

**American Friends of Shalva Israel, Inc.
Compensation Policy**

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Purpose:

To outline the procedure for payment, reimbursement, or provision by American Friends of Shalva Israel, Inc. (the "Organization") for the following expenses:

First-class or charter travel;

Travel for companions;

Tax indemnification and gross-up payments;

Discretionary spending account;

Housing allowance or residence for personal use;

Payments for business use of personal residence;

Health or social club dues or initiation fees; and

Personal services.

1. Payment for first-class or charter travel: The following policies apply to first class or charter travel involving an employee, volunteer, or director of the Organization: (1) Premium-class or charter travel must be approved by the Executive Director or, in the case of travel by the Executive Director, by the President, and (2) Premium-class travel will only be considered for specific situations:

- i) When there is no coach class availability;
- ii) For security reasons;
- iii) Travel by an employee with a disability or special need;
- iv) For overall cost savings; and
- v) When there is no commercial transportation reasonably available.

2. Travel for companions: Reimbursement of travel expenses for a spouse or dependent will be paid only if the travel expense qualifies as nontaxable working condition fringe benefits under IRS Regulations [Treasury Regulation 1.132-5(t)]: IRS Regulations require that the reimbursed travel of the spouse or dependent is for a bona fide business purpose.

a. The following criteria will be evaluated to determine whether a bona fide business purpose exists:

- i) The companion's function must result in desired business benefits to the Organization.
- ii) The companion's contributions to the organization must be those which cannot efficiently be performed by the employee alone.
- iii) The companion's services must augment the employee's purpose for the trip.
- iv) The benefit to the organization's business must be substantial.

- b. If there is a bona fide business purpose for the travel, documentation of the purpose for companion attendance must be provided. Documentation must consist of formal written requirements for the spouse such as functions which must be attended and roles which must be served during the meetings.
 - c. The employee must substantiate the time, place, amount, and business purpose of the travel under an accountable expense reimbursement plan. The following are the three requirements for an accountable plan:
 - i) there must be a business connection and the expense must be reasonable;
 - ii) there must be reasonable accounting for the expenses; and
 - iii) all excess reimbursements must be repaid in a reasonable time.
- 3. **Tax Indemnification and gross-up payments:** Tax indemnification and gross-up payments refer to the Organization's payment or reimbursement of any tax obligations for an employee. Tax indemnification and gross-up payments should be documented and approved as part of the employee's compensation package.
- 4. **Discretionary spending accounts:** Discretionary spending accounts refer to an account or sum of money under the control of an employee with respect to which he / she is not accountable to the Organization under an accountable plan, whether or not actually used for any personal expenses. Discretionary spending accounts are subject to abuse because of the lack of accountability that may be present. These accounts should not be used.
- 5. **Housing allowance or residence provided for personal use:** Our Organization will only designate a ministerial housing allowance for individuals qualifying as a minister based on IRS guidance. Additionally, our organization will only provide tax-free housing to non-ministers if the housing qualifies as tax-free under the applicable IRS Code and Regulations. To qualify for special tax treatment, the housing provided to non-ministers must be furnished to an employee, a spouse, or dependents for the employer's convenience. When furnished to an employee for the Organization's convenience, the lodging must be on the employer's business premises.
- 6. **Payments for business use of personal residence:** Payments for use of all or part of the employee's residence for the purpose of the Organization, should be done on an arm's length basis. The payments must not exceed the fair value for the use of the residence.
- 7. **Health or social club dues or initiation fees:** If any such fees are paid, the Organization will review the fees to determine whether they are appropriate for the Organization and whether they represent taxable compensation to the employee.
- 8. **Payment for Personal Services:** A special Executive Committee meeting must be called to authorize payments for personal services. The meeting minutes must detail the reasons which compelled the Executive Committee members to authorize the payments. Personal services do not include services provided to all employees on a nondiscriminatory basis under a qualified employee benefit plan.

All reimbursable expenses require substantiation prior to reimbursement.