

SalaryExpert®
Preliminary Non-Profit Executive Compensation
Analysis and Report
for
ABC Company



Comparables

| | |
|--|------|
| ACCA INC ANNANDALE CHRISTIAN COMMUNITY FOR ACTION | 2010 |
| BBB CENTER | 2009 |
| CCAARF INTERNATIONAL LEARNING CENTER | 2010 |
| DDD FOUNDATION INC | 2010 |

Position Profile

Retrievals are made from comparable tax-exempt organizations' public reports. These organizations are in the same industry (NTEE), similar communities, and/or with similar management functions. SalaryExpert matches input to variables found in ERI Economic Research Institute's (ERI) Assessor Series® software, proxy, 10-K, Form 990, and 990PF databases. It also provides four additional survey source estimates, including: ERI's Occupational Assessor® software, the US Government OES survey, and other SalaryExpert databases. Input provided is used to create a unique preliminary assessment of skills and functions to derive an executive compensation analysis of competitive pay for organizations in the same geographic location, industry and size dimension described. This report may, in some instances, suffice as sufficient "comparability data" in order to establish a safe harbor rebuttable presumption of reasonableness for tax-exempt organizations with under \$1 million dollars of revenue per **26 C.F.R. 53.4958-6(c)(2)(ii)**. In order to determine if this report satisfies these requirements, please consult your tax or legal advisor. For larger organizations, this report should be considered as a "starting point" relating to comparisons of organizations that actively compete for management talent.

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The Position Profile

Inputted Data

| | |
|-------------------------|---|
| Job Title | |
| Closest eDOT Job Title | Top Position (tax-exempt entities) |
| Occupational Area | Chief Executives |
| Level in Organization | 01 |
| Primary Skill Verb | appoints |
| Primary Function | All, Total |
| Other Skill Verb | appoints |
| | appoints |
| Function | All, Total |
| | All, Total |
| Time in Position | |
| Level of Education | Doctorate |
| Educational Discipline | |
| Certifications Achieved | |
| Licensing Required | |
| Location of Interest | Anaktuvuk Pass, AK 99721 |

Organization Size

Revenue/Fiscal Year **\$222,222**

Comparables Industry References

| | |
|----------------|------------------------------|
| eSIC | 9597 |
| | Highest Paid |
| NTEE Code | 00 |
| | All Industries |
| IRS Class Code | 0 |
| NAICS | 000000 |
| | Total, All Industries |
| usSIC | 9597 |
| | Highest Paid |

Comparables Geographic Area

Employment Area **West Alaska, AK**

Note: References to intermediate sanctions regulations "safe harbor" require a user to consult with a tax advisor or legal counsel. Small tax-exempt entities may need a comparables analysis like this report each and every time an executive's pay package is changed (or new incumbents are hired).

Overview of Executive Compensation

Management Positions and Reasonable Compensation

Executives are those at the top of the organizational hierarchy, usually the top one percent of the organization's workforce. Although their numbers are relatively small, their total compensation tends to be quite large because they direct the efforts of all employees and are most accountable for bottom-line results. Traditionally, "reasonable compensation" for executives has not been defined per se in the US Tax Code. However, the recently promulgated Treasury Regulations provide: "The value of services is the amount that would ordinarily be paid for like services by like enterprises (whether taxable or tax-exempt) under like circumstances (i.e. reasonable compensation)."

Like Services

This report is based, in part, on the semantic and OCR analyses of millions of Form 990s, Form 990EZs, and Form 990PFs, and the extraction of position titles. In these extracts, job titles that describe the same job often differ (non-profits are not as consistent as for-profits in their description of jobs). Because of this diversity, management jobs have been divided into skills required in functional areas to successfully achieve business objectives. Skills and functions are the foundation of management analyses. When hiring, jobs are defined by the skills needed. Succession plans are designed around the identification of skills; and identified skills are the focus of training and developing employees. It is for this reason (and the inconsistency found in reported compensation data) that this report's sources utilize both skill (verbs) and functions to segregate jobs.

Like Enterprises

Top executive positions feature single incumbents who preside over discrete broad areas (functions) of an organization. When an enterprise grows, the competitive market compensation value of the single-incumbent executive position often grows as well. The size of these functions and organizations affect pay. The type of size dimension that most significantly affects executive compensation today is "revenue." (Historically, "number of employees" has been the norm, but in recent years the trend to outsourcing and contract staffing has seen a shift to revenue or its twin, fiscal year budget "FYB." For this report, Line 12 of Form 990s, Total Revenue, defines data dimensions for comparisons.) Aside from job function and skills, the single most important variable in analyzing tax-exempt compensation relates to "how big is the enterprise?" The direct and highly predictive effect of size on executive total compensation is illustrated in the chart below. This size dimension is unique to every industry group (NTEE, as this report uses the new National Taxonomy of Exempt Entities codes). For those organizations that do not report their NTEE (over 2/3 of the IRS master file contain a blank field), this report crosswalks that data to standard subsection and classification groupings.

Like Circumstances

Geographic location is often less important when comparing executive pay, although New York City, Los Angeles, and other major cities are exceptions. Typically, top officer pay is set in a competitive market defined on a national scale, in larger organizations it may also be a worldwide comparison. However the Internal Revenue Code and Treasury Regulations specify that it is important for purposes of comparing tax-exempt organization executive compensation. Because of this, geographic city and employment areas are also reviewed in this report.

Source

This report utilizes five sources as reference (each with different estimates based on their definitions of area, industry, size and the surveyed organizations included). The best source data is that of ERI Economic Research Institute's [Nonprofit Comparables Assessor](#) software. This data is reflected in the next two sources/sections. ERI licenses this data to SalaryExpert. For a more comprehensive report, an annual subscription to this executive pay survey software may be appropriate. The chart at the bottom of this page is the first of five data sources provided and comes from historic trend data used in ERI's [Salary Assessor](#)® software. It is not as exact as the following comparables analyses in that it blends an unknown number of for-profit organizations' data into this analysis of all available salary surveys for this industry group.

For further information, please on the aforementioned compensation databases, please see www.eri.com.

Total Management Compensation

Included variables of executive compensation are:

- Salary
- Bonus
- Long-Term Incentives
- Deferred Compensation
- Perquisites
- Allowances

Other Factors that Affect Management Compensation

The factors that significantly affect non-profit management compensation include fiscal year budget size, number of employees, industry, and profitability (most successful non-profits operate as if they are to make a profit, although the latter is not used in any of these analyses).

Beyond those basic elements, the number of key executives, pay structure philosophy of the organization, position level within an organization, licenses and experience required, and potential impact on the operations of the organization all may contribute to variances in management pay (as collected in the questionnaire for this report).

Timing of Pay Increases

Some enterprises have simultaneous increases for all employees; other organizations grant pay increases on the anniversary date of hire or promotion. Both approaches have their advantages and disadvantages. Firms with variable increase dates, however, are apt to alter (which usually means reduce) their pay increase budgets well into a fiscal year when financial results turn sour. On the other hand, it is unlikely for an organization to increase even a merit-based pay increase budget during an extremely profitable year. Instead, next year's increase budget will be larger, even if next year's fiscal results are less dramatic. Compensation rewards generally lag behind performance.

Understand Your Organization

To the best of your capability, educate yourself about your organization:

- Know who the competitors are – both labor competitors and business competitors
- Review all available reports on the financial status of the organization so that you can appreciate the firm's "ability to pay"
- Learn about the organization's philosophy on pay. Meet with the organization's Human Resource representative to educate yourself on the:
 - Performance management philosophy
 - Pay-for-performance philosophy
 - Opportunities for advancement
 - Timing of pay increases
 - Budget available for pay increases
 - Training and learning initiatives
 - Corporate culture

Executive Compensation Scrutiny

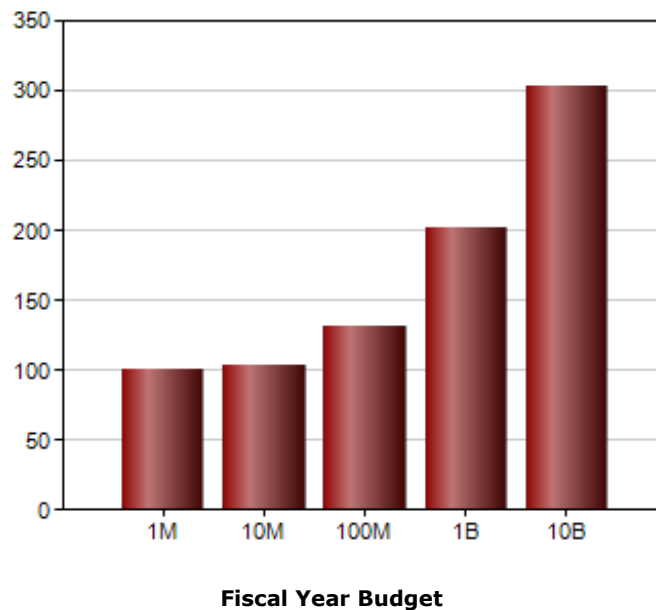
Never in the history of American business has there been so much attention paid to executive compensation. Non-profit membership, stockholders, state charity bureaus, the IRS, and even other key managers, now focus on compensation arrangements.

No argument better protects a management group from criticism regarding pay levels than "business necessity." Comparison to selected comparable organizations with whom an organization might compete for management talent is part of a business necessity argument. It is the best argument.

Comparable Input

| | |
|-----------------------|-----------------------|
| NTEE Industry: | All Industries |
| Organization Revenue: | \$222,222 |

**Top Position (tax-exempt entities)
Competitive Total Compensation
Compensation shown in thousands USD\$**



ERI Assessor Series Databases

Industry-Related Data

Your input designated the NTEE '00'
industry of: All Tax Exempt Organizations

For more information on non-profit salary data by industry, see ERI's [Nonprofit Comparables Assessor](#)™ software. This software enables users to search for comparable organizations by industry, location, size in assets/revenue, organization name, or executive name. Then it quickly provides access to those comparables' Form 990s and 990PFs via the Internet. Utilized by HR professionals, the IRS Exempt Organizations Division, and various state Charitable Bureaus, this software creates unlimited customized analyses of non-profit executive pay.

For-Profit Data

Non-profit organizations often recruit from the for-profit labor pool. Therefore executive compensation package may be best designed using both for-profit and non-profit competitive salary data.

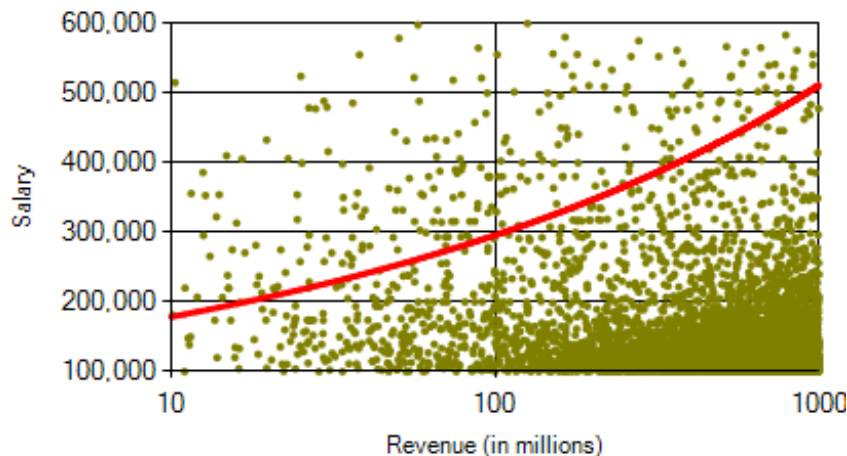
26 C.F.R. 53-4958-6(c)(2) provides "Appropriate data as to comparability" is as follows.

In the case of compensation, relevant information includes, but is not limited to, compensation levels paid by similarly situated organizations, both taxable and tax-exempt, for functionally comparable positions; the availability of similar services in the geographic area of the applicable tax-exempt organization; current compensation surveys compiled by independent firms; and actual written offers from similar institutions competing for the services of the disqualified person.

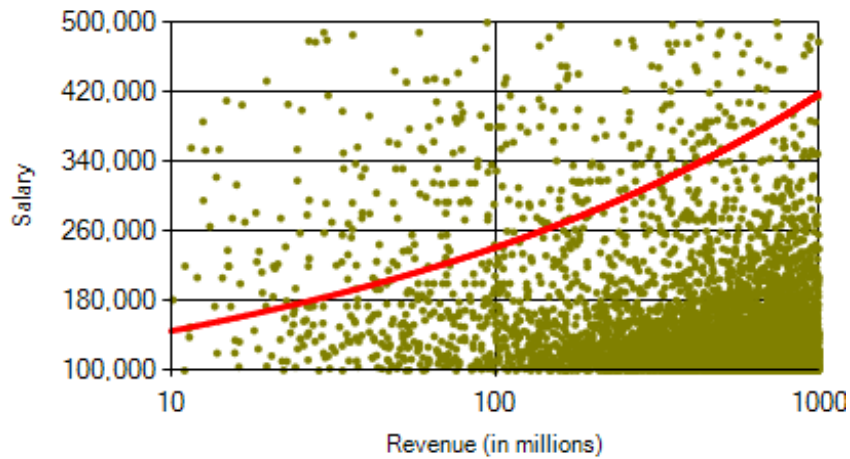
26 C.F.R. 53-4958-6(c)(2)

For many nonprofit organizations, the reality is that they compete with for-profit organizations, not non-profits. For-profit executive pay data can be accessed via a SalaryExpert [Preliminary For-Profit Executive Compensation Report](#) or ERI's [Executive Compensation Assessor](#)® software. This ERI database provides base salary, incentive, and total cash compensation data for hundreds of top management positions in for-profit industries. (Sample screenshots below)

All Tax Exempt Entities



Comparison to Private Industry Only



Pay Strategy

In any survey conducted, half the organizations pay above the median. If your organization falls in this half, some rationale should be developed as to the reasons (performance, competitive necessity, seniority, etc.).

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Corporate Governance

Non-profit organizations have seen an unprecedented loss of board members. Finding qualified board members is more difficult than ever. Similarly, finding qualified non-profit management in this era of personal liability is also difficult. Much like compensation analyses, recruiting and placement efforts for board members and management staff draw from both the private and public sector. Data is needed from both domains.

Establishing a thoroughly researched compensation plan is about far more than preventing litigation and avoiding government sanctions. It is good management practice; and good compensation practices start at the board level. At the very least, documentation, as described in the recommended "Rebuttable Presumption Procedure," should lessen present and potential board member concerns. At its best, SalaryExpert® Preliminary Reports are an excellent first step in assuring that no board member ever is confronted with intermediate sanctions.

Tax-exempt entities do not lend themselves well to common or traditional consulting advice or executive compensation planning. Two factors causing this are:

The Non Distributional Constraint

A non-profit organization is, in essence, an organization that is barred from distributing its net earnings, if any, to individuals who exercise control over it, such as members, officers, directors, or trustees; in general, a non-profit is free to pay reasonable compensation to any person for labor or capital that he provides, whether or not that person exercises some control over the organization. It should be noted that a non-profit organization is not barred from earning a profit. Many non-profits in fact consistently show an annual accounting surplus. It is only the distribution of the profits that is prohibited [the "nondistributional constraint"]. Net earnings, if any, must be retained and devoted in their entirety to financing further production of the services that the organization was formed to provide...

89 Yale Law J. 835, 838 (1980)

Rebuttable Presumption of Reasonableness

In creating intermediate sanctions' focus on executive compensation, the House Committee Report provided that:

[I]f these three criteria (below) are satisfied, penalty excise taxes could be imposed under the proposal only if the IRS develops sufficient contrary evidence to rebut the probative value of the evidence put forth by the parties to the transaction (e.g. the IRS could establish that the compensation data relied upon by the parties was not for functionally comparable positions or that the disqualified person, if fact, did not substantially perform the responsibilities of such position).

The path for achieving effective and defensible compensation plans has been clearly defined. It is essential that it can be shown that the authorized body obtained and relied on appropriate comparability data before making its determination.

The regulations state, an authorized body has appropriate data as to comparability if:

...given the knowledge and expertise of its members, it has information sufficient to determine whether, under the standards set forth in _53.4958-4(b), the compensation arrangement in its entirety is reasonable or the property transfer is at fair market value. In the case of compensation, relevant information includes, but is not limited to, compensation levels paid by similarly situated organizations, both taxable and tax-exempt, for functionally comparable positions; the availability of similar services in the geographic area of the applicable tax-exempt organization; current compensation surveys compiled by independent firms; and actual written offers from similar institutions competing for the services of the disqualified person.

26 C.F.R. 53.4958-6(c)(2)

In order to establish a rebuttable presumption of reasonableness, each member of the authorized body must obtain and rely on comparability data.

The most important steps are often related to the:

- Comparability data obtained
- Methods undertaken by the board members in analyzing the comparability data.

For years, the IRS has relied upon ERI's research data (sources cited in this report) when analyzing issues of reasonable compensation within the for-profit arena (IRC 162(a)(1)). Since 1989, many challenges have been seen. Most "noise" concerned with non-profit management pay comes from within, typically from employees and organization members, and this noise can have repercussions with the state and federal regulators as well as with the press. The "bookend" to unreasonable compensation is an inattentive Board of Directors. The burden placed on a board is to establish procedures and to produce evidence of reasoned decision making.

The above should not be considered as legal advice. Please consult your tax and/or legal advisor.

Tax Cases for Consideration

Of the estimated three million tax-exempt entities in the United States, roughly one million operate for charitable or social-welfare purposes (as 501(c)(3) and 501(c)(4) organizations). Although required to file annual Form 990 statements, only a fraction of these (c)(3)s and (c)(4)s consistently file on time. ERI has performed OCR (optical character recognition) scans of millions of Form 990s and Form 990PFs. Based upon the Form 990 reports that it analyzes, it is estimated that half of these reports provide meaningful executive compensation data.

Intermediate Sanctions Enforcement

Today 1,100 IRS employees are charged with overseeing the IRS Tax-Exempt Division including Form 990 data. Due to the sheer number of tax-exempt organizations, the audit rate for 501(c)(3) organizations is historically low (0.5%) and even lower for private foundations. Despite the low audit rate, the IRS has begun to increase the number of audits relating to the specific issue of excessive compensation. IRS contact techniques include phone calls, limited-scope audits, and full audits. In addition to IRS efforts, many state attorney general offices regulate tax-exempt organizations. Specifically, these state regulators target areas such as professional fund raising. Some states take regulation of charities very seriously, with the New York Charities Bureau being the most noteworthy. A staff of 21 full- and part-time attorneys monitors those charities required to register and file annual reports with the Charities Bureau. Contact regarding a tax-exempt organization's activities may just as likely come from the state level as from the federal.

Intermediate Sanctions Guidance as to the Use of Compensation Data & Comparables

The Treasury Department provides important guidance regarding how far an applicable charity or social-welfare organization must go to establish reasonable compensation. The following four examples are from **26 C.F.R. 53.4958-6(c)(2)(iv)**:

Example 1. Z is a university that is an applicable tax-exempt organization for purposes of section 4958. Z is negotiating a new contract with Q, its president, because the old contract will expire at the end of the year. In setting Q's compensation for its president at **\$600x** per annum, the executive committee of the Board of Trustees relies solely on a national survey of compensation for university presidents that indicates university presidents receive annual compensation in the range of **\$100x to \$700x**; this survey does not divide its data by any criteria, such as the number of students served by the institution, annual revenues, academic ranking, or geographic location. Although many members of the executive committee have significant business experience, none of the members has any particular expertise in higher education compensation matters. Given the failure of the survey to provide information specific to universities comparable to Z, and because no other information was presented, the executive committee's decision with respect to Q's compensation was not based upon appropriate data as to comparability.

Example 2. The facts are the same as **Example 1**, except that the national compensation survey divides the data regarding compensation for university presidents into categories based on various university-specific factors, including the size of the institution (in terms of number of students it serves and the amount of its revenues) and geographic area. The survey data shows that university presidents at institutions comparable to and in the same geographic area as Z receive annual compensation in the range of **\$200x to \$300x**. The executive committee of the Board of Trustees of Z relies on the survey data and its evaluation of Q's many years of service as a tenured professor and high-ranking university official at Z in setting Q's compensation at **\$275x** annually. The data relied upon by the executive committee constitutes appropriate data as to comparability.

Example 3. X is a tax-exempt hospital that is an applicable tax-exempt organization for purposes of section 4958. Before renewing the contracts of X's chief executive officer and chief financial officer, X's governing board commissioned a customized compensation survey from an independent firm that specializes in consulting on issues related to executive placement and compensation. The survey covered executives with comparable responsibilities at a significant number of taxable and tax-exempt hospitals. The survey data are sorted by a number of different variables, including the size of the hospitals and the nature of the services they provide, the level of experience and specific responsibilities of the executives, and the composition of the annual compensation packages. The board members were provided with the survey results, a detailed written analysis comparing the hospital's executives to those covered by the survey, and an opportunity to ask questions of a member of the firm that prepared the survey. The survey, as prepared and presented to X's board, constitutes appropriate data as to comparability.

Example 4. The facts are the same as **Example 3**, except that one year later, X is negotiating a new contract with its chief executive officer. The governing board of X obtains information indicating that the relevant market conditions have not changed materially, and possesses no other information indicating that the results of the prior year's survey are no longer valid. Therefore, X may continue to rely on the independent compensation survey prepared for the prior year in setting annual compensation under the new contract.

*Example 4 would appear to permit this Internet-derived Preliminary Report to be used for purposes of establishing a rebuttable presumption of reasonableness for organizations with less than \$1 million in revenue (an intermediate sanctions safe harbor specifically provided for small organizations) so long as the data is current and compares similar communities, followed with a brief written summary providing a board member's findings. Please consult your tax advisor regarding this point.

Comparable Organizations

Based on the input provided, the following organizations' Summary Compensation Tables shown below should provide a comparison of top management pay among a comparable group of non-profit organizations in both the local area and industry group. These organizations are your selections from a filter created by your inputted personal profile information.

| | |
|---|--|
| Organization Name: BBB CENTER Address: ARLINGTON, VA 22203-1898 EIN: 208814392 NTEE: S40 Revenue: \$178,525 | Organization's Job Title: CHIEF FINANCIAL OFFICER Total Direct Compensation: \$181,084 Organization's Job Title: PRESIDENT Total Direct Compensation: \$246,642 |
|---|--|

| | |
|---|---|
| Organization Name: CCAARF INTERNATIONAL LEARNING CENTER Address: JERSEY CITY, NJ 07302-3570 EIN: 223760035 NTEE: P30 Revenue: \$293,224 | Organization's Job Title: DIRECTOR Total Direct Compensation: \$25,058 |
|---|---|

| | |
|--|---|
| Organization Name: ACCA INC ANNANDALE CHRISTIAN COMMUNITY FOR ACTION Address: ANNANDALE, VA 22003-3166 EIN: 540836157 NTEE: Unknown Revenue: \$2,771,601 | Organization's Job Title: FOOD SERVICES Total Direct Compensation: \$130,298 |
|--|---|

| | |
|---|--|
| Organization Name: DDD FOUNDATION INC Address: ATLANTA, GA 30359-1052 EIN: 582486256 NTEE: E90 Revenue: \$759,063 | Organization's Job Title: DENTIST Total Direct Compensation: \$44,924 Organization's Job Title: PRESIDENT Total Direct Compensation: \$96,969 |
|---|--|

More thorough analyses tools such as ERI's [Executive Compensation Assessor](#)® and [Nonprofit Comparables Assessor](#)™ software are recommended in order to satisfy IRS examinations or state regulatory challenges. Please consult you tax or legal counsel.

Position Description and Salaries Review Analysis

Job Match

Over 300 available job descriptions may have been analyzed to define the position described. Job descriptions are taken from the [Occupational Assessor](#)® software (with permission).

DOT | Top Position

Principal organization leader who plans, develops, and establishes policies and objectives of organization in accordance with board directives and corporation charter. This is the top executive in the organization. Title practices among companies vary; depending on the organization the position may have the title of Chairman of the Board & Chief Executive Officer, Chief Executive Officer, Chief Executive Officer & President, President, General Manager, or other combinations. However, this position is distinguished from others in that it is the top ranking executive and, in most cases, is the highest paid executive in the organization. Reports to the board of directors and often is a member of the board.

Responsible for the profitability of the entire organization. Confers with organization officials to plan business objectives, to develop organizational policies to coordinate functions and operations between divisions and departments, and to establish responsibilities and procedures for attaining objectives. Reviews activity reports and financial statements to determine progress and status in attaining objectives and revises objectives and plans in accordance with current conditions. Directs and coordinates formulation of financial programs to provide funding for new or continuing operations to maximize returns on investments, and to increase productivity. Plans and develops industrial, labor, and public relations policies designed to improve company's image and relations with customers, employees, stockholders, and public. Evaluates performance of executives for compliance with established policies and objectives of firm and contributions in attaining objectives. May preside over board of directors. May serve as chairman of committees, such as management, executive, engineering, and sales.

OES* Job Family

19005 | Managerial & Administrative | General Managers and Top Executives

Top and middle managers whose duties and responsibilities are too diverse and general in nature to be classified in any functional or line area of management and administration. These managers generally work through departmental or subordinate executives.

*OES is US Department of Labor's Bureau of Labor Statistics' Occupational Employment Statistics.

SOC/O*NET* Job Family

11101100 | 0 | Chief Executives

Determine and formulate policies and provide the overall direction of companies or private and public sector organizations within the guidelines set up by a board of directors or similar governing body. Plan, direct, or coordinate operational activities at the highest level of management with the help of subordinate executives and staff managers.

*SOC is the Standard Occupational Classification System of the US Department of Labor's Bureau of Labor Statistics. O*NET is the Occupational Information Network system developed by the US Department of Labor.

Match & Adjustments

The following is a summary of the information about the executive position that most closely matches the benchmark position selected via your input. This information is derived from [SalariesReview®](#) norms (an online survey that combines data from various industries, both for-profit and nonprofit). Data shown may or may not be equivalent to that found in ERI's [Nonprofit Comparables Assessor®](#) databases or other sources found in this report.

| Top Position (tax-exempt entities) | | | | | | |
|--|---------------------|------------------|-------------------|--------------------|------------------|---|
| National Average - Unadjusted | | | | | | |
| | 100 Thousand | 1 Million | 10 Million | 100 Million | 1 Billion | Projected Values at Actual Size of: 222 Thousand |
| Salary | 41,000 | 106,653 | 110,160 | 137,387 | 209,835 | 55,587 |
| Variable Pay | 10,603 | 14,618 | 15,099 | 18,830 | 28,761 | 14,375 |
| Total | 51,603 | 121,271 | 125,259 | 156,218 | 238,597 | 69,963 |
| Adjustment for Industry Differential - All Industries | | | | | | |
| | 100 Thousand | 1 Million | 10 Million | 100 Million | 1 Billion | Projected Values at Actual Size of: 222 Thousand |
| Salary | 77,358 | 106,653 | 110,160 | 137,387 | 209,835 | 104,882 |
| Variable Pay | 8,800 | 12,133 | 14,193 | 18,830 | 30,486 | 11,931 |
| Total | 86,159 | 118,786 | 124,353 | 156,218 | 240,322 | 116,814 |
| Adjustment for Geographic Differential - Anaktuvuk Pass, AK 99721 | | | | | | |
| | 100 Thousand | 1 Million | 10 Million | 100 Million | 1 Billion | Projected Values at Actual Size of: 222 Thousand |
| Salary | 64,800 | 89,339 | 92,277 | 115,084 | 175,772 | 87,856 |
| Variable Pay | 7,371 | 10,163 | 11,889 | 15,774 | 25,537 | 9,994 |
| Total | 72,172 | 99,503 | 104,166 | 130,858 | 201,309 | 97,851 |
| All Adjustments: Geographic Area, Industry and Experience | | | | | | |
| | 100 Thousand | 1 Million | 10 Million | 100 Million | 1 Billion | Projected Values at Actual Size of: 222 Thousand |
| Salary | 64,799 | 89,339 | 92,277 | 115,084 | 175,771 | 87,855 |
| Variable Pay | 7,371 | 10,163 | 11,888 | 15,773 | 25,537 | 9,994 |
| Total | 72,171 | 99,502 | 104,166 | 130,857 | 201,308 | 97,850 |

SalaryExpert Position Analysis

SalaryExpert®

This fifth estimate is derived from a foundation of datasets provided by Baker, Thomsen Associates Insurance Services, Inc. (BTA) derived from government data collections including: the US. Department of Labor's Employment and Training Administration (ETA), the Bureau of Labor Statistics (BLS), and 54 State Employment Agencies (SESAs), all combined to report consistent prevailing wage rates to be used as the wage component of the Bureau of Labor Statistics' expanded Occupational Employment Statistics (OES) program. These sources are further supplemented by proprietary online surveys conducted by BTA via SalaryExpert and variance from SalariesReview.com.

NOTE: This SalaryExpert report shows compensation based on position and geographic location. It does not factor in the industry or company revenue size.

Salary Report Summary

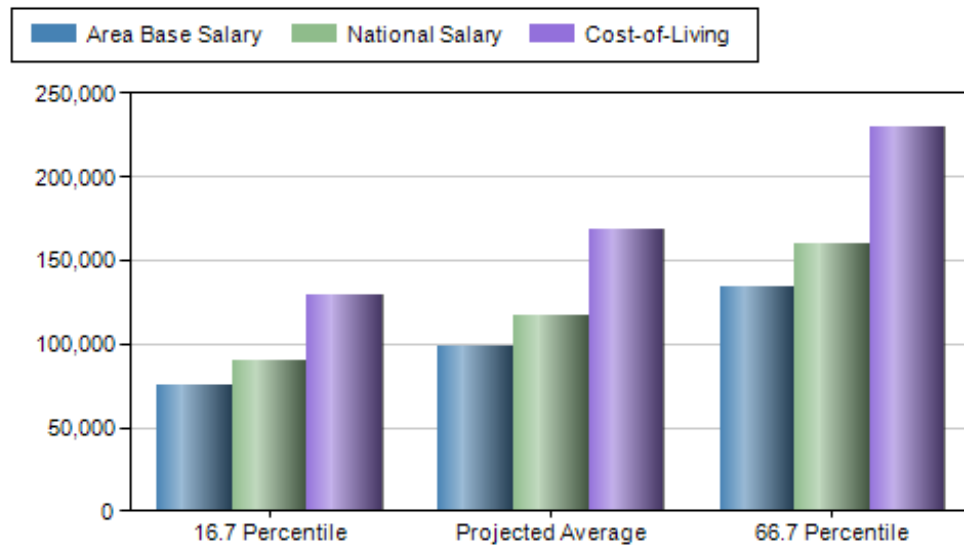
The **Top Position (tax-exempt entities)** working in **Anaktuvuk Pass, Alaska** now earns an average annual salary of **98,279**. Half of those in this position would earn between **75,291** and **134,042** (the 17th and 67th percentiles). These numbers are derived from area-specific government survey data.

(Note: These are conservative government estimates. For competitive salary survey data based on consensus analyses of thousands of private and public salary surveys, see ERI's [Salary Assessor®](#) software.)

When benefits and bonuses are added to this salary, the average total compensation for this position would be **124,072**. See the graph and table below to learn how the cost of living in this location affects the actual value of this salary.

More detailed information on salary, benefits, and cost-of-living is available below.

Estimates as of 20-Oct-2011. **Currency in United States Dollars.**



Top Position (tax-exempt entities) | Anaktuvuk Pass, Alaska

| Low | Average | High | Bonus | Benefits |
|--------|---------|---------|-------|----------|
| 75,291 | 98,279 | 134,042 | 0.0% | 26.2% |

Total Compensation: 124,072

United States National Average

| Low | Average | High | Total Compensation |
|--------|---------|---------|--------------------|
| 89,879 | 117,320 | 160,013 | 133,427 |

Cost of Living: A renter's cost of living for this area would be 168,794. This cost of living is 51,474 greater than the National norm of 117,320. Cost of living reflects the demand for and supply of goods and services. Salary differences reflect the demand for and supply for labor.

Currency in United States Dollars.

Position Description - Top Position (tax-exempt entities)

Principal organization leader who plans, develops, and establishes policies and objectives of organization in accordance with board directives and corporation charter. This is the top executive in the organization. Title practices among companies vary; depending on the organization the position may have the title of Chairman of the Board & Chief Executive Officer, Chief Executive Officer, Chief Executive Officer & President, President, General Manager, or other combinations. However, this position is distinguished from others in that it is the top ranking executive and, in most cases, is the highest paid executive in the organization. Reports to the board of directors and often is a member of the board.: Responsible for the profitability of the entire organization. Confers with organization officials to plan business objectives, to develop organizational policies to coordinate functions and operations between divisions and departments, and to establish responsibilities and procedures for attaining objectives. Reviews activity reports and financial statements to determine progress and status in attaining objectives and revises objectives and plans in accordance with current conditions. Directs and coordinates formulation of financial programs to provide funding for new or continuing operations to maximize returns on investments, and to increase productivity. Plans and develops industrial, labor, and public relations policies designed to improve company's image and relations with customers, employees, stockholders, and public. Evaluates performance of executives for compliance with established policies and objectives of firm and contributions in attaining objectives. May preside over board of directors. May serve as chairman of committees, such as management, executive, engineering, and sales. (Source: eDOT Job Description)

Methodology

All data is legally licensed and derived from real government salary surveys. Positions titles, job descriptions, and salary adjustment percentages are provided by the [eDOT Project](#). For SalaryExpert.com's Complete Statistical Methodology, [click here](#)

Data Sources

SalaryExpert data is derived from non-copyrighted government salary surveys from each country's [National Labor/Statistics Office](#). Premium and executive salary reports also utilize SEC filings, IRS Form 990s, [Occupational Occupational Assessor](#) position analyses, and [SalariesReview.com](#) compensation databases.

SalaryExpert results can be compared to U.S. Dept. of Labor - Occupational Employment Statistics Prevailing Wage Rates (H1-B) where the Secretary of Labor uses, or makes available to employers, a governmental survey to determine prevailing wage, such survey shall provide at least 4 levels of wages commensurate with experience, education, and the level of supervision. Where an existing government survey has only 2 levels, 2 intermediate levels may be created by dividing by 3 the difference between the two levels offered, adding the quotient thus obtained to the first level, and subtracting that quotient from the second level." Consolidated Appropriations Act, 2005 amended Section 212(p) of the INA, 8 U.S.C. 1182(p). This is a "job family" survey where the SalaryExpert® 100,000 job titles are consolidated into 801 broad job families considered to be good enough for government work. That said, it represents a sample drawn from over 600,000 employer participants.

| For Use In | Type | Annual Mean | Level 1 (I) | Level 2 | Level 3 | Level 4 (II) |
|-------------------|-------------|--------------------|--------------------|----------------|----------------|---------------------|
| 2008-2009 OES | 4 | 151,370 | N/A | N/A | N/A | N/A |
| 2009-2010 OES | 4 | 160,440 | N/A | N/A | N/A | N/A |
| 2010-2011 OES | 4 | 167,280 | N/A | N/A | N/A | N/A |

SalaryExpert results are derived 100% from employee provided data. Results may be "smoothed" via PAQ's C3 Job Family Matrix where an area and/or industry's data are described within the 20 job families found universally throughout the world. Data entered by web visitors has been collected, analyzed and stored in this manner since 2000, with input assigned first to broad Management, Professional, Para-Professional, TradeCraft/Labor, or Sales occupational groupings and then into more refined job families based on skills and experience (level and size for management jobs). Specific jobs within each job family sub-grouping are ranked according to the pay relationships provided by ERI Economic Research Institute (whose salary and wage data are derived exclusively from employer provided data). Data reported by national government sources (DOL Occupational Employment Statistics for the US, National Statistics Office for the UK, Statistic Canada, etc.) may be illustrated for comparison purposes (government data is sometimes neither employer provided nor employee provided). ERI comparisons are available via subscription.

Oversight of Executive Compensation, the Role of a Board

With the advent of intermediate sanctions (IRC § 4958), the Internal Revenue Service (IRS) can now penalize disqualified persons within applicable 501(c)(3) and 501(c)(4) tax-exempt organizations. Additionally, organizational management faces potential personal liability relating to excess-benefit transactions. If the IRS determines that unreasonable compensation has been paid, the disqualified person must repay the organization the excess amount as well as pay an excise tax ranging from 25% to potentially 200% of the excess benefit received. **(Source: 26 C.F.R. 53.4958-1.)** Organization managers for applicable 501(c)(3) and 501(c)(4) organizations may face fines if they knowingly, willfully, and without reasonable cause participated in granting the excess benefit (joint and several liability for board members is capped at \$10,000 per incident). These penalties are referred to as *intermediate sanctions* because they fall short of revoking the organization's non-profit status.

Rebuttable Presumption of Reasonableness

In order to avoid intermediate sanctions, 501(c)(3) (non-private foundations) and 501(c)(4) management must meet three conditions regarding compensation paid to disqualified persons:

1. The compensation arrangement must be approved by an authorized body, composed of individuals without a conflict of interest.
2. This authorized body must have appropriate data of comparability to determine if the compensation is reasonable. Compensation levels paid by similar organizations (for-profit and tax-exempt) in a similar industry and location should be used. Compensation surveys from independent firms may be relied upon.
3. Adequate documentation (written or electronic) must be kept with a record of the terms and date of transactions, members who voted on it, comparability data, any conflict of interest by members of the authorized body, and the final determination of this body as to the competitiveness of the transaction.
26 C.F.R. 53.4958-6(b).

Dealing with Challenges

Questions are not necessarily bad, nor are challenges always hostile. It is not unreasonable to want to know the factual foundation behind data analysis. Those who challenge findings and conclusions are often:

- Testing the accuracy of the input
- Confirming their understanding
- Verifying that the report is solid

Anticipate the Issues – Several Common Questions

Where did this data come from?

All SalaryExpert reports are derived from US surveys and online proxy, 10-K, Form 990 and 990PF analyses, which may be time-series-adjusted. [SalaryExpert](#) licenses data from [ERI Economic Research Institute](#)® in order to extract Summary Compensation tables. The IRS National Appeals Office has utilized ERI's [Executive Compensation Assessor](#)® software since the 1980s, and this software is considered by many to be the default data source for many unreasonable compensation, Federal Tax Court cases. ERI's [Nonprofit Salary Survey Assessor](#)™ software is also used by the IRS Exempt Organizations Division and various State Attorney General's Offices Charitable Bureaus to create exhaustive customized analyses. Other sources cited in this report include: include ERI's [Salary Assessor](#)® software, SalaryExpert® own [online salary calculator](#), [PAQ Services, Inc.](#), the US OES Salary Survey, and the online Form 990 and 990PF databases that enable for the extraction of specific comparables.

Information from the Internet is not always reliable. Give me some details about the specific strengths and weaknesses of the sources of this information.

Full methodology, reliability statistics, data sources, and population statistics are available within this report. Many Internet sites do not provide sources and statistics to back up their data. The key is to be able to access actual comparables' Form 990 and 990PFs and financial results from the IRS Masterfile. Clearly, the selection of specific comparables with actual source data is the strongest of any type of survey, Internet or otherwise. Population counts and rates of error reporting may greatly assist the user in meeting a Daubert Challenge.

Might this report suffer from user input error or exaggeration?

The results will be a reflection of the input provided by the user regarding function, position content, industry, etc. If information was misrepresented, the output will be skewed. However, the factual data, such as average salaries for a given occupation, will be accurate even though it may not correspond with the user's. ERI's inclusion of over 100,000 organizations in creating its norms is a historic achievement in salary survey annals. Again, we must mention that comparables are best selected individually. This report selects comparables automatically and with computer logic that cannot be documented (algorithms are used). This report, again, should be considered as only the first step in a board-level review process.

Rebuttable Presumption Procedure

Rebuttable Presumption Procedure is Key to Easy Intermediate Sanctions Compliance

The IRS website, www.irs.gov contains a PDF article ("[Rebuttable Presumption](#)" by S. Miller) written by the then Director of Exempt Organizations outlining a simple procedure for insuring that all top officials of a tax-exempt organization are in compliance. This procedure is termed *rebuttable presumption of reasonableness* and is advantageous in that if ever challenged, it shifts the burden of proof to the IRS and "once the process is established, following it becomes a rather routine task" so that ongoing compliance is assured. The article provides a checklist that is included in its entirety below:

1. Name of disqualified person: _____
2. Position under consideration: _____
3. Duration of contract (1 yr., 3 yr., etc): _____
4. Proposed Compensation:
 - Salary: _____
 - Bonus: _____
 - Deferred compensation: _____
 - Fringe benefits (list, excluding Sec. 132 fringes): _____
 - Liability insurance premiums: _____
 - Foregone interest on loans: _____
 - Other: _____
5. Description of types of comparability data relied upon (e.g. association survey, phone inquiries, etc.):

6. Sources and amounts of comparability data:
 - Salaries _____
 - Bonuses: _____
 - Deferred compensation: _____
 - Fringe benefits (list, excluding Sec. 132 fringes): _____
 - _____
 - Liability insurance premiums: _____
 - Foregone interest on loans: _____
 - Others: _____
7. Office or file where comparability data kept: _____
8. Total proposed compensation: _____
9. Maximum total compensation per comparability data: _____

10. Compensation package approved by authorized body:

Salaries _____

Bonuses: _____

Deferred compensation: _____

Fringe benefits (list, excluding Sec. 132 fringes): _____

Liability insurance premiums: _____

Foregone interest on loans: _____

Others: _____

11. Date compensation approved by authorized body: _____

12. Members of the authorized body present (indicate with X if voted in favor): _____

13. Comparability data relied upon by approving body and how data was obtained:

14. Names of and actions (if any) by members of authorized body having conflict of interest:

15. Date of preparation of this documentation (must be prepared by the later of next meeting of
authorized body, or 60 days after authorized body approved compensation): _____

16. Date of approval of this documentation by Board (must be within reasonable time after preparation of
documentation above): _____

Appendix - Reference Notes

Estimates and Definitions

Five estimates of reasonable compensation have been illustrated in this report, hopefully sufficient to establish a range of reasonable salary levels.

Definitions for terms used in this report follow.

- **Values Shown are Averages**

The average is the simple statistical mean value (which is more affected by extreme outlying observations than the median or middle value in a rank-ordered sequence).

- **Incentives**

Typical bonus rates as a percentage of base salary are provided. These values and ratios vary by industry; some industries emphasize incentives more than others. *Note:* Form 990s show a third column, "allowances," which can be comprised of various forms of compensation. The underlying issue is whether the payment of the income violates the prohibition that absolutely no part of the private earnings should find itself in the hands of an individual involved with the 501(c)(3) organization. The IRS allows profit sharing in some cases. The Office of Chief Counsel provided a three-step test in G.C.M. 39670 based on Revenue Rule 69-383:

[W]e currently believe that, with respect to any compensation package, it is necessary to examine the entire compensation package (including current and deferred amounts) and determine

1. *whether that compensation package is not merely a device to distribute profits to principals or transform the organization's principal activity into a joint venture,*
2. *whether the package is the result of arms-length bargaining, and*
3. *whether the compensation constitutes reasonable compensation.*

Further the "mere establishment of "profit-sharing" incentive plans does not result in inurement if the plan otherwise satisfies the three-pronged test. (Source: G.C.M. 39674) Inurement may occur even if the compensation is reasonable if any one of these three prongs is not satisfied. See Church of Scientology, 412 F.2d 1197, 1202 (Ct.Cl. 1969). Physician compensation has its own rules.

- **National Average**

To provide a broader frame of reference, a National Average for compensation may be shown. Total Compensation includes the national average of all direct cash compensations (base and bonus).

- **Geographic Differentials**

Areas shown are those 678 areas identical to OES areas found in SalariesReview.com online interactive surveys. These areas are each defined as a collection of finite counties (excluding Connecticut and Massachusetts where counties are divided). For example, data for Lima, Ohio includes the counties of Allen and Auglaize. Should Perry, Ohio and/or Minster, Ohio be selected, the same data will show as for Lima. Danbury, Connecticut, on the other hand, represents a segmented section of Fairfield County. The logic behind these areas is that they represent areas in which individuals might live and commute to work with this methodology allowing for coverage of all 50 states (plus Guam, Virgin Islands, Puerto Rico, and Washington, DC).

- **Industry Differentials**

The National Taxonomy of Exempt Entities (NTEE) code is used but is not yet found throughout the IRS master file. (Form 990s do not contain an industry designation.) This report draws from 667 different possible NTEEs; if a code is not available, the data is lumped into broad cross sections (IRS subsections and classification groups). Non-profit and other data is gathered from the IRS; and in these cases, the IRS uses the new North American Industrial Classification System (NAICS) and the before-mentioned NTEE, which in turn has replaced its Principal Business Activity codes (PBA). This could be important should an analysis be required pre-1999. Expert witnesses should be prepared to discuss these various classifications.

Other Sources, Courses, and Resources

ERI's Salary Survey Data Compared to Others'

A question some times asked by customers is: "What are ERI Economic Research Institute's data sources for the Geographic, Salary, Relocation, Comparable, Occupational, and Executive Assessors and how does this compare to other providers of data?"

ERI'S SURVEY DATA SOURCES - ERI utilizes extensive and multiple sources of data for its products. To ERI's knowledge, our research data base is the largest in scope and most extensive of its kind currently consisting of over 150 million data points:

- **Traditional Salary Surveying** - Over 5,000 ERI Assessor Series job titles are contained in ERI Salary Surveys with data collected online, by phone, or via mailed hand-filled questionnaire. ERI's Traditional surveys currently include:
 - 98 ERI surveys
 - 10 Abbott Langer Association Surveys. Abbott, Langer has been conducting surveys since 1967

- PAQ eDOT Skills Project (which has collected salary data for jobs analyzed since 1974). Participant organizations, incumbent numbers, rates of error, and source documents are reported. It should be noted that ERI is one of the few if not the only data provider furnishing rates of error statistics as required in court proceeding.

- **Patented SalariesReview Surveying** - Begun in 1998, ERI's patented surveys (Patent Nos. 6,862,596 and 7,647,322) collect over 3,000,000 employer-provided inputs annually. In addition to competitive salary analyses, benefit, cost-of-living, and college entrance hiring rates are collected. Participant organizations, incumbent numbers, rates of error, and source documents are reported.
- **Capturing of Publicly Available Records** - ERI's digitization of 450,000 unique US, Canada, and UK tax-exempt organizations (most of US healthcare is TEE) and 14,000 SEC organizations' 10-Ks, 8-Ks, and proxies represent another 3,000,000 managers and executives. In addition, we lease data and digitize all publicly traded international annual reports (for executive compensation). Original input is presented and updated from the most current sources. If dated (US Form 990s often lag), data can be audited against prior reporting. Participant organizations, incumbent numbers, rates of error, and source documents are supplied.
- **Analyses of Others' Surveys** - From time to time ERI will reach out to other survey companies to acquire data for addition to our databases. Because of the expansion of our own surveying efforts, we have lessened such acquisitions though we expect to continue to acquire data in the future as needed. As a service, we provide links to others' surveys and sources from within the Assessor Series products and from our website: www.eri.com. Leased data is provided by the Philanthropic Research, Inc. (www.guidestar.org), Dun & Bradstreet, UK National Statistics Office, Sedar, Statistics Canada, the US IRS, and others.
- **Industry Differentiation** - In the end, most salary surveys are industry surveys. With ERI's unique eSIC classifications and NTEE codes, some 2,000 industries have their variations captured. These, plus geographic differentials (for over 10,000 city/areas) are unique to ERI offerings. ERI utilizes different industry and geographic definitions, again leading to differing compensation values.

Other Reference Points

Also review the scope of ERI research found in the logs at the following Internet sites:

www.paq.com

www.eri.com

<http://www.paq.com/index.cfm?FuseAction=home.JobAvailabilityLog>

Recommendations

Select comparables carefully and document the rationale for management compensation decisions, preferably before services are rendered. Rely upon your tax, financial, and legal providers. This report's estimates and comparables are provided for informational purposes only and are not intended to serve as legal or tax advice. Use them as a starting place in your planning. Neither SalaryExpert nor the organizations that provide source data in this report provide consulting services.

Refunds & Satisfaction Guaranteed

This report should save analysts countless hours of research. We realize that approximately half of all organizations will find themselves "above average" in compensation. Should you wish to purchase a subscription to ERI's software to produce a more customized analysis, remember to mention SalaryExpert and the cost of this report will be credited against any ERI **Assessor Series**® subscription.

Disclaimer

Information compiled for this report is acquired directly from information filed with the US Internal Revenue Service (IRS) and/or the US Securities & Exchange Commission (SEC), SalariesReview.com, ERI Economic Research Institute, Inc., the US OES Salary Survey, PAQ Services, Inc., and other sources. SalaryExpert is not giving legal or financial advice as to what should or should not be considered a "comparable" for purposes of setting or evaluating an executive's compensation. This report is provided for your informational and reference purposes only and should only be looked at as a starting point for such considerations. While this information is updated periodically, there may be more-current information on file with the SEC or IRS. This report is provided "as is." SalaryExpert makes no representations or warranties, either express or implied, concerning the Report, including warranties or conditions of merchantability, fitness for a particular purpose, non-infringement, or warranties arising from course of dealing or trade usage. SalaryExpert does not warrant that the information contained in the report is accurate, complete or error free. This report is offered by Baker, Thomsen Associates Insurance Services, Inc., a California corporation DBA SalaryExpert.

If more detailed analyses of management compensation are desired, SalaryExpert recommends ERI's survey of executive compensation, as found in the **Nonprofit Comparables Assessor**™ software. As part of the Agreement allowing SalaryExpert to access to ERI databanks, the price of this report will be credited to any **Assessor Series** subscription order placed. Please contact ERI directly regarding questions relating to ERI's research, products, or contribution to this report (800.627.3697). Neither ERI nor SalaryExpert provides consulting services. Please consult with your tax, legal, accounting, or compensation consulting advisor.