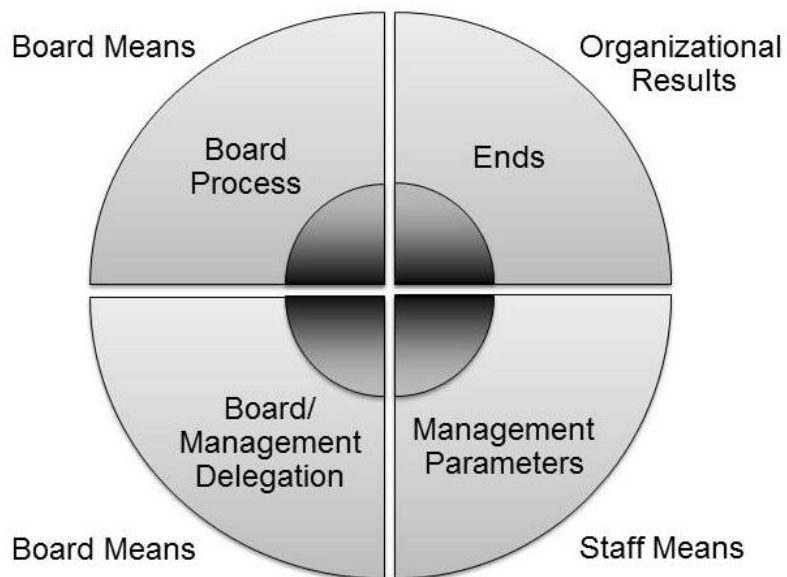




# **NAFC Board of Directors Governing Policies Manual**



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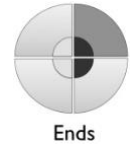
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## Introduction

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This Governing Policies Manual contains the current standing (ongoing) performance standards, values and expectations of the Board of Directors of the National Association of Free and Charitable Clinics (“NAFC”).

1. **Purpose:** This Manual is designed to help the Board approach decisions from the perspective of its own, previously established standards, values and expectations by:
  - A. Elevating efficiency of having all ongoing Board policies in one place.
  - B. Quickly orienting new Board members to current policies.
  - C. Eliminating redundant or conflicting policies.
  - D. Having greater ease of reviewing current policy when considering new issues.
  - E. Providing clear, proactive policies to guide the Executive Director (CEO) and staff, as well as Board officers, members and committees.
2. **Consistency:** The Board will ensure that each policy in this document is consistent with the law, the Articles of Incorporation and the Bylaws, all of which have precedence over these Board policies. Except for time-limited or procedural-only Board decisions (approving minutes, electing officers, etc.), which are recorded in Board meeting minutes, all standing Board policies shall be included or referred to in this document. The CEO is responsible for developing operational and administrative policies and procedures that are consistent with the standards set forth in this Manual.
3. **Transition:** Unless a prior Board resolution or contract obligates the organization with regard to a specific matter, these updated standards supersede previous Board resolutions. If an actual or apparent conflict arises between this Manual and other policies or Board resolutions, the matter shall be brought to the Board’s attention for resolution.
4. **Changes:** The Board will regularly review these policies and, as appropriate, refine them. Proposed revisions may be submitted for Board consideration by any Board member, or by the CEO. Whenever changes are adopted, the updated document should be dated and promptly disseminated to the Board and CEO.
5. **Specificity:** Each new policy will be drafted to fit into the appropriate section of the Manual. For consistency, policies should be drafted starting with the broadest policy statement, then adding specificity down to the level of detail that the Board finds appropriate/necessary for Board action. The Board will afford discretion for implementation (allowing reasonable interpretation) when delegating further decisions to the Board Chair, Board Committees or the CEO.



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## Policy 1.0 Ends/Priority Results

Date of adoption / Last revision: December 2022

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### NAFC VISION STATEMENT

***A just society that ensures a healthy life and well-being for all.***

1.0 Broadest Ends/Mission Statement:

NAFC mission:

***Building healthy communities for all through quality, equitable, accessible healthcare.***

*(with results optimizing use of available resources)*

Priority Results (not reflecting any order of priority)

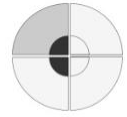
- 1.1 The medically underserved have information to attain quality healthcare
- 1.2 Public policy, regulations and legislation effectively address the needs of the medically underserved.
- 1.3 Free and Charitable Clinics have resources that increase their capacity to serve those with unmet healthcare needs.
- 1.4 There is growth in public awareness and support of the medically underserved, and the critical role of Free and Charitable Clinics.
- 1.5. There is a recognized standard of excellence for Free and Charitable Clinics.
- 1.6 There are resources available to Free and Charitable Clinics and Pharmacies focused on diversity, equity and inclusion.

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**Policy 2.0 Governance Purpose**

Date of adoption / Last revision: December, 2021

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Board Process

The purpose of the Board of Directors, on behalf of those with unmet healthcare needs and those who serve them (the “owners”) is to ensure that NAFC:

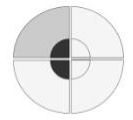
1. Achieves appropriate results for or on behalf of the “owners” (as specified in Board Ends policies) at an optimal cost and
2. Avoids unacceptable actions and situations.

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## Policy 2.1 Governing Philosophy and Values

Date of adoption / Last revision: December, 2021

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Board Process

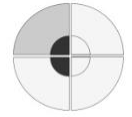
The Board will govern lawfully, using Policy Governance®<sup>1</sup> principles, with an emphasis on: (a) integrity and truthfulness in all of its activities and practices, (b) outward vision, (c) encouragement of diversity in viewpoints, (d) strategic leadership more than administrative detail, (e) clear distinction of Board and staff roles, (f) collective decisions, and (g) a focus on the future.

Accordingly:

1. The Board will cultivate a sense of group responsibility. The Board, not the staff, is responsible for Board performance. The Board will lead NAFC by proactively setting clear performance expectations for its own work and for the operating organization.
2. The Board will use its members' expertise to enhance its understanding of issues, but will not simply defer to that expertise as the judgment of the entire Board.
3. The Board will set performance standards and expectations for NAFC through the careful articulation of written policies. The Board's primary focus will be on the achievement of intended long-term impacts for and on behalf of the owners, not on the administrative/operational means of attaining those results.
4. The Board will establish and adhere to its own performance expectations pertaining to matters such as attendance, ethical conduct, meeting preparation and participation, policy-making, respect of roles, speaking to management, the membership and the public with one voice, and continually building the Board's governance capability and reputation.
  - A. Continual Board development will include periodic assessment of its own performance, and orientation of new Board members, upon/before their election in the Board's governance process and these policies.
  - B. Orientation for new Board members will include three primary components:
    - i. Governance process: The Board Chair will ensure provision of training including the governance principles underlying this document, and review of NAFC's Bylaws and these policies, with particular emphasis on the Board Members' Code of Conduct policy.
    - ii. Current strategic issues: The Board Chair and the CEO will provide overview and background information on significant issues being addressed and likely to be decided upon early in new Board member's tenure.
    - iii. Operational overview: The CEO will help new Board members achieve a general understanding of the operating organization (finances, key personnel, key products/programs/services, FAQs, etc.).
5. Although the Board may change these governing policies at any time, it will diligently observe those currently in effect.
6. All on-going policies of the Board are contained in this document, and they remain in effect, unless amended or deleted by Board action.
7. The Board will be accountable to the owners for competent, conscientious and effective fulfillment of its governance obligations. The Board will not allow any officer, Board member, Board Committee or other individual to be an obstacle to this commitment.
8. The Board will regularly evaluate and improve its performance. Self-assessment will compare Board activity and discipline to the standards set forth in these Board Process and Board-Management Delegation policies.
9. The Board's activities will be open and accessible to reasonable scrutiny by the owners, with the exception of personnel or other matters of a sensitive nature.
10. The Board will not allow the organization, in its hiring and other activities, to discriminate on the basis of race, creed, national origin, religion, age, disability, political affiliation, sex, sexual orientation, gender identity or marital, parental or military status.

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<sup>1</sup> Policy Governance® is a registered service mark of Dr. John Carver, representing an integrated set of governance principles that provide for systematic role clarity and organizational accountability. Authoritative website: [www.policygovernance.com](http://www.policygovernance.com)



Board Process

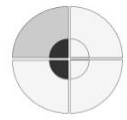
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## Policy 2.1 Governing Philosophy and Values, continued

Date of adoption / Last revision: May 2015

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11. The Board is committed to the following values and guiding principles:
  - A. WE BELIEVE access to health care should be a right, not a privilege.
  - B. WE VALUE human dignity, and access to quality, compassionate and culturally competent health care.
  - C. WE VALUE the individuality of our member clinics and other safety net organizations, and their ability to adapt to community needs and resources.
  - D. WE VALUE volunteerism.
  - E. WE VALUE community ownership, service and collaboration.



Board Process

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## Policy 2.2 Board Job Products

Date of adoption / Last revision: December, 2021

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On behalf of those with unmet healthcare needs and those who serve them (“owners”), the Board’s job is to define and ensure appropriate organizational performance. To fulfill this role, the Board takes direct responsibility for three specific job products unique to its trusteeship role and necessary for proper governance and management:

1. **Linkage:** The Board will connect the interests of the owners with operational performance.
  - A. **Needs Assessment:** As it acts on behalf of owners in the governance of NAFC, the Board will assess needs and trends affecting them as they relate to NAFC’s activities and scope of influence, and will develop and maintain Ends policies identifying and prioritizing intended organizational outcomes to address those needs.
  - B. **Advocacy:** The Board will advocate for NAFC, conveying to owners, as feasible, the Association’s achievements on their behalf and of its intended future results.
2. **Performance Standards:** The Board will maintain written performance standards, as set forth in these governing policies, addressing the broadest, and as appropriate, more defined levels all organizational decisions and situations.
  - A. **Ends:** Strategic results priorities describing intended organizational impacts, benefits, outcomes, recipients and their relative worth (what results, for which recipients, at what cost/priority).
  - B. **Management Parameters:** Constraints on executive authority defining the boundaries of prudence and ethics within which all management activity and decisions must take place.
  - C. **Board Process:** Specification of how the Board defines, carries out and assesses its own work.
  - D. **Board-Management Delegation:** How the Board delegates authority to management, and ensures its proper use; the CEO role, authority and accountability.
3. **Assurance of Organizational Performance:** The Board will ensure Ends fulfillment, financial solvency and organizational integrity by holding itself accountable for effective governance as defined in these policies, and holding the CEO accountable for successful achievement of Ends and adherence to Management Parameters.

**In addition, the Board maintains direct responsibility for:**

4. Pursuant to the Bylaws, determinations regarding classes of membership and their respective dues structure.
5. Determinations regarding NAFC’s Public Policy Agenda (positions on/endorsements of public policy, regulatory and legislative issues) upon which staff advocacy initiatives are to be based, as appropriate in serving the interests of those with unmet healthcare needs and those who serve them.
6. Decisions outside the boundaries of authority delegated to the CEO (as proscribed in *Management Parameters* policies).
7. Decisions pertaining to initiating legal action.





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## Policy 2.3 Board Work Plan and Agenda Preparation

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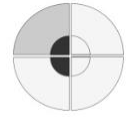
Date of adoption / Last revision: December, 2021

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To fulfill its role, the Board will prepare and follow an annual work plan that: (1) re-explores Ends policies and (2) continually improves Board performance through Board education, and interactions with staff, customers, members, beneficiaries, and outside experts.

Accordingly:

1. **Annual Cycle:** The Board's annual planning cycle will conclude each year by October 30<sup>th</sup>, so that administrative planning and budgeting for the next fiscal year can be focused on addressing both long and short-term Ends.
2. **Work Plan Development:** The cycle will start at the Board meeting held in conjunction with the Summit each October, when the Board will begin developing its work plan for the next year. At that time, the Chair will prepare and present for the Board's consideration and approval a suggested work plan for the following year's meetings. Considerations should include:
  - A. **Board Education:** Identification of topics that will elevate the Board's understanding, primarily of external issues and trends that impact Ends, and to a lesser extent key areas of operations.
  - B. **Orientation/Training for New Board Members:** Per policy 2.1.4, to include review of NAFC's governance system and documents, overview of key strategic issues to be addressed early in new Board members' tenure, and an operational overview.
  - C. **Ownership/Membership Linkage:** How the Board will connect with segments of the ownership (e.g. through surveys, focus groups, and other methods of gaining relevant input) in the coming year.
  - D. **Policy Review:** How the Board will systematically review its policies, with emphasis on Ends on a periodic basis (e.g., by priority, by topic, or by an emphasis of the Board's choosing).
  - E. **Assessment/Evaluation of CEO Performance:** Reviewing the schedule of planned monitoring activities to assure performance on Ends and Management Parameters policies.
  - F. **Self-Assessment:** Methods and timeline for periodic evaluation of how well the Board is fulfilling its role (i.e., in accordance with its Board Process and Board-Management Delegation policies) and open discussion of how the Board's performance can be improved.
  - G. **Meeting Schedule:** Establishment of the meeting schedule for the coming year to maximize Board member attendance and participation.
  - H. **Social Engagement:** To build its effectiveness as a leadership team, the Board will schedule periodic social activities.
3. **Meeting Agendas:** The Chair will determine the agenda for any particular meeting, although Board members and the CEO may request or recommend any appropriate matters for Board consideration.
  - A. A Board member or the CEO may recommend or request a matter for Board discussion by submitting the item to the Chair at least ten days prior to the regularly scheduled Board meeting.
  - B. To ensure Board member preparation and informed participation, meeting agendas and packets (background materials for decision items on the agenda, monitoring reports, etc.) are to be received by Board members at least seven days prior to the scheduled Board meeting.
  - C. By an affirmative vote of a majority of those present, additional matters may be added to the agenda of any regular Board meeting.
4. **Consent Agenda:** "Required Approvals" will appear on a Consent Agenda, in which one motion can address those items delegated to the CEO yet required by law or third party to be Board-approved.
  - A. To use Board meeting time as efficiently as possible, the CEO is expected to provide substantiation that all Consent Agenda items comply with relevant Board policies.
  - B. Items may be removed from Consent Agenda for discussion upon majority vote of the Board.



Board Process

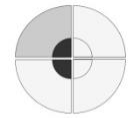
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## Policy 2.3 Board Work Plan and Agenda Preparation, continued

Date of adoption / Last revision: December, 2021

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5. **Executive Director Monitoring:** The Board will act on the CEO's monitoring reports received prior to each meeting, determining by majority vote whether the respective report:
  - A. Conveys a reasonable interpretation of the respective policy.
  - B. Provides reasonable substantiation of compliance with the policy, as interpreted.
6. **CEO Annual Compensation Review:** Each year at the October meeting, the Board will summarize and review its judgments of monitoring activities (monitoring reports, audits, etc.) received during the last year and will determine any adjustments to the Executive Director's compensation and benefits, to be effective January 1<sup>st</sup>.



Board Process

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## Policy 2.4 Board Chair's Role and Authority

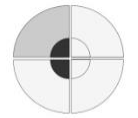
Date of adoption / Last revision: December, 2021

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As NAFC's chief governance officer, the Chair's primary role is to ensure the integrity of the Board's process, and secondarily to represent the Board to outside parties.

Accordingly:

1. The Chair's job is to ensure that the Board acts in a manner consistent with its policies and any requirements legitimately imposed upon it from outside the organization.
  - A. Agenda content will include only those issues that clearly (according to Board policy) belong to the Board to decide, consider, or monitor, or to otherwise educate the Board for informed fulfillment of its responsibilities.
  - B. Deliberation will be fair, open, thorough, timely, orderly, and kept to the point.
2. The Chair will lead and participate in the Board's assessment of its own performance.
  - A. Criteria for assessment will be the Board's adherence to its Board Process and Board-Management Delegation policies.
  - B. The Board will self-assess its overall performance no less frequently than once per year.
  - C. The Board will ensure that there is at least a brief assessment of each face-to-face meeting prior to adjournment, identifying factors that enhanced its productivity, as well as those that would have made the meeting more successful.
3. The Chair is authorized to make decisions consistent with the Board Process and Board-Management Delegation policies, with the exception of (a) employment/termination of the CEO, or (b) decisions pertaining to matters about which the Board has delegated specific authority to others. The Chair may use any reasonable interpretation of these policies.
  - A. The Chair is empowered to preside at Board meetings with the commonly accepted power of that position, such as ruling and recognizing.
  - B. The Chair has no authority to make decisions within the Board's Ends and Management Parameters policy areas. Therefore, as the CEO is accountable to the Board as a whole, the Chair does not have authority to supervise or direct the CEO.
  - C. The Chair may represent the Board to outside parties in announcing Board-stated positions, and in stating decisions and interpretations within the area delegated to him or her.
    - i. The Chair may delegate this authority but remains accountable for its use.
  - D. Except where specified otherwise in Bylaws or Board Policies, the Chair may appoint Board members, or others, as appropriate, to serve on Board Committees.



Board Process

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## Policy 2.5 Board Members' Code of Conduct

Date of adoption / Last revision: December, 2021

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The Board expects of itself and its members ethical, professional and lawful conduct, including proper use of authority and appropriate decorum when acting as Board members.

Accordingly:

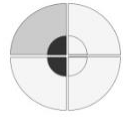
1. **Duty of Care:** Board members are to discharge their duties honestly and in good faith. Board members shall exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in similar circumstances.
2. **Duty of Obedience:** Board members must abide by NAFC's governing documents (i.e. Articles of Incorporation, Bylaws and these Governing Policies). While vigorous debate is expected and encouraged, Board members are obliged to support the legitimacy and authority of the final determination of the Board on any matter, irrespective of the member's personal position on the issue.
3. **Duty of Loyalty:** Board members must demonstrate loyalty to the interests of the NAFC and its "owners" (those with unmet healthcare needs and those who serve them, superseding any conflicting loyalties such as that to singular segments of the ownership, family members, advocacy or interest groups, staff, other organizations, or any personal interests as a consumer of NAFC's services. Board members may not use any information provided by the Association or acquired as a consequence of the Board member's service to the Association in any manner other than in furtherance of his or her Board duties.
4. Board members must avoid any conflict of interest with respect to their fiduciary responsibility.
  - A. There must be no self-dealing, or procurement by NAFC of any Board member's business or personal services except as procedurally controlled to assure openness, competitive opportunity and equal access to inside information.
  - B. When the Board is to decide an issue about which a member has an actual or potential conflict of interest, that member shall disclose the conflict to the Board and absent herself or himself without comment from not only the vote, but also from the deliberation.
    - i. A conflicting interest exists when a Board member or a related party has a beneficial financial interest in the transaction of sufficient significance that it would reasonably be expected to exert an influence on that Board member's judgment if he or she were called upon to vote on the matter. Related parties include the Board member's spouse/significant other, parents, children, siblings, siblings of the parent or spouse, and all other persons or entities in which the Director has an interest, partner, agent, or employee, or exerts control or influence, either directly or indirectly.
    - ii. In case of a dispute regarding the existence of a real or perceived conflict of interest, the Board shall consider whether a conflict is present, and the vote of the disinterested members of the Board shall be final. The individual with the potential conflict of interest shall not vote.
    - iii. Board members must not exert undue influence to obtain staff employment for themselves, family members or other individuals. Should a Board member apply for staff employment, he or she must first resign from the Board.
5. Board members must not attempt to exercise individual authority over the organization.
  - A. Board members' interactions with the CEO or with staff must recognize the lack of authority vested in individuals except when explicitly stipulated by the Board.
  - B. Board members' interaction with the media, public or other entities must recognize that Board members are not to speak for the CEO or for the Board, except to repeat explicitly stated Board decisions.
  - C. Board members will not publicly express individual judgments of the performance of the CEO or of other employees, other than when participating in the Board's monitoring functions.
6. Board members will treat one another, staff members, and all other NAFC constituents with respect, civility and transparency.
7. Board members must respect the confidentiality appropriate to issues of a sensitive nature. Such confidentiality is to be maintained after conclusion of a Board member's term.

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## Policy 2.5 Board Members' Code of Conduct, continued

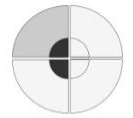
Date of adoption / Last revision: December, 2021

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Board Process

8. All Board members are required to, upon election and annually thereafter, complete and submit to the Secretary of the corporation a written statement affirming they have received, reviewed and understand these Governing Policies, with particular reference to this Board Members' Code of Conduct policy, and its *Conflict of Interest* provisions. Board members shall disclose their involvements and interests that could give rise to a conflict of interest including, but not limited to their involvement or those of family members, as directors or officers of other organizations with vendors or other affiliations with other entities that might reasonably be perceived as a conflict. Board members will promptly update their disclosures if, during the year, a material change in circumstances should occur.
9. A Board member aware of credible information that suggests that a Board policy has been violated, by the Board, a Board member or the CEO, has an affirmative obligation to bring the concern to the Board Chair. If the Chair is the subject of the concern, it should be brought to the Vice-Chair.
10. If a Board member is alleged to have violated this Code of Conduct:
  - A. The Chair (or Vice-Chair, if the Chair is the subject of the concern) will have an informal discussion with the individual whose action(s) are questioned. If this is not successful in resolving the concern, then:
  - B. The Chair will put the issue on the agenda for closed session. The respondent Board member will be allowed to present his or her views prior to the Board determining whether or not the action violated this Code of Conduct.
  - C. A Board Member found by the Board (by majority vote) to have violated this Code of Conduct may be subject to subsequent censure or other Board action, as long as consistent with the Bylaws and applicable statutes.



Board Process

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## Policy 2.6 Board Members' Individual Responsibilities

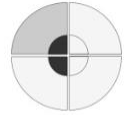
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Date of adoption / Last revision: December, 2021

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Board member engagement and participation is integral to the Board's leadership success. Therefore, each Board member is expected to fulfill the following responsibilities:

1. **Commitment:** Board members are expected to, upon appointment to the Board and annually, sign a Letter of Commitment indicating that they have reviewed and commit to abide by NAFC's Bylaws and these Governing Policies, including *Code of Conduct* and *Conflict of Interest* provisions, as may be amended from time to time.
2. **Attendance:** Board members are expected to attend Board meetings on a regular and punctual basis. Absence from more than one-third (33.3%) of the Board's regularly scheduled meetings in any calendar year will constitute that member's resignation from the Board.
  - A. In case of extenuating circumstances, a Board member subject to removal may request a waiver to this provision. Waivers may be granted only by vote of the Board.
3. **Preparation and Participation:** Board members are expected to review agenda materials in advance of Board and committee meetings and to participate productively in discussions.
4. **Ambassadorship:** Board members are expected to be alert to member and constituent concerns that can be addressed through NAFC's mission and Ends, to help communicate and promote NAFC to members, prospective members and other constituents, and to support NAFC's public policy agenda.
5. **Responsiveness:** Board members are expected to be attentive to Board communications and respond promptly to staff and Board member requests for feedback or assistance.
6. **Members as Individuals:** The CEO is accountable to the Board as a whole and not to individual Board members. Therefore, the relationship between the CEO and individual members of the Board, including the Chair, is collegial and not hierarchical.
7. **Volunteerism:** Board members may volunteer as individuals in operational capacities. In such situations, they are subject to the direct supervision of the CEO or responsible staff person.
8. **Members in Good Standing:** Board members are expected to ensure their NAFC membership, as applicable, (or that of the entity for which they serve as officer, director, employee, or owner) remains in good standing.
9. **Professional Standing:** A board member who has professional or personal circumstances that jeopardize the reputation of the NAFC will put the interests of NAFC ahead of their own, and offer to take a leave of absence, or resignation, as may be appropriate due to the circumstances.
10. **Contributions:** Each Board member is expected and required to make an annual personal financial contribution as a tangible demonstration of their commitment to the organization. Board members are expected to contribute at a level that is personally meaningful, and to ask others to join them in contributing to NAFC.
11. **Participation in Organizational Activities:**
  - A. In addition to Board meetings, Board members are expected to:
    - i. Attend the annual Summit.
    - ii. Serve on at least one Board Committee.
  - B. Board members are also encouraged to:
    - i. Support/participate in NAFC's legislative advocacy activities.



Board Process

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## Policy 2.7 Board Committee Principles

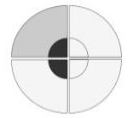
Date of adoption / Last revision: December, 2021

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The Board may establish Board committees to help it be more effective and/or efficient in its work. Board committees are not to interfere with the Board's delegation of authority to the CEO, or the CEO's to other staff.

Accordingly:

1. Board committees are established to help the Board do its job, not to help, advise or exercise authority over staff.
2. Board committees will ordinarily undertake activities not delegated to the CEO, such as by preparing policy alternatives and implications for Board consideration, or performing specific monitoring functions.
3. Board committees may only speak or act for the Board when formally given such authority for specific and/or time-limited purposes. The Board will carefully state expectations for and authority of each committee (in the *Board Committee Structure* policy) in order not to conflict with authority delegated to the CEO.
4. As the CEO works for the full Board, he or she will not be required to seek approval of a Board committee before an executive action.
5. The number and purpose of Board committees is to be evaluated annually to assure continuity and relevance.
6. This policy applies to any group formed by Board action, whether or not it is called a committee and regardless of whether it includes Board members. This policy does not apply to ("operating") committees formed under the authority of the CEO.
7. Unless specifically authorized by the Board, a Board Committee may not make any commitment of organizational resources or funds.



Board Process

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## Policy 2.8 Board Committee Structure

Date of adoption / Last revision: December, 2021

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Board committees are those established by and with authority emanating from the Board, regardless of whether composition includes non-Board members. The only Board committees are those set forth below. Unless otherwise specified, the CEO, or his/her staff designee, will serve as a resource (non-voting member) for each Board committee.

### 1. NOMINATING COMMITTEE –

- A. **Deliverable #1:** Fulfillment of the nominations process as outlined in the Bylaws and Governing Policies, resulting in a properly screened slate of potential Board members, recommended to the Board no later than October 31<sup>st</sup> of each year.

**Deliverable #2:** A proposed slate of officers recommended to the Board for action at its December Board meeting.

**Deliverable #3:** As directed by the Board, or requested by the Chair, preparation and/or review of proposed policy or Bylaws revisions, and recommendations for Board consideration.

**Deliverable #4:** Thorough orientation and training of new Board members.

**Deliverable #5:** Recommendations for Board consideration regarding additional Board training/development opportunities to enhance the Board's governance skills and capabilities.

**Deliverable #6:** Development of plans/mechanisms for active linkage between the Board and the membership and other segments of ownership, ensuring the Board is well informed of the perspectives of and issues faced by distinct segments of the ownership, and that they are informed of the Board's work on their behalf.

- B. **Authority:** To incur costs of up to \$0 in direct charges and management time as needed.

- C. **Composition:** Four (4) members elected annually by the Board at its January/February meeting. The Immediate Past Chair, if still serving as a voting director, shall be one of the Committee members, and its chairperson. Committee members will be selected from those who are not currently eligible for or seeking re-nomination.

### 2. PUBLIC POLICY COMMITTEE

- A. **Deliverable #1:** Development of proposed Legislative, Regulatory and Policy Agenda for Board consideration and adoption. To be presented to the Board each year for action at its October meeting.

- B. **Authority:** To incur costs of up to \$15,000 in direct charges and management time as needed.

- C. **Composition:** List composition structure here: 7-12 members, including a committee chairperson, and including at least 3 Board members, and 2 representatives from state associations, appointed by the Board each year at the January/February meeting. Emphasis to be given to broad geographic representation/participation.





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## Policy 2.8 Board Committee Structure, continued

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### 3. EXECUTIVE COMPENSATION COMMITTEE

- A. **Deliverable #1:** Recommendations for Board consideration regarding adjustments to the CEO compensation and benefits package. To be presented to the Board in a timely manner to allow final action to be taken by the October meeting each year.
- Deliverable #2:** Accompanying the recommendations, provide data as to comparable compensation for similarly qualified persons in comparable positions.
- Deliverable #3:** Contemporaneous documentation and recordkeeping with respect to the deliberations and decisions regarding CEO compensation.
- B. **Authority:** To incur costs of up to \$250 in direct charges (e.g. for published salary surveys, legal services to develop/amend Employment Agreement, etc. management time as needed).
- C. **Composition:** Three Board members, including a chairperson, appointed by the Board at its January/February meeting each year.

### 4. AUDIT/INVESTMENT COMMITTEE

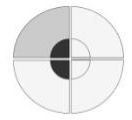
- A. **Deliverable #1:** Confirmation of auditor's independence and recommendation to Board for engagement of auditor by no later than end of August each year.
- Deliverable #2:** Annual specification of audit scope, consistent with Board monitoring schedule (see policy 4.4), including approval of any permitted non-audit services to be provided by the independent auditor.
- Deliverable #3:** Assurance that the auditor has unfettered access to organizational management and records.
- Deliverable #4:** Review with the independent auditor any problems encountered performing the audit, the audited financial statements, and any management letter provided by the auditor.
- Deliverable #5:** Review of annual Form 990 prior to distribution to Board of Directors and subsequent submission to IRS.
- Deliverable #6:** Oversight of management of NAFC's Board-designated long-term investment reserves, ensuring Investment Advisor adherence to the Board-adopted Investment Policy.
- Deliverable #7:** Recommendations for Board consideration regarding revisions to the Board's fiscal and investment policies.
- B. **Deliverable #8:** "Direct Inspection" (internal audit) monitoring of compliance with the Board's fiscal policies (*Financial Condition, Asset Protection, Financial Planning and Budgeting, Compensation and Benefits*), as may be directed/scheduled by the Board per policy 4.4 *Monitoring CEO Performance*.
- Authority:** To direct work of outside auditors, to use management time as needed for administrative support, and to incur costs of up to \$20,000 for all matters related to the audit.
- C. **Composition:** Chaired by the Treasurer, plus three additional members, at least one of whom is to be a Board member, appointed by the Board each year at its June/July Board meeting.

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## Policy 2.9 Board Size, Nomination, Election and Term Limits

Date of adoption / Last revision: May 7, 2015

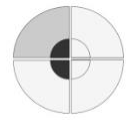
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Board Process

The Board aims to maintain a size of twelve (12) members. The Nominating Committee will properly screen and nominate a slate of individuals to fill Board vacancies, and, for Board consideration, a slate of officers (Board Chair, Vice-Chair, Secretary and Treasurer—as stipulated in the Bylaws)

1. The Nominating Committee (“the Committee”) will be comprised of four (4) members to be elected annually by the Board at its January/February meeting. The Immediate Past Chair, if still serving as a voting director, shall be one of the Committee members, and shall serve as its chairperson. Committee members will be selected from those not currently eligible for or seeking re-nomination.
2. Before May 31<sup>st</sup>, the Committee will confer with the Board of Directors to determine nominating priorities as to competencies, representation and other attributes that will enhance the Board’s capacity to lead NAFC in service to member clinics and the diversity of the patients that they serve.
3. In June, the Committee will issue a Call for Nominations to the membership, Board members and key organizational allies/constituents considered to be potentially helpful resources in identifying candidates with targeted attributes. An application form shall be provided to interested candidates, accompanied by information outlining the expectations and responsibilities of Board members as outlined in these governing policies. The deadline for nominations shall be no less than six weeks after the Call for Nominations is posted.
4. Upon initial screening of nominating form/application, the Committee will identify and arrange telephone interviews (or face-to-face, if geographically feasible) with potential nominees, prior to which they are to be provided summary documents re: role of Board of Directors and expectations of individual participation. At least two Committee members meet with/interview each potential nominee.
5. If candidacy deemed worthy of advancing, the Committee will arrange for potential nominees to meet with the CEO, via telephone or otherwise, providing opportunity for greater familiarization with NAFC, and for the CEO to offer impressions to Nominating Committee.
6. Prior to recommendation to the Board, proposed nominees are to be provided NAFC’s Bylaws, Governing Policies Manual, and an overview of NAFC’s programs, plans and finances. Candidates must acknowledge in writing their understanding of the expectations and responsibilities of NAFC Board members (see Board Members’ Individual Responsibilities policy), and shall be strongly encouraged to attend the annual Conference in October.
7. At the Board’s October meeting, the Board shall act on the Nominating Committee’s recommendations for new Board members:
  - A. The Board shall approve or disapprove the Nominating Committee’s nominations for Board members from the clinic membership category as a single slate. Should the slate not be approved, nominations for the respective positions will be opened to the floor of that Board meeting. The Board may recommend to the clinic membership, at its discretion, a slate with up to two candidates per vacancy.
  - B. By November 1<sup>st</sup> of each year, a ballot with approved candidates listed, and a write-in option, shall be sent electronically to each voting member, and members will be asked to vote (electronically) to fill any open Board positions within fourteen (14) days.). If more candidates are listed on the ballot than there are vacancies, those with the highest number of votes shall be elected.
  - C. As applicable based on Board size and terms, the Board shall also approve or disapprove the Nominating Committee’s nominations for Board members not from the clinic membership category as a single slate. Should the slate not be approved, nominations for the respective positions will be opened to the floor of that Board meeting.
  - D. Newly elected Board members will be announced by November 30<sup>th</sup>. They will be invited to attend, in a non-voting capacity, in any Board meetings in the month of December, and shall take office at the first meeting of the calendar year.



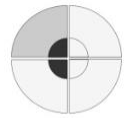
Board Process

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## Policy 2.9 Board Size, Nomination, Election and Term Limits, continued

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8. At the December Board meeting, the Nominating Committee shall recommend to the Board a proposed slate of officers (Chair, Vice-Chair, Secretary and Treasurer). Nominations for officer positions should be predicated on the Committee's judgment of the individual's capabilities vis-a-vis the respective office (i.e. the Treasurer's role as Chair of the Audit Committee, and the ability/willingness of prospective Chair and Vice-Chair candidates to fulfill expectations articulated in the Board Chair's Role and Authority policy (2.4).
  - A. Should the slate not be approved, nominations for the respective positions will be opened to the floor of that Board meeting.
  - B. Those elected shall take office at the first meeting of the calendar year.
9. Board members shall serve no more than three (3) consecutive three (3) year terms. The only exception to this policy is the Immediate Past Chair whose term may be extended for one year if having served as Chair in the final year within this term limit. Board members who serve three (3) consecutive three (3) year terms may be nominated for Board membership again after spending a minimum of one year(s) as a non-member of the Board.
10. The Board recognizes the value of both continuity and of fresh perspective. Re-nomination/nomination of Board members will thus be based upon such factors including a prospective Board member's personal knowledge, skills, demonstrated leadership and commitment to the Association, professional relationships, professional associations, commitment to support and participate in the Board's established governing structure, and, for existing Board members, fulfillment of individual Board members' responsibilities. As the Association's needs may change over time, it is expected that the Nominating Committee may find it necessary or beneficial to replace at least some members whose current terms are expiring with individuals who may better satisfy such needs. Accordingly, no member should expect to be re-elected.



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## Policy 2.10 Budgeting for Board Prerogatives

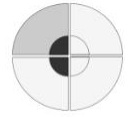
Date of adoption / Last revision: December, 2021

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The Board will consciously invest in its ability to govern effectively.

Accordingly:

1. The Board will allocate resources to ensure it has sufficient skills, methods and supports to assure excellence in its leadership.
  - A. Training will be used appropriately to orient new Board members and to increase existing Board members' skills and knowledge.
  - B. Outside monitoring, including fiscal audit, will be arranged as needed to help the Board have confidence that organizational performance meets expectations, as stated in these policies. This includes, but is not limited to, audits, reviews or opinions on fiscal, legal or governance matters.
  - C. Outreach mechanisms will be used as needed to ensure the Board understands owners' viewpoints and values, and issues pertinent to the free and charitable clinics sector.
2. Costs will be prudently incurred, but sufficient to ensure the development and provision of superior governance. Annual governance prerogatives to be considered include costs for:
  - A. Board meeting and retreat costs (including Board travel).
  - B. Board member travel/reimbursements (attendance at third-party conferences, workshops, etc.).
  - C. Board training (governance consulting, publications, etc.)
  - D. Fiscal audit and other third party monitoring of organizational performance.
  - E. Opinion surveys, focus groups and other membership linkage activities.
  - F. Board committee functions (other than Audit, as itemized in D above).
3. The Board will establish its budget for these prerogatives in the next fiscal year each year during the October meeting.



Board Process

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## Policy 2.11 Investment Policy

Date of adoption / Last revision: December 2021

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This statement of investment policy is set forth by the Finance Committee of The National Association of Free & Charitable Clinics, Inc. (NAFC) in order to:

1. Define and assign the responsibilities of all involved parties.
2. Establish a clear understanding for all involved parties of the investment goals and objectives of the NAFC's assets.
3. Offer guidance and limitations to all Investment Managers regarding the investment of the Fund's assets.
4. Establish a basis for evaluating investment results.
5. Manage the Fund's assets according to prudent standards as established in common trust law.
6. Establish the relevant investment horizon for which the assets will be managed.

### **Time Horizon**

The investment guidelines are based upon a long term investment, therefore interim fluctuations should be viewed with appropriate perspective.

### **Risk Tolerances**

NAFC recognizes and acknowledges some risk must be assumed in order to achieve long-term investment objectives, and there are uncertainties and complexities associated with contemporary investment markets.

In establishing the risk tolerances for this IPS, NAFC's ability to withstand short and intermediate term variability was considered. NAFC's prospects for the future, current financial condition and several other factors suggest collectively some interim fluctuations in market value and rates of return may be tolerated in order to achieve the longer-term objectives.

### **Asset Allocation:**

#### *Short-term Horizon*

*100% Fixed Income and Cash*

*These funds, which are identified as the 6 month operating expense reserve will be invested in money markets and if, appropriate low risk Treasury bill Funds. These funds will be more liquid and provide the NAFC with the ability to call upon for operational requirements if and when needed.*

#### *Medium-term Horizon*

*80-100% Fixed Income, 0-20% Equity & Cash*

*These funds will be designed to generate moderate returns on principal while keeping the exposure to risk relatively low. Investments will include medium-term bonds, mutual funds, equity funds and individual stocks.*

#### *Long-term Horizon*

*40-70% Equity, 30-60% Fixed Income & Cash*

*This fund will be geared towards growing principal while continuing to generate current returns. This portfolio will have increased volatility over the short and medium term portfolios but will likely provide higher returns and provide potential for growth of principal.*

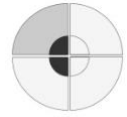
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### **DUTIES AND RESPONSIBILITIES:**

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#### *Financial Advisor*

NAFC has retained an objective, third-party Financial Advisor to assist NAFC in managing the investments. The Advisor will be responsible for guiding NAFC through a disciplined and rigorous investment process. The primary responsibilities of the Financial Advisor to NAFC are:



Board Process

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## Policy 2.11 Investment Policy

Date of adoption / Last revision: \_\_\_\_\_

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1. Provide sufficient asset classes with different and distinct risk/return profiles so NAFC can prudently diversify the Portfolio.
2. Prudently select investment options.
3. Control and account for all investment expenses.
4. Monitor and supervise all service vendors and investment options.

### *Finance Committee/Board of Directors*

1. Approve initial investment policy statement.
2. Periodically review portfolio performance with Financial Advisor.
3. Periodically review Financial Advisor and their affiliated company for service and guidance amongst the Finance Committee.
4. Periodically review this IPS to determine whether stated investment objectives are still relevant. It is not expected that the IPS will change frequently. In particular, short-term changes in the financial markets should not require adjustments to the IPS.

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## **Policy 3.0 General Management Constraint**

Date of adoption / Last revision: December, 2021

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The CEO will not cause or allow any practice, activity, decision or organizational circumstance that is illegal, imprudent, or in violation of commonly accepted association management ethics and practices.

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## Policy 3.1 Treatment of Members / Constituents

Date of adoption / Last revision: December, 2021

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Management Parameters

With respect to interactions with members and constituents, the CEO will not cause or allow conditions or procedures which are unfair, unsafe, untimely, unresponsive, undignified or which fail to provide appropriate confidentiality.

Further, the CEO will not:

1. Collect, review, transmit, store or destroy member/customer data without protecting against improper access to that information.
2. Operate without clearly conveying to members/customers what may be expected from the services offered.
3. Operate without having in place a complaint/response process to address concerns raised by members/consumers.





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## Policy 3.2 Treatment of Staff

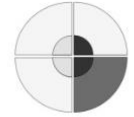
Date of adoption / Last revision: December, 2021

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With respect to the treatment of volunteers and employees, the CEO will not cause or allow conditions that are unfair, unsafe or undignified.

Further, pertaining to employees, the CEO will not:

1. Operate without ensuring employees are provided with written personnel policies, reviewed by qualified legal counsel, which clarify personnel rules for employees and provide for effective handling of complaints/grievances.
2. Allow employees to be unaware of the Board's governing policies, including but not limited to, this Treatment of Staff policy, along with the CEO's interpretations of staff's protections under this policy.
3. Retaliate or allow retaliation against an employee for non-disruptive, internal expression of dissent, or for reporting to management or to the Board of Directors (per the process for handling of grievances in the Employee Handbook) acts or omissions by NAFC personnel, management or the Board of Directors that the employee believes, in good faith and based on credible information, constitutes a violation of state or federal law or a governing policy of the Board.
  - A. Employees may not be prevented from grieving to the Board when (a) internal grievance procedures outlined in the Employee Handbook have been exhausted *and* (b) the employee alleges that Board policy has been violated.
4. Allow staff to be unprepared to deal with reasonably foreseeable emergency situations.



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## Policy 3.3 Financial Condition and Activities

Date of adoption / Last revision: December, 2021

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With respect to financial condition and activities, the CEO will not cause or allow the development of fiscal jeopardy, or a material deviation of actual expenditures from the Board's Ends priorities.

Further, the CEO will not:

1. Manage finances without accrual based accounting adherent to applicable Generally Accepted Accounting Principles (GAAP).
2. Expend more funds than have been received in the fiscal year to date, unless the liquidity and reserve requirements below are met (choose from below).
  - A. The CEO will not borrow from operating reserves (non-designated accumulated excess revenues) in an amount greater than can be replenished by certain and otherwise unencumbered revenues within 120 days.
  - B. The CEO will not allow available/unrestricted cash and cash equivalents to drop below 25% of forecasted annual operating expenses.
3. Use Board-designated Investment Reserve funds.
4. Use restricted funds for purposes other than designated.
5. Borrow funds (with exception of credit cards used for normal business purposes paid in full each month).
6. Operate without settling payroll obligations and payables in a timely manner.
7. Allow tax payments or other government ordered payments or filings to be overdue or inaccurately filed.
8. Neglect to ensure fulfillment of accounting and reporting requirements as applicable to any governmental or private grant funding received.
9. Execute a purchase commitment, check or electronic funds transfer for operations of greater than \$15,000, unless such purchase was explicitly itemized in budget monitoring data previously disclosed to the Board. Splitting orders to avoid this limit is not acceptable.
10. Operate without ensuring capital items purchased for a value of \$5,000 or more, and having a useful life of more than one year, are capitalized and depreciated over the estimated useful life of the asset.
11. Acquire, encumber, lease or dispose of real property.
12. Operate without aggressively pursuing material receivables after a reasonable grace period.
13. Operate without adequate internal controls over receipts and disbursements to avoid unauthorized payments or material dissipation of assets.
  - A. Operate without clearly delineated procedures and limitations for reimbursement of authorized expenses incurred by board members and committee members, and others who are entitled to reimbursement from NAFC.
  - B. CEO credit card statements are to be reviewed by the Treasurer or, if not available, the Board Chair on at least a quarterly basis. Expense reimbursements must be reviewed and authorized for payment by the Treasurer or, if not available, the Board Chair.



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## Policy 3.4 Asset Protection

Date of adoption / Last revision: December, 2021

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The CEO will not cause or allow NAFC's assets to be unprotected, inadequately maintained or unnecessarily risked.

Further, the CEO will not:

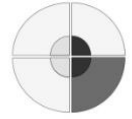
1. Allow NAFC to be without sufficient insurance coverage, including:
  - A. Property and casualty losses to at least replacement value.
  - B. Liability losses to Board members, staff and the organization itself in an amount equal to or greater than the average for comparable organizations.
  - C. Medical mal-practice.
  - D. Employee theft and dishonesty.
  - E. Cyber-liability.
2. Subject NAFC's facilities and equipment to improper wear and tear or insufficient maintenance, or not provide safeguards against loss of theft.
3. Operate without employing risk management practices to minimize exposure of the organization, the Board, staff or their agents to claims of liability.
4. Allow any purchase without reasonable protection against conflicts of interest.
5. Allow a purchase of any \$5,000 or more without having compared prices and quality, or above \$20,000 without a minimum of three documented quotes. Allow sole source procurements in excess of \$20,000 without documentation of circumstances meriting sole source.
6. Allow NAFC's intellectual property, information, resources and files to be exposed to loss, improper access, misuse or significant damage.
7. Operate without adhering to a Records Retention Schedule, approved by qualified legal counsel, for the maintenance of documents and records.
8. Operate without internal controls over receipts and disbursements, and inventory of depreciable capital assets, sufficient to meet the Board-appointed auditor's standards (as set forth in the auditor's Management Letter and/or other correspondence).
9. Compromise the independence and transparency of the Board's relationships with auditors or other providers of governance support (attorneys, consultants, etc.). Such entities may not be engaged by the CEO unless explicitly Board authorized.
10. Invest or hold operating capital in insecure instruments or in non-interest-bearing accounts except where necessary to facilitate ease in operational transactions.
11. Invest reserve funds in a manner inconsistent with the Investment Policy.
12. Endanger NAFC's public image or credibility.
13. Change the organization's name or substantially alter its identity.

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## Policy 3.5 Financial Planning and Budgeting

Date of adoption / Last revision: December, 2021

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Management Parameters

Financial planning for any fiscal year or the remaining part of any fiscal year\*\* will not deviate materially from the Board's Ends priorities, risk financial jeopardy or fail to address multi-year planning needs and considerations.

Accordingly, the CEO will not present or utilize budgets that:

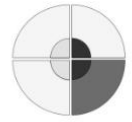
1. Risk incurring those liquidity situations or conditions described as unacceptable in the Financial Conditions and Activities policy.
2. Omit credible projection of revenues and expenses, separation of capital and operational items, cash flow projections, and disclosure of planning assumptions.
3. Plans the expenditure in any fiscal year of more funds than are conservatively projected to be received.
4. Omits allocation for Board activities per the Budgeting for Board Functions policy (see policy in Board Process).

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## Policy 3.6 Compensation and Benefits

Date of adoption / Last revision: December, 2021

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Management Parameters

With respect to employment, compensation and benefits for employees, consultants, contractors or volunteers, the CEO will not cause or allow jeopardy to NAFC's fiscal integrity or public image.

The CEO will not:

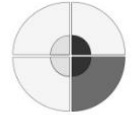
1. Establish salaries and benefits that deviate materially from the professional market value for the skills employed in the association management sector in the Washington DC area.
  - A. Total compensation, including benefits, should be targeted at or near the mean of the market, but with flexibility so that compensation is based on experience, performance, and business need to attract and retain specific talent.
2. Change his or her own compensation.
3. Change his or her own benefits, except as consistent with the package for all other employees.
4. Promise or imply anything other than "at-will" employment.
5. Create obligations to consultants or contract vendors for longer than one year.
6. Establish or change retirement benefits so as to cause situations unpredictable for the organization or inequitable for employees.

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## Policy 3.7 Emergency Management Succession

Date of adoption / Last revision: December, 2021

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Management Parameters

The CEO will not operate without management succession planning processes to facilitate smooth and competent operation of the organization during key personnel transitions.

Further, the CEO will not:

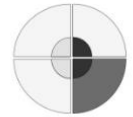
1. Operate without one member of the management team sufficiently familiar with Board and CEO issues and processes to take over with reasonable proficiency as an interim successor.

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## Policy 3.8 Board Awareness and Support

Date of adoption / Last revision: December, 2021

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Management Parameters

The CEO will not cause or allow the Board to be uninformed or unsupported in its work.

The CEO will not:

1. Withhold, impede or confound information necessary for the Board's informed accomplishment of its job.  
The CEO will not:
  - A. Neglect to submit monitoring reports (including the CEO's policy interpretations, as well as compliance data) required by the Board (see Monitoring CEO Performance policy in Board-Management Delegation) in a timely, accurate and understandable fashion.
  - B. Let the Board be unaware of any actual or anticipated noncompliance with any Ends or Management Parameters policy, regardless of the monitoring schedule set forth by the Board.
  - C. Let the Board be without objective background/decision information it periodically requests, or unaware of relevant trends or incidental information (e.g., anticipated adverse media coverage, threatened or pending lawsuits, or material external and internal/organizational changes). Notification of planned internal changes is to be provided in advance, when feasible.
  - D. Let the Board be unaware of any Board or Board member actions that, in the CEO's opinion, are not consistent with the Board's own policies on Board Process and Board-Management Delegation, particularly in the case of Board or Board member behavior that is detrimental to the work relationship between the Board and the CEO.
  - E. Present information in unnecessarily complex or lengthy form or without differentiating among three types of written communications: 1) monitoring, 2) decision preparation or "action item"; and 3) incidental/FYI.
2. Allow the Board to be without logistical and administrative support for official Board, officer or committee communications and functions.
3. Deal with the Board in a way that favors or privileges certain Board members over others except when:
  - A. Fulfilling individual requests for information, or
  - B. Responding to officers or committees duly charged by the Board.
4. Neglect to submit for the Board's Consent Agenda those items delegated to the CEO yet required by law, regulation or third party to be Board-approved, along with applicable monitoring information.

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## Policy 4.0 Board-Management Connection

Date of adoption / Last revision: December, 2021

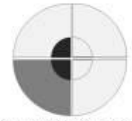
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Board/Management Delegation

The Board's official connection to the operating organization, its achievements and conduct is through a chief executive officer (CEO).





Board/Management Delegation

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## Policy 4.1 Unity of Control

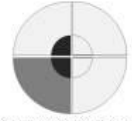
Date of adoption / Last revision: December, 2021

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The Board of Directors acts with one voice in establishing expectations of the CEO.

Accordingly:

1. No Board member, officer or committee has authority over the CEO, or any member of the CEO's staff, except in rare instances when the person or committee has been explicitly authorized to direct or use staff resources for a specific issue.
2. Board members or committees may request information, but if such request--in the CEO's judgment--requires a material amount of staff time or funds or is disruptive, it may be declined. The committee or Board member may then refer the request to the full Board for consideration.



Board/Management Delegation

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## Policy 4.2 Accountability of the CEO

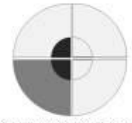
Date of adoption / Last revision: December, 2021

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All Board authority delegated to management is delegated through the CEO, Therefore, the authority and accountability of staff, as far as the Board is concerned, is considered to be the authority and accountability of the CEO.

Accordingly:

1. The Board will not give instructions to any staff other than the CEO.
2. The Board will not evaluate, either formally or informally, any staff other than the CEO.
3. The Board will consider and evaluate CEO performance as synonymous with organizational achievement of Ends and compliance with Management Parameters. No performance measure established by the Board or by sub-sets of the Board shall conflict with or modify this measure of performance
4. Consequently, the CEO's accountability and evaluation will be based on performance in two areas:
  - A. Organizational achievement of the Board's Ends policies.
  - B. Organizational operations within the parameters of legality, prudence and ethics established in the Board's Management Parameters policies.



Board/Management Delegation

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## Policy 4.3 Delegation to the CEO

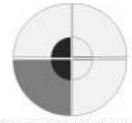
Date of adoption / Last revision: December, 2021

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The Board will direct the CEO through written policies setting forth the organizational Ends to be achieved and organizational situations/actions to be avoided, allowing the CEO to use any reasonable interpretation of these policies.

Accordingly:

1. Ends policies direct the CEO to achieve certain results, for certain recipients at a specified worth or priority. These policies will be systematically developed from the broadest, most general level, to more defined levels.
2. Management Parameters policies define the boundaries of legality, prudence and ethics within which the CEO is to operate. These policies describe the practices, activities, decisions and circumstances that would be unacceptable to the Board, even if effective in producing the desired results. Management Parameters will also be systematically developed from the broadest, most general level to more defined levels. To ensure accountability for performance, the Board will not prescribe organizational means delegated to the CEO.
3. An Ends or Management Parameters policy at a given level does not limit the scope of any preceding level.
4. The CEO is authorized to establish further policies, make decisions, take actions, establish practices and develop activities as long as they are consistent with any reasonable interpretation of these Ends and Management Parameters policies.
5. The Board may change its Ends and Management Parameters policies, thereby shifting the boundary between Board and CEO domains. By doing so, the Board changes the latitude of choice and authority given to the CEO. However, as long as any particular delegation is in place, the Board will respect and support decisions made by the CEO that are consistent with Board policy, as reasonably interpreted.



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## Policy 4.4 Monitoring CEO Performance

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The Board will systematically and rigorously monitor CEO job performance, determining the extent to which Ends are being achieved and whether operational activities fall within boundaries established in Management Parameters policies.

Accordingly:

1. Monitoring is simply to determine the degree to which Board policies are being met. Information that does not address accomplishment of Ends and compliance with Management Parameters will not be considered in the Board's evaluation of CEO performance.
2. Ends and Management Parameters policies may be monitored by one or more of three methods:
  - A. Internal Reports: The CEO discloses in writing his/her policy interpretations, along with data supporting his/her assessment of accomplishment of, or compliance with, the policy under review. As appropriate in a given context, the CEO may present information supporting the "reasonableness" of his/her interpretation.
  - B. External Reports: An external, disinterested third party selected by and reporting to the Board assesses accomplishment of, or compliance with, Board policies, as reasonably interpreted by the CEO.
  - C. Direct Board Inspections: A designated Board member(s) or committee assesses CEO compliance with a given policy, as reasonably interpreted by the CEO.
3. In every case, the Board is committed to accepting any reasonable CEO interpretation of the Board policy being monitored. The Board is the judge of reasonableness, and will always use the "reasonable person" test (whether what the CEO did was what a reasonably prudent executive would do in that context), even if those choices differ from those the Board or any of its members may have made.
4. In every case, the Board will judge whether:
  - A. The CEO's interpretation is reasonable, and
  - B. Data demonstrate reasonable accomplishment of, or compliance with, the CEO's interpretation.
5. Interpretations determined by the Board not to be reasonable, or data determined not to demonstrate reasonable accomplishment of, or compliance with, a Board policy as interpreted, will be subject to a remedial process agreed to by the Board.
6. All policies instructing the CEO will be monitored at a frequency and by a method chosen by the Board. The Board may monitor any policy at any time by any method, but will ordinarily depend on the following routine schedule: