

Board Policies Manual

Section 1.0—Introduction

The Board Policy Manual (the “Manual”) gives trustees an opportunity to define and understand the way the Board will operate in order to:

- provide good governance;
- ensure that the institution upholds a clear Seventh-day Adventist identity and mission;
- make fair and ethical decisions in the best interest of the institution;
- ensure that its deliberations reflect the priorities of the internal and external constituencies of the institution;
- delegate day-to-day management to the president (with faculty participation on academic matters); and
- ensure that the institution, its faculty, staff, and students seek knowledge honestly and apply it responsibly.

To facilitate these goals, the Manual contains all of the current, standing policies adopted by the Board and provides the executive parameters for decision-making in support of the mission of Andrews University. The trustees have established and approved the Manual to improve efficiency, promote accountability, provide trustees with easy access to board policies, and provide clear guidance to University administration. The Manual is expected to promote the University’s effective service to the Seventh-day Adventist Church.

1.1 Explanation of how the Manual relates to other governing documents

The Manual must be consistent with, and subservient to, applicable law and the University’s articles of incorporation and bylaws. The Manual supersedes all other University documents (including the Andrews University Working Policy) and any such documents must be consistent with, and subservient to, the Manual. The president is responsible for developing organizational and administrative policies which are consistent with the Manual.

If any policy adopted by trustees at a previous Board meeting appears to be in conflict with the Manual, the Manual shall supersede any such policy. Discrete documents referred to in the Manual should be kept in a board reference book.

1.2 Explanation of how the Manual will be changed/updated

The Manual is meant to be reviewed regularly and revised frequently. It can be revised at any time, but only by a majority vote of trustees.

Any Board action which would change the Manual must specify that the Manual would be changed as a result of the action.

Trustees may wish to refer suggested revisions to the Board’s governance committee, but revisions are not required to first go through the committee. The

Board's governance committee, whether or not receiving a reference from trustees, should review the Manual at least once each calendar year.

Section 2.0—University Essentials

2.1 Statement of University mission and vision

2.1.1 Mission Statement

Andrews University, a distinctive Seventh-day Adventist Christian institution, transforms its students by educating them to seek knowledge and affirm faith in order to change the world.

2.1.2 Vision Statement

Andrews University, a distinctive Seventh-day Adventist Christian institution, stands at the center of Adventist intellectual life as it demonstrates the transformative power of biblical faith and learning, excellence through diversity, collaborative scholarship, leadership development, and generous service. As such, Andrews University aspires to be a great university, which will be the Seventh-day Adventist university of choice for students, parents, and employees alike, as it educates men and women who will demonstrate their biblical faith by utilizing scholarly competencies and leadership skills to transform local and global communities.

2.2 Statement of Board goals/priorities

Trustees seek to govern a financially sound university that fulfills its mission. The University should remain an internationally and domestically diverse institution, which complements and advances the mission of the Seventh-day Adventist Church. Trustees are to bear in mind the institution's priorities in their deliberations and are to secure human and financial resources that enable the University's long-term stability and growth.

Section 3.0—Board Organization

3.1 Explanation of Board structure

The Board is comprised of up to 41 trustees. Up to 20 trustees are officials of the Seventh-day Adventist Church; and up to another 20 trustees are individuals not primarily employed by the Seventh-day Adventist Church and representing a wide range of professional and business interests relevant to the mission of the University, and that are Seventh-day Adventist members in regular standing. The sole trustee who is an employee of the University is the University's president. Additional details of the structure of the Board of Trustees can be found in the university's bylaws.

3.2 Explanation of processes for Board meetings

The Board typically meets three times per year. The chair, vice chair(s), and secretary create the agenda. Any trustee who wishes to place a matter on the agenda

should contact one of the Board officers. Materials for reading by the trustees will be sent at least 7 days before the relevant committee takes place. Minutes from the Board and its sub-committees will be published within 7 days of the completion of the relevant meeting.

3.3 Statement of Board's philosophy of governance

The Board shall emphasize forward-thinking vision and exercise strategic leadership. To accomplish this, the Board shall:

- 3.3.1 Enforce upon itself and its trustees discipline to govern with excellence. Discipline shall include attendance, respect for clarified roles,¹ speaking with one voice, and self-policing any straying from the governance structure or processes adopted in this Manual;
- 3.3.2 Monitor and regularly discuss the Board's own processes and performance, including revisions to this Manual;
- 3.3.3 Encourage diversity of viewpoints;
- 3.3.4 Select, evaluate and, if necessary, terminate the president of Andrews University and determine the parameters within which the president is expected to lead;
- 3.3.5 Monitor the performance of Andrews University relative to the achievement of its mission and institutional strategic plan;
- 3.3.6 Ensure financial solvency and integrity through policies and behavior regarding budget review and approval and investment policies, among others;
- 3.3.7 Require periodic financial and other external audits to ensure compliance with the law and good practices; and
- 3.3.8 Engage in an annual self-assessment of board effectiveness.

3.4 Board leadership

- 3.4.1 The Board chair is elected by trustees at the first Board meeting following a quinquennial meeting of Members. Persons eligible to be elected as Board chair are the General Conference president, secretary and treasurer, and the trustees who are appointed by the General Conference executive officers. The Board chair manages the Board and maintains the integrity of the Board's processes. This includes communicating with sub-committee chairs to ensure the work of the Board is proceeding according to the expectations outlined in this manual.

¹ This shall include respect for Board officers (chair, vice chair(s), and secretary) and University officers (president, chief academic officer, treasurer, and secretary). The Board should not interfere with the management of the University, which is accomplished by University administration under the leadership of the president.

- 3.4.2 The president of the Lake Union Conference of Seventh-day Adventists shall serve as a Board vice chair. Trustees may elect one or more additional Board vice chairs at the first Board meeting following a quinquennial meeting of Members. Any trustee not already holding a Board office is eligible to be elected as a Board vice chair. A Board vice chair shall fill the role of the Board chair when the Board chair is not able to do so and shall otherwise consult with the Board chair and Board secretary on matters dealing with Board management.
- 3.4.3 The president of Andrews University shall serve as the Board secretary. The Board secretary shall issue notices, communicate with trustees, take minutes of meetings, and maintain Board documents and records, including this Manual.

3.5 Information on Board meetings

- 3.5.1 The Board typically meets three times a year (generally October, March and June). This schedule coincides with times when important time-sensitive plans, decisions and reviews occur. Although the Board may take up any matter at any meeting, the Board typically will focus: (a) in October, on audited financial statements for the previous fiscal year and budget assumptions for the following fiscal year; (b) in March, approving the budget and reviewing any proposed changes in the educational services and programs; and (c) in June, approving new faculty, staff and administration and reviewing unaudited financial reports.
- 3.5.2 Each Board meeting shall be evaluated. Typically, this is accomplished through an instrument furnished by the Board's governance committee. The governance committee has the responsibility of reviewing the evaluation instruments and making recommendations either to administration or to the Board leadership for more effective meetings.

3.6 Description of Board committees

- 3.6.1 Many matters coming before the Board are prepared by a series of Board committees. These committees help the Board to be effective and efficient; they speak *to* the Board and not *for* the Board. Some Board committees are required in the University's bylaws whereas other committees are established by the Board for its convenience. Each Board committee is chaired (or co-chaired) by a trustee and the membership is composed of trustees and such other individuals from within or without the campus as appointed by the Board. A relevant University administrator serves as secretary and staff support person to the Board committee.
- 3.6.2 The responsibility of the Board committees is generally to review matters in detail and with due diligence before the agenda item comes to the Board for consideration and vote. While trustees may ask questions and engage in discussion of the agenda items, it will normally hold the Board committee responsible for detailed analysis and take seriously the recommendation of

the committees and may approve these recommendations with a summary review of the matter. The purpose of the committees is to expedite the work of the Board while making certain that each agenda item has received careful consideration by trustees assigned to do so.

3.6.3 The committees and their assignments are as follows.

- 3.6.3.1 Academic Programs and Services Committee. The Board's academic programs and services committee develops and recommends to the Board those policies pertaining to personnel/faculty, academic programs and degrees, learning outcome assessment and enrollment management.
- 3.6.3.2 Audit and Risk Management Committee. The Board shall establish an Audit & Risk Management Committee consisting of five (5) trustees, none of whom shall be employees of the Corporation. This committee shall review audit and compliance issues involving the University and make recommendations to the Board regarding policies and actions necessary to address any issues identified in an audit. The Board of Trustees shall select the University's outside auditor after receiving a recommendation from the Audit Committee.
- 3.6.3.3 Compensation Committee. The purpose of the Board compensation committee is to provide oversight, monitoring, an annual audit (to ensure compliance with the General Conference alternative wage plan) and planning for compensation management at the University for the Board. The committee reviews management's compensation goals and plans and recommends to the Board support of or changes to the compensation structure proposed by the University.
- 3.6.3.4 Development and Facilities Committee. The purpose of the Board development and facilities committee is to provide oversight and planning for the development of the University, including its facilities. The committee reviews development goals and plans, including capital campaigns and land use and facilities, and recommends to the Board support of or changes in these matters, including the physical master plan.
- 3.6.3.5 Executive Committee. The Executive Committee of the Board shall be delegated the broad authority of the Board of Trustees to act on its behalf between regular board meetings and on specific matters explicitly requested by the Board. The full Board of Trustees will retain responsibilities for changes in institutional mission, approval of the institutional strategic plan, approval of the annual budget, approval of major construction projects, incurring debt financing, sale or acquisition of major assets, election of board members, dismissing or hiring of the President, approval of changes to the

Board Policies Manual and other items decided by that Board. The Executive Committee will also deal with issues related to the employment and evaluation of the President.

- 3.6.3.6 Finance and Operations Committee. The Board shall establish a University Finance & Operations Committee consisting of at least seven (7) trustees. This committee shall serve as a strategic budgetary and financial planning committee with authority to make recommendations to the Board in the development and implementation of financial policies and procedures for the University.
- 3.6.3.7 Governance Committee. The Board shall establish a Governance Committee consisting of at least seven (7) trustees. This committee shall provide leadership and oversight relative to governance issues facing the Board and University. Among other responsibilities, the committee shall: assist the relevant church executive officers and the Members' nominating committee in identifying and recruiting qualified persons to be appointed as trustees prior to the time of the quinquennial meeting; recommend the membership of the committees of the Board of Trustees; and establish and implement annual performance standards and evaluation tools for individual trustees, and the full Board of Trustees.
- 3.6.3.8 Investment Committee. The purpose of the Board investment committee is to provide oversight of University investments. The committee reviews reports and plans and recommends to the Board its support of or changes in these matters.
- 3.6.3.9 President's Council. The president's council is comprised of some trustees and committed University friends and donors. The council advises the president on strategies for the long-term development of Andrews as it relates to programs, facilities, and finance.
- 3.6.3.10 Seminary Executive Committee. The seminary executive committee recommends to the Board matters pertaining to personnel, programs and degrees, and the budget for the Seventh-day Adventist Theological Seminary. The seminary executive committee may have up to five (5) non-trustees/non-advisors.
- 3.6.3.11 Student Experience and Faith Development Committee. The Board's student experience and faith development committee addresses issues surrounding the quality and quantity of students and the holistic student experience with emphasis on their development of faith and the biblical worldview. The committee receives reports and may engage in dialogue with key student leaders, student life administrators, and faculty and staff prior to developing recommendations for action to the Board.

3.7 Conduct of Trustees

- 3.7.1 The Board expects of itself, and each trustee, ethical and professional conduct. Trustees must understand, engage in, and support the mission of the Seventh-day Adventist Church.
- 3.7.2 Trustees are expected to prepare for Board meetings, to attend Board meetings and other Board-related obligations, and to champion the University in the fulfillment of its mission. Trustees must at all times be loyal to the interests of Andrews University.
- 3.7.3 Every trustee shall be a donor of record in each calendar year, giving in accordance with the trustee's means.
- 3.7.4 Trustees must avoid any conflict of interest with respect to their fiduciary responsibility and disclose conflicts as they arise. There must be no self-dealing or any conduct of private business or personal services between any trustee and Andrews University except as procedurally controlled to assure openness, competitive opportunity, and equal access to "inside" information. Each trustee must annually complete and sign a Conflict of Interest statement.

- 3.8 Any Board organizational item that is not addressed specifically in this Manual shall be left to the Board chair to determine.

Section 4.0—Board Relationships and Parameters

4.1 Explanation of how Board relates to the president

4.1.1 Role of president

- 4.1.1.1 The president is the chief executive officer. The president is tasked with leading the University so that it carries out the biblical strategic vision of the Board. In general, the president supervises and controls the business and affairs of the University, including all its academic functions. The president accomplishes the will of the Board through implementation of Board-approved policies.
- 4.1.1.2 The president shall keep the Board informed about matters essential to carrying out trustees' duties. The President shall:
 - (a) Inform the Board of relevant trends, anticipated adverse media coverage, and material external and internal changes, particularly changes in the assumptions upon which any Board policy has previously been established;
 - (b) Relate to the Board as a whole except when fulfilling reasonable individual requests for information or responding to Board officers or committees duly charged by the Board; and
 - (c) Promptly report to the Board chair any actual or anticipated material noncompliance with a policy of the Board.

4.1.1.3 The president shall ensure that institutional strategic plans are developed and approved by the Board.

4.1.2 Evaluation of president

Evaluation of the president's leadership and performance is an ongoing responsibility of the Board. Annual reviews of the president's leadership and performance shall be conducted by a committee reporting to the Executive Committee. More thorough "performance evaluations" of the president shall be conducted at least every three years. A part of the president's evaluation shall include consideration of the achievement of institutional goals and objectives.

4.1.3 Presidential succession/search

4.1.3.1 When a successor president is needed, the Board will establish a 13-person presidential search committee. The search committee will consist of the Board chair, the president of the Lake Union Conference of Seventh-day Adventists, four additional trustees, one University student, one University alumni representative, one University staff member, and four University faculty members.

4.1.3.2 Although input and involvement from the University faculty and staff is helpful and desired in the selection of both search committee members and the president, the appointment of a search committee, and the selection of a president, is the Board's prerogative and responsibility.

4.1.4 Statement of how Board relates to/interacts with University staff

4.1.4.1 As a general principle the Board governs and the University administration and staff, working through the president, administer the institution on behalf of the Board. For example, the Board establishes the biblical mission of the University, but hires a president, administration, faculty and staff to carry it out. Strategies designed to implement that vision are generally developed by the University administration working with faculty and staff. These strategies are reviewed and approved by the Board, which in turn asks administration to put them in operation.

4.1.4.2 The president of Andrews University is appointed by the Board at the first Board meeting following a quinquennial meeting of Members; at this meeting, upon the recommendation of the president, the Board also confirms the chief academic officer, treasurer, and secretary of the Corporation. These four officers serve at the pleasure of the Board. All University administrators, faculty, and staff are

accountable to the president (often through other administrators/supervisors). Trustees do not direct the work of University employees other than the president.

Section 5.0—Executive Parameters and Policies

This section contains the policies which the trustees have provided to guide or limit the administrative authority of the president and the University staff.

- 5.1 General parameter. The president and the University staff shall do nothing immoral, illegal or imprudent.
- 5.2 Student Life policies
 - 5.2.1 The president and University staff shall recruit, admit and guide students in a manner which maintains a campus lifestyle which meets the expectations of the Seventh-day Adventist Church and its biblical worldview
 - 5.2.2 The University's student life program shall promote Adventist/Biblical worldview and values
- 5.3 Academic policies
 - 5.3.1 The Board periodically shall review and approve the educational mission of the University with special attention to the biblical worldview and philosophy of Adventist education to guide teaching and research in a comprehensive university.
 - 5.3.2 The Board shall vote to add or close academic programs, majors, and degrees. The decisions to approve new programs and close existing programs shall consider the University's mission and performance indicators of the programs in question.
 - 5.3.3 The Board shall review and approve major changes to the academic administration and organization in the University, including establishment of new schools, departments and or services, as well as the appointment of academic deans of schools, directors of departments and divisions and the leaders of the academic support services, e.g. library, records.
 - 5.3.4 The Board shall approve the appointments, as recommended through the offices of the deans and chief academic officer, of all faculties along with academic promotions and continuous appointment recommendations for the faculty.
 - 5.3.5 The Board shall review, advise on and approve the academic strategic plan for the University dealing with teaching effectiveness and learning outcomes. The Board at regular intervals shall hear and become acquainted with reports on performance indicators responding to federal and regional regulations.
 - 5.3.6 Annually, the president, through collaboration with the chief academic officer, will present KPIs for review and/or approval by the Board. The presentation

will include justification of those figures, that will in turn guide decisions related to faculty numbers, program quality and effectiveness, efficiency of operations, and student enrollment and persistence. Such KPIs might include, for example, faculty-student ratio; average class sizes; retention rates, six-year graduation rates, and enrollment goals.

5.3.7 The Board shall become informed about regional and national accreditation standards and their impact on the University. It shall receive reports on the outcome of the University's application/re-application for accreditation, and trustees shall participate in the accreditation site visits as expected by the accrediting agencies (generally that means attending meetings with the campus accreditation visitors).

5.3.8 The Board may delegate any of the above noted obligations to the academic programs and educational services committee, provided it hears and approves a report and recommendations from that committee.

5.4 Audit policies

5.4.1 Each year, the University's financial operations shall be audited by an external auditor.

5.4.2 The Board shall review and select, upon recommendation from the audit committee, the University's external auditor at least every five years.

5.5 Financial policies

5.5.1 The university fiscal year shall be from May 1 to April 30.

5.5.2 Accurate financial reports, actual to budget, shall be made at each Board meeting.

5.5.3 The budget process shall include the following: the president works with campus administrators to prepare a budget that has an appropriate gain, sets appropriate tuition and fee levels, provides for adequate remuneration and working capital, manages debt, and capital funds needed to keep the campus, its facilities and equipment in good order; the president, through the vice president for financial administration, presents the budget to the finance and operations committee for approval; the finance and operations committee recommends the budget to the Board for approval.

5.5.4 The president and University staff shall manage the annual University operations within the approved budget.

5.5.5 Capital expenditures from \$200,000 to \$400,000 are to be approved by the finance committee; capital expenditures exceeding \$400,000 are to be approved by the Board.

5.5.6 The president shall establish and recommend financial goals to the Board in collaboration with the vice president for financial administration. The currently established annual goals include: increase net assets by a minimum

of \$2.5 million, increase cash by \$2.5 million, spend any net increase in net assets for capital expenditures, reduce debt by a minimum of \$1 million, and move toward achieving faculty and staff remuneration levels at the 40th percentile of comparable universities. The annual University budget shall provide for an operational gain of a minimum of \$2.5 million and should be based on no more than 98% of current enrollment.

- 5.5.7 Under the supervision of the president, the treasurer and the chief academic officer are jointly responsible to achieve maximum academic financial efficiency. This will include ensuring that current and new financial policies (such as program offerings, class size, teacher load, compensation for administrative duties as chair or program director, use of student labor, adjunct faculty compensation, etc.) are carefully followed. Under the supervision of the president, the treasurer and the chief academic officer are jointly responsible to create and implement new financial policies in areas where none currently exist or modify existing policies to achieve maximum academic financial efficiency.

5.6 Investment policies

- 5.6.1 The goal is to have an Endowment Investment portfolio in which 85% of funds are invested in equities and 15% in bonds/fixed income investments. The allocation of the investments should be reviewed periodically and if necessary, rebalancing should be done when the investment percentages are +/-5% of the goal, or at the discretion of the investment committee
- 5.6.2 No more than 5 percent of the investments in equities shall be in REITs and hedge funds.
- 5.6.3 Distribution of endowment fund proceeds is limited to a maximum of 5 percent of endowment fund principal calculated on a 3-year average.
- 5.6.4 Investment objective is to obtain investment returns of 9 percent over a 50+ year time horizon. The university plans for long term investment of the Endowment Assets.

5.7 Development policies

- 5.7.1 Any proposed development project, facility, equipment or program for which funding is proposed by donors must further the University's mission.
- 5.7.2 The minimum amount necessary to activate a new endowment shall be \$15,000.
- 5.7.3 The first \$25,000 of an unrestricted cash bequest shall be committed to the unrestricted fund. The remainder of an unrestricted bequest, provided that the bequest is less than \$250,000, shall be allocated by the President in consultation with senior administration. All allocations by the President shall be reported to the Andrews University Board of Trustees on an annual basis. The allocation of any bequest of \$250,000 or more shall be voted by the

Andrews University Board of Trustees upon the recommendation of the Board's committee on University Finance and Operations.

5.7.4 The Board and the president reserve the right to accept (or, in some cases, to decline) any commitment offered to them. The president reserves the right to determine how any commitment will be credited and/or how such commitments will be recognized.

5.7.5 All gifts that will, or may, require expenditure of funds (other than *de minimus* funds) either at the time of the gift or at some future date (e.g., non-performing assets gifted to fund a charitable trust or charitable gift annuity, bargain sales, or outright gifts such as real estate that may impose obligations on the University) shall require the approval of both the president and the Board.

5.8 Miscellaneous policies

5.8.1 Litigation, or threatened litigation, which has the potential of substantially affecting the University's finances, shall be reported to the Board in executive session.