



NON-PROFIT BOARD BEST PRACTICES

10:00 AM

Steve Cruise, UBS Securities LLC

Dan Hale, Trinity Health

Janet Knupp, The Chicago Public Education Fund

Richard Riley, Foley & Lardner LLP

Dave Rowan, The Cleveland Clinic Foundation

Michael Tiknis, Harris Theater for Music and Dance



STEPHEN A. CRUISE
MANAGING DIRECTOR,
INVESTMENT BANKING
UBS SECURITIES LLC

Stephen A. Cruise, based in Chicago, is a Managing Director in the Investment Banking Division of UBS and a founding member of UBS' Midwest Office. He is responsible for the Firm's investment banking coverage of a wide array of manufacturing and services clients, including many of the Firm's most important relationships in the Midwest. Steve also sits on the UBS Investment Banking Equity Commitment Committee.

With 15 years of financial advisory experience, Steve has executed a range of capital raising transactions, including: initial public offerings, follow-on common-stock offerings, convertible debt offerings, leveraged loan syndications, investment grade and high yield bond offerings, and private placements of debt and equity. His strategic advisory experience includes many corporate acquisitions, mergers, restructurings and divestitures.

Prior to joining UBS in April 2004, Mr. Cruise was a Director in the Global Industrial and Services Group at Credit Suisse First Boston, based in Chicago. Steve began his investment banking career with Lehman Brothers, first in New York and then in Chicago. Mr. Cruise holds an M.B.A. in Finance and International Business from The Graduate School of Business at the University of Chicago and a B.S. in Finance and Accounting from Michigan State University. Steve sits on the following boards; The Chicago Public Education Fund, the Harris Theater for Music and Dance, the University of Chicago GSB Global Advisory Board and the Michigan State University Eli Broad College of Business. He has been a Chartered Financial Analyst (CFA) since 1995.



DANIEL G. HALE
EXECUTIVE VICE-PRESIDENT
TRINITY HEALTH

Dan Hale joined Trinity Health, formerly known as Holy Cross Health System Corporation, in August 1996 in the position of Senior Vice President, General Counsel. He previously was partner and chairman of the health law group at Drinker Biddle & Reath in Philadelphia, PA, a partner in the law firm Baker & Hostetler, and General Counsel of Franciscan Health System. For the first six years of Trinity Health, Dan served as General Counsel and was also responsible for advocacy issues, helping formulate Trinity's successful advocacy program on both federal and state levels.

As General Counsel at Trinity Health, Dan devoted much of his time to matters involving corporate governance and identifying and implementing leading practices in the governance area. His experience in this area has included internal investigations, conflicts of interest, government self-reporting, as well as corporate structure design. In his new role, he continues to have oversight responsibilities for the legal and advocacy departments, but devotes most of his time to coordinating and measuring the effectiveness of the hundreds of programs across Trinity Health that serve the poor and uninsured.

Hale received his law degree from Capital University Law School, graduating *cum laude*, and his BA degree in English from Kenyon College. A frequent speaker, lecturer and author on various aspects of healthcare law, including governance, transactions, and compliance issues, Hale is a member of the American Bar Association and of the American Health Lawyers Association. He has been an adjunct professor of law at Capital University Law School and served on the Board of Trustees of the Ohio Cancer Foundation. Dan previously served the Catholic Health Association in various projects involving the uninsured and currently serves as the Chairperson of the Association's "Cover A Nation" Steering Committee seeking creative and long-term solutions to the growing number of uninsured persons in this country. Currently he serves as a member of Catholic Health Partners' Audit and Corporate Responsibility Committee.



JANET M. KNUPP
FOUNDING PRESIDENT
THE CHICAGO PUBLIC
EDUCATION FUND

Janet M. Knupp has nearly 20 years of experience in start-up or turnaround nonprofit management situations. She is the founding president of The Chicago Public Education Fund (The Fund,) a venture capital fund for public education. Under her leadership, The Fund successfully introduced the principles of venture philanthropy into the Chicago non-profit arena, emphasizing the need for measurable goals and performance benchmarks. The Fund has raised more than \$25 million and committed nearly \$14 million to a portfolio of programs that has significantly improved the way Chicago recruits and prepares principals and teachers.

Previously, Janet worked as the executive director of Chicago Communities in Schools, where she redirected the organization from imminent bankruptcy to recognition as the most cost-effective urban office in a national network of 141 affiliates. Janet also served as the director of education programs for the Chicago Neighborhood Organizing Project, leading the organization to fiscal solvency in one year and creating a nationally recognized program implemented in 60 Chicago public schools. While earning her masters degree, Janet served as the administrative director for Kids in Detroit Succeed, a start-up youth scholarship program. Janet also taught high school special education.

Janet has spoken at the Kellogg School of Management, Harvard Business School and the University of Chicago Graduate School of Business on board development, turnaround management and venture philanthropy.

Janet earned her M.A. in education foundations and policy from the University of Michigan, Ann Arbor, and graduated cum laude with a B.S. from Michigan State University.



RICHARD F. RILEY JR.
PARTNER
FOLEY & LARDNER LLP

Richard F. Riley, Jr. is a partner in Foley's Tax & Individual Planning Practice. His practice focuses on tax-exempt and nonprofit organizations; employment and withholding taxes; taxation of the railroad and insurance industries; tax legislation; and tax litigation.

Mr. Riley's current and recent projects include:

- Representation of a large tax-exempt social welfare organization on tax, charitable, and legislative advocacy issues
- Representing a nationwide tax-exempt industry before the IRS in connection with its potential unrelated business income tax liability
- Lead attorney in a successful \$30 million refund suit involving the railroad retirement tax liability
- Work for a wide variety of educational and religious organizations, private foundations, social welfare organizations, trade associations, and other tax-exempt and nonprofit organizations

Mr. Riley is a member of the ABA Section of Taxation, Federal Bar Association Tax Section, and the District of Columbia Bar Tax Section. He is active in the Exempt Organizations Committee of the ABA Section of Taxation and serves as a subcommittee co-chair. He was a founding member of the J. Edgar Murdock American Inn of Court at the United States Tax Court. He also serves on the board of directors of The Riley Foundation.

Mr. Riley received his undergraduate degree at Yale University (B.A., *magna cum laude*, 1980) and is an honors law graduate of Duke University School of Law (J.D. 1983).



DAVID ROWAN
CHIEF LEGAL OFFICER
THE CLEVELAND CLINIC
FOUNDATION

David W. Rowan has served as Chief Legal Officer and Secretary of the Cleveland Clinic since June 2005. In 2006 he was also appointed as its Chief Governance Officer and serves on its Board of Governors. From 1995 to 2005, Mr. Rowan served as General Counsel and Secretary of the Cleveland Clinic while remaining a partner in Squire, Sanders & Dempsey, LLP. Mr. Rowan received his J.D. magna cum laude from Georgetown University Law Center in 1978 and a B.A. summa cum laude from the University of Toledo in 1975. Mr. Rowan joined the law firm of Squire, Sanders & Dempsey, LLP upon graduation from law school and became a partner in 1987. Mr. Rowan served on the Squire, Sanders & Dempsey Management Committee from 1993-1996. He left the firm in 2005 to become the Chief Legal Officer of the Cleveland Clinic.

Cleveland Clinic is a not-for-profit, multispecialty academic medical center that integrates clinical and hospital care with research and education. Cleveland Clinic was founded in 1921 by four renowned physicians with a vision of providing outstanding patient care based upon the principles of cooperation, compassion and innovation. The Cleveland Clinic has over 36,000 employees, with more than 1,600 salaried physicians on staff, representing approximately 120 specialties and subspecialties. In 2005, the Clinic provided for almost 2.8 million outpatient visits and almost 70,000 hospital admissions. The Cleveland Clinic Health System consists of the Cleveland Clinic's Main Campus and numerous regional medical centers and nine hospitals. The 27 attorney Office of General Counsel is responsible for all legal matters of the Cleveland Clinic and its Health System.



MICHAEL TIKNIS
MANAGING DIRECTOR
HARRIS THEATRE FOR MUSIC
AND DANCE

Michael Tiknis, currently the Managing Director of the Joan W. and Irving B. Harris Theater for Music and Dance, possesses a diverse background in the administration of the performing arts. His experience includes more than 30 years of work in arts related enterprise.

He previously held the position of President/CEO of the Midland Center for the Arts in Midland, Michigan. The Midland Center for the Arts is a 250,000 square foot multi disciplinary facility with two performance venues, two museums and historic sites; it presents or produces over 400 events each season. It was a project of the Dow Family begun more than 35 years ago.

Prior to the Midland Center for the Arts, Mr. Tiknis worked with numerous symphony orchestras across the country, including: Managing Director of Virginia Symphony, Buffalo Philharmonic Orchestra, San Diego Symphony Orchestra and Honolulu Symphony Orchestra. He was the Managing Director of Houston's Tony award-winning Alley Theater and has also worked with the San Antonio Symphony, Cincinnati Symphony and at Herbert Barrett Management in New York,

Mr. Tiknis did undergraduate study at Seton Hall University in New Jersey and has done graduate coursework at Catholic University of America in Washington, D.C., and at New School University in New York.

Michael Tiknis has designed and created concert and exhibition activities, and successfully conducted several multi-million dollar fundraising, capital, endowment, marketing and ticket sales campaigns.

Mr. Tiknis has served on the Board of Directors of a variety of non-profit and professional service organizations and guest lectured at numerous institutions.

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Non-Profit Board Best Practices

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IRS Good Governance Practices for 501(c)(3) Organizations

Governing boards of 501(c)(3) organizations shall:

- Adopt a **mission statement** to "explain and popularize" the organization's purpose and to guide its work;
- Adopt, use, and regularly evaluate a **code of ethics** and a **whistleblower policy**;
- Exercise **due diligence** consistent with the duty of care and ensure that policies and procedures are in place such that directors have the information necessary to make informed decisions;

IRS Good Governance Practices for 501(c)(3) Organizations

- Owe the organization a **duty of loyalty**, which requires that directors act in the interest of the organization and avoid conflicts of interest that are detrimental to the organization pursuant to a **conflict of interest policy**;
- Promote **transparency** in all activities by adopting and monitoring procedures designed to ensure that organization's Form 990, annual reports, and financial statements are complete and accurate, are posted on the organization's website, and are made available to the public upon request;
- Adopt and monitor a **fundraising policy** to ensure that fundraising solicitations meet federal and state law requirements, solicitation materials are accurate, truthful, and candid, fundraising costs are reasonable, and registered fundraisers are utilized and monitored;

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IRS Good Governance Practices for 501(c)(3) Organizations

- Operate in accordance with *financial and auditing protocols* based on the size of the organization's assets. Such protocols might include the use of an audit or finance committee, additional internal review by the board of financial and audit-related materials, and independent and, in some cases, rotating auditors;
- Follow *reasonable compensation* practices, including potential use of the rebuttable presumption method of Internal Revenue Code Section 4958 when deciding on compensation for officers and staff, and generally not compensating directors except reimbursement for direct expenses; and
- Adopt a *document retention policy* establishing standards for document integrity, retention, and destruction, including guidelines for handling electronic files, and providing procedures for the archiving of documents and regular check-ups regarding the reliability of the document retention system.

Nonprofit Governance Considerations

President/CEO Evaluation

- The need for a formal, objective mechanism in place to annually evaluate CEO performance.
- The longer the CEO stays at an institution the less likely the board will be objective about performance as relationships become personal.
- The need for clear and measurable quarterly and annual performance benchmarks that the board helps shape, monitor and ultimately hold the CEO responsible for meeting.

Nonprofit Governance Considerations

Strategic Planning at Regular Intervals in the Organization's History

- Many times, the board is emotionally connected to the cause of the organization and focuses on the 'feel-good' aspects, versus periodically taking a step back and asking questions like:
 - Should we still exist?
 - Are we meeting our mission? Should our mission change?
 - Who are our clients?
 - What is success in one year, three years, five years plus?
 - Is there anyone who is doing this better than us? Should we merge?
The M-Question that very few nonprofit leaders or boards want to ask.
- How to create conditions for directors to meaningfully participate in strategic planning for organizations where they may not have expertise. For example, how does the investment banker know what a good soup kitchen looks like?

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Nonprofit Governance Considerations

Conflict of Interest

- Establishing clear conflict of interest policies and creating the conditions for board members to 'police' themselves and voluntarily remove themselves from votes or strategic/programmatic recommendations where a conflict of interest exists.
- Without clear policies, and a culture of integrity, CEOs can be put in very awkward positions where a director (especially if it is a major donor) inappropriately pressures them.

Nonprofit Governance Considerations

Board Governance/Development

- The need for a formal board development/governance committees so that the CEO does not have inordinate power over board composition.
 - Most low-performing nonprofits have boards handpicked by the CEO and those directors are less likely to push for performance or stretch goals.
 - How diversity plays a role in improving organizational performance and accountability.
