

South Bay Community Network, Inc.

Compensation Policy

This policy implements compliance with IRS rules and recommendations for recognition as a 509(a)1 charitable organization with 501(c)3 tax exemption status. In most cases it is our implementation of yes-or-no check-boxes on IRS Form 1023. It also states how we intend to maintain compliance if or when the organization begins to hire employees. Where applicable, the corresponding line on Form 1023 is indicated.

The other policy which implements IRS 509(a)1 and 501(c)3 rules is the Conflict of Interest Policy.

Article I - Definitions

“Corporation” refers to the South Bay Community Network, Inc., a California non-profit corporation.

“SIG” refers to any Special Interest Group organized under the corporation's By-Laws.

Article II - All-Volunteer Organization

The corporation is an all-volunteer organization. The corporation currently is not authorized to hire employees or independent contractors.

This policy must be amended by the Board of Directors before the corporation may employ anyone.

Article III - Authorization of Reimbursements

This policy authorizes reimbursement of expenses reasonably incurred on behalf of the corporation to corporate officers, directors, members, SIG officers, SIG members or any individual appointed to and acting within a volunteer role according to the corporate By-Laws or a SIG charter.

A request for reimbursement shall be denied if it fails to include reasonable documentation of the expense, such as a copy of a receipt. Documentation of an expense must be provided to the Treasurer or any member of the corporation delegated by the Treasurer to receive such documentation.

A request for reimbursement may be denied as unreasonable at the option of the Treasurer if it fails the any of the conditions listed below. An expense denied at the option of the Treasurer may be appealed to the Board of Directors.

- The expense must have prior authorization by the President or Treasurer, or by any member of the corporation delegated by the President or Treasurer to give specific approvals within limited amounts.
- Documentation must be provided within one year of the date the expense occurred.

Article IV - Employment Compensation Arrangements

[This article corresponds to IRS Form 1023 Part V.]

This article serves only as a statement of the intent of the corporation. In order to activate this article, this policy must be amended by the Board of Directors to allow hiring employees (in “Article II - All-Volunteer Organization” above), as well as to remove this paragraph.

If the Board of Directors determines a need to hire employees and/or compensate officers or directors, the following requirements shall apply.

- Compensation arrangements must be approved by the Board of Directors or a committee consisting of members of the corporation delegated by the Board of Directors.
- All individuals who are authorized to approve compensation arrangements shall be included in the requirement to follow the Conflict of Interest Policy, and to annually acknowledge receipt of a copy of the Conflict of Interest Policy. [IRS Form 1023 Part V Line 4a]
- Compensation arrangements must be approved prior to paying compensation. [IRS Form 1023 Part V Line 4b]
- The date and terms of approved compensation arrangements shall be documented in writing. [IRS Form 1023 Part V Line 4c]
- The decision made by each individual who decides or votes on any compensation arrangements shall be recorded in writing. [IRS Form 1023 Part V Line 4d]
- Approved compensation arrangements shall be based on available information about
 - compensation paid by similarly situated tax-exempt organizations for similar services,
 - current compensation surveys compiled by independent organizations, or
 - actual written offers to individuals from similarly-situated organizations. [IRS Form 1023 Part V Line 4e]
- All individuals who are authorized to approve compensation arrangements shall record in writing both the information upon which they relied to base their decisions and its sources. [IRS Form 1023 Part V Line 4f]
- The corporation shall not compensate officers, directors, five highest-paid employees or five highest-paid independent contractors through non-fixed payments such as discretionary bonuses or revenue-based payments. [IRS Form 1023 Part V Line 6a]
- The corporation shall not compensate any employees or independent contractors who receive more than \$50,000 per year through non-fixed payments such as discretionary bonuses or revenue-based payments. [IRS Form 1023 Part V Line 6b]

Article V - Arrangements with Influential Parties of the Corporation

The corporation shall not enter into the activities listed below with its officers, directors, five highest-paid employees or five highest-paid independent contractors, unless a policy is adopted to establish a method to negotiate such terms at arm's length and provide a means to verify the corporation will not pay more than fair market value or be paid less than fair market value. Adoption or amendment of such a policy shall be reported by the corporation to the IRS, due to its relevance to the corporation's tax-exempt status. The restricted activities are

- purchasing any goods, services or assets from these individuals or parties, [IRS Form 1023 Part V Line 7a]
- selling any goods, services or assets to these individuals or parties, [IRS Form 1023 Part V Line 7b]
- entering into any leases, contracts, loans or other agreements with these individuals or parties. [IRS Form 1023 Part V Line 8a]

Document History

Drafted	11/25-28/2006
Board and members notified draft available for review	11/28/2006