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Final Thoughts - Part 8 in a Series

BUSINESS ADVISORS, COMPENSATION STUDIES, HEALTH CARE, HIGHER EDUCATION, NOT-FOR-PROFIT

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Nonprofit organizations play a vital role in society by providing services and grants that support a wide range of initiatives in fields such as medicine, education, social services and the arts. They operate in an increasingly complex world.

While the demands of serving on a nonprofit board are substantial, individual commitment is typically part-time and voluntary, so boards should rely on processes and structures whenever possible to fulfill duties in an effective, timely manner. In the midst of the board's to-do list, executive compensation should be recognized as a front burner issue. The [rebuttable presumption process](#) set forth in the Internal Revenue Code provides not only a safe harbor for regulatory compliance for 501(c)(3) and 501(c)(4) organizations but also an excellent roadmap for all nonprofit organizations.

The following questions can serve as a starting point if a board of directors wants to review its own processes surrounding executive compensation:

- Who has ultimate authority to set executive compensation?
- Is there a compensation committee? Do these board members have adequate subject matter expertise?
- Is there a "conflict of interest" policy in place?
- What process is used to determine executive compensation?
- Which employees are subject to intermediate sanctions regulations?
- Does the board understand who can be subject to intermediate sanctions penalties and how to establish the rebuttable presumption safe harbor?
- Is market data considered? How comparable is it?
- Are all items of compensation included and appropriately valued, including fringe benefits and nontaxable benefits?
- Is adequate documentation completed?

The saying "an ounce of prevention is worth a pound of cure" certainly applies here. Spend adequate time on executive compensation upfront to meet the rebuttable presumption standard; carefully craft compensation programs that attract and retain talent while also balancing fiscal responsibilities; and be prepared to communicate how executive compensation supports organizational goals if stakeholder scrutiny arises. It will be an investment well spent.

Schneider Downs Business Advisory Group provides compensation studies to aid organizations in understanding the market and documenting their reasonable compensation processes. Please [contact us](#) to discuss how we can assist you with your advisory needs.

This post is the final part in a series to provide best practices for nonprofit boards to determine executive compensation.

You've heard our thoughts... We'd like to hear yours

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