RISK MANAGEMENT POLICY -
INSURANCE, INTERNAL CONTROL, &
FINANCIAL REPORTING ("IIF")
OF

NPHOENIX.ORG
("NPHOENIX")

a not-for-profit organizational consulting education partner
and fiscal entity sponsor program of FEPIC,
an IRS qualified §501(c)(3) educational public charity.

1 INTRODUCTION AND OVERVIEW

1.1 PURPOSE
The purpose of this document is to document the NPHOENIX risk management policies for insurance, internal control, and financial reporting ("IFF") functions. All NPHOENIX Lover employees, volunteers & members are required to read the entire risk management policy and direct any questions to a supervising coordinator.

1.2 WHAT ARE INSURANCE, INTERNAL CONTROL AND FINANCIAL REPORTING?
   A. **Insurance** - the equitable transfer of the risk of a loss, from one entity to another in exchange for payment, is a form of risk management primarily used to hedge against the risk of a contingent, uncertain loss.

   B. **Internal control** - is a broad concept involving everything that controls risk in an organization, and, as defined in accounting and auditing, is a process for assuring achievement of organizational objectives with operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies.

   C. **Financial reporting** - is the presentation of financial data for an entity's position, operating performance, and fund flow for an accounting period. Financial statements together with related information may be contained in various forms for internal and external party use, such as an annual report, and detail the financial information regarding organizational activities, including how the data is prepared and presented.

1.3 WHY MANAGE "IIF"?
The control environment sets the tone of the organization, influencing risk management procedures, general activities and behaviors of members, and is the foundation for all other components of internal control and organizational discipline, structure and operations.

1.4 WHO NEEDS CONSIDER "IIF"?

The Board, and its Officers, has the ultimate responsibility to address IIF functions, but the NPHOENIX control environment can have an impact on all stakeholders, so risk management should be analyzed and questioned by all NPHOENIX stakeholders.

The Board, and its Officers, are responsible for strategic decision-making regarding IIF planning and implementation. Decisions are made including feedback from the stakeholder group, as each Lover-member is in a unique position to experience, interpret, and describe the risks of his or her own perspective better than anyone else.

Each Lover-stakeholder is responsible for raising a concern related to IIF processes within the organization or at a program offering. All members are encouraged to suggest methods or solutions which NPHOENIX can use to more effectively and efficiently hedge risk and maintain a high level of ethical transparency and sustainable practices within the organization.

Situations involving loss or near-loss will be investigated as part of the effort to manage risks.

1.5 WHEN TO CONSIDER "IIF"?
Risk is constantly being reviewed and assessed as part of a cohesive and effective risk management policy, as it is for any constructive and sustainable life activity. As beginning of the year organizational planning occurs, NPHOENIX members and Officers needs consider a refreshed look of the IIF risk horizon, reviewing the short- and long- term strategic plans and identifying and documenting any changes in the IIF risk outlook and risk register.

1.6 PROGRAM AND ORGANIZATIONAL "IIF"
Individual NPHOENIX programs may have their own IIF procedures, or may be covered by the organizational IIF functions. All significant programs and organizational functions needs be documented in IIF procedures for Board and stakeholder reference, review, and approval.

2 INSURANCE

2.1 INSURABLE RISK CATEGORIES
According to study texts of The Chartered Insurance Institute, the commonly accepted categories of insurable risks are:[1]
   A. **Financial risks** - the risk must have financial measurement.

   B. **Pure risks** - the risk must be real and not related to gambling.

   C. **Particular risks** - the risk must not be widespread in effect.

2.2 TYPES OF INSURANCE

Many forms of insurance provide alternatives to hedge risk of loss from a multitude of causes, for example:

    A. **Health** - pays benefits in the event of significant illness, disease or accident.

    B. **Property** - pays benefits in the event of loss to real or personal property.

    C. **Long-term Disability** - pays if the body is permanently injured and unable to work.

    D. **Life** - pays in the event of death.

    E. **Liability** - pays in the event of a lawsuit from injured or wronged party.

2.2 INSURANCE PROCEDURE

Upon completion of program and organizational risk assessment procedures, the Board may decide to implement conventional or alternative insurance solutions to hedge against NPHOENIX risk of loss. The insurance decision-making process incorporates feedback elements from Lover-members potentially impacted by insurance needs or requirements.

2.3 CURRENT INSURANCE POLICY

There are currently no written insurance policies in place to mitigate loss in a NPHOENIX program, except for the membership hold-harmless liability participant waiver agreement required for inclusion in any NPHOENIX organizational offering.

3 INTERNAL CONTROLS

3.1 INTERNAL CONTROL ENVIRONMENT

The control environment has a pervasive influence on the way an organization structures business activities, establishes objectives, and assesses risks, and also influences control activities, information and communication systems, and monitoring procedures. An entity's history and managerial culture influences the control environment. Effectively-controlled entities strive to employ competent people, instill an enterprise-wide attitude of integrity and control consciousness, and set a positive "tone at the top". These entities establish appropriate controls that foster shared values and teamwork in pursuit of the organization's objectives.

Control environment elements include:
    A. Communication and Enforcement of Integrity and Ethical Values
    B. Commitment to Competence
    C. Participation of those Charged with Governance
    D. Management's Philosophy and Operating Style
    E. Organizational Structure
    F. Assignment of Authority and Responsibility
    G. Human Resource Policies and Practices

3.2 COMMUNICATION AND ENFORCEMENT OF INTEGRITY AND ETHICAL VALUES

Maintaining a climate that demands integrity and ethical values is critical to the establishment and maintenance of an effectively controlled organization. The effectiveness of internal control cannot rise above the integrity and ethical values of the people who create, administer, and monitor them. NPHOENIX strives to achieve a culture and climate of high integrity by clearly communicating expectations, monitoring performance against expectations, and setting the right example at the top.

NPHOENIX has programs and policies designed to promote integrity and ethical values in their environment. PHOENIX has a formal Compliance Manual that outlines a Member Benefits Policy and appropriate business and personal conduct, which all members must read, acknowledge and sign upon initiation of membership. The NPHOENIX Human Resources group maintains reference materials that define governing principles, policies in the workplace, and guidelines for business conduct. The reference materials and these formal documents cover policies and procedures that must be followed in conducting the organizational programming. The Board expects all employees to maintain high moral and ethical standards and has demonstrated its commitment in this regard.

NPHOENIX has a Code of Ethics which has been adopted by the Board to promote moral, equitable and respectful behavior at all times. Members are required to signed statements to acknowledge they have read and will follow the Code of Ethics. The Board is ultimately responsible for addressing issues should they arise, and enforcing the documented policies.

3.3 COMMITMENT TO COMPETENCE

Competence should reflect the knowledge and skills needed to accomplish tasks that define an individual's job. Through consideration of an NPHOENIX's objectives and the strategies and plans for achievement of those objectives, the Board must determine how well these tasks need to be accomplished. Through its hiring and review process the Board specifies the competency levels required for particular jobs and translates those levels into requisite knowledge and skills.

The Board defines requirements and responsibilities for particular jobs, including such factors as the extent to which individuals must exercise initiative and the extent of related supervision. In addition to this, NPHOENIX organizers determine the knowledge and skills required to perform particular jobs, and communicate this to their personnel during the program development and administration processes. NPHOENIX hiring procedures include the Board's pre-approval of all recruiting efforts, a multi-level interview process, reference checks on all final candidates, and pre-employment background checks for all positions.

If employees are unable to perform their responsibilities or need additional knowledge or skills, they are offered access to internal and external training as appropriate.   Performance feedback is also provided throughout the year by the NPHOENIX Board as part of the organization's ongoing assessment of competence.

3.4 PARTICIPATION OF THOSE CHARGED WITH GOVERNANCE

The control environment and "tone at the top" are influenced significantly by the NPHOENIX Board, who meets on a periodic basis and is committed to providing the highest quality services to clients. The Compliance Lead is responsible for oversight of compliance and regulatory requirements. The Risk Management Lead is responsible for monitoring the organization's exposures to loss, and communicating financial protection measures and risk policies to Lover-members.

NPHOENIX looks to manage four broad categories of risk: strategic risk, financial risk, operational risk, and compliance risk. The NPHOENIX Risk Committee meets periodically to assess each type of risk by performing due diligence procedures, analytics on performance, and assessing operations and procedures. In addition, the Board monitors internal risk by monitoring all departments and soliciting feedback from stakeholders to improve operations and relations, strengthen compliance with regulatory requirements and evaluate the general effectiveness of the system of internal control.

### 3.5 MANAGEMENT PHILOSOPHY AND OPERATING STYLE

Management's philosophy and operating style affect the way the entity is managed, including the kinds of business risks accepted. As demonstrated, NPHOENIX has developed procedures such that the primary focus is on the integrity of processing and that controls are maximized to mitigate risk in the daily operations. The Board and member structure is designed to obtain the highest level of integrity and efficiency in program support and transaction processing.

The NPHOENIX member relations and operations staff have frequent and direct communication and oversight with supervisors. On a periodic basis, the Board meets to discuss current member program relationships as well as the business and technology control environment. Any issues identified in the assessment are researched and followed up on by the appropriate individuals and resolutions are reported back to the Board.

3.6 ORGANIZATIONAL STRUCTURE

An entity's organizational structure provides the framework for planning, executing, controlling, and monitoring activities to achieve organizational objectives. Significant aspects of establishing a relevant organizational structure include defining key areas of authority, responsibility, and establishing appropriate lines of reporting and feedback loops.

NPHOENIX is lead by the Chairman, advised by the Board of Directors. Supervising Coordinators and Staff are responsible for day-to-day management of organizational programs, including Member Relations, Investments, Risk Management, Operations, and Compliance.

ALL ARE STAKEHOLDERS

LOVER-MEMBERS
volunteers

THE BOARD

COORDINATORS
staff
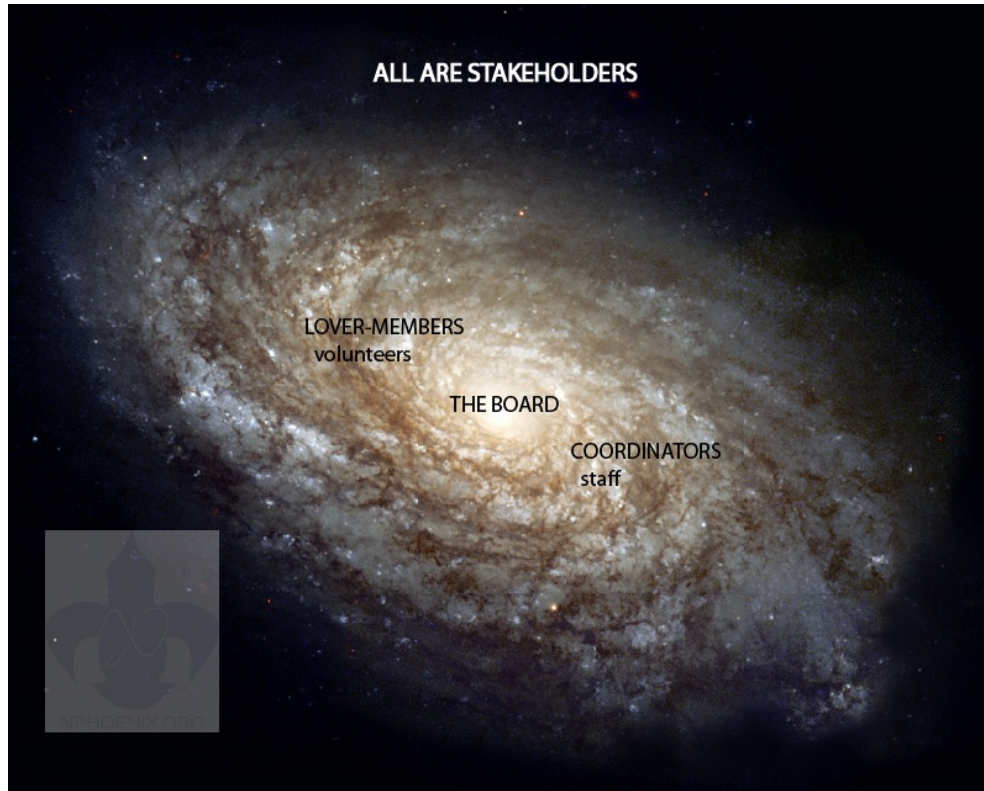
3.7 ASSIGNMENT OF AUTHORITY AND RESPONSIBILITY

The control environment is greatly influenced by the extent to which individuals recognize that they will be held accountable. This holds true all the way to the Chairman, who has ultimate responsibility for all activities within an entity, including the internal control system. This includes assignment of authority and responsibility for operating activities and establishment of reporting relationships and authorization protocols. NPHOENIX encourages individuals and teams to take initiative in addressing issues and solving problems.

3.8 HUMAN RESOURCES POLICIES AND PROCEDURES

The Compliance Manual and the established human resource practices dictate the expectations for employees regarding levels of integrity, ethical behavior, and competence. NPHOENIX has formal policies and practices related to hiring, orientation, training, and participation.

As discussed above, NPHOENIX has authentication practices designed to assess whether new member or staff are qualified for their program responsibilities. All high-potential applicants pass through an interview process that assesses their qualifications relating to the expected responsibility level of the individual. The Board is included in the interview process and approves all new hires. Prior to employment, NPHOENIX verifies the new member's background for past employment history and criminal activity. Upon initiation, NPHOENIX requires that employees acknowledge and sign the Compliance Manual.

4 FINANCIAL REPORTING

NPHOENIX is committed to transparency and accountability regarding financial operations, and general organizational programs at large. As a partner program of a qualified §501(c)(3) not-for-profit educational charity, NPHOENIX is listed as a subordinate organization on the FEPIC annual e-Postcard Form 990, *Return of Organization Exempt From Income Tax*, so there's no individual e-Postcard report, as required by Federally recognized §501(c)(3) organizations. See FEPIC Financial Reports.

See NPHOENIX Financial Statements, including:
   A. **Statement of Financial Position** - snapshot of financials as of a period in time.
   B. **Statement of Activities** - summary of financials for a defined period of time.
   C. **Statement of Functional Expenses** - breakdown of program & supporting expenses.
   D. **Statement of Cash Flows** - summary increase (decrease) in cash and equivalents.
   E. **Notes to Financial Statements** - description of assumptions and presentation.