

# Nonprofit Organizations and Accountability Should They Comply With the Sarbanes-Oxley Act?

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- You are the executive director of a nonprofit organization. Should you divert some of your scarce resources (time and money) away from service to clients, to comply with part or all of the Sarbanes-Oxley Act?
- You are a board member of a nonprofit organization. Should you instruct your management to do this?
- Your foundation makes grants to charitable organizations. Should you expect your grantees to demonstrate such compliance?
- You are a member of an association. Should you be pressing your organization to comply with the Act?
- You are a state legislator. Recently, there was a front-page story in your local newspaper, telling of serious financial mismanagement in a major nonprofit in your city. Should you propose state legislation to require nonprofits operating in your state to comply with the Act?
- You are a reporter writing a general-interest story about a local nonprofit. Should the fact that the organization [is/is not] in full compliance with the Act affect the tone of your story positively or negatively?

All of the above questions are being faced these days, and they are not easy ones.

While the Act mostly does not legally apply to nonprofits,<sup>1</sup> unfortunately there have been enough instances in the nonprofit sector of the types of misbehavior that led to passage of the Act, that questions are being legitimately raised as to whether nonprofits should be expected to comply with the Act even if they do not have to. Also, some states are considering legislation or regulations to apply parts of the Act to nonprofits in their state; California already has such legislation (this is discussed further below).

## Environmental considerations

Nonprofit organizations are not immune from bad human behavior. Nonprofits have been victims of theft, fraud, negligence, improper financial reporting, retaliation against whistleblowers, insider transactions, Ponzi schemes, failed audits, and almost any other form of mismanagement one can imagine, except for manipulation of their stock price (since nonprofits don't issue stock).

Also consider that when someone steals from a nonprofit or wastes its resources, the loss is really ultimately borne by the organization's clients, who, in many cases, are the needy members of society - the homeless, the hungry, the sick, the depressed, etc. Whatever was stolen or wasted is no longer available to help these people.

Further, when considering charitable giving, donors are much more sensitive to the organization's reputation than are buyers of a company's products. Business misbehavior has to rise to an exceptionally high level (think Exxon Valdez, apartheid in South Africa) before customers will turn to a competitor solely because they dislike something about the company. But once even a whiff of scandal touches a

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<sup>1</sup> Most provisions of the Act legally apply only to SEC-registered companies. Two provisions apply to all organizations, including nonprofits. These are the prohibitions against retaliating against a "whistleblower," and against falsification or destruction of documents which may be relevant to a pending or contemplated legal or regulatory proceeding.

nonprofit, the sound of checkbooks closing can be heard far and wide. Donors will give elsewhere. One charity saw its annual gifts drop from \$45 million to \$18 million following a series of revelations of misbehavior on the part of the organization's leadership. That is a very expensive lesson in organization governance.

The point here is that nonprofits should hold themselves to an even *higher* standard of behavior than businesses need to if they wish to retain the trust of the public, which is vital for them to succeed. And there are a lot of different persons and groups that have an interest in good behavior by nonprofits; see the sidebar at the end of this article.

## Sarbanes-Oxley Requirements

Some parts of the Act, such as those dealing with corporate stock and reports to the SEC, would not ever apply to a nonprofit. Of the parts that might, here are the main provisions to consider:

- The CEO and CFO must publicly attest to the fairness of the organization's financial statements and to the adequacy of its internal controls.
- Management must report annually on the quality of the organization's internal controls, and the outside auditor must attest to the fairness of that report. (This is commonly known as the "Section 404 Report," from the part of the Act where it is mandated. It is discussed further below.)
- The organization must have an audit committee, and it must include at least one "financially literate" member.<sup>2</sup>
- Members of the audit committee must be financially independent of the organization (in other words, no member of management can serve on the committee.)
- All work (not just the audit) performed by the organization's outside auditors must be approved by the audit committee.
- There are more restrictions on the types of non-audit services that may be performed by the outside audit firm.
- The organization must have a code of ethics.<sup>3</sup>
- There must be a policy and procedures providing protection to whistleblowers from retaliation.
- Loans to executives and board members are prohibited. (Of course such loans by nonprofits are already heavily constrained under the no-private-inurement provisions of the Internal Revenue Code.)
- The organization's attorney must report wrongdoing to senior management and/or the governing board (public disclosure is not required).
- There are various requirements applicable to independent auditors, relating to rotation of firm partners, retention of working papers, independence from clients, review of reports, and peer reviews.

So: should your organization consider implementing some, all, or none? The simple answer is, Yes, you should do one of those. But really, there is not a pat answer that will work for every organization. Let's look in more detail.

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<sup>2</sup> Technically the Act does not require that any of the audit committee members be financially literate. What it does require is, that if the committee does not include a financially literate member, the organization must publicly state that fact and the reason why. It is very hard to imagine a reason that would (or should) be acceptable to constituents of a nonprofit. In other words: *get a financially literate member on the committee.*

<sup>3</sup> Again, technically the requirement is not to have a code, but to publicly explain the fact if you do not have one. See Note 2.

First, consider the potential costs and benefits. As usual, there is good news and bad news.

First the good news:

- Most of these items will cost very little out-of-pocket cash to implement.
- If you are able to tell the world that you are in compliance with (at least most of) Sarbanes-Oxley, you will doubtless reap favorable public relations-type benefits. That is, donors, members, reporters, and your own board will have a favorable impression of the quality of your organization. Additional contributions should result.

Now the bad news:

- One particular provision, the Section 404 Report, will be very costly to implement. The writer is aware of one large national nonprofit organization that is considering doing this; they have estimated that the cost will be well into six figures if they go ahead.
- Almost all of these will require some time of personnel - both volunteers and staff. Some of them, such as the code of ethics, will require more time up front to develop, but much less time ongoing after things are in place and functioning. Some, such as the audit committee, will require a higher ongoing level of personnel commitment.
- It will be almost impossible even to look back and measure the cost/benefit ratio resulting from implementation, much less estimate it up front. The costs will be difficult to measure, and the benefits - while certainly substantial - almost impossible in most cases.

So, if you believe it would be desirable to implement at least portions of the Act, how can you “sell” it to your board - especially to the finance committee that has to put the cost in the budget?

Probably the biggest reason for most of it is that, simply, it is the right thing to do. Most of these are things that every organization should have been doing all along. There is no justification - in any organization - business or nonprofit - for not having a code of ethics and a whistleblower policy. An audit committee is low cost and high benefit.

The second reason is more mercenary: funders are very likely to start demanding it. Even if a funder does not explicitly say that compliance is expected, there is no doubt it will come to be a plus in getting grants. The author recently shared a podium with a program officer from a private grant-making foundation who told the audience that her foundation is going to start considering Sarbanes-Oxley compliance in its grant decisions. She did not go so far as to say it would be an absolute requirement for getting approval for a grant, but clearly it will be a factor.

Another reason is that your board members will demand it to protect their reputations. No one wants to have been the board member on whose watch something bad happened. Attached as Appendix A is a checklist that can be used to help identify risks.

Finally, there are going to be at least some legal requirements. The State of California has already passed legislation mandating parts of this for some nonprofits; other states are sure to follow. At this writing, New York and Massachusetts have proposals in the pipeline, and other state regulators are likely waiting to see how it works out in the early states.

The federal government is also looking at this area. In the Summer of 2004, the Senate Finance Committee held hearings on a proposed bill that would impose federal rules similar to some of the Sarbanes-Oxley ones. As of early 2005, the bill is still being worked on and the chair of the committee has said he intends to push it vigorously. See further discussion below.

## The California Law

On January 1, 2005, California Senate Bill 1262, the “Nonprofit Integrity Act,” took effect. It applies to all nonprofit organizations registered with the California Attorney General’s office, a requirement to be allowed to solicit public contributions in that state. This includes organizations whose headquarters are in other states. Some organizations are exempt from parts of the law:

- Organizations with gross revenues not exceeding \$2 million (that threshold does not include government grants which are required to be audited - such as under OMB Circular A-133)
- Government entities
- Hospitals and health care organizations
- Educational institutions
- Religious organizations
- Political action committees (they have other reporting requirements)
- Cemeteries (ditto)

do not have to comply with the audit and audit committee provisions, but do have to comply with the others.

Thus, the effect of this law will be somewhat limited since many larger organizations will fall under one or another of the exceptions, and it is likely that many of the others are already in substantial compliance anyway.

The principal requirements of this law are: (those that apply to all organizations are noted)

- The financial statements must be prepared on the basis of Generally Accepted Accounting Principles (GAAP).
- The statements must be audited by an independent CPA.<sup>4</sup>
- The statements must be made available on request for inspection by the Attorney General, *and by the general public*, by nine months after year end. (Applies to organizations having an audit)
- A nonprofit that is a corporation must have an independent audit committee, which is solely responsible for hiring, paying, and if necessary, terminating the outside auditor.
- The outside auditor is required to maintain independence by being prohibited from performing certain types of services for an audit client (the limitations are more strict than those of most professional associations and other regulatory bodies)
- Salaries of the CEO and CFO must be approved by the governing board. (Applies to all entities)
- There are other administrative and reporting requirements mainly relating to fundraising.

This law is not as comprehensive as Sarbanes-Oxley. It does not include the CEO/CFO public attestation, the code of ethics or whistleblower provisions, the Section 404 report, the audit committee financial literacy requirement, or the prohibition on insider loans.

All organizations that operate in California should consult with a knowledgeable professional to make sure they are in compliance. Organizations contemplating expanding into California should do so before they become subject to the law.

## Federal Activity

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<sup>4</sup> Note that having an audit and following GAAP are not mentioned in the Sarbanes-Oxley Act. This is because all companies covered by the Act were already required by other laws to have an audit and to follow GAAP. California did not previously have such requirements.

The Senate Finance Committee is focusing on nonprofit organization accountability and transparency. A particular area of emphasis is the accurate, complete, and timely filing of IRS Form 990 (and related forms). Among their draft proposals are:

- Periodic formal review by the IRS of an organization's continued ability to qualify for exempt status;
- Limitations on the use of donor-advised funds and certain types of supporting organizations;
- Various increased taxes and penalties for improper transactions and other rule violations;
- Application of the more stringent limitations on insider transactions, now applicable only to private foundations, to all public charities;
- Limitations on compensation of highly-paid people, and on travel expenses;
- Require the CEO to sign the Form 990;
- Require audits for larger organizations;
- Additional disclosures of certain transactions and activities.

While there is general agreement within the charitable sector and among professionals who serve it that some reforms are called for, some of the Senate proposals are viewed as going farther than needed, to the extent of being onerous. The AICPA and Independent Sector have prepared comments on the proposals aimed at making them more organization-friendly. Congress is expected to act some time this year.

### **Suppose you want to comply - what then?**

First, five things that all nonprofits should at least consider in the era of Sarbanes-Oxley:

- Create an audit committee (if you do not already have one), and ensure it is active and aware. (In a smaller organization, the finance committee can also function as the audit committee.) A booklet on the functioning of an audit committee is available from BDO Seidman, LLP's Institute for Nonprofit Excellence.
- Have your CEO and CFO publicly attest to the accuracy, completeness, and fairness of your financial statements (Form 990, if you use that as a public financial statement), and to the adequacy of your internal accounting controls.
- Publicly disclose that you have adopted, and follow, a code of ethics for senior management and the governing board. (If you do not have such a code, adopt one at once!) A whistleblower policy can be part of the Code, or it can be a separate document.
- Have all non-audit work by your outside auditors, as well as the audit, approved by your audit committee, and be sure the non-audit work does not even appear to compromise their independence.
- Consider very carefully all transactions, especially loans, between your organization and any "insider"<sup>5</sup> - including executive compensation and fringe benefits and perks. Would you be even slightly embarrassed to read - and know that your donors/members are reading - about details of these transactions in your local newspaper or hearing about them on the evening news?

*The 404 Report:* Do you want to have a Section 404 Report? Probably most organizations will decide that the cost of this effort will not be the best use of their limited resources. Experience so far in the business world has been that the additional cost is somewhere between 40 and 100% of their annual audit cost. In other words the audit fee can effectively as much as double. But every organization should formally

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<sup>5</sup> "Insiders" (sometimes called Related Parties) include organization officers, directors, trustees, and management in decision-making positions, major donors, and members of the immediate families of any of the preceding; controlled and affiliated organizations and trusts, and businesses in which any of the preceding are in significant positions of authority (owner or manager).

*consider* whether to have this done and make a conscious decision. Then, if you decide not to, and someone asks, you can say you considered it but decided the cost would not be worthwhile. That should satisfy most skeptics, and the rest probably wouldn't be satisfied anyway.

Note that the standard reports issued after a regular audit do not attest to the quality or effectiveness of an organization's internal controls. (Although many people mistakenly think they do.) While the auditor does obtain an understanding of the controls, and performs limited tests, the amount of work done is not enough to give what is called positive assurance on the control system<sup>6</sup>, as contrasted with only negative assurance<sup>7</sup>. Much more extensive testing is required to be able to give positive assurance; this is what is done to issue a 404 report, and why it is so costly.

There are actually two stages to preparing this report. First, management performs a self-evaluation of the organization's internal controls and prepares an internal report, including any weaknesses noted. This evaluation can be performed by internal auditors (if the organization has them), by other internal staff qualified for such work, or by an outside professional (other than the organization's independent auditor). Then the independent auditor reviews the internal work done and the findings, and makes its own assessment of the internal controls before preparing the formal 404 Report.

Here are some additional thoughts about the five items above:

- The *audit committee* should normally have between three and five members. One way to find qualified people who are willing to serve is not to limit membership to governing board members. The author believes the chair should be a board member (this may be required by the by-laws), as should a majority of the committee. But there can be non-board members; one of these may well be the financially literate member. The author is a non-board member of two nonprofit audit committees and finds this works very well for those organizations.

Can the finance committee *be* the audit committee? Yes, as long as the members are fully aware that they wear two hats and fulfill two different roles. Separate charters should be created, separate meetings should be held with separate minutes kept, and separate reports issued to the full board. In a very small organization, even the full board can function as an audit committee. In large organizations however, a separate committee should exist if possible, with possibly some overlap of membership (but not the chair) with the finance committee.

Audit committee members should be financially independent of the organization. In other words they must not be put in a situation where they would be concerned that their personal financial well-being might be harmed as a result of some action they take in response to an organizational problem. Committee members should not be employed or otherwise compensated by the association, or any affiliated organization

The Sarbanes-Oxley Act includes a technical definition of "financial expert," but for practical purposes you are looking for someone who is generally familiar with accounting principles, the audit process, form and content of financial statements, and internal accounting controls. This person does not have to be a CPA, but should feel comfortable talking with CPAs.

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<sup>6</sup> "... in our opinion, [*something*] *is* [*a certain way*] ...." (For example, "... *the financial statements present fairly* ....")

<sup>7</sup> "... **nothing has come to our attention** that would lead us to believe that [*something*] *is not* [*a certain way*] ...." (In other words, something may be wrong, but the problem did not come to our attention.)

The organization should also provide a process for unrestricted and confidential access to the audit committee by anyone (staff or volunteer) who has a serious matter to raise because the person believes that some impropriety may have taken place.

- The *public attestation* will probably cause some heartburn the first few times it happens, especially for many CEOs, who are not normally as comfortable with financial matters as are CFOs. But part of the reason this is in the law, and is a desirable practice, is that CEOs *should* be reasonably familiar with financial matters, and should eventually feel perfectly comfortable signing the letter. CEOs who do not speak at least some “Accounting” are not going to be able to do their job the way it should be done, and need to improve their language skills. Attached as Appendix B is an example of what such an attestation letter might look like. Don’t spring it on your CEO just before it needs to be signed.
  
- A *code of ethics* need not be elaborate, or time-consuming to create, but it is essential to have one and to monitor compliance with it. There are lots of examples around - an Internet search returned many thousands of them. Of course you will tailor any example to fit the circumstances of your organization. Then have it reviewed by your attorney and CPA before bringing it to your board for adoption. Then disseminate it to everyone - staff and volunteers - in the organization, and make it part of the information given to all new personnel. If you have a website, put it there too so the world knows that you have high standards. Attached as Appendix C is a sample code of ethics, which can be a starting point for creating one for your organization.
  
- In the rule about *non-audit work*, “all” means all, including tax planning, management consulting, personal tax advice to members of management, special audit testing - such as of travel and entertainment expenses, computer system consulting, etc. Of course management will provide input to the process of selecting the auditor, and of requesting other services when needed. But the final decision as to hiring a firm and approving their fees must be solely that of the committee. Auditor independence is very important here. CPAs know what they can and cannot do while still being independent; make sure they have considered the appropriateness of any work you ask them to do.
  
- *Insider transactions* are a very sensitive area these days. There have been numerous reports of questionable transactions in nonprofits, and constituents generally take a dim view of them. Mostly they are not illegal (except for private foundations, where they are), but should be handled with great care. Here are some things to do:
  - Have a policy about what kinds of transactions will and will not be entered into and with whom.
  - Have all such transactions reviewed by the organization’s attorney and/or tax CPA before they happen.
  - All other members of the board, or members of management involved in the approval process, must be made fully aware of the existence and nature of the insider relationship before approval is granted.
  - The insider involved should not vote on (if a board member) or approve (if management) the transaction, participate in the discussion (except to provide relevant factual information), or even be present when votes are taken or approvals are made.
  - Ongoing monitoring, by someone independent of the insider, of the status of such transactions should occur, such as by: following up the collection of loans, tracking amounts of rental payments under a lease, quantities and prices of goods and services purchased, total amounts of compensation and other benefits, etc.

## Sidebar - Constituents of nonprofits

### Who is looking over *your* shoulder?

#### Overseers and regulators

- The Internal Revenue Service, which monitors compliance with federal tax-exempt status, and comparable state taxing authorities;
- State charities regulators (mostly state attorneys general, but in a few states another department performs this function), which regulate fundraising practices, including those of out-of-state charities, which solicit in the state; (About 42 states have some form of such regulations.)
- Other federal, state, and local governmental bodies that regulate specific types of organizations, such as health departments (hospitals and clinics), education departments (colleges and universities), labor departments (unions), insurance departments (organizations which issue gift annuities), etc.
- Private "watchdog" organizations such as the Better Business Bureau Wise Giving Alliance, the Evangelical Council for Financial Accountability, and others, which act on behalf of the public to monitor and evaluate the behavior of charities;
- Private accrediting organizations such as those for colleges, hospitals, and the like;
- An organization's own governing board;
- A "parent" organization, if the nonprofit is part of a larger group;
- The media, acting on behalf of the general public.

#### Funders

- Federated fundraisers such as United Ways, community arts councils, and the like;
- Private and community foundations which make grants to nonprofits;
- Corporations and corporate foundations;
- Individual donors;
- Federal, state, and local government funders;
- Taxpayers, who indirectly subsidize many nonprofits, both through the tax-deductibility of charitable contributions, the non-taxability of most income of nonprofits, and direct government funding of some nonprofits.

#### Other constituents

- Members of an association, club, church/synagogue/mosque/temple, etc.;
- Parents and students who pay tuition to a college or school;
- Other purchasers of services from nonprofits;
- Insurers which write fidelity bonds, and directors & officers liability insurance on nonprofits;
- Underwriters and buyers of bonds issued by nonprofits, and government regulators of such bonds;
- Employees of nonprofits and their families.

Appendix A

**Nonprofit Organization - Financial "Checkup"**  
(generic document - to be tailored to particular organization)  
Should be completed at least annually; more often if concerns arise

I. Related parties and other sensitive areas

Do we have a formal conflict of interest policy? \_\_\_\_\_ Describe (or attach a copy):

What transactions have we had with related parties\* (other than the executive director's compensation)?

Were they approved by the board - with full knowledge of the relationship, and without input from the related party? \_\_\_\_\_

Has the executive director's total compensation been approved by the board? \_\_\_\_\_

Who approves board members' and the executive director's travel and entertainment expenses?

II. Internal controls and risks

Is there a healthy attitude about internal controls, originating at the very top of the organization?

\_\_\_\_\_ Do we have adequate written procedures manuals for important financial and operational areas?

\_\_\_\_\_ What procedures do we have in place to assure that:

All cash receipts are recorded and deposited?

Especially, contributions?

Only proper cash disbursements are made?

Restricted resources are used only in accordance with applicable restrictions?

Assets are protected from theft?

Who reconciles our bank statements, and how quickly?

Is this person independent of other cash and bookkeeping functions? \_\_\_\_\_

Has our auditor made recommendations for improvements in controls? \_\_\_\_\_

If so, have they been implemented? \_\_\_\_\_

How soon after the end of an accounting period is a budget-to-actual comparison made and significant variances (or lack thereof, where expected) investigated? \_\_\_\_\_

Has someone knowledgeable about computers reviewed our computer security? \_\_\_\_\_

Has someone knowledgeable about nonprofit taxes reviewed our activities for possible exposure?

\_\_\_\_\_

Consider, as relevant:

Private inurement or benefit, especially compensation

Possible unrelated business income

Possible excess lobbying/political activity ((c)(3)'s are not permitted to engage in *any* political activity)

Employee vs. independent contractor status

Possible failure to comply with rules related to receipt of gifts (acknowledgement, quid-pro-quo, etc.)

Public disclosure of Form 990 on request

Has a knowledgeable attorney reviewed our activities for possible legal risks? \_\_\_\_\_

Is there *anything* about our organization or its operations that we would be embarrassed to read about in the *[local newspaper]*/hear discussed on the evening news? \_\_\_\_\_

III. Government grants, etc. (as relevant)

Are we following all required sections of OMB Circulars A-110 and A-122 (A-21 for colleges)?

\_\_\_\_\_ Do we have adequate time records to support charges to grants? \_\_\_\_\_

Are we following acceptable procurement procedures? \_\_\_\_\_

Are we adequately monitoring subrecipients? \_\_\_\_\_

Have we filed all required reports on a timely basis? \_\_\_\_\_

Have we had all required audits under Circular A-133? \_\_\_\_\_

Were there any findings? \_\_\_\_\_

If so, have they been appropriately followed up? \_\_\_\_\_

Has any government agency challenged any of our procedures or charges to grants? \_\_\_\_\_

If so has the matter been satisfactorily resolved? \_\_\_\_\_

IV. Financial reporting and audits

Have we received clean (unqualified) reports from our auditor? \_\_\_\_\_

Are we satisfied that our auditor is independent? \_\_\_\_\_

How much in non-audit fees have we paid our audit firm? \$\_\_\_\_\_

Does our auditor understand that (s)he has unrestricted access to the board/audit committee?

\_\_\_\_\_ Has our auditor received a clean peer review report? \_\_\_\_\_

Have we filed all required government reports (Form 990, state forms, etc.) on a timely basis?

V. Other

Have we made all payroll tax deposits fully and on a timely basis? \_\_\_\_\_

(If this is not done, officers and board members can be held personally liable.)

Do we carry adequate property and liability insurance? \_\_\_\_\_

Has our board adopted a formal policy on desired levels of operating reserves, and are we comfortable that our reserves are adequate? \_\_\_\_\_

\_\_\_\_\_

\* - "Related parties" include organization officers, directors, trustees, and management in decision-making positions, major donors, and members of the immediate families of any of the preceding; controlled and affiliated organizations and trusts, and businesses in which any of the preceding are in significant positions of authority (owner or manager).

Appendix B

**Certification of Annual Financial Statements**

We are the senior most officials of the XXX Association with responsibility for the financial controls and reporting of the Association. We have reviewed the annual (Consolidated) Financial Statements for the years \_\_\_\_\_ and based on our knowledge:

- The financial statements are accurate and complete, and fairly present the financial condition of the XXX Association including the results of operations and cash flows (separately stated as Statements of Financial Position, Activities, and Cash Flows); and
- The financial statements do not contain any untrue material statements or facts and are not misleading in their presentation.

To assure the accuracy of our certifications, the Association created and maintains an audit process to examine identified risk areas and internal financial disclosures. This audit process is reviewed and its priorities set by the Audit Committee on an annual basis. The audit findings for the identified risk areas and financial disclosures are presented to the Audit Committee by the auditors along with management's response for consideration and direction. The audit findings are also shared with the outside auditors to assist in the preparation of the Financial Statements. Based on our review of the results of this process, we are satisfied that the controls and financial disclosure procedures adequately reflect the financial condition of the Association.

We also certify that material changes in financial operations and financial disclosures are reviewed by the Audit Committee for approval and that incidents of fraud are also reported to and reviewed by the Audit Committee.

Date: \_\_\_\_\_

\_\_\_\_\_  
[Name]  
Chief Executive Officer

\_\_\_\_\_  
[Name]  
Chief Financial Officer

\_\_\_\_\_  
[Name]  
Controller

## Appendix C

### **Code of Ethics for Financial Professionals**

This [Organization] Code of Ethics for Financial Professionals applies to the Chief Executive Officer and the Chief Financial Officer. Notwithstanding this limitation, [Organization] expects all of its employees to act in accordance with the highest standards of personal and professional integrity in all aspects of their activities, to comply with all applicable laws, rules and regulations, to deter wrongdoing and abide by the [Organization] Code of Conduct and other policies and procedures adopted by the Organization that govern the conduct of its employees. This Code of Ethics for Financial Professionals is intended to supplement the [Organization] Code of Conduct.

You agree to:

- Engage in and promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- Avoid conflicts of interest and to disclose to the Audit Committee any material transaction or relationship that reasonably could be expected to give rise to such a conflict;
- Respect the confidentiality of information acquired in the course of your duties;
- Provide colleagues with information that is accurate, complete, objective, relevant, timely, and understandable.
- Comply with applicable laws, rules, and regulations of federal, state, and local governments (both United States and foreign);
- Not retaliate in any manner against any person who, in good faith, reports an alleged violation of Organization policies, rules of conduct, this Code of Ethics, or law;
- Promptly report any violation of this Code of Ethics to the Chairman of the Audit Committee;
- Act in good faith, with due care, competence and diligence, without misrepresenting material facts or allowing independent judgment to be subordinated;
- Assure the responsible use of and control of all assets, resources, and information in the possession of [Organization], its subsidiaries, and related organizations.

The Executive Committee or the Board of Directors shall have the discretionary authority to approve any deviation or waiver from this Code of Ethics for Financial Professionals, and what actions, if any, to take in cases of apparent violations.