

# **LINGUISTIC SOCIETY OF AMERICA FINANCIAL AND ADMINISTRATIVE POLICY AND PROCEDURES MANUAL**

## **INTRODUCTION**

This Financial and Administrative Policy and Procedures Manual describes the financial and administrative policies and procedures of the Linguistic Society of America (“the Society”). The Executive Committee approved the original edition of this manual on 8 May 2005. It is maintained and updated in compliance with all relevant requirements of funding sources and federal agencies. The Executive Committee must approve any amendments to the policies and procedures.

The Executive Committee has the ultimate responsibility and authority for all policy decisions. The Secretary-Treasurer, as the chief fiscal officer, is ultimately responsible for the implementation of and the adherence to the financial and administrative policies and procedures and for reviewing them annually. The Executive Director has daily responsibility for the Society’s implementation of and adherence to the policies and procedures. The Secretary-Treasurer and the Executive Director will review this manual on an annual basis and propose changes in the policies and procedures as needed.

## **1. ACCOUNTING SYSTEM**

**Policy:** The Society uses the accrual method of accounting. The fiscal year is 1 October through 30 September.

**Procedure:** The Society adheres to all generally accepted accounting principles for the accrual methods. Income from reimbursable federal grants is recognized as it is earned. Monthly financial statements are prepared on a cash basis. Accruals for Accounts Receivable, Accounts Payable, deferred dues and prepaid expenses are recorded at year’s end as part of the audit.

## **2. BOOKS OF ACCOUNTS**

**Policy:** The following books of accounts are maintained:

- General Ledger
- Accounts Receivable
- Accounts Payable
- Cash Receipts
- Cash Disbursements
- Payroll Journal

**Procedure:** Under the supervision of the Executive Director, the Executive Assistant is responsible for maintaining all books of accounts including the reports from the payroll journal, which is maintained under the direction of the Executive Director by an off-site payroll service that processes payroll on a semi-monthly basis.

The general ledger, cash receipts, cash disbursement journals, accounts payable and accounts receivable are maintained electronically using accounting software. These books of accounts are posted and reconciled monthly by the Executive Assistant. The Secretary-Treasurer and other members of the Finance Committee are sent the statements on a quarterly basis by electronic mail and have the authority to examine all books of accounts at any time.

### **3. CHART OF ACCOUNTS**

**Policy:** A Chart of Accounts is maintained and kept current to accurately reflect categories of expenditures, revenue, assets and liabilities, and net assets (unrestricted, designated and restricted).

**Procedure:** The Secretary-Treasurer and Executive Director may add to the Chart of Accounts (or delete accounts) as needed. The Executive Director is authorized to approve payments and assign a code for the account to which each revenue and expense item is booked in accordance with the Chart of Accounts. This is done using a Payment Authorization Form which is attached to the supporting documentation for all payments.

### **4. FINANCIAL STATEMENTS**

**Policy:** Quarterly financial statements are prepared in consultation with an outside Accountant and sent to the Executive Director and Finance Committee for review. The Executive Director provides any applicable explanations of significant variances to prior year or budget and significant anticipated year-end variances. Copies will be made available to any member of the Executive Committee upon request.

**Procedure:** On a monthly basis the Executive Assistant prepares the Financial Statements which include:

- Balance Sheet
- Statement of Revenue and Expenditures for all funds
- Trial Balance
- Bank account reconciliations
- Investment account reconciliations

Capital depreciation, electronic transfers, non-bank transactions and all other account adjustments are recorded in the books by the Executive Assistant, in

consultation with the Accountant as appropriate, through general journal entries and are reflected in the Financial Statements. Tables allocating salary and fringe benefits to cost centers accompany the statements.

The Statement of Revenue and Expenditures for all funds and for each cost center include year-to-date totals and comparisons with both prior year result and the current budget.

The Balance Sheet reflects the most recently reconciled balances in each account.

Where applicable, the Executive Director is responsible for managing the federal grant receivables and expenditures, and preparing any reports, or other documentation for submission to each funding agency.

## **5. BANK ACCOUNT MANAGEMENT: OPENING/CLOSING ACCOUNTS**

**Policy:** Checking, savings and other accounts at financial institutions are opened and closed only at the direction of the Executive Committee.

**Procedures:** Pursuant to a resolution by the Executive Committee, account agreements are established, terminated or amended to change the signatories on the accounts. Signatories are revised when there is a change in office.

## **6. BANK ACCOUNT MANAGEMENT: PREPARATION AND SIGNING OF CHECKS**

**Policy:** Those persons who are authorized by the Executive Committee shall follow the established check signing procedures.

**Procedures:** The account agreement designates the following individuals with signatory power: the Secretary-Treasurer, the President, and the Executive Director. No one can sign a check payable to him/herself. Checks are issued to payees only after they have been signed. **Checks in excess of \$20,000 must be co-signed by at least two of the three authorized signers.**

The Executive Director reviews invoices to verify payments are consistent with budgets and financial policies and procedures and authorizes payment prior to the preparation of checks or the presentation of checks for signature. The Executive Assistant checks the invoices to prevent duplicate payments and prepares the checks for signature.

Copies of voided checks are included in order among the checks presented for signature. Voided checks are kept and filed numerically.

Unused checks are securely stored with other financial records. Unpaid invoices are maintained by the Executive Director. Paid invoices are filed according to fiscal year.

## **7. BANK ACCOUNT RECONCILIATION**

**Policy:** All bank accounts are reconciled monthly.

**Procedures:** The Executive Assistant is responsible for reconciling all bank accounts and presenting the reconciliation reports with the bank statements to the Executive Director. Bank statements and bank reconciliation reports are retained for each account and filed with the monthly financial reports.

The Executive Director opens the bank statement upon receipt and reviews cancelled checks and bank accounting.

The Balance Sheet in the Financial Statement reflects the most recently reconciled balance in each account.

## **8. ACCOUNTS RECEIVABLE**

**Policy:** The Society promptly invoices for services rendered, and for grant and contractual reimbursements. An accounts receivable ledger is maintained and reviewed quarterly.

**Procedure:** The Executive Assistant maintains the accounts receivable ledger and enters all receivables in the accounting reports. The Executive Assistant advises the Executive Director of overdue accounts receivable in excess of \$100.00 that are outstanding for longer than sixty days after the original payment due date. Requests to purchase services from concerns not current are normally refused until full payment is received. The Executive Assistant sends final notices and the Executive Director determines whether any account balances are not collectible.

## **9. ACCOUNTS PAYABLE**

**Policy:** Pay invoices within 30 days after their issuance.

**Procedure:** The Executive Director maintains the Accounts Payable in-box. The Executive Director reviews the invoices to verify that payments are consistent with the approved budget and financial policies and procedures and authorizes payment prior to the preparation of the check or the presentation of checks for signature assigning each the correct account from the chart of accounts. The Executive Assistant checks the invoices to prevent duplicate payments, enters the payment transactions into the general ledger and prepares the checks for

payment. After the checks have been signed, the Executive Assistant mails the checks, files the check stubs and paid receipts.

## **10. PAYROLL SYSTEM**

**Policy:** The Society maintains a payroll system recommended by the Executive Director and approved by the Executive Committee.

**Procedure:** The Executive Committee sets and approves the Executive Director's salary. In consultation with the Secretary-Treasurer, the Executive Director proposes the salaries of other staff members for consideration by the Finance Committee. The total of salaries paid during the year must remain within the annually budgeted amount approved by the Executive Committee.

The Executive Director is responsible for enrolling all new employees with the payroll vendor service as well as enrolling new employees for stated benefits. The Executive Director is the direct supervisor for all other Secretariat employees as well as student interns, temporary help, part-time help, and volunteers with the delegation of supervision over specific projects and tasks to the Director of Membership and Meetings and/or the Executive Assistant as needed.

Exempt salaried employees are paid based on the expected hours worked per the Personnel Policy Manual and agreed to in the letter of hire of the stated salary and time. Non-exempt salaried employees are paid based on the expected hours worked per the Personnel Policy Manual and agreed to in the letter of hire of the stated salary and time. Timesheets are completed with allocations to designated costs centers on a semi-monthly basis.

Each employee completes leave requests for any annual or sick leave used, subject to approval by the Executive Director. Approved leave is automatically deducted at the time of payroll processing.

All employees are paid semi-monthly through checks prepared by the payroll service and made via direct deposit. Paydays are the 15<sup>th</sup> and last day of the month (or a day prior when one of these dates coincides with a weekend or a holiday).

At least 48 hours before each payday, the Executive Director processes the payroll to the payroll service. The payroll service calculates the total payroll, accesses this amount plus all fees from the Society's bank account, and remits the Federal, state and unemployment taxes.

Each month, the Executive Assistant reconciles the employees' pay amounts recorded on the payroll service's timesheet reports with the general ledger, allocating salary and fringe benefit expenses to the assigned cost centers, and confirming that tax liabilities and fees are paid.

## **11. SICK AND ANNUAL LEAVE**

**Policy:** Full-time and part-time permanent employees accrue annual and sick leave based on the Personnel Handbook. No employee may carry over more than 32 days (256 hours) of accumulated annual leave into the next fiscal year. The payroll vendor maintains a ledger of annual and sick leave for all employees which is monitored and verified by the Executive Director.

**Procedure:** At each leave, employees record the approved leave they have used on their timesheets . Up-to-date accrual balances are included on each employee's paystub for each pay period.

As a part of the annual review of financial activities and the preparation of the audit report, the Auditor routinely reviews the leave ledgers and records all unused annual leave under the maximum of 32 days allowed. This amount is reported on the financial statement annually.

## **12. MAIL MANAGEMENT/CASH RECEIPTS**

**Policy:** The incoming mail is opened by the Executive Director and distributed daily. For separation of duties, the Executive Director makes a copy of each check and endorses/stamps it for deposit. Such checks are entered into the general ledger by the Executive Assistant who prepares a deposit slip for review by the Executive Director. Bank deposits are made at least weekly by either the Executive Assistant or the Executive Director. Faxes with credit card payments are retrieved by the Executive Director and counter-signed before forwarding them to the Executive Assistant for processing. Copies of all cash reports and deposit slips are filed in hard copy.

## **13. PROPERTY AND EQUIPMENT**

**Policy:** The Society maintains a list of all equipment and furnishings.

**Procedure:** A list of all equipment and furnishings with serial or other identification numbers is maintained by the Society. Each year, the list is reviewed by the Executive Director and Secretary-Treasurer and updated as needed in preparation for the annual audit.

## **14. BUDGETING OF FUNDS**

**Policy:** The Executive Committee approves the Society's annual operating (general funds) budget. The Executive Committee approves adjustments to the budget as needed during the fiscal year.

**Procedure:** After the January Executive Committee Meeting, the Secretary-Treasurer and the Executive Director prepare an initial draft of the annual budget.

The budget is then considered by the Finance Committee. After review and discussion, the Finance Committee may recommend changes. These changes are then incorporated into the final draft of the budget for presentation to and approval by the Executive Committee at its Spring meeting.

The Executive Director and Secretary-Treasurer manage and oversee the budget. They report to the Executive Committee about actual expenses and revenues and significant differences from budget at the Executive Committee meetings.

## **15. RESTRICTED FUNDS**

**Policy:** The Society maintains a number of restricted funds established to advance special activities of the Society. In consultation with the Finance Committee, the Executive Committee may increase or reduce the number of restricted funds as needed.

**Background:** In 1999, the Executive Committee determined that the assets in the investment accounts were more than sufficient to meet the stated obligations and approved an annual drawdown. Each May, as part of the annual budget approval, the Executive Committee determines whether a drawdown is appropriate and how these funds will be used. The formula for determining the amount of the draw-down is:

*The assets in the accounts as reported in March and September investment statements over a three-year period shall be averaged. Up to 4% of this average value may be withdrawn by the Executive Committee to support the Society's activities.*

In addition, the Society currently maintains the following three restricted funds to support special activities: the Ken Hale Chair Memorial Fund, the Program Development and Committee Activities Fund and the Financial Assistance and Student Support Fund.

The money in each of the funds is from member contributions or special gifts to the Society. In addition, the LSA General Fund is an unrestricted account to which donors can contribute.

The **Linguistic Institute** Fund is a successor to previous restricted funds and investment accounts. Earnings from this account are used to support a planning grant to the host site of an Institute and the Edward Sapir Chair

The Ken Hale Chair Memorial Fund was also set up to provide an endowed chair at each Linguistic Institute.

All committees are invited to submit annual budget requests to the EC for consideration as part of the general operation budget. Where appropriate, earnings from the Program Development Fund may be withdrawn from the investment accounts for this purpose.

At its May 2009 meeting, the LSA Executive Committee approved the following action items regarding its restricted funds and investment accounts:

1. To establish a Bloch Fellowship Fund in the amount of \$50,000 within the LSA investment accounts. The earnings<sup>1</sup> from this Fund will be used to support the appointment of a Bloch fellow to attend the Linguistic Institute. This award includes tuition, travel, room and board for the Institute, plus approved expenses associated with service on the EC for a two-year term. Expenses for service on the EC may be drawn from the general operating budget.
2. To establish the McCawley Fellowship Fund in the amount of \$35,000 within the LSA investment accounts. The earnings from this Fund will be used to support the appointment of a fellow to attend the Linguistic Institute. The fellow must either be: 1) a graduate student from the University of Chicago; or 2) a graduate student from an Asian country<sup>2</sup>. The Institute committee shall only make one such award for any Institute. This award includes tuition, plus travel, room and board for the Asian student where applicable. Awards will only be made when earnings are sufficient to support the amount needed to cover expenses.
3. To establish the Ken Hale Fund in the amount of \$175,000 within the LSA investment accounts. The earnings from this Fund will be used to support the appointment of the Ken Hale Chair to teach at the Linguistic Institute. This professorship includes travel, room and board, and an honorarium. The award also covers travel, room and board, and an honorarium for a consultant. Awards will only be made when earnings are sufficient to support the amount needed to cover all expenses.
4. To establish the Collitz Fund in the amount of \$65,000 within the LSA investment accounts. The earnings from this Fund will be used to support the appointment of the Collitz Professor to teach at the Linguistic Institute. This professorship includes travel, room and board, and an honorarium. Awards will only be made when earnings are sufficient to support the amount needed to cover all expenses.

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<sup>1</sup> For the purposes of this document, “earnings” is defined as: interest and dividends received on the investments in the restricted fund over the period since the last previous disbursement from the fund. If the net asset value of the fund, exclusive of interest and dividends, has appreciated by 10% or more since the last previous withdrawal from principal, up to 5% of the fund may be added to the earnings to be disbursed, with the approval of the Chief Financial Officer.

<sup>2</sup> For the purposes of this fellowship, “Asian country” is defined as: Burma, Cambodia, China (including Taiwan), Indonesia, Japan, Korea, Laos, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam.

5. To revise and clarify the stated purpose of the Linguistic Institute Fund, and allocate \$200,000 within the LSA investment accounts. The earnings from this Fund will be used to support a planning grant to the institution that is hosting the Linguistic Institute. Funds may also be used to support the appointment of the Sapir Professor to teach at the Linguistic Institute. This professorship includes travel, room and board, and an honorarium. The Sapir award will only be made when earnings are sufficient to support the amount needed to cover all expenses.

6. To shift these previously established temporarily restricted funds into two new temporarily restricted funds, as follows:

<u>Old Fund</u>	<u>New Fund (abbreviated)</u>	<u>Amount</u>
Cmte Status of Women in Linguistics	Program Development...	\$ 4796
Membership Assistance	Financial Assistance...	\$ 9408
Child Care Assistance	Financial Assistance...	\$14,084
Cmte on Ethnic Diversity	Program Development...	\$ 3123
Cmte on Endangered Languages	Program Development...	\$ 7088
Archiving Endangered Language	Program Development...	\$ 4022
Stokoe Fund for Interpreting Services	Financial Assistance...	\$ 7313

7. To retire the following restricted funds and related activities:

- Bloch Alternate
- LSA Professorship/Chair
- Austerlitz Fund
- Akmajian Fund
- Hutchins Fund
- Language in the USA Fellowship
- LSA Fellowship
- President's Fellowship
- Jaeggli Fund
- Fund for the Future of Linguistics in Memory of Vicky Fromkin
- Linguistic Institute Fellowship Fund
- Linguistic Institute Contribution Fund
- Capital Equipment Campaign

8. To spend down the funds raised for the Maggie Reynolds Fellowship (~\$8,000) through direct awards, and retire this award when the fund balance falls below \$1,000. Any remaining funds will be shifted at that time to the Financial Assistance Fund.

9. To retire the SIL Fellowship and return the balance of funds to SIL, retaining a fee of \$500 for managing this fund since 1986.

10. To establish a new LSA General Fund within the LSA investment accounts, with a starting balance of \$111,000. Earnings and principal may be withdrawn with EC approval to pay for general operating expenses.

11. To establish a Financial Assistance and Student Support Fund within the LSA investment accounts, with a starting balance of \$30,805. Only earnings may be used for the stated purposes.

12. To establish a Program Development and Committee Activities Fund within the LSA investment accounts, with a starting balance of \$19,029. Only earnings may be used for the stated purposes.

## **16. CAPITAL DEPRECIATION**

**Policy:** The Society maintains a capital depreciation account.

**Procedure:** The Executive Director must approve all equipment purchases over \$100.00. The purchase of equipment is normally made in consultation with the Secretary-Treasurer. All discretionary expenses in excess of \$1,000.00 must be approved in advance by the Secretary-Treasurer. All non-budgeted expenses in excess of \$5,000.00 must be approved in advance by the Executive Committee.

Assets with a value of \$500.00 or more are depreciated across time periods that correspond with the estimated duration of their usefulness, and the purchase of equipment that costs less than \$500.00 is expensed. The Accountant updates the Fixed Assets schedule with a description and date of acquisition or disposition and enters the expense for the depreciation of fixed assets based on this schedule.

Disposition of capital equipment requires the approval of the Secretary Treasurer or the Executive Director.

## **17. RECORDS RETENTION**

**Policy:** The Society maintains financial and other record files per the attached policy (assuming it is approved by the EC at the May meeting)

**Procedure:** The Executive Director maintains the files of the LSA according to these policies and those required by Internal Revenue Service schedules.

## **18. TRAVEL EXPENSES**

**Policy:** The Society may reimburse members, and will reimburse employees, for expenses incurred in the conduct of Society business during official business trips as defined below, including transportation and per diem. Members traveling on such business are requested to seek other sources of funding where possible to help defray transportation and accommodation expenses; where such funding is not forthcoming, the Society will reimburse expenses up to the limits stipulated below. The normal route for all LSA travel shall be the most economical route; exceptions must be approved in advance by either the Secretary-Treasurer or the Executive Director. It is expected that travel expenses shall not exceed \$500 (U.S) for domestic travel, \$750 (U.S.) for international travel; exceptions to these limits must be approved in advance by either the Secretary-Treasurer or the Executive Director. The Society may grant an advance of funds to cover

expenses for travel on official business

Where members are entitled to per diems while traveling on official Society business, such per diems will be at federally stipulated rates. Per diems on the first and last days of travel will be at 75% of the standard rate. In addition, federally stipulated amounts will be deducted from the per diem payment in the case where the Society has paid for a meal or meals for the traveler.

**Procedures:**

A. Reimbursement of Travel Expenses of Officers, Members of the Executive Committee, and Co-Chairs of the Program Committee

Members who stand for election to the Executive Committee agree, if elected, to attend 6 committee meetings, 3 in the Spring and 3 in January immediately prior to the Annual Meeting. The Society reimburses members for travel expenses, including ground transportation (with airfares reimbursed at advanced-purchase economy rates). In addition, the Society pays the hotel directly for sleeping rooms and offers a per diem for meals in accordance with federal guidelines for the days that the committee meets (including pro-rated travel days).

At the Annual Meeting, the President, Vice-President, and Secretary-Treasurer are eligible for LSA-paid housing and per diems for the duration of the Meeting as are the Immediate Past President and the Bloch Fellow. At-large members of the Executive Committee are eligible for LSA-paid housing and per diems for those days on which the Committee meets. If they must arrive a day early in order to attend meetings of the Finance Committee and the Committee on Committee and Delegate appointments, members of these Committees are eligible for LSA-paid housing and per diems for that day.

Incoming Executive Committee members, whose terms of office begin at the conclusion of the Meeting, are eligible for LSA-paid lodging if they are required to stay an additional night to attend the Executive Committee Orientation Meeting, but are not otherwise entitled to reimbursement of expenses.

Executive Committee members are requested to seek other sources of funding, where possible, to help defray transportation or accommodation expenses for these meetings. All members of the Executive Committee pay their own registration fees for the Annual Meeting.

Members pay their own expenses and submit a request to the Secretariat for reimbursement of transportation costs. A completed expense form (Attachment A) must be submitted with all receipts when reimbursement is requested, normally within 15 days of completion of travel. The Executive Director reviews and approves all requests for reimbursement in accordance with the budget and assigns the appropriate account number before the checks are written.

## B. Reimbursement of Travel Expenses of Members of Program Committee

Members of the Program Committee who travel to Washington, DC, for the September meeting are reimbursed for their transportation, lodging, and per diems at standard rates.

Program Committee Co-Chairs are eligible for LSA-paid housing and per diems for the duration of the Annual Meeting, and for reimbursement of their travel expenses. Members of the Program Committee other than the Co-Chairs are not reimbursed for travel expenses for the Annual Meeting.

Program Committee chairs are requested to seek other sources of funding, where possible, to help defray transportation or accommodation expenses for these meetings. All Program Committee members pay their own registration fees for the Annual Meeting.

Members of the Committee are expected to pay their own expenses and submit a request to the Secretariat for reimbursement of transportation costs, not to exceed \$500.00. For airfares, reimbursement will be at advanced-purchase economy rates. A completed expense form (Attachment A) must be submitted with all receipts when reimbursement is requested, normally within 15 days of completion of travel. The Executive Director reviews and approves all requests for reimbursement in accordance with the budget and assigns the appropriate account number before the checks are written.

## C. Reimbursement of Travel Expenses of Editor of *Language* and Editor of *eLanguage*

The Editors of *Language* and *eLanguage* are reimbursed for transportation to the Executive Committee meeting prior to the Annual Meeting in January, and for LSA-paid lodging and per diems for the duration of both meetings. In transition years, the incoming and outgoing editors of *Language* and of *eLanguage* are entitled to such reimbursement for attendance at the Annual Meeting that separates their terms of office. Editors of *Language* and *eLanguage* pay their own registration fees for the Annual Meeting.

Editors of *Language* and *eLanguage* are also reimbursed for their expenses in attending the Spring meeting of the Executive Committee. Editors are requested to seek other sources of funding, where possible, to help defray transportation or accommodation expenses for these meetings.

The Editors are expected to pay their own expenses and submit a request to the Secretariat for reimbursement of transportation costs not to exceed \$500.00 (\$750 for international travel from outside of North America). For airfares, reimbursement will be at advanced-purchase economy rates. A completed expense form (Attachment A) must be submitted with all receipts when reimbursement is requested, normally within 15 days of completion of travel. The

Executive Director reviews and approves all requests for reimbursement in accordance with the budget and assigns the appropriate account number before the checks are written.

#### D. Reimbursement of Travel Expenses of Financial Advisor

The Financial Advisor is reimbursed for transportation to the Spring Executive Committee Meeting and the Annual Meeting and for one day's per diem for each meeting.

The Financial Advisor is expected to pay his or her own expenses and submit a request to the Secretariat for reimbursement of transportation costs not to exceed \$500.00. For airfares, reimbursement will be at advanced-purchase economy rates. A completed expense form (Attachment A) must be submitted with all receipts when reimbursement is requested, normally within 15 days of completion of travel. The Executive Director reviews and approves all requests for reimbursement in accordance with the budget and assigns the appropriate account number before the checks are written.

#### E. Reimbursement of Travel Expenses of Delegates

Members serving as Delegates may request travel stipends of up to \$500.00 each year to attend a national meeting representing the Society. Members are eligible to request this support when they file their report on the meeting.

Members pay their own expenses and submit a request to the Secretariat for reimbursement of costs. A completed expense form (Attachment A) must be submitted with all receipts when reimbursement is requested, normally within 15 days of completion of travel. The Executive Director reviews and approves all requests for reimbursement in accordance with the budget and assigns the appropriate account number before the checks are written.

#### F. Reimbursement of Occasional Official Travel Expenses of Members and Officers

Members or officers traveling on official business of the Society other than as provided above may request reimbursement of their expenses for such travel (normally not to exceed \$500.00). All requests for anticipated travel expenses for which reimbursement will be requested under this provision must be approved in advance by the Secretary-Treasurer. Those requesting reimbursement in this way shall provide reports to the Executive Committee or the Secretariat, as appropriate, on the results of their travel.

Members pay their own expenses and submit a request to the Secretariat for reimbursement of travel costs. A completed expense form (Attachment A) must be submitted with all receipts when reimbursement is requested, normally within 15 days of completion of travel. The Executive Director reviews and approves all

requests for reimbursement in accordance with the budget and assigns the appropriate account number before the checks are written.

#### G. Reimbursement of Travel Expenses of Employees

Employees are also reimbursed for local travel, postage and supply expenses directly related to Society business. Itemized expense reports are submitted for reimbursement on a timely basis. For travel expenses other than those of the Executive Director, the Executive Director reviews all requests for reimbursement in accordance with the budget and assigns the appropriate account number before approving them.

All actual out-of-area travel expenses incurred by any employee other than the Executive Director must be approved by the Executive Director prior to reimbursement.

All requests for anticipated out-of-area travel expenses by the Executive Director for which reimbursement will be requested (other than for travel to and in connection with events which the Executive Director attends in his/her capacity as Executive Director) must be approved in advance by the Secretary-Treasurer.

All requests for reimbursement of travel expenses incurred by the Executive Director (both for LSA and non-LSA events) must be approved by the Secretary-Treasurer prior to reimbursement. The Executive Director assigns the appropriate account number before forwarding the reimbursement request to the Secretary-Treasurer, who will return it to the Executive Director in a timely fashion. In the event that the Secretary-Treasurer is unavailable, the President is authorized to approve reimbursement requests from the Executive Director.

### 19. AUDITS AND REPORTING

**Policy:** An independent audit is completed annually by a professional accounting firm that has met the peer review requirements of the AICPA. The firm is approved by the Society's Audit Committee and engaged by the Executive Director.

**Procedure:** The staff prepares various schedules needed by the auditor and provides assistance as needed to complete the audit.

Upon completion, the audit results are reviewed by the Executive Director, the Secretary-Treasurer, and the Audit Committee and then submitted to the Executive Committee.

Audits may include a management letter. The Executive Director and Secretary-Treasurer follow up on the auditor's recommendations.

Appropriate audit forms, Internal Revenue Service Form 990 and 990 A, and other reports are filed with appropriate federal and state agencies.

## **20. INSURANCE**

**Policy:** The Society maintains appropriate insurance coverage.

**Procedure:** The Society maintains the following coverage:

- Building and Business Personal Property Insurance (including employee dishonesty and general liability)
- Convention Cancellation
- Non-Profit Professional Liability
- Employers Liability Insurance
- Fiduciary Liability

The Executive Director, in consultation with the Secretary-Treasurer, reviews the coverage annually at the time of renewal.

## **21. CONTRACTS**

**Policy:** The Executive Director executes contracts consistent with the mission, goal, objectives and approved budget of the Society.

**Procedure:** The Executive Director signs contracts to carry out programs and activities approved by the Executive Committee.

The Society's standard form for contracting for consulting services, including computing, editorial, financial, administrative, and technology services, is reviewed annually and updated as necessary by the Executive Director. Consultant agreements are reviewed annually at the beginning of the fiscal year in consultation with the Secretary-Treasurer.

Request for payment for consultant services is submitted on a report of consultant services form on a timely basis (normally monthly or quarterly). The immediate supervisor (if not the Executive Director) and the Executive Director approve requests before the check is prepared.

## **22. INVESTMENT POLICIES AND GUIDELINES**

**Policy:** The funds of the Society are invested at the discretion of the Executive Committee on the advice of the Finance Committee. The Executive Committee has adopted the following investment guidelines.

### **STATEMENT OF INVESTMENT POLICIES AND GUIDELINES**

### **INVESTMENT OBJECTIVES**

The Society is committed to an investment approach that will enable it to meet its long-term standing commitments to the financial support of major recurring special activities, and to ensure the smooth continuation of its regular operations.

### **INVESTMENT MANAGEMENT**

The Society will engage a reputable investment management organization to administer the investment of its assets subject to the guidelines set forth in this document. Individual investment managers within the organization will have discretion to manage the assets in each particular portfolio to best achieve the stated investment objectives.

### **PORTFOLIO COMPOSITION AND ASSET ALLOCATION**

The Society maintains a number of restricted funds, enumerated in Section 15 of this document. The different purposes of the various funds call for different investment strategies for them. The strategies are differentiated by the proportion of assets invested in equities (stocks), fixed income instruments (bonds), and cash.

A number of the funds support the biennial Linguistic Institute, including named professorships, named fellowships, and administrative expenses. The financial demands for these purposes are fairly predictable. The funds are therefore to be invested conservatively, at a ratio of approximately 65% fixed income instruments, 25% equities, and 10% cash, to minimize the effects of market volatility and assure the availability of the necessary resources at the time they are needed. The purpose of the equity component of the portfolio is to provide some long-term growth of the investments to counter the effects of inflation.

The LSA General Fund is to be used to supplement the regular operating revenues of the Society in order to carry out the Society's regular operations, or to meet unforeseen urgent needs. New unrestricted contributions to the Society will be added to this fund. There is no planned schedule of withdrawals from the General Fund. Its assets are to be invested with a growth orientation, in a ratio of approximately 70% equities and 30% fixed income instruments.

Two remaining restricted funds are the Program Development and Committee Activities Fund, and the Financial Assistance and Student Support Fund. These are in an intermediate category, with the likelihood of annual withdrawals of unpredictable amounts. The asset allocations are to be 50% equities, 40% fixed income instruments, and 10% cash.

All of the funds will be rebalanced periodically to maintain the target asset allocations in the light of changing market conditions.

Funds with equivalent asset allocations may be kept in the same or different brokerage accounts, according to the convenience and preferred practices of the LSA Secretariat and the investment management firm. Funds with differing asset allocations will be kept in different brokerage accounts.

### **SPENDING AND BORROWING POLICY**

Each of the restricted funds described in Section 15 of this document has a specified expenditure policy. For most funds, withdrawals will be limited to earnings, where “earnings” is defined as interest and dividends received on the fund’s investments since the last previous withdrawal, plus, with the approval of the Chief Financial officer, up to 5% of the net asset value exclusive of dividends and interest, if the net asset value has increased by 10% or more since the last previous withdrawal from principal. In the case of a few funds, withdrawals may exceed this amount if necessary to accomplish the fund’s purpose.

Any deviation from the stated expenditure policy for any fund will require the express approval of the Executive Committee.

For the LSA General Fund, the Executive Committee must approve withdrawals in any amount.

The Society will maintain a line of credit with the investment management firm, secured by the collective assets under management, at the most favorable interest rate available. The Society may borrow against this line of credit when the Executive Director and the Chief Financial Officer agree that such borrowing is necessary to meet current obligations. The Society will pay the accrued interest on the borrowed amount in full monthly. When new revenues come into the Society in excess of the amount necessary to meet current and anticipated near-term future needs, their first use will be to pay down the outstanding principal amount of the loan.

### **MONITORING OF OBJECTIVES AND RESULTS**

The Executive Director (ED) and the Chief Financial Officer (CFO) will each receive monthly statements from the investment management firm, showing the full holdings in each account, any transactions that have occurred during the reporting period, any dividends or interest received, the current market value of each holding, and the change in market value since the previous statement. The ED and the CFO will review these statements, and if either of them notes something that requires attention, s/he will discuss it with the other one, and with the designated representative of the investment management firm. If necessary, the ED or the CFO may bring the matter to the attention of the Finance Committee. Any substantial changes to the investment policies described in this section will be brought to the Executive Committee for approval.

The CFO will report the performance of the Society’s investments to the Finance Committee and to the Executive Committee at least twice yearly, at the winter

and spring meetings of those committees, and more frequently as circumstances warrant.

### **PERIODIC REVIEW OF INVESTMENT POLICIES AND GUIDELINES**

The CFO and the ED will review this statement at least annually, and will recommend changes to the Finance Committee and the Executive Committee as needed.

### **23. INVESTMENT ADVISOR**

The LSA Investment Advisor, if one is appointed, is charged with overseeing the Society's investments and their management in consultation with the LSA Finance Committee. The person named to this post is appointed for a three-year term and may be reappointed. The appointment of this individual is at the discretion of the Secretary-Treasurer. The Investment Advisor also serves as a voting member of the LSA Finance Committee.

### **24. BEQUESTS AND CONTRIBUTIONS**

**Policy:** Bequests and contributions that are restricted by the donor are used only for the purpose specified. A minimum contribution of \$10,000 is required in order to establish a new restricted fund. Donors wishing to restrict contributions under this amount will be referred to the existing restricted fund contribution options. Unrestricted contributions are normally deposited in the general Sustainability Fund.

**Procedure:** The Executive Director and Secretary-Treasurer are jointly responsible for the designation of bequests and contributions according to the policy.

### **25. CODE OF CONDUCT**

**Policy: The LSA Code of Conduct, adopted May 2007, is as follows:**

The Linguistic Society of America (LSA) is a not-for-profit organization that seeks to operate not only within the law but also as a highly ethical organization deserving of public trust and support. The LSA Code of Conduct (hereinafter referred to as the Code) requires officers, other volunteers, and employees to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. Employees and representatives of the organization must practice honesty and integrity in fulfilling their responsibilities and comply with all applicable laws and regulations.

## **a. Conflict of Interest Policy**

It is in the spirit of this code that we adopt a conflict of interest policy for our Officers, Executive Committee members, the Editor of *Language*, the Editor-in-Chief of *eLanguage*, staff members and others with significant interest to avoid both conflicts of interest and any appearance of conflicts of interest.

### **Fiduciary Obligations**

The law holds officers and those in significant authority to three standards of conduct: the duty of faithfulness, the duty of care, and the duty of loyalty. The duty of loyalty -- the placing of the interest of the Society first in making decisions -- is usually the duty at issue in conflict situations.

### **What is a Conflict of Interest?**

A conflict of interest generally arises when an officer, volunteer, employee or similar party cannot give his or her complete loyalty to the LSA on a specific matter because he or she (or their family) has a private interest (usually financial) that might dominate his or her actions.

### **A Duty to Inform of Possible Conflicts**

At the time a conflict becomes known, there are both legal and ethical duties to inform the organization of conflicts. A member should inform both the President and the Executive Director of any possible personal, familial, or business relationships that could reasonably give rise to a conflict of interest involving LSA. However, it is every officer, committee member, volunteer and staff member's responsibility to ensure that the organization is made aware of any situation that may be troublesome to the Society.

### **Determining Conflicts of Interest**

In most circumstances it should be easy to determine whether a conflict exists. However, should the matter be one of difficulty, the President shall appoint a three person committee, including a Past President to make a recommendation. The President shall be the final arbitrator of possible conflicts unless it involves the President; then, the line of officer succession will be followed.

### **Restraint on Participation**

Persons with conflicts shall not vote, participate in discussion, or if requested be present at the time of the vote. Such conflicts shall be noted in the minutes before a vote is taken.

### **Annual Review**

At the time individuals become involved with the LSA and annually thereafter, all Officers, Executive Committee members, the Editor of *Language*, the Editor-in-Chief of *eLanguage*, staff members and others with significant interest will review this policy; disclose any Board position or known financial interest that may give rise to conflict and acknowledge by his or her signature their compliance with the

letter and spirit of this policy.

Failure to disclose a conflict will be treated as a serious breach of conduct and will be subject to appropriate disciplinary and corrective actions.

**b. Conflict of Interest Statement**

I hereby acknowledge that I have reviewed the above Linguistic Society of America Conflict of Interest policy and agree to comply with this policy.

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Signature

Date

Disclosure

At this time, I would like to disclose the following positions(s) and/or known interest(s) that may give rise to conflict.

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At this time, I have no known conflicts of interest to disclose.

---

Signature

Date

**c. Whistleblower Policy**

The objectives of the LSA Whistleblower Policy are to establish policies and procedures for:

- The submission of concerns regarding questionable accounting or auditing matters by employees, directors, officers, and other stakeholders of the organization, on a confidential and anonymous basis.
- The receipt, retention, and treatment of complaints received by the organization regarding accounting, internal controls, or auditing matters.

- The protection of officers, volunteers and employees reporting concerns from retaliatory actions.

### **Reporting Responsibility**

Each officer, volunteer, and employee of the LSA has an obligation to report in accordance with this Whistleblower Policy (a) questionable or improper accounting or auditing matters, and (b) violations and suspected violations of the Code (hereinafter collectively referred to as Concerns).

### **Authority of Audit Committee**

All reported Concerns would be forwarded to the Audit Committee in accordance with the procedures set forth herein. The Audit Committee has the authority to retain outside legal counsel, accountants, private investigators, or any other resource deemed necessary to conduct a full and complete investigation of the allegations. The Audit Committee shall be responsible for investigating, and making appropriate recommendations to the Officers and Executive Committee, with respect to all reported Concerns.

### **No Retaliation**

The Whistleblower Policy is intended to encourage and enable officers, volunteers, and employees to raise Concerns within the Organization for investigation and appropriate action. With this goal in mind, no officer, volunteer, or employee who, in good faith, reports a Concern shall be subject to retaliation or, in the case of an employee, adverse employment consequences. Moreover, a volunteer or employee who retaliates against someone who has reported a Concern in good faith is subject to discipline up to and including dismissal from the volunteer position or termination of employment.

### **Acting in Good Faith**

Anyone reporting a Concern must act in good faith and have reasonable grounds for believing the information disclosed indicates an improper accounting or auditing practice, or a violation of the Code. The act of making allegations that prove to be unsubstantiated, and that prove to have been made maliciously, recklessly, or with the foreknowledge that the allegations are false, will be viewed as a serious disciplinary offense and may result in discipline, up to and including dismissal from the volunteer position or termination of employment. Such conduct may also give rise to other actions, including civil lawsuits.

### **Confidentiality**

Reports of Concerns, and investigations pertaining thereto, shall be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation.

Disclosure of reports of Concerns to individuals not involved in the investigation will be viewed as a serious disciplinary offense and may result in discipline, up to and including termination of employment. Such conduct may also give rise to

other actions, including civil lawsuits.

**Procedure:** Employees and officers who select contractors and grantees are required to disclose personal and financial relationships with any applicants for contracts or grants. The Society will ensure that, in the event of such disclosure, the employee or officer will be excluded from decision-making and fund administration involving these persons or entities.

## **26. FINANCE COMMITTEE**

For the general management and oversight of the financial affairs of the Society, there will be a Finance Committee composed of the President, Vice President-President Elect, Past President, Secretary-Treasurer. There may also be one additional member who serves as Investment Advisor. The Committee will be chaired by the Secretary-Treasurer and will meet at least twice each year in conjunction with the meetings of the Executive Committee.

## **27. AUDIT COMMITTEE**

The audit committee is composed of three members of the Society, including one current member of the Executive Committee, with the other two members serving staggered three-year terms. The Committee is charged with reviewing the Society's engagement letter with the firm selected to perform the annual audit, considering the draft financial report and management letter, and presenting a report to the Executive Committee at the January meeting.

## **28. MEMBERSHIP/DATABASE**

All individual memberships are based on a 12 month period commencing on the date at which the member joins. Journal subscriptions for organizations are offered on a calendar year basis. Any organization paying for an annual subscription after January 1 will only receive those issues of *Language* published after that date. The Executive Committee approves dues rates and the Executive Director approves membership recruitment and renewal materials. At least two months prior to expiration, the Secretariat sends out renewal notices via email and postal mail to those members and subscribers due to expire. Follow-up renewal requests are sent one week prior to expiration, and one month following expiration.

The Executive Assistant provides the Executive Director and the Director of Meetings and Membership with monthly membership and subscriber reports.

As of 2010, membership and subscriber information is tracked on the website for all categories of membership. Prior to 2009, information has been tracked in-house on the FileMaker Pro database for institutional subscribers. All LSA staff will have administrative access to both databases.

### **Application of Payments**

Payments for member dues and meetings are received via paper check, wire, or credit card via mail, fax, or online, and in rare cases, cash or money order. The database is updated automatically when the member pays online, or by the Executive Assistant when the payment is made by mailed check, hard copy credit card or wire.

### **Database Edits and Changes**

Members have the preferred capability to change their membership information in the website database. Modifications may also be made by all Secretariat staff as necessary as a result of a communication from the member to the office by phone, email, fax or postal mail.

### **Meetings and Registration Fees**

Cash receipts related to meetings are for registrations, exhibitor fees, and sponsor payments and other activities as approved by the EC. Payments are received via paper check, credit card or wire transfer, and in some cases cash and money order.

Check & Cash Payments - When payment is received via check, a copy of the completed registration form is maintained in a file for the applicable meeting. The Executive Director and the Executive Assistant then process the deposits according to the cash receipts procedure and the Executive Assistant posts this information to the member's profile in the website database.

Credit Card Payments – If the member pays online via the website, the information is posted automatically to their profile in the website database. The Executive Assistant then processes the deposits according to the cash receipts procedure and t posts this information to the member's profile in the website database.

### **Wires**

All non-check disbursements, such as wire transfers, are initiated by the the Executive Director and approved by the Secretary-Treasurer, on an as needed basis.

## **Refunds**

The LSA discloses its refund policy for registrations in its meeting registration form.

*last revised May 2010*

## **Addendum A**

### LINGUISTIC SOCIETY OF AMERICA (LSA)

#### Policy on the Process for Determining Executive Compensation

**This Policy on the Process for Determining Compensation applies to the compensation of the LSA's Executive Director.**

**The process includes all of these elements: (1) review and approval by LSA's Executive Committee; (2) use of data as to comparable compensation; and (3) contemporaneous documentation and recordkeeping.**

**1. Review and approval. The compensation of the Executive Director is reviewed and approved by LSA's Executive Committee, provided that persons with conflicts of interest with respect to the compensation arrangement at issue are not involved in this review and approval.**

**2. Use of data as to comparable compensation. The compensation of the Executive Director is reviewed and approved using data as to comparable compensation for similarly qualified persons in functionally comparable positions at similarly situated organizations.**

**3. Contemporaneous documentation and recordkeeping. There is contemporaneous documentation and recordkeeping with respect to the deliberations and decisions regarding the compensation arrangement.**

*Addendum B*

**LINGUISTIC SOCIETY OF AMERICA (LSA)**

**Record Retention and Document Destruction Policy**

It is the policy of the LSA to maintain complete, accurate and high quality records. Records are to be retained for the period of their immediate or current use, unless longer retention is required for historical reference, contractual, legal or regulatory requirements or for other purposes as may be set forth herein. Records of historical scholarly value that are no longer required, or have satisfied their required periods of retention, shall be transferred to the Western Historical Manuscript Collection (WHMC) or any successor archive. Those records without any such value or need (as specified below) shall be destroyed.

No officer, director, employee, volunteer, or agent of the LSA shall knowingly destroy a document with the intent to obstruct or influence the investigation or proper administration of any matter within the jurisdiction of any government department or agency or in relation to or contemplation of any such matter or case. No documents should be destroyed or deleted if pertinent to any ongoing or anticipated government investigation or proceeding or private litigation. If a government investigation is underway or even suspected, document purging must stop in order to avoid criminal obstruction.

This Policy covers all records and documents of the LSA, including paper, electronic files (including e-mail) and voicemail records regardless of where the document is stored, including network servers, desktop or laptop computers and handheld wireless devices.

The Executive Director shall be responsible for administering this Policy. As part of this role, the Executive Director, in consultation with legal counsel, shall ensure that LSA documents and records retained by officers, directors, employees, volunteers, or agents are stored, transferred or destroyed in a manner consistent with this Policy.

In order to eliminate accidental or innocent destruction, the LSA has the following document retention requirements as noted in the following table. The LSA reserves the right to amend, alter and terminate this Policy at any time and for any reason.

<b>Type of Document</b>	<b>Minimum Best Practice Requirement</b>
Accounts receivable & payable ledgers and schedules	7 years
Articles of Incorporation, charter, bylaws, minutes and other incorporation records	Permanently
Audit reports, financial statements (year end), general/private ledgers, trial balance, journals	Permanently
Bank reconciliation	7 years

Bank statements, deposit records, electronic fund transfer documents and canceled checks	7 years
Chart of accounts	Permanently
Checks (for important payments and purchases)	Permanently
Contracts, mortgages, notes and leases (expired)	7 years
Contracts (still in effect)	Permanently
Correspondence (general); see below for additional details	3 years; transfer to WHMC thereafter
Correspondence (legal and important matters)	Permanently
Correspondence (with customers and vendors)	3 years
Deeds, mortgages, and bills of sale	Permanently
Depreciation schedules	Permanently
Donations	7 years
EEOC reports	Permanently
Employee demographic info & compensation records (Davis-Bacon Act, Service Contract Act & Walsh-Healy Public Contracts Act)	3 years
Expense analyses/expense distribution schedules	7 years
Garnishments	7 years
Grant applications (unfunded)	3 years
Grants (funded)	7 years after closure
I-9's	3 years after date of hire or 1 year after termination
Insurance policies (expired)	3 years
Insurance records (current), current accident reports, claims, policies, etc.	Permanently
Internal audit reports	7 years
Invoices (to customers, from vendors)	7 years
Inventory records	7 years
Loan documents and notes	Permanently
Patents and related papers	Permanently
Payroll records & summaries including records related to employee's leave (Equal Pay Act, FLSA)	7 Years
Personnel files (terminated employees) (Title VII, ADA, ADEA)	7 Years after termination
Purchase orders	7 Years
Retirement and pension records including	

Summary Plan Descriptions (ERISA)	Permanently
Tax returns and worksheets	Permanently
Timesheets	7 Years
Trademark registrations and copyrights	Permanently
Withholding tax statements (FICA, FUTA, Federal Income)	7 Years
Workers compensation documentation	10 years after 1 <sup>st</sup> closure

### **Policy on the Treatment of Private and/or Confidential Documents**

For the purposes of this policy, the following documents shall be considered confidential:

- Fellowship application materials (including transcripts, GRE/TOEFL scores, and letters of recommendation);
- Manuscripts submitted to but not accepted for publication by *Language*, *eLanguage*, or *eLanguage* co-journals;
- Referee reports and associate editor reports evaluating manuscripts;
- Rejected abstract submissions to the Annual Meeting Program Committee;
- Personnel files for current and former LSA employees, employment application materials, and contracts with consultants;
- Documents marked “confidential” by the author or recipient;
- Minutes of Executive Sessions of the LSA Executive Committee;
- Financial transactions that contain personal credit card or banking information;
- Any other documents containing information that would put individuals at risk for identity theft, such as social security numbers, etc.

All other documents will be considered appropriate for inclusion in the WHMC, including:

- Editorial correspondence with authors of manuscripts submitted for publication.
- Nomination materials for awards and service as LSA Officers, Editors, EC Members, Committee leaders, and other leadership posts.

**Policy:** Confidential documents will be destroyed after one year from the date of receipt, except where noted in the preceding retention schedule and/or unless further retention is deemed necessary for a period of time for specific official purposes. All other documents will be retained in accordance with the record retention policy outlined above and transferred to the WHMC as appropriate. A Disclaimer Notice will be posted on the LSA/eLanguage websites and as a “footer” on e-mails/faxes sent by LSA staff, editors, or elected/appointed volunteers explaining this policy.

Suggested Disclaimer Notice (to be posted on the LSA/eLanguage websites and as a “footer” on e-mails/faxes sent by LSA staff, editors, or elected/appointed volunteers)

Please be advised that all correspondence directed to the LSA or its representatives may be made available to the Western Historical Manuscript Collection (WHMC) as part of the official LSA Archive. Correspondents who wish for their correspondence and/or

related materials to remain confidential (and not placed in the archive), should mark their materials conspicuously as “CONFIDENTIAL.”

### **Guidance on the Archiving of Scholarly Information**

In addition to the documents referenced above, the following types of materials should be routinely transferred to WHMC:

- Annual Meeting Handbooks
- Course Listings and Related Materials for the Linguistic Institute
- Agendas and Related Materials for the Summer Meeting
- LSA publications (not referenced below)
- Records associated with free-standing workshops, conferences, symposia, seminars, and other meetings sponsored by the LSA
- Any information removed from the LSA website that may be of scholarly interest

The following materials are automatically archived through electronic means:

- *eLanguage* published content
- *Language* published content

The following LSA materials are retained permanently in bound form at the LSA Secretariat:

- *Language* Volumes 1-85 (and beyond)
- Index of *Language* (1925-2000)
- *LSA Bulletin*, Nos. 1-196
- *Language* Dissertations, Nos. 1-57
- *Language* Monograph, Nos. 1-27

## **Addendum C**

### **Joint Venture Policy**

In compliance with Internal Revenue Service guidelines for approval and management of any joint venture entered into by the Linguistic Society of America (LSA), the Executive Committee adopts the following guidelines.

#### Activities Subject to this Policy

For the purposes of this policy, the term “Joint Venture” is defined as any arrangement, including contractual or more formal arrangements undertaken through a limited liability company, partnership, or other entity, through which the LSA and another entity jointly undertake any activity or business venture, or otherwise agree to joint ownership of any asset. A Joint Venture may include both taxable and tax-exempt activities.

#### Approval and Management of Joint Activities

Before making any decision to participate in a Joint Venture, the LSA will ensure that the Joint Venture furthers the LSA’s exempt purposes and will negotiate at arm’s length<sup>3</sup> contractual and other terms of participation that safeguard LSA’s exemption from federal income tax. Such terms shall be in writing in the operating agreement of the Joint Venture and shall include the following minimum requirements:

With respect to any whole joint venture (that is, a joint venture in which the LSA contributes substantially *all* of its assets to the enterprise), the LSA’s control over the Joint Venture through fifty-one percent (51%) or more of the voting rights and/or veto power;

With respect to any ancillary joint venture (that is, a joint venture to which a portion of the LSA’s resources are contributed), the LSA would, at a minimum, maintain sole control over the tax-exempt aspects<sup>4</sup> of the Joint Venture and would have voting and ownership interests in the Joint Venture that are consistent with the LSA’s capital contributions;

A requirement that any subsequent contract with the LSA’s partner in the Joint Venture be negotiated at arm’s length and for fair market value;

A requirement that the Joint Venture give priority to the LSA’s tax-exempt purposes over maximization of profit for the participants of the Joint Venture; and

A prohibition on activities that would jeopardize the LSA’s tax-exempt status.

Where there is any question as to whether a particular Joint Venture may pose a risk to the LSA’s tax-exempt status, a decision to enter into such Joint Venture will be made only in consultation with legal and/or tax counsel.

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<sup>3</sup> An “arm’s length transaction” is a transaction negotiated by the parties in good faith in the ordinary course of their business whereby the parties are acting in their own self interest.

<sup>4</sup> Except in those cases in which the joint venture is with another tax exempt entity. In those cases, control would be shared in proportion to the financial contribution made by each party.