



## **Doing Business With and Compensating Insiders: Strategies for Success and Intermediate Sanctions Compliance**

The University of Texas School of Law  
36<sup>th</sup> Annual Nonprofit Organizations Institute  
January 17, 2019  
5:20 p.m. to 6:05 p.m.

*Presented By:*

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## **Nonprofit Executive Compensation Scrutiny & Investigations**



## Who Cares?

- IRS – Mitigate Tax Abuse
- Congress - Legislation
- State Regulators – Attorney Generals
- Consumer Oversight / Public Defender
- Donors – Contributions in accordance with donative intent
- Media – Excessive compensation makes great news
- Members – Member intent governance - use of dues - contributions
- Competing Organizations – Competition for sources & funds
- Competing Interests – Adversaries – Exec Comp – Tarnish public image
- Communities Served - Trust
- Executives, Employees, Constituents , & Stakeholders

Stakes Are High If Executive Compensation & Governance Strategies Are Not Successfully Put Into Place to Protect The Organization



## Examples of Who Have Been Investigated / In The News

- ❖ Wounded Warriors
- ❖ Goodwill
- ❖ Big Brother / Big Sisters
- ❖ United Way
- ❖ Fiesta Bowl
- ❖ Health Care Institutions
- ❖ Higher Education Institutions
- ❖ Better Business Bureau Affiliate
- ❖ Mega Church Pastors
- ❖ Private Foundations – Clinton - Trump
- ❖ Trade Unions

## Oversight of Nonprofit Executive Compensation

### Who Does It Affect

#### **“Disqualified Persons” / “Key Employee” / “Highly Compensated”**

- Disqualified persons are generally defined as any person in a position to exercise substantial influence over the affairs of the nonprofit organization anytime over a 5 year period preceding the date of the compensation transaction.
  - ✓ Voting Board Member
  - ✓ President, Chief Executive Officer, Executive Directors
  - ✓ Chief Operating Officer
  - ✓ Treasurer, Chief Financial Officer
  - ✓ Executive Staff / Vice Presidents based on Treasury Regulations
  - ✓ Consultants
- Key Employee - \$150K Test; Responsibility Test; Top 20 Test
- Current 5 highest compensated over \$100,000

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## Title search: Doing Business with and Compensating Insiders: Strategies for Success and Intermediate Sanctions Compliance

Also available as part of the eCourse

[2019 Nonprofit Organizations eConference](#)

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