

Table of Contents

Introduction

1. History and Mission of the Cinefamily
2. Fundraising
3. Board's Responsibility for Financial Oversight
4. Fiduciary Responsibilities of a Board Member
5. Overseeing the Performance and Compensation of Management
6. Risk Management and Directors' and Officers' Insurance
7. Board Evaluation

Conclusion

Introduction

Welcome to the Cinefamily Board of Directors! We appreciate your willingness to donate your time, energy, and resources to helping this awesome thing sustain, grow, and reach an ever greater number of people, sharing the joy and meaning of watching movies together.

As a Director, you are responsible for overseeing the operation of the Cinefamily. Along with your fellow members of the Board of Directors, you are responsible for maintaining the commitment to our organization's mission, establishing our strategic direction, ensuring our compliance with all applicable legal requirements, and maintaining our organization's financial well-being.

This involves a great deal of responsibility. The purpose of this manual is to help you understand your rights and responsibilities as a Director so that you can effectively carry out these duties. We encourage you to refer to it whenever you have questions about your Board service.

Before you begin reviewing this manual, you should remember that you are not alone. When exercising your responsibilities, you may draw from the expertise of your fellow Directors and Cinefamily management. Also, you may rely on the expertise of individuals retained by the Cinefamily to assist the organization in carrying out its duties. These individuals include the following people:

Insurance Broker:
Angie Kuratsu

BB&T Insurance Services of California, Inc.
535 N Brand Blvd, 10th Floor
Glendale CA 91203

Telephone No: 818-662-4224
E-Mail: akuratsu@BBandT.com

1. History and Mission of the Cinefamily

A. Mission Statement: The Cinefamily is a nonprofit, tax-exempt organization whose mission is to foster a spirit of community and a sense of discovery, while reinvigorating the movie-going experience.

As a director, your first job is to serve the Cinefamily's mission and to ensure that activities carried out by the organization help further that mission. When reviewing the organization's budget and future activities, you should evaluate them against the mission statement and determine whether the proposed use of Cinefamily's assets is consistent with the organization's mission and its tax-exempt status under the Internal Revenue Code and the California Corporations Code.

B. History of the Organization: Cinefamily was founded in late 2007 by brothers Dan and Sammy Harkham, when businessman Dan purchased the historic Silent Movie Theatre building. Sammy, a comic artist and editor of Kramer's Ergot alternative comics anthology, teamed with him on creative direction for its revival. They partnered with Hadrian Belove as the Executive Director and Head Programmer, and regular 4-7 night-a-week programming began in November of 2007.

C. Programs and Services: Cinefamily programs address a very specific problem: the shrinking number of people seeing films in theaters. The loss of the 31-year-old Red Vic in San Francisco just this past year is emblematic of this problem for repertory and art houses, and even the multiplexes saw admissions fall 5% in 2010.

The Cinefamily believes that the 100-year-old ritual of movie-going is not one to be permitted to fade lightly. The potential for meaning, delight and illumination inherent in cinema is best realized when films are viewed larger-than-life, while connecting with

others, in a social context. However, while respecting the lessons of the past, we also believe that the best version of this enterprise has yet to be seen.

Cinefamily exists to inspire a new generation of film-lovers and film-goers to advance the art of film-going -- to make sharing an intellectually adventurous, emotionally fulfilling cinema experience with a group of like-minded peers as attractive an evening out as any bar or restaurant, and as vital and coveted as seeing a favorite band play.

To achieve this end, the Cinefamily furnishes the following programs and services:

Cinema Education and Discovery: The Cinefamily provides 300-400 shows per year covering a wide range of genres and interests: director retrospectives, rare and unusual global discoveries, "outsider film," found footage, experimental film programs, celebrations of television history, exploitation retrospectives, rare documentaries, and the country's only consistent, year-round presentation of silent films, on archival 35mm prints, always with live accompaniment.

Supporting Independent Film: The Cinefamily's mission includes providing access to deserving new works whose absence is conspicuous in the L.A. commercial exhibition marketplace. Whether teamed with a repertory work for context, as a one-night sneak preview, or as part of a weekend retrospective of an emerging filmmaker's work, contemporary independent film has a home and a vocal promotional supporter at the Cinefamily.

Community Building: From the members-only early admission line outside where strange faces can begin to become familiar, to the introduction before each and every show by a programmer giving food for thought for later discussion, to the hang-out time in the theatre's unique patio afterward, the Cinefamily experience is shaped beginning-to-end in order to provide opportunities for the building of social capital.

Live Scores: Contemporary bands and musicians (for example: No Age, Moonrats, Stephin Merritt of the Magnetic Fields) are commissioned to create and perform original scores not only to silent films, but also documentaries, experimental films and animation.

Pajama Party Screenings: In this series aimed at increasing women's participation in repertory programming, female-centric movie selections are supported by enticing enrichments such as dance parties, crafting, photobooths and food trucks.

Curation Games: The audience participates in the programming during shows like “The Five Minutes Game,” where the first 5 minutes of 15 obscure films are viewed and then voted on which to watch in full, and “Found Footage Battle Royale” refereed by internet collective Everything Is Terrible!, in which competitors pit the best of their own found footage collections against each other for audience favor.

Evenings With...: Cinefamily patrons are joined by cinema craftspeople from all departments: directors, actors, screenwriters, editors, cinematographers, animators, costumers, and more. Moderated discussions about the guest’s career are followed by screenings of key and/or rare works.

Livestream Broadcasts: Wherever possible, the above programs are simulcast via the Internet to a global audience so that the benefits can be shared as widely as possible. Shows often draw a half a million or more viewers.

Film Writing: No show is listed in the calendar without a thoughtful essay by a Cinefamily programmer or volunteer writer. Further exploration and debate can be found on the Cinefamily blog, which also features popular soundtrack podcasts.

D. Recent Accomplishments: In its first four years of operation, the Cinefamily has actively brought important retrospectives, premieres and utterly unique cultural content to Los Angeles. A few notable examples:

- A full-career series of Cassevetes films, with collaborators Gena Rowlands, Ben Gazzara, and Seymour Cassel in person.
- The first-ever Los Angeles Jim Henson career retrospective, including rare early works. The first-ever retrospective of hip-hop on film anywhere.
- The first U.S. retrospective of Brazilian existential horror auteur and pop-cultural phenomenon Coffin Joe.
- Uncovered outsider films like LOST IN THE DESERT and DANGEROUS MEN.
- Premiered Spike Jonze's documentary on Maurice Sendak.
- Arranged sneak previews for L.A. audiences of new works by directors such as Todd Solondz, Nic Winding Refn and Chris Morris, often with the directors in person.
- Provided the only L.A. run of DOGTOOTH, the controversial Greek indie which went on to be nominated for the Best Foreign Film Oscar.

2. Fundraising

A. Fundraising Strategy: These days, it is not enough for Cinefamily to have a good purpose and programs. There are many nonprofits with important missions to fulfill, and there is a limited amount of money to support all their worthy causes. At the same time, without proper funding, Cinefamily cannot fulfill its mission.

Therefore, one of the most important roles of the Board is to define and establish a successful fundraising strategy to sustain the organization's goals. The role of the Board in raising revenue is unique, and it is one of the critical differences between nonprofit and for-profit businesses in the ways they are managed.

The Board has a responsibility to attract resources to sustain the organization's programs and fulfill its mission. The Board must select and support senior management, put the budget in place, and oversee and evaluate the organization's fundraising and financial performance.

Even though the Board is ultimately responsible for Cinefamily's fundraising strategy, the fundraising activities will not succeed without a close partnership with management. There has to be a close collaboration between the Board and management, as well as clearly defined goals for management to execute. Therefore, it is key for the Board to specify the responsibilities of both management and the Board in the fundraising effort. At the same time, it is important to remember that implementing the fundraising plan is a responsibility shared by the Board and should not be left only to management.

B. Fundraising Practices: The Board should ensure that Cinefamily follows ethical fundraising practices and that its fundraising efforts are cost-effective. It is the Board's responsibility to ensure that Cinefamily's fundraising programs reflect well on the organization and its mission. Therefore, the Board must exercise the following responsibilities:

1. Designated Donations: Frequently, a donor will make a contribution to Cinefamily and place restrictions on how such funds may be used. These are called restricted or designated funds. As a member of the Board, it is your responsibility to ensure these funds are used for the purpose the donor specified, and not for other expenses such as overhead or other program activities.

2. Gift Acceptance Policy: From time to time, Cinefamily may be offered donations that would compromise the organization's ethics, financial circumstances, program focus, or other interests. For example, the source of the funds may be one that is inconsistent

with the mission Cinefamily is trying to serve. Therefore, it is important that the Board has clear standards and procedures for determining when it will not accept a donation. These standards and procedures must be discussed in advance and not after a questionable gift is being offered; otherwise, financial and time pressures on the organization may cause the Board and management to make a wrong decision about whether to accept the gift.

3. Fundraising Techniques: Cinefamily's most valuable asset is its good name. One way the organization may forfeit its good name is if it engages in inappropriate fundraising practices. In the past few years, newspapers have published several stories of otherwise legitimate charities that have employed questionable fundraising methods. Therefore, it is important that the Board ensure there is appropriate training and supervision of the people soliciting funds on Cinefamily's behalf, that they understand their responsibilities and do not employ techniques that are coercive, intimidating, or intended to harass potential donors.

4. Compensation for Fundraisers: Compensation for fundraising activities should reflect the skill, effort, and time expended by the individual or firm on behalf of Cinefamily. Basing compensation on a percentage of the money raised can encourage fundraisers to put their own interests ahead of those of Cinefamily or the donor, and may lead to inappropriate techniques that jeopardize Cinefamily's values and reputation as well as the donor's trust in the organization. For these reasons, Cinefamily should not compensate internal or external fundraisers based on a commission or a percentage of the amount raised.

5. Charitable Solicitation Laws: Most states, including California, and many localities, including the City of Los Angeles, regulate the solicitation of contributions by charitable organizations. To solicit funds in California and in Los Angeles, a nonprofit generally must register with the Attorney General and the Los Angeles Police Department's Charitable Services Section. Unless it qualifies for an exemption, Cinefamily is required to register in California and with each state where it solicits funds from individuals, foundations, or businesses located in that state. The Board is responsible for ensuring that Cinefamily complies with various charitable solicitation laws.

6. Privacy Policy: Cinefamily respects the privacy of individual donors and, except where disclosure is required by law, does not sell or otherwise make available the names and contact information of its donors without providing them an opportunity at least once a year to opt out of the use of their names.

7. Substantiation and Disclosure Rules for the Receipt of Contributions: Cinefamily should provide a written acknowledgement to donors of \$250 or more (in cash or non-cash contributions) to support donors' claims for charitable contribution deductions. The acknowledgement serves to substantiate a donor's claim for a charitable deduction. The acknowledgement should be sent no later than January 31 of the year following the donation. The acknowledgment should state Cinefamily's name, the amount of any cash contribution, a description of any non-cash contribution, and a statement that no goods or services were provided by Cinefamily, if that was the case.

Moreover, Cinefamily is required to provide a written disclosure to a donor who receives goods or services in exchange for a payment in excess of \$75. These donations are referred to as "quid pro quo" contributions. The required disclosure statement must inform a donor that the amount of contribution that is deductible for federal tax purposes is limited to the excess of money (and the fair market value of property other than money) contributed by the donor over the value of goods or services provided by Cinefamily, and provide a donor a good-faith estimate of the fair market value of such goods or services provided by Cinefamily.

No disclosure is required for goods or services given to a donor that meet the "token exception," which generally includes goods costing Cinefamily \$9.60 or less (i.e., mugs, calendars, or posters bearing Cinefamily's name). Other exceptions may be applicable. The IRS may impose a penalty on Cinefamily if it fails to provide the written disclosure for applicable quid pro quo contributions. You must ensure that Cinefamily follows the substantiation and disclosure rules with respect to the receipt of contributions.

C. Board Participation: In addition to the preceding tasks, each member of the Board should show his or her personal financial support for the organization. Many directors contribute to their organizations in ways other than financial, such as having an understanding of the community in need or having prior nonprofit experience. Directors also offer specialized skills such as human resources or financial expertise. The organization cannot succeed without those contributions.

However, we cannot expect others to financially support Cinefamily. If the Board does not, your personal participation is essential to a successful fundraising campaign. Cinefamily does not expect its directors to donate a minimum dollar amount to the organization. However, Cinefamily does ask you to contribute to the organization's annual fundraising campaign. Cinefamily's goal is to have 100 percent participation by the Board.

In addition, you should help management identify and evaluate prospective donors, including individuals, corporations, and foundations. As a director, you should also assist in cultivating prospective donors by stimulating interest in Cinefamily's and its work.

3. Board's Responsibility for Financial Oversight

Because Cinefamily is fortunate that so many people support the organization by giving their time and money—often at great sacrifice to themselves—it is important that Cinefamily exercise good stewardship in managing the donations of its supporters.

The senior management of Cinefamily plays a key role in managing the financial affairs of the organization, but the Board is ultimately responsible for ensuring that its funds are properly utilized.

Over the past several years, the IRS has increased its financial oversight of nonprofit organizations. Several states also have started extending these governance principles, previously applicable only to public companies, to cover nonprofit organizations. Moreover, grant makers and other donors expect nonprofit organizations to exercise robust financial oversight. Therefore, the Board should establish clear policies and procedures to protect Cinefamily's financial assets and ensure that it is following best practices.

As a director, you can call on the Cinefamily's resources, including senior management and the independent auditors responsible for conducting the organization's annual audit, to help you perform your duties. In particular, the Board, or a designated committee of the Board, should meet with the auditors before the annual audit and after a draft audit is prepared to discuss the auditors' findings and to determine what steps, if any, the Board

should take to improve the financial oversight of the organization. The California Nonprofit Integrity Act of 2004 (the "Act") generally requires that charities with gross revenues of \$2 million or more establish and maintain an audit committee and have an independent audit of its annual financial statements prepared annually.

The following is a summary of the key financial responsibilities of the Board:

A. Policies and Procedures: While it is management's responsibility to oversee the day-to-day accounting and financial management of the Cinefamily, the Board is

responsible for ensuring that proper financial systems and controls are in place. For example, the Board should establish a policy to ensure that at least two unrelated people (either staff members or volunteers) bear the responsibility for receiving, depositing, and spending the organization's funds. The Board is also responsible for reviewing practices and reports to ensure that staff members and volunteers are complying with Board-approved policies.

B. Budget and Expenses: The Board is responsible for reviewing and approving the Cinefamily's annual budget. The Board should also receive regular financial reports, either monthly or quarterly. The reports should show budgeted and actual expenditures as well as budgeted and actual revenues.

By carefully reviewing the regular financial reports, the Board will be able to determine whether adjustments must be made in spending to accommodate changes in revenues. However, prudent financial oversight requires that the Board look beyond monthly or annual financial reports to consider how Cinefamily's current financial performance compares with that of previous years, and how its financial future appears. If Cinefamily's net assets have been declining over a period of years, or if future funding seems likely to decrease significantly, the Board may need to take proper steps to achieve or maintain the financial stability of the organization.

C. Prudent Investment of Financial Assets: As a member of the Board, you also have the obligation to establish policies and procedures to ensure that Cinefamily manages and invests its funds responsibly and in compliance with the legal requirements. The Board is responsible for establishing policies that govern how the funds will be invested, ensuring that donor-restricted funds are used in a manner that complies with the donor's restrictions, and allocating the returns from investments among the various programs.

For example, the Board must decide questions such as:

- Will Cinefamily maintain an endowment where funds that may be used to serve its purpose may be restricted by the donor?
- How much of an operating reserve should the organization have (i.e., three months of operating expenses)?
- Under what circumstances can the operating reserve be used?
- Who makes the decision to use the operating reserve?
- Are there any restrictions in how Cinefamily will invest its funds? For example, does Cinefamily wish to invest in the stock of companies that manufacture armaments or alcohol, maintain gaming establishments, etc.?

As a member of the Board of Directors, you are expected to carry out your responsibility to manage the funds of the organization in good faith, and with the care an ordinarily prudent person in a like position would exercise under similar circumstances. This means that you are responsible for overseeing the investment of the funds to ensure that those charged with making the investment decisions, including any committee appointed by the Board, are acting prudently.

- As a director, you should keep in mind several factors in carrying out these duties, among which are:
- The needs of the organization and the general economic conditions, including the possible effects of inflation and deflation;
- The expected total return for an investment, including appreciation, and how that plays within the overall investment portfolio;
- The need to preserve capital versus the need to generate income;
- The other resources available to Cinefamily;
- An asset's special value, if any, to the organization; and
- Any expected tax consequences with respect to an investment.

In managing the funds, the Board may incur appropriate costs that are reasonable in relation to the amount of assets being invested and the purposes of Cinefamily. By following these steps, you will help ensure that the Cinefamily acts as a good steward of its funds and in a manner that helps the organization carry out its mission.

4. Fiduciary Responsibility of a Member of the Board of Directors

As a director, you have certain legal responsibilities that you must follow. This section is designed to give you some of the information you need to carry out those responsibilities. However, this material can only provide you with general information. It cannot answer every situation that may arise and should not be construed as legal advice.

Therefore, if the Board has a specific situation with respect to which it needs guidance, it should consult with legal counsel to determine what is appropriate for the organization.

In addition, if you have questions about any potential legal liability you may have as a director, you should consult Section 7 of this manual, Risk Management and Directors' and Officers' Insurance (we have it).

A. The Tone at the Top: The “tone at the top” refers to the ethical climate created in an organization by its leadership. In particular, the Board should make clear that, in making decisions, it is doing what it believes is in the best interests of the Cinefamily to help carry out its mission.

It is also the Board's responsibility to ensure that the Cinefamily fully complies with all applicable federal and California state laws and regulations. In addition, as a director, you are expected to comply fully with Cinefamily's Code of Ethics, which includes the Ethics Policy covering gift acceptance (see Appendix M1) and the Conflict of Interest Policy (see Appendix K).

You and the other members of the Board are responsible for ensuring that all others comply with these policies as well. In particular, the Board is responsible for implementing Cinefamily's Whistleblower Policy (see Appendix N) and for ensuring that any claims of wrongdoing by a director, officer, employee, or volunteer are fully and fairly investigated, and that there is no retaliation against anyone bringing a claim in good faith.

B. Duty of Care: The duty of care requires a director to act in a reasonable and informed manner when participating in the board's decisions and its oversight of the corporation's management.

The duty of care requires a director to be informed and to discharge his or her duties in good faith, with the care that an ordinarily prudent person in a like position would reasonably believe appropriate under similar circumstances, and exercise independent judgment when making decisions on behalf of the Cinefamily.

The Board may delegate day-to-day duties to Cinefamily's senior management, subject to the Board's review and oversight. The Board may delegate certain Board functions to committees of the Board. The duties that can be delegated to committees of the Board are limited by law and are typically specified in the organization's by-laws.

In performing the duties of a director, a director is entitled to rely on information, opinions, reports or statements, including financial statements and other financial data,

in each case prepared or presented by:

1. One or more officers or employees of the corporation whom the director believes to be reliable and competent in the matters presented;
2. Counsel, independent accountants or other persons as to matters which the director believes to be within such person's professional or expert competence;
3. (or) A committee of the board upon which the director does not serve, as to matters within its designated authority, which committee the director believes to merit confidence, so long as, in any such case, the director acts in good faith, after reasonable inquiry when the need therefor is indicated by the circumstances and without knowledge that would cause such reliance to be unwarranted.

However, you may not delegate your personal responsibilities as a member of the Board to others. At the end of the day, you and your fellow directors bear the responsibility for determining what is best for the organization.

C. Duty of Loyalty: The duty of loyalty requires you to act in the interest of the Cinefamily, rather than in your personal interest or of some other person or organization. In particular, the duty of loyalty requires you to avoid conflicts of interest that are detrimental to the corporation.

The IRS recommends that tax-exempt corporations adopt a written conflict of interest policy to address potential conflicts of interest involving their directors, officers, and other employees. As a director, you must disclose to the Board any potential conflict of interest and also refrain from participating in any decision of the Board in which you have such a conflict.

You cannot take advantage of business opportunities that would be of interest to the Cinefamily without first offering it to the organization. For example, if you see a building for sale at a low price, and you know that Cinefamily is looking to buy a building to expand, you should not buy the building without first disclosing to Cinefamily the fact that the building is for sale and allowing Cinefamily an opportunity to bid on the property.

In addition, under California laws, you cannot borrow money from Cinefamily nor can you authorize Cinefamily to loan money to any officer or other director of the organization unless approved by the Attorney General.

There are a few limited exceptions to this rule, including for advancement of expenses, payment of life insurance premiums or a secured loan to help the director or officer

finance the purchase of a principal residence (only if this is necessary to retain the director or officer's services).

The Board has adopted a Conflict of Interest Policy that applies to all directors and senior managers of the Cinefamily (see Appendix K). Cinefamily also asks each director to fill out an annual Conflict of Interest Questionnaire (see Appendix L). As a director, you must familiarize yourself with the Conflict of Interest Policy and ensure that you and your fellow directors comply with it.

D. Duty of Obedience: As a director, you also must act in a manner that is consistent with the provisions of the Articles of Incorporation, by-laws, and tax-exempt status of the Cinefamily.

You should be familiar with the mission of the Cinefamily and act in a manner consistent with such mission. In addition, you must comply with all federal, state and local laws as they apply to the organization.

E. Confidentiality: You should not disclose information about the Cinefamily's activities unless the Board decides to make the information public, or unless the information is a matter of public record.

F. Attendance: As a director, it is important that you demonstrate your commitment to the organization by regularly attending Board meetings and meetings of the committees of which you are a member. This will allow you to stay informed of Cinefamily's activities and, in turn, the organization will benefit from the skills you bring to the Board.

There are ways you can attend meetings without being physically present. For example [if not prohibited by the by-laws] you can participate via conference call, provided you can hear all the other participants in the meeting and they can hear you. However, being a member of the Board of Directors is a personal responsibility. You cannot delegate this responsibility to others. Therefore, you cannot give someone else the authority to attend a Board meeting or vote on your behalf. You cannot vote by proxy.

G. Director's Rights: As a director, you have certain legal rights. These rights are designed to assist you in carrying out your fiduciary duties as a member of the Board.

For example, it is important that you stay informed about the Cinefamily's business affairs. Consequently, as a director, you have a right to have reasonable contact with

the organization's senior managers to discuss the organization's business affairs. You also have the right to inspect the books and records of the organization and to request additional information from management.

At the same time, you should remember that while the Board retains the ultimate responsibility for the operations of the Cinefamily, the senior managers are responsible for the day-to-day management of the organization. Your duty as a director is to ensure that they exercise their management responsibilities in a manner that best serves the organization. It is not in the organization's best interests if the Board attempts to review and approve day-to-day management decisions, or substitutes its judgment for that of the senior managers.

Therefore, when you request information from management, it is important that you are reasonable in the frequency and scope of your requests. You want to take care that your requests are suited to what you need to perform your duties as a director, and not the day-to-day management of the organization.

Another important way to stay informed about the organization's activities is to review the Board and committee minutes. The Board should be provided with the minutes of the meetings in a timely manner. The Board secretary should prepare the minutes of any Board meeting promptly after the meeting, but at least in time to be approved before the next Board meeting. If, for some reason, you do not receive the minutes of a Board or committee meeting, you have the right to ask for a copy of the minutes.

It is also important that directors attend Board and committee meetings. Therefore, you should be given advance notice of each meeting so that you can prepare for the meeting and plan to attend. The amount of advance notice for each type of meeting is specified in the by-laws. If you do not receive the proper amount of advance notice, you can still attend the meeting and participate.

There may be situations where the fact that you did not receive proper advance notice of a meeting may be detrimental to the organization. In such case, you have the right to object to the fact that you did not receive proper notice of the meeting. However, you must protest improper notice before or at the commencement of the meeting. If you participate in the substance of the meeting, you will be considered to have waived your right to make an objection.

Finally, the organization encourages open and informed debate among the Board directors, which helps ensure that the best possible decisions are made. If you disagree

with any action the Board proposes to take, you have the right to vote against the action. All votes taken at a meeting are required to be recorded in the minutes for that meeting. To the extent there are any objections or abstentions, the minutes must record how each director voted. This is important if you believe that the actions of the Board are not only unwise, but improper. In such case, if you object to the actions and have your objection recorded in the minutes, you may escape liability if the action is later challenged.

H. Private Inurement and Private Benefit: The Internal Revenue Code gives tax-free status to charitable organizations because they provide important benefits to the general public. However, the Internal Revenue Code also provides that a tax-exempt organization must be operated for the benefit of the public and not for the benefit of “insiders”— individuals who have significant influence over the organization.

This is called the private inurement rule. As a director, you must ensure that insiders do not receive favorable treatment at the expense of the Cinefamily, otherwise Cinefamily would be at risk of losing its tax-exempt status.

Some examples include paying more than fair market value for goods or services provided by an insider, or creating a job for someone just because they are related to an insider. Private inurement may be found in the compensation of managers. The Board should ensure that the total compensation is reasonable.

By insiders, the Internal Revenue Code generally refers to anyone with powers, responsibilities or interests that puts the person in a position to exercise substantial influence over the affairs of the Cinefamily. Typical “insiders” would include the following individuals:

- Cinefamily’s founders;
- Officers;
- Members of the Board of Directors;
- Chief paid staff member; and
- Their relatives such as a spouse, parent, siblings and their spouses, children and their spouses, and great grandparents, grandparents, grandchildren, and great grandchildren and their spouses.

It generally is permissible to give a benefit to any individual, even a director, that qualifies under Cinefamily’s normal charitable guidelines (in our case, such as movie admission or memberships).

In addition, as a director you must make sure that Cinefamily's activities further the public good. Therefore, you should make sure that any business transactions entered into by the Cinefamily are done through an arm's length negotiations, are in Cinefamily's best interests and help it carry out its mission.

The assets of the Cinefamily should not be used to serve a private, as opposed to the public, good. This is called the private benefit rule. Example: The Cinefamily wants to buy a building and it cannot use all of the space immediately. Therefore, the Board decides to rent out the unused space. As a director, you should try to maximize the value of the building to the organization. The organization should not charge any tenant less than market rent simply because the tenant is a friend of a director, or has some other connection to the Cinefamily, such as a business relationship. If it does so, Cinefamily may be in violation of the private benefit rule.

One exception may be if the tenant is another tax-exempt organization. In such case, it may be acceptable for Cinefamily to charge a lower rent or no rent at all to provide assistance to the other charitable organization if it is in furtherance of Cinefamily's tax-exempt mission.

I. Board Compensation and Transactions with Board Members: As a director, you will not be compensated for your services. Moreover, you cannot claim a deduction for the value of your donated services to Cinefamily. You may be reimbursed for any reasonable out-of-pocket expenses you incur on behalf of Cinefamily, in accordance with its expense reimbursement policy. The organization will not pay for or reimburse a member of the Board of Directors for the cost of his or her spouse's or other dependent's travel to organization events. If you elect not to be reimbursed for your out-of-pocket expenses, you may be able to deduct them as a charitable contribution to the organization.

In addition to your Board service, from time to time it may be in the best interests of Cinefamily for you to provide some other goods or services to Cinefamily, such as legal or accounting work. If you provide goods or services to Cinefamily in addition to serving on the Board, Cinefamily is allowed to pay you for your goods or services, provided that you remain mindful of the private inurement issues discussed above, as well as California's rule against "self-dealing transactions."

There is a safe-harbor for transactions with interested directors under the California self-dealing rules if:

- the corporation enters into the transaction for its own benefit;

- the transaction is fair and reasonable to the Corporation at the time the transaction is entered into;
- prior to consummating the transaction or any part thereof, the Board authorizes or approves the transaction in good faith, by a vote of a majority of Directors then in office (without counting the vote of the interested Directors), and with knowledge of the material facts concerning the transaction and the interested Director's financial interest in the transaction;
- prior to authorizing or approving the transaction, the Board considers and in good faith determines after reasonable investigation that the Corporation could not obtain a more advantageous arrangement with reasonable effort under the circumstances; and
- The organization properly documents and reports the transaction.

In addition, in the event that you are paid more than fair market value for any goods or services you provide, or the organization fails to properly document or report the transaction, the transaction may be considered an "excess benefit transaction" under federal law, as well as a "self-dealing transaction" under California law.

If you receive an "excess benefit" under the Internal Revenue Code, you may be subject to penalties and may be required to correct the transaction by paying back the excess benefit received.

In general, transactions between Cinefamily and disqualified persons (including directors and other insiders) are presumed to be reasonable (unless it can be rebutted by the IRS) if the following three conditions are met:

- The arrangement was approved in advance by the Board (or a committee of the Board) of Cinefamily that was composed entirely of non-conflicted persons (i.e., individuals who were unrelated to, and not subject to the control of, the disqualified person or other persons involved in the arrangement);
- The Board obtained and relied on appropriate data as to comparability; and
- The Board adequately documented the basis for its determination.

As provided in the previous section, deals with insiders may, in addition to giving rise to excise taxes, lead to revocation of the Cinefamily's tax-exempt status.

Additionally, transactions with directors can lead to a violation of the requirement that no more than 49% of the persons serving as directors of a California nonprofit public

benefit corporation may be “interested persons.” For this purpose, interested persons are directors being compensated by Cinefamily for services rendered to it in the past 12 months in a capacity other than as directors.

Before you enter into any financial transaction with Cinefamily, you should consult the organization’s legal counsel and its Conflict of Interest Policy to ensure that all proper procedures are followed.

J. Political Activity and Lobbying

1. Lobbying

As a tax-exempt entity, Cinefamily may engage in limited lobbying activities. For this purpose, Cinefamily will be regarded as lobbying if it attempts to influence legislation.

Attempting to influence legislation includes contacting or urging the public to contact members or employees of a legislative body for the purpose of supporting or opposing legislation, or advocating for the adoption or rejection of legislation.

Legislation includes actions by Congress, state legislatures, or any other elected body, such as the local city council or school committee, with respect to acts, bills, or resolutions. It applies to such actions as confirming an individual for office, such as a judge or cabinet member. It also applies to ballot initiatives or similar procedures to be voted upon by the public. The definition of legislation does not include actions taken by the courts or government agencies.

As noted above, there are limits on the amount of lobbying in which Cinefamily may engage. The Internal Revenue Code provides that a nonprofit that is exempt under Section 501(c)(3) cannot expend a “substantial” part of its activities in lobbying. If Cinefamily engages in what is considered excessive lobbying, the organization may be subject to an excise tax and may risk its tax-exempt status.

2. Rules Prohibiting Political Activities

Under the Internal Revenue Code, nonprofit organizations are strictly prohibited from intervening on behalf of, or in opposition to, candidates for local, state, or national office. If [Insert name of nonprofit] violates this rule, it could be subject to an excise tax on the amount expended on the campaign activity and loss of its tax-exempt status.

This does not mean that, just because you are a director of Cinefamily, you cannot be involved in political activity as a private individual. However, you may not use

Cinefamily's property or other assets, including Cinefamily's name, on behalf of or against any candidate for office.

If you are in any doubt as to whether your activities might be considered improper political activities on behalf of Cinefamily, you should consult with the Board and legal counsel before engaging in those activities.

K. Summing Up: While all these responsibilities may seem like a lot to keep straight, you can broadly summarize your fiduciary duties using the following questions:

- Do you put the organization's interests before your own?
- Do you ensure that others do as well?
- Do you regularly attend Board and committee meetings?
- Do you read the information provided to you as a director or otherwise stay informed?
- Do you exercise your independent business judgment as best as you can?
- Do you do your best to make sure that Cinefamily follows the law, including the special rules applicable to nonprofits?
- Do you seek the advice of legal counsel and independent accountants to assist you in your work?

If you follow these steps, you will go a long way towards faithfully carrying out your fiduciary duties as a director and help establish the proper ethical tone for the organization.

5. Overseeing the Performance and Compensation of Management

The Executive Director of Cinefamily is the chief executive of the organization and is hired and supervised by the Board. The Board also has the authority to fire the Executive Director if he or she is not meeting the performance standards set by the Board.

As part of its responsibilities, the Board should review the performance of the Executive Director annually. By giving the Executive Director feedback at least annually, the Board will assist the Executive Director in performing to the best of his or her abilities.

The Board is also responsible for setting the compensation for the Executive Director and other members of senior management. In particular, the Board must review and approve the compensation of the Executive Director and the Chief Financial Officer to ensure that the payment is just and reasonable. The review and approval must occur at the time of initial hiring, when the term is renewed or extended, and when the compensation is modified. Compensation includes any benefits being provided.

In addition, the Internal Revenue Code sets forth criteria for determining who is a member of senior management, and provides that a nonprofit organization cannot pay more than “reasonable” compensation to its senior managers.

Moreover, the Internal Revenue Code imposes penalties and requires a correction if excess compensation is paid. The good news is that Cinefamily and its Board can and should significantly reduce the risk that compensation paid to senior management that will be considered excessive. The Internal Revenue Code provides a three-step process, which, if followed by the Board, will give rise to a rebuttable presumption that the compensation set by the Board is reasonable. Generally the three steps are:

- The compensation level must be approved by the Board or a committee of the Board authorized by it to set the compensation;
- The Board makes use of data showing how much similar organizations are paying their employees to determine that the compensation is reasonable; and
- There is proper documentation of the decision-making process.

If the three requirements are satisfied, the IRS may rebut the presumption that a transaction is not an excess benefit transaction only if it develops sufficient contrary evidence to rebut the probative value of the comparability data relied upon by the authorized body. Rebuttal evidence is limited to evidence relating to facts and circumstances existing on the date the parties enter into the contract pursuant to which the payment is made.

A. Prior Approval by Authorized Body: To satisfy the first requirement, either the Board or a Board committee authorized by the Board to determine senior management’s compensation must approve the compensation package in advance.

To participate in the compensation approval process, a director cannot have a conflict of interest. If you, as a director, have a conflict of interest, you must disclose your conflict to the other members of the Board, and you may not participate in the vote or

discussions of management compensation.

The following are the principal rules for determining whether a conflict of interest exists, with examples of how those rules would apply:

- A conflict of interest exists if you are participating in or economically benefiting from the compensation arrangement being voted on, or you have a family member benefiting from the compensation arrangement.
- A conflict of interest exists if you are an employee subject to the direction or control of a member of management whose compensation is being voted on.
- A conflict of interest exists if you receive compensation or other payments that must be approved by a member of management whose compensation is being voted on.
- A conflict of interest exists if you have a material financial interest that would be affected by the compensation package being voted on.
- A conflict of interest exists if you vote on a compensation package for a member of management, and that member of management has approved, or will approve, a transaction providing economic benefits to you.

Family members include your spouse, parents, siblings and their spouses, children and their spouses, and grandparents, great grandparents, grandchildren, and great grandchildren and their spouses.

B. Use of Appropriate Comparability Data: Prior to voting on senior management's compensation, the Board must determine how the proposed compensation package compares to compensation paid by similar organizations for similar services. Comparability data is appropriate if it provides the Board with sufficient information to determine if the compensation arrangement, in its entirety, is reasonable when compared to what other organizations pay.

The information the Board may use to make the comparability determination includes:

- The actual compensation paid by similarly situated for-profit and nonprofit organizations for comparable positions;
- Whether or not there is a ready supply of people to perform services in the Los Angeles area;
- Current compensation surveys compiled by independent firms; and
- Actual written offers from similar institutions competing for the services of the senior manager.

There are a number of ways to obtain comparability data. Cinefamily may hire a

compensation consultant to review its compensation structure. However, if the Board feels that this is too costly, the Board can purchase compensation comparability data from organizations that provide technical assistance to other nonprofits or from human resource companies that compile that information for a fee. As a third alternative, the organization can use publicly available information, including IRS Form 990s of comparable nonprofits and Web sites such as www.guidestar.org to determine what comparable organizations are paying their employees. As a starting point, it is good for the Board to define what are Cinefamily's "peer" organizations for purposes of making comparisons.

If Cinefamily's annual gross receipts are less than \$1 million during the three years before the Board sets senior management's compensation, the IRS provides that Cinefamily may look at compensation paid by three comparable organizations located in Los Angeles or a similar community for similar categories of employees for purposes of determining comparability.

C. Proper Documentation of the Decision-Making Process: The third part of the IRS procedure for setting management compensation is to ensure that the Board's decision-making process is properly documented. The documentation may be written or electronic such as written minutes or an e-mail summary of the meeting.

- The documentation must note:
- The terms of the compensation package and the date it was approved;
- The members of the Board or Board committee who were present when the compensation package was debated, and those who voted on it;
- The comparability data obtained and relied on by the members of the Board and information on how the data was obtained; and
- Any actions taken by a regular member of the authorized body who had a conflict of interest with respect to the transaction (e.g., did the member leave the meeting and refrain from taking part in the decision?).

The documentation must be completed in a timely manner. This means that Cinefamily must prepare the records before:

- The next meeting of the Board or committee, or
- Sixty days after the final action or actions are taken.

Also, the Board or committee must review the documentation and make any needed corrections to the documentation within a reasonable amount of time.

Example: The Board approves the Executive Director's compensation package on December 1. The minutes of the meeting must be prepared and distributed to the Board for its approval at the next Board meeting. However, if the next meeting is held sooner than 60 days after December 1, the Board has until 60 days following the meeting, or January 30 to approve the minutes. Cinefamily has to comply with all three steps to establish the rebuttable presumption of reasonableness.

The Cinefamily will not enjoy the protections the safe harbor affords if the organization fails to meet any one of these three requirements. Establishing the rebuttable presumption of reasonableness is also considered to be a "best practice" in terms of nonprofit governance. The IRS will ask Cinefamily to disclose the method it used to set management's compensation when it completes its IRS Form 990. Also, Cinefamily must appropriately report the compensation in its tax filings, both on the organization's annual IRS Form 990, and on an IRS Form W-2 issued to the recipient of the compensation (if he or she is an employee) or IRS Form 1099 (if he or she is an independent contractor).

6. Risk Management

A. Liability of the Organization: One of the functions of the Board is to protect the assets of Cinefamily. This will help ensure that the assets are available to serve the mission of the organization. To do so, the Board should implement an appropriate risk management plan.

There are three basic steps in any risk management plan. They are:

1. Identify the risk;
2. Mitigate the risk; and
3. Insure against the risk.

The Board should begin by working with management to identify activities that create risks for the organization. The next step is to see if there are any procedures the organization can take to lessen the risk that a bad event will occur. The final step is to work with [Insert name of nonprofit]'s insurance broker to see if there is any way the organization can insure against the risk that such bad event occurs.

B. Liability as a Director: As a director, you may be subject to a lawsuit if someone alleges that you failed to carry out your duties appropriately, or you were guilty of

discrimination in connection with someone's employment or the provision of nonprofit services.

However, the Director generally will not be personally liable for the debts, liabilities, or other obligations of the organization unless the director or officer engaged in self-dealing transactions, conflicts of interests, or intentional, wanton, or reckless acts, gross negligence, or an action based on fraud, oppression, or malice.

To protect yourself from liability, you should consider three steps:

1. Prevention: Exercise your duties as a director with due care and ensure that Cinefamily acts in accordance with legal requirements. This is the best way to avoid liability. If you carry out your duties as a director diligently and with due care, you will be much less likely to encounter legal problems.

2. Indemnification: One way to protect yourself against liability is to ensure that Cinefamily will pay any attorney's fees you incur and any legal damages you have to pay in connection with any acts you commit while serving on the Board.

This is called "indemnification." Indemnification provisions are found in Cinefamily's by-laws. You should consult with your attorney to determine whether you would be covered by Cinefamily's indemnification. In general, you will be eligible for indemnification as long as you acted in good faith and in a manner you reasonably believed to be in the best interests of the organization. In the case of a criminal proceeding, you must have had no reasonable cause to believe that your conduct was unlawful.

3. Directors' and Officers' Insurance: Under California law, the organization must maintain Directors' and Officers' Insurance at all times in order to limit the liability of volunteer directors and officers.

In order to promote service by volunteer directors and officers, the California Legislature declared that directors and officers who serve without compensation will be exempt from a cause of action for monetary damages arising from their service as a director or officer of a nonprofit organization on account of any negligent act or omission occurring (1) within the scope of that person's duties as a director acting as a board member, or within the scope of that person's duties as an officer acting in an official capacity; (2) in good faith; (3) in a manner that the person believes to be in the best interest of the organization; and (4) is in the exercise of his or her policymaking judgment.

However, the limitation on liability for volunteer directors and officers only applies if the nonprofit organization maintains a liability insurance policy with an amount of coverage of at least the following amounts:

- (1) If the organization's annual budget is less than fifty thousand dollars (\$50,000), the minimum required amount is five hundred thousand dollars (\$500,000).
- (2) If the organization's annual budget equal or exceeds fifty thousand dollars (\$50,000), the minimum required amount is one million dollars (\$1,000,000).

Similarly, under the Federal Volunteer Protection Act (the "Act"), volunteer directors are afforded additional liability protection if:

- 1) the volunteer was acting within the scope of the volunteer's responsibilities in the nonprofit organization or governmental entity at the time of the act or omission;
- 2) if appropriate or required, the volunteer was properly licensed, certified, or authorized by the appropriate authorities for the activities or practice in the State in which the harm occurred, where the activities were or practice was undertaken within the scope of the volunteer's responsibilities in the nonprofit organization or governmental entity;
- 3) the harm was not caused by willful or criminal misconduct, gross negligence, reckless misconduct, or a conscious, flagrant indifference to the rights or safety of the individual harmed by the volunteer; and
- 4) the harm was not caused by the volunteer operating a motor vehicle, vessel, aircraft, or other vehicle for which the State requires the operator or the owner of the vehicle, craft, or vessel to (A) possess an operator's license; or (B) maintain insurance

Federal law allows a state to set conditions on the volunteer's obtaining the liability protections of the Act. Accordingly, in order to qualify for the liability protections under the Act, the nonprofit organization must maintain a liability insurance policy with at least the amount of coverage set forth above with respect to California law.

You should request a copy of and review Cinefamily's directors and officers insurance policy with the assistance of your attorney. [\[get copy to pass out\]](#)

7. Board Evaluation

The final task the Board must undertake is to periodically evaluate its own performance. Self-evaluation can be hard. Therefore, the Board should at least use a performance checklist to assist the members (see Appendix Q). Some of the criteria are objective and easy to evaluate such as attendance at meetings. Other criteria are more

subjective.

However, it is important for the Board to meet annually to discuss how it can improve its performance. The Board should determine what skills the Board may be lacking, and whether it can recruit a new member with those skills. For example, is there a member of the Board with a background in finance, human resources, or the law?

Moreover, each director must be engaged in the work of the Board. If the directors are not fully engaged in the Board's work, the Board should discuss what steps it should take to re-engage its members. Without a fully engaged Board, there is a likelihood that the work will fall on a few individuals. This will not only result in many tasks not being done, but will also put members of the Board who are most engaged at risk of becoming burned out.

If efforts to re-engage a director do not work, the Board should be willing to ask the director with poor performance to resign from the Board, or to leave the Board at the end of his or her term.

While evaluating the performance of individual members can be hard, it is important to remember that the Board's first duty is to serve the best interests of Cinefamily and not those of other members of the Board. Building a strong Board makes the Board's workload more manageable and improves the performance of each member of the Board of Directors.

Conclusion

Again, we want to express our appreciation of your willingness to serve as a director of Cinefamily. There are many exciting challenges ahead, and we are grateful that you have accepted the responsibility of being a member of the Board.

As an organization, we are committed to giving you the resources you need to succeed. Also, we realize that as a new member, you have a background that is different from members of the Board who have served longer. Your presence enriches and renews the Board.

Much of the information in this manual may seem overwhelming at first, but if you have any questions or if there is anything Cinefamily can do to assist you in your Board service, please speak to the officers of the Board or senior management. We serve an important mission, and we believe that you will find serving on the Board a rich and

rewarding experience. Thank you for joining us.

Appendices:

Appendix A

Articles of Incorporation

The Articles of Incorporation serve as the basic charter for Cinefamily].

They set forth the purposes for which the organization was founded, and basic rules about how the organization is to operate. They also contain the charitable giving rules that the Internal Revenue Service (IRS) requires for the organization to maintain its tax-exempt status.

Appendix B

By-laws

The bylaws set forth the operational rules for Cinefamily. They contain the rules regarding the size and composition of the Board of Directors, how directors are elected, and how meetings are held. They also contain provisions about the election of officers and the appointment and operation of Board committees. The by-laws may be amended by the Board of Directors.

Appendix C

IRS Application for Exemption

The IRS Form 1023 is the application which Cinefamily filed with the Internal Revenue Service to be recognized as a tax-exempt organization. It sets forth the original mission of the organization. It is important that Cinefamily review its original mission statement from time to time to ensure that it is acting in a manner that furthers its exempt mission.

If the organization were to change its mission, it will have to notify the IRS.

Appendix D

List of Board Members

Albert Berger [REDACTED] [@earthlink.net](mailto:[REDACTED]@earthlink.net)
o: 310-[REDACTED]
f: 310-[REDACTED]
m: 310-[REDACTED]

Dan Harkham [REDACTED] [@mac.com](mailto:[REDACTED]@mac.com)
m: 323-[REDACTED]

Sammy Harkham [REDACTED] [@me.com](mailto:[REDACTED]@me.com)
m 310-[REDACTED]

Larry Karaszewski [REDACTED] [@gmail.com](mailto:[REDACTED]@gmail.com)
o: 323-[REDACTED]
f: 310-[REDACTED]
m: 323-[REDACTED]

Josh Olson [REDACTED] [@mac.com](mailto:[REDACTED]@mac.com)
o: 323-[REDACTED]
f: 323-[REDACTED]

Nancy Willen [REDACTED] [@acmepr.net](mailto:[REDACTED]@acmepr.net)
310-[REDACTED]

John Wyatt [REDACTED] [@mac.com](mailto:[REDACTED]@mac.com)
323-[REDACTED]

Hadrian Belove [REDACTED] [@cinefamily.org](mailto:[REDACTED]@cinefamily.org)
310-[REDACTED]

Appendix E

Important Contacts

Appendix F

Most Recent IRS Form 990

This is the information return that Cinefamily must file each year with the IRS. On this form, the organization is asked to describe its exempt mission and the activities it carries out in furtherance of that mission.

It also sets forth basic financial information about the organization, including how much it expends on program activities (activities that directly contribute to carrying out its exempt mission), fundraising, and administrative expenses.

In particular, the form sets forth how much is paid to the organization's officers, directors, and other higher-paid individuals.

The form also asks the Board of Directors if it is following certain best practices for nonprofit governance.

Finally, the form asks whether the Board has reviewed the form before it was filed with the IRS.

Appendix G

Most Recent Audited Financial Statement -- Does not apply until we reach \$2 million budget threshold.

The financial statements are prepared by management and audited by Cinefamily's independent auditors. The audit shows basic financial information about the organization. You will note that the financial statements are different from those of forprofit companies.

The audit contains the following information:

Statement of Financial Position (Balance Sheet). This contains the organization's:

- a. Cash;
- b. Accounts receivable;
- c. Donation pledges;
- d. Fixed assets such as buildings and equipment;
- e. Accounts payable; and
- f. Accrued liabilities, including long-term liabilities.

The statement shows unrestricted assets, which can be used for any purpose

consistent with the organization's exempt mission. It also shows permanently and temporarily restricted assets. These are assets that have been donated to Cinefamily for a particular purpose or program and can only be used for that purpose or program.

Statement of Activities (Income Statement). This sets forth the organization's general operating expenses, functional expenses, non-operating revenues, and expenses and change in net assets from year to year.

Statement of Cash Flows. This sets forth the sources and uses of the organization's short-term cash and cash-equivalents.

Statement of Functional Expenses. This sets forth the portion of the organization's expenses that was expended on:

- a. Program activities;
- b. Management and other general expenses; and
- c. Fundraising activities.

The audit also contains an opinion letter from the organization's auditors saying that the financial statement fairly represents the financial position of Cinefamily.

Appendix H

Current Operating Budget -- Pending

This is the budget for the current operating year, including income and expenses. You will receive reports on a regular basis from management showing Cinefamily's actual income and expenses, and how they compare to the budget.

Appendix I

Current Strategic Plan -- Pending

The current strategic plan sets forth the long-term plan for Cinefamily.

The organization's work plan and budget are drafted to carry out the goals contained in this plan.

Appendix J

Board Minutes for the Past 12 Months

It is the responsibility of the Board secretary to prepare timely and accurate minutes of the Board's meetings. As a director, you also are entitled to see the minutes of Board

meetings and of any Board committee meetings.

Appendix K

Conflict of Interest Policy

The Conflict of Interest Policy is designed to offer guidance to Cinefamily's officers, directors and key employees on how to avoid conflicts of interest.

A conflict exists when an officer, director or key employee (or someone related to them) proposes to act on any transaction in which the officer, director or key employee has a personal interest in the transaction that is different from the organization's.

Appendix L

Conflict of Interest Questionnaire

The Conflict of Interest Questionnaire is designed to inform Cinefamily of the various business interests of each of its officers, directors and key employees so that the organization can help them avoid conflicts of interest.

Appendix M

Ethics Policy

The Code of Ethics applies to all employees and volunteers of Cinefamily. It summarizes various ethical issues involving the employee's or volunteer's work with the organization, including conflicts of interest, acceptance of gifts, nondiscrimination, and other matters.

Appendix N

Whistleblower Policy

The Whistleblower Policy is designed to encourage employees and volunteers to report to the Board of Directors any wrongdoing within the organization. It is designed to provide employees and volunteers with a safe way to report these complaints without fear of retaliation, and to ensure that any such complaints are properly investigated.

Appendix O

List of Committees

Under the terms of the bylaws, the Board of Directors is authorized to create

committees. Attached is the list of committees and their members. The committees are authorized to carry out the functions of the Board with respect to certain matters. These matters are specified in the bylaws and the committee charter. As long as a committee is acting within the scope of its authority, as set out in the bylaws and committee charter:

- It is authorized to act as if it were the Board, with the same authority to act on behalf of the Cinefamily as the Board has.
- The non-committee members of the Board are entitled to rely upon the expertise of the committee and, absent special circumstances, cannot be held responsible for the committee's actions.

Committees:

Internal Affairs: All internal and operational issues-including those related to finance, human resources, and facilities-are handled by this committee which is staffed by the CFO and the Director of HR (or the ED where these positions do not exist).

External Affairs Committee: All external issues-including fundraising, public relations, and marketing -- are the responsibility of this committee, which is staffed by the Development Director (or by the ED).

Governance Committee: This committee is responsible for the health and functioning of the board. It recruits new members, conducts orientation, produces board materials, and evaluates the performance of the board itself. This committee, staffed by the ED, is arguably the most important of the three. It is responsible for ensuring the effectiveness of the current board and for recruiting tomorrow's leaders.

The Executive Committee: Sets the agenda for Board Meetings and assists the Executive Director with urgent issues arising between meetings.

Appendix P
Organizational Chart
Needs to be done.

Appendix Q
Personal Checklist and Self-Evaluation

