

KENTUCKY DERBY FESTIVAL, INC.

POLICY MANUAL

January 18, 2023

**KENTUCKY DERBY FESTIVAL, INC.
BOARD OF DIRECTORS POLICY MANUAL**

OVERVIEW OF KENTUCKY DERBY FESTIVAL, INC.	3
Mission Statement	
Vision Statement	
CURRENT KENTUCKY DERBY FESTIVAL OPERATIONS	4
Office Administration	
Funding and Distribution of Funds	
BOARD OF DIRECTORS.....	4
Organizational Structure	
Nominating Process	
Executive Board	
Committees	
BOARD MEMBER RESPONSIBILITIES	8
Board Member Expenses	
Uniform, Tickets, Official Vehicles and Annual Workshop	
KENTUCKY DERBY FESTIVAL SUPPORT GROUPS	10
Kentucky Derby Festival Foundation	
Thoroughbreds	
The Fillies, Inc.	
FESTIVAL STAFF	11
President and CEO	
Administrative Team	
Communications Team	
Sponsorship Sales Team	
Merchandising Team	
Event Team	
FESIVAL EVENT OVERVIEW.....	15
Festival and Contract Events	
Event Selection and Critique Process	
Insurance	
Event Procedures	
Budgeting for Events	
Attending the Event	
BOARD POLICIES.....	18-33

OUR MISSION

Provide creative and unique entertainment and community service for the people of the Greater Louisville area that directly contributes to the aesthetic, cultural, educational, charitable, and economic development of the area.

We will organize, promote and conduct events using the collective efforts and resources of volunteers, small and large businesses, non-profit organizations and governmental entities to enhance the positive international recognition, economic and cultural development, and community image of the Greater Louisville area.

OUR VISION

Maintain an image and performance level to be acknowledged by the public and our peers as the premier not-for-profit civic celebration.

YOUR FESTIVAL

The Kentucky Derby Festival is a celebration of the community. One of the world's premiere events, it brings fun, excitement, international recognition, and a spirit that is unmatched anywhere.

Our 4,000 volunteers work all year to provide an environment for neighbors to celebrate the community together. Started in 1956, the Kentucky Derby Festival has become a whirlwind of colorful events and is Kentucky's largest annual event.

The ensuing two weeks of excitement and entertainment has something for everyone. With two-thirds of Festival events free, with a Festival Pegasus Pin, a family can enjoy numerous low-cost activities. More than just being entertaining, Festival events raise more than \$300,000.00 for area charities.

While the Festival is fun, it is also a successful business. Its annual budget in excess of *\$7 million* produces an impact of more than *\$127 million* on the local economy, a 2,200% return on investment for the community. Its "investor" list has more than 400 sponsors and is a Who's Who of business in our community. The in-kind services which the Festival is fortunate enough to receive, from both private and public entities, account for additional support worth approximately \$2 million.

CURRENT KENTUCKY DERBY FESTIVAL OPERATIONS

The Internal Revenue Service code designates the Festival as a 501(C)(4) entity. This gives the Kentucky Derby Festival, Inc. a designation as a not-for-profit business and is run in this manner. While all Board Members and volunteers enjoy their involvement, there must be control and adequate business preparation coordinated with the President and CEO.

Closing of the office for holidays or other reasons is at the discretion of the President and CEO. Due to the nature of the Festival business, employees' office hours may vary.

Five major areas provide funding for the Kentucky Derby Festival:

- Corporate sponsorship
- Pegasus Pin sponsorships
- Concession revenues
- Proceeds from ticket sales, entry fees and merchandising royalties
- Revenue from investment portfolio

The major expenses of the Festival are costs related to the staging of events and normal operational expenses. The Festival's fiscal year extends from October 1 through September 30.

Several charitable organizations receive the net proceeds from official Kentucky Derby Festival events.

BOARD OF DIRECTORS

The Board of Directors of the Kentucky Derby Festival is charged with providing insight for the long-range planning and overall effectiveness of the community celebration. Working closely with the staff, board members assist the Chair and President/CEO in making recommendations for improving the quality of the production and operations of the Festival.

COMPOSITION AND TERM LENGTH

Board membership is limited to 75 Active and *Ex-Officio* directors. Board Members are elected at the Annual Meeting and serve designated terms. *Ex-Officio* and Executive Board members are elected for one-year terms. All other active directors may be elected to three consecutive three-year terms. All terms begin at the time of election at the Annual Meeting.

HONORARY MEMBERSHIP is comprised of community dignitaries appointed for their term of office.

HONORARY LIFETIME MEMBERSHIP constitutes those people deemed as deserving of the honor by vote of the Board of Directors.

FOUNDING MEMBERS of the Kentucky Derby Festival include:

Basil Caummissar (deceased)
Earl Ruby (deceased)

Addison F. McGhee (deceased)
Ray Wimberg (deceased)

These Founders and all Past Chairs are designated as Honorary Lifetime Members. In addition, Barbara Price Cordery and Michael Ziemianski received posthumous designation as an Honorary Past Chair.

NOMINATING PROCESS

A Board member or Past Board Chair can nominate a person to become a Board member by submitting the nominee's name and a list of their qualifications to the Nominating Committee. Upon consideration of a candidate for nomination, it is most important to review the candidate's capabilities for contributing to the betterment of the Festival, possible past support and involvement in the Festival, any of its events, and other activities. The nominee must be able to assist in the operation of an event and at all times be committed to properly representing the Kentucky Derby Festival to the community. The nominee must also be committed to abiding by the terms of the Responsibilities and Obligations set forth below.

Appendix References:

- Policy on the Diversity of the Kentucky Derby Festival Board of Directors

EXECUTIVE BOARD

The Executive Board is vested with full and complete authority to carry out the fiduciary business of the Kentucky Derby Festival. It sets overall board policy and is the governing body of the Festival. The Chair of the Board shall preside over the Executive Board and all Officers shall be members of the Executive Board. Executive Board members shall be elected annually by the Board of Directors at its annual meeting to hold office for one (1) year terms unless sooner terminated by death, resignation or removal by the Board of Directors as hereinafter provided. Except for the President/CEO and the Chief of Police of Louisville Metro Government, no member of the Executive Board may serve in such capacity for more than five (5) consecutive one (1) year terms unless such person is elected Vice Chair of the Board of Directors. However, any member of the Executive Board may, following completion of his/her term or terms on the Executive Board, serve as an active or ex-officio director on the Board of Directors, if so elected as provided in the Bylaws. Following completion of his/her term or terms, an Executive Board member shall not be considered qualified to serve again on the Executive Board until the expiration of one (1) year period of time. The Executive Board is comprised of:

- Chair
- Chair-Elect
- Vice-Chair
- Immediate Past Chair
- President & CEO
- Treasurer
- Secretary
- Metro Louisville Chief of Police
- Nine (9) Board Members elected to the Executive Board

In addition to all regular Board Member Responsibilities and Obligations set forth below, Executive Board members are expected to:

- Attend all Executive Board meetings unless they receive an excused absence. Members should communicate absences directly to Board Chair, Pres/CEO, or staff designee.
- Serve as an Executive Board liaison, Chair or Assistant Chair for all assigned Festival events, if appointed
- Act as Chair of any special committee as appointed by the Chair of the Board

STANDING COMMITTEES

In addition to serving on specific event committees, Board Members may be appointed to serve on the following committees:

NOMINATING COMMITTEE: The Nominating Committee shall consist of the Immediate Past Chair of the Board of Directors, who shall serve as the Committee's Chair, the current Chair of the Board of Directors, the Chair-Elect of the Board of Directors, the Vice Chair of the Board of Directors and five (5) voting directors nominated by the current Chair of the Board of Directors with the approval of the Executive Board. The five (5) at-large members of the Nominating Committee shall be comprised of one (1) member of the Executive Board and four (4) members of the Board of Directors. The Immediate Past Chair of the Board only votes in case of a tie. The members of the Nominating Committee shall be appointed each year at the first Executive Board meeting of the newly appointed chair and shall serve for a period of one (1) year. The Nominating Committee shall meet as needed, but minimally it shall submit a list of nominees for Chair, Chair-Elect, Vice Chair, Treasurer and Secretary of KDF. The Nominating Committee shall also submit a list of nominees to the KDF Board of Directors and Executive Board.

ADMINISTRATION COMMITTEE: The Administration Committee shall consist of nine (9) members of the Board of Directors. The Chair and the members of the Administration Committee shall serve at the pleasure of the Chair of the Board of Directors with the consent of the Executive Board. Meetings shall be on an as-needed basis to address administrative issues. The Chair shall be appointed by the Chair of the Board, annually from among the Executive Board members. The members of the

Administration Committee shall be appointed each year by the Chair and shall serve for a period of one (1) year.

EVENT REVIEW COMMITTEE: The Event Review Committee shall consist of nine (9) members of the Board of Directors. The members of the Event Review Committee shall serve at the pleasure of the Chair of the Board of Directors with the consent of the Executive Board. Meetings shall be on an as-needed basis to review existing events and consider new events. The Chair shall be the Chair-Elect of the Board of Directors.

FINANCE COMMITTEE: The Finance Committee shall consist of nine (9) members of the Board of Directors, one of which must have extensive financial or business operations background (as defined by Sarbanes-Oxley Act of 2002). Two of the nine positions shall serve for at least 2 consecutive years. The members of the Finance Committee shall serve at the pleasure of the Chair of the Board of Directors with the consent of the Executive Board. Meetings shall be on an as-needed basis to address the finances of KDF. The Chair shall be the Treasurer of the Board of Directors.

Appendix References:

- Policy on Investments
- Accounts Receivable Reserve Policy
- Policy on Capitalization of Expenditures
- Policy on Credit Balances
- Policy on Required Vacations

AUDIT COMMITTEE: The Audit Committee shall consist of four (4) persons, at least three (3) of whom must be members of the Board of Directors, and at least one (1) of whom must be considered a financial expert (as defined by Sarbanes-Oxley Act of 2002). The Chair of the Audit Committee shall be the Vice Chair of the Board of Directors. The members of the Audit Committee shall be appointed by the Chair of the Board of Directors, subject to the approval of the Executive Board. The Audit Committee shall meet on an as-needed basis to ensure that the organization is compliant with all necessary regulatory, accounting, and financial standards and practices. The Audit Committee also shall be responsible for appointing and approving auditors and approving audited financial statements prior to submission to the Executive Board. No member of the Audit Committee shall be allowed to serve on the Finance Committee, concurrently.

AD HOC COMMITTEES: The Executive Board, by resolution, may designate and create one (1) or more Ad Hoc Committees. The Ad Hoc Committees shall operate under such rules and procedures as may be established by the Executive Board; all actions or determinations made by such committees shall be subject to review and approval of the Executive Board.

BOARD MEMBER RESPONSIBILITIES AND OBLIGATIONS

The strength and success of the Festival is dependent on a satisfied public. In a very real sense Board members are public trustees and, as such, they must at all times use

discretion and good judgment. . As the volunteer leadership of this organization, your participation is vital and necessary to the annual success of our celebration. Your responsibilities as a member of the Festival's board include but are not limited to:

- Attendance at all Board meetings. Any Active Board member, other than the Immediate Past Chair, who misses without sufficient cause, two (2) Board meetings, regular or special, may be terminated from Board membership. Attendance at the Annual Workshop and Annual Meeting
- Attendance at all special and official functions
- Purchase and wear Festival uniform at all designated Kentucky Derby Festival functions
- Serving as Executive Board Liaison, Chair and/or Assistant Chair of an event or administrative committee, if appointed
- Wearing a Pegasus Pin throughout each year's Festival
- Membership in the Kentucky Derby Festival Foundation at the Thoroughbred level or higher
- Working designated shifts at events as requested.
- All Board members are expected to be on-site at all events as they are assigned including Contract Events. At the event, the primary role of the Board member is to assist the staff member in overseeing the successful execution of the event. This includes directing committee members, thanking sponsors, greeting participants, customer service and overall hosting, as applicable at the event.
- Ensure that Festival Events are safe venues for the participants' enjoyment. Should an incident or safety concern arise, a staff member must be contacted immediately. (Please refer to the Festival Safety Manual for detailed instructions regarding our safety policy).
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Updated, approved Board Member expectations will be presented and communicated clearly at the beginning of a Board Members term of service.

Failure by any Board member to abide by any of these Responsibilities and Obligations may result in termination of Board Membership (BYLAWS, ARTICLE II, (N)).

BOARD MEMBER EXPENSES

A Directors Fee is required of all active Kentucky Derby Festival Board Members. Honorary and ex-officio Board members (including Past Chairs), do not pay the fee, but must pay for items/events in which they participate (i.e., Workshop). Ex-officio directors are required to join the Thoroughbreds and purchase 50 Pegasus Pins.

Implementation and Payment Schedule:

- The amount of the fee will be determined each year based on expected expenses (current fee = \$1,000).
- Directors will receive invoices at the beginning of the fiscal year.

- Directors can work with the KDF Director of Finance to coordinate an installment plan if needed.
- Directors may recoup some of the fee when they sell their 50 Pegasus Pins in the spring of each year.
- There will be an annual fund created to assist board members who have a financial hardship. Fifty Dollars (\$50.00) from each paid Director's Fee will go into the fund.
- The maximum Hardship Assistance awarded will be Six Hundred Dollars (\$600.00). All recipients will still be required to pay Three Hundred Dollars (\$300.00) for Pegasus Pins and the One Hundred Dollar (\$100.00) Thoroughbred fee for a total of Four Hundred Dollars (\$400.00).
- Any board member can apply for Hardship Assistance by submitting an application for funds, annually, by September 1st. An application for Hardship Assistance is available on the KDF Board portal or from members of the Hardship Assistance Review Committee. The Hardship Assistance Review Committee, consisting of the current KDF officers (Chair, Chair-elect, Vice Chair, Immediate Past Chair, Secretary, Treasurer and President /CEO) will review all applications.
- If an applicant is a current officer of KDF, they must recuse themselves from the Hardship Assistance review process for their application.

Uniform: The high visibility of the “uniform” blazer during the Festival is important in showing the public our Board member support at various official functions. The public and participating sponsors identify the blazer as an indication of support by Board members at Festival activities. It is a privilege and an honor to wear the Festival uniform.

Appendix References:

- KDF Uniform Policy

Tickets: Every Chair, Assistant Chair, Executive Board Liaison, and volunteer is required to pay for any applicable tickets to events on which they work if they wish to attend.

Official Vehicles: In the event that Festival secures a vehicle sponsor partner, members of the Board of Directors are assigned an official vehicle for use preceding and during the Festival. In the event that the Festival is provided with fewer vehicles than Board Members, Executive Board members will be assigned a vehicle with the remainder being divided among the remaining Board members.

The Festival purchases a \$500 deductible comprehensive and \$500 deductible collision insurance policy for all vehicles. The cost of this insurance, which is currently \$300 per Board member who chooses to receive a vehicle, will be billed to each Board member taking a vehicle. Each Board Member must pay this cost prior to obtaining the vehicle. ***If any collision or accident should occur, regardless of fault the Board member assigned the car is responsible for the deductible.*** Before you receive the vehicle, you may be required to obtain personal liability insurance with minimum coverage of \$100,000 per person and \$300,000 per occurrence bodily injury, and \$50,000 property damage liability. Any damage, injuries, or other expenses of whatever nature resulting from use of the vehicle is your responsibility.

Board members must satisfy and be free of all financial obligations to Festival prior to delivery of an Official Vehicle. Complete information concerning your assigned vehicle will be mailed prior to date of delivery. Read and understand all agreements and requirements fully including conditions of delivery to you; insurance; use restriction and requirements; parking permits.

As these vehicles are donated as an in-kind sponsorship, exposure of your vehicle at all Festival events is paramount. You should be aware that there may be mandatory assignments for your particular vehicle, such as the Pegasus Parade. Refusal to allow such use of your vehicle may require its immediate return to the dealer.

Within 1st month of service (Annual Board Meeting or after full Board vote if elected mid-term) each new member of the Board of Directors will be required to sign a:

- **Code of Conduct (UNDER REVIEW BY ADMINISTRATION COMMITTEE)**
- **Conflict of Interest**
- **Confidentiality Agreement**
- **Board Members Responsibilities and Obligations document**

Annual Workshop: Our single major planning session is an annual two-day workshop usually held in early to mid-August to October. The Workshop serves as a debriefing for the prior Festival and sets the short- and long-range goals relative to finances, events, organizational structure, marketing, etc. The Annual Workshop is a mandatory event, and every Board member is expected to attend the workshop. These sessions are essential to the longevity of this organization.

The costs associated with Board Workshop which includes Workshop materials, entertainment, meeting accommodations, lodging, and meals are paid by the Kentucky Derby Festival. Personal expenses are the responsibility of each Board member attending.

Pegasus Pins: Ex-officio Board members are required to purchase a box of Pegasus Pins.. The number of pins for active Board members is included in the Directors fee. Board members may sell their pins at face value in order to recoup this expense.

FESTIVAL SUPPORT GROUPS

In addition to the volunteer Board of Directors, the Festival relies on the resources and efforts of more than 4,000 volunteers to assist in the production of our annual slate of events. Three organized groups stand out for their hard work and dedication to the Festival's mission.

KDF FOUNDATION

The Kentucky Derby Festival Foundation is our 501 (c)(3) mechanism for support of charitable causes within our community. The Foundation mission is to enhance and advance the Kentucky Derby Festival mission through philanthropic support of cultural, educational, and charitable activities, primarily but not exclusively associated with the Kentucky Derby Festival.

THOROBREDS

Thorobreds are the membership base of the KDF Foundation. Thorobreds also serve as valuable volunteers to Festival events. They work behind the scenes to put event plans into action. Since 1972, they have also been a continuous source of revenue as they pay membership dues to belong to this elite group. **All Board members are required to be active members of the Thorobreds.**

FILLIES

The Fillies, Inc. is another group of formally organized Festival volunteers. This 250-member women's auxiliary coordinates the Kentucky Derby Festival Royal Court Program and Derby Ball benefiting the Kentucky Derby Festival Foundation and assists in the production of the Festival's Official Program

<h2>THE STAFF OF THE KENTUCKY DERBY FESTIVAL</h2>
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A professional team of staff members works throughout the year to produce each Kentucky Derby Festival. The Kentucky Derby Festival is supported by 4,000 volunteers, 325 community businesses and organizations and without cash subsidies from governmental agencies. This involvement has made us one of the leading civic celebrations in the world.

Fulfilling this mission requires the same professional business practices any company utilizes to maintain its competitive edge. Long-range planning, quality production, customer service and vigorous marketing are employed to ensure growth and enhance the return on investment in selling "Festival Fun."

Appendix References:

- Background Checks of Potential New Employees

PRESIDENT & CEO

The President & CEO is responsible for the overall operation and financial direction of the non-profit corporation. As overall manager of the Kentucky Derby Festival, the President is responsible for establishing and communicating the Festival's vision and objectives, and for directing to ensure the objectives are met. The president directs

operations through a Management Team and support staff representing the areas of Events, Sponsorship Sales, Merchandising, Communications and Administration. All personnel issues remain under the control of the President. The President reports to the Executive Board and works within a broad policy framework established jointly with the Executive Board.

Accountabilities:

- Operate the day-to-day activities of the Kentucky Derby Festival in a professional and business-like manner.
- To lead in formulation, interpretation and communication of the Festival's vision and long-range objectives, policies, and principles. With the Executive Board, direct long-range strategic planning.
- To coordinate and review on-going annual planning, and review and approve plans for the annual Kentucky Derby Festival.
- To establish annual and long-range financial requirements for the Festival and develop resources and funding vehicles to meet those needs. To review budgets and coordinate approval process for budgets and financial plans submitted for Festival operations and events. To present the annual budget and revenue projections to the Executive Board.
- To provide indirect oversight of accounting and financial systems to ensure integrity of systems and completion of the year within budget.
- To develop and maintain sound organizational structure and procedures for managing and developing Festival employees to ensure continued effective staffing. The President is directly responsible for hiring, firing, disciplinary action, etc. of all Festival employees.
- To establish and direct the Festival's promotional and advertising programs. To represent the Festival and serve as a spokesperson with media, opinion leaders and influential groups in the community, and to be actively involved in public and community service activities.
- To approve fund-raising agreements with corporate sponsors, and with media or other service organizations marketing products or services to the Festival. To work with Director of Sponsorship Sales to structure more complex agreements.
- To advise and consult with the Chair and Executive Board on matters relating to on-going operations of the Festival.
- To represent the Festival at professional and governmental meetings.

In July of each year, the Chair of the Board shall appoint a President/CEO Performance Review Committee which shall be tasked with developing mutually agreed upon goals with the President/CEO for the following Fiscal Year. This committee shall consist of the Immediate Past Chair, Chair of the Board, Chair-Elect, Vice-Chair, and one additional member from the at-large body of the Board of Directors (not a member of the Executive Board).

The President/CEO Performance Review Committee must complete its work of establishing the goals of the President/CEO by close of the Fiscal Year or other mutually agreed upon timeline). The previous year's President/CEO Performance Review Committee must complete its review of the President/CEOs performance, based on the satisfactory progress towards the mutually developed goals, prior to October. This committee shall then submit its review to the Chair of the Board and the Executive Board for approval prior to the close of the Fiscal Year.

In the event the President/CEO position becomes vacant the Chair of the Board will appoint a search committee to recommend a candidate for said office and the Executive Board will have final approval of any such contract and selection of the President/CEO.

The President assembles a continually evolving professional team to carry out the goals and objectives envisioned by the President and volunteer leadership. All Festival staff fulfill specific positions and responsibilities under one of the following areas:

Leadership Team

- Determined by President & CEO

ADMINISTRATION/OPERATIONS

Functions of staff members assigned to Administrative/Operations team include:

- Manage day to day financial activity.
- Coordinate front desk activity.
- Provide administrative support to President & CEO
- Board relations
- Building maintenance

SPONSORSHIP SALES

Functions of staff members assigned to the Sponsorship Sales team include:

- Negotiate contracts for all corporate, event and Pegasus Pin program sponsorships.
- Manage sponsor relations.
- Develop new sources of corporate fundraising.
- Coordinate corporate hospitality efforts.
- Promote event participation opportunities.
- Monitors compliance of corporate logo standards
- Coordinates production and distribution of Festival print publications as well as all electronic media
- Liaison with Festival's Advertising/PR agency of record

Corporate underwriting is traditionally sought for Festival-produced events. ***To ensure the most efficient handling of corporate solicitation, all contacts with current or potential corporate sponsors must be coordinated through the Festival's sponsorship sales department.***

COMMUNICATIONS

Functions of staff members assigned to the Communications team include:

- Oversees the Festival's public and media relations efforts.
- Work with Board Members to address all facets of media relations.
- Coordinates the overall media campaign.

In the event of an incident or crisis, all media contact should be directed to the on-site staff member for referral to the Festival's Vice President of Communications and President.

EVENTS

Functions of staff members assigned to the Event team include:

- Oversee planning and production of all Kentucky Derby Festival events.
- Work with Board Members serving as Executive Committee Liaison, Chair and Vice-Chair to plan and produce the Kentucky Derby Festival Events
- Develop additional revenue opportunities through marketable events.
- Coordinate with public service agencies.
- Work with the Event Review committee to develop and maintain quality events on the Festival schedule.
- Coordination of volunteers

MARKETING

Functions of staff members assigned to the Marketing Team include:

- Monitors compliance of corporate logo standards
- Coordinates production and distribution of Festival print publications as well as electronic media
- Liaison with Festival Advertising/PR agency of record

MERCHANDISING

Functions of staff members assigned to the Merchandising team include:

- Operation of the Pegasus Pin Program
- Coordination of sales tracking and distribution for all Pegasus Pins
- Coordination of sales tracking and distribution for all merchandise
- Oversees all third-party merchandise arrangements
- Facilitation of all merchandise donation requests
- Coordination of KDF uniforms and official apparel

FESTIVAL EVENTS OVERVIEW

FESTIVAL EVENTS

“Festival Events” are those events, which are planned and executed entirely by Festival staff, Board of Directors, and volunteers.

Appendix References:

- Policy Statement on Political and Issue Advertising
- Policy on the Diversity/Inclusion programming and intentionality
- Policy on the Utilization of Minority, Female and Handicapped Owned Business Enterprises

CONTRACT EVENTS

Contract Events are selected by the Event Review Committee to be a part of the schedule because they fulfill a specific need and enhance the overall Festival mission. The producing organization is responsible for all event operations and logistics and pays a fee to be on the Festival schedule.

The producing organization must sign a written contract, which defines the responsibilities of both the organization and the Festival. They work with the Festival to coordinate corporate sponsorship, media contacts, Pegasus Pin sales and use of the Festival logo for their event.

EVENT SELECTION PROCESS

The philosophy behind the selection of events is to provide quality entertainment that appeals to the community as a whole. The Festival’s Event Review Committee reviews event proposals and considers the type of event, its demographic appeal, and the potential quality of the event. All proposals should be submitted through the KDF Portal by the dates designated therein.

EVENT INSURANCE

All events are required to be covered by a Comprehensive General Liability Insurance Policy. The Kentucky Derby Festival, Inc. maintains an overall policy for the events that we directly produce, as well as Directors and Officers Liability and Employment Practices Liability. For Contract Events, the producing group is required to carry general liability insurance for their event, which must name the Festival as an additional insured.

EVENT PROCEDURES

PLANNING THE EVENT

Event Committee: Kentucky Derby Festival events function through a committee structure under the direction of the Directors and Staff. All committees must abide by the standing rules of their specific committee and the Festival's Code of Conduct unless authorized by the Executive Board, which may alter or amend them to meet existing situations. The functions, roles and responsibilities of committee participants are established by the Board Chair with the advice of the President.

Committee meetings are scheduled by the assigned staff member in consultation with the Committee Chair. For regularly scheduled meetings, notice will be e-mailed to committee members a week prior to the meeting. Most committee meetings are held at the Festival office.

Responsibilities for committee participants are as follows:

Executive Board Liaison: Oversees planning and production of events to which they are assigned. The Executive Board liaison is also responsible to make sure that the philosophy of the Festival is presented at each event and to communicate the philosophy of the Festival. Execution of events is delegated to the Chair, Assistant Chair and Staff of the event with the Executive Board Liaison monitoring all activity. Executive Board Members may also serve as an Event Chair.

Event Chair: Working with the assigned Staff Member, they share responsibility for the planning and execution of the events they are assigned, help coordinate a volunteer committee and oversee all committee work, schedule, and attend event committee meetings and adhere to the event budget.

Assistant Chair: Charged with assisting the Event Chair and assigned Staff Member in the planning and execution of each Festival event. They can also serve as event committee liaison with the Pegasus Pin Committee.

Ex-Officio Board Members: May serve as Event Chairs or Assistant Chairs, in which case their duties are described above.

Staff Event Manager or Program Area Liaison: Responsible for the implementation of the event through the handling of day-to-day details. They provide continuity, with knowledge of histories of events or administrative responsibilities, budgets, and suggestions for the current year's program. The Event Manager or Program Area Liaison also acts as the designated representative of the President for all committee activities.

BUDGETING FOR THE EVENT

Budget Preparation: Each event functions as a separate business unit and operates from an independent budget. Staff members are primarily responsible for developing

event budgets for approval by the President & CEO. These budgets are prepared for review prior to November 1 of each year and subject to the ultimate approval of the Finance Committee and Executive Board.

Budget Compliance: Staff members are ultimately responsible for ensuring that the production of the event remains in compliance with the approved budget. The Event Chair and Assistant Chair must assist in this process by monitoring the actions of the committee as their planning impacts the event's finances.

Purchasing Guidelines: All products and services needed for an event are subject to purchasing guidelines (KDF Purchase Order System) in order to meet proper accounting controls. Purchase Orders are submitted by the appropriate staff member to the Festival's Director of Finance prior to purchasing. Purchases require the prior approval of the Vice Presidents of the organization. Purchases should not be made on an event's behalf without the prior consent of a staff member.

ATTENDING THE EVENT

All Board members are expected to be on-site at all events as they are assigned including Contract Events. At the event, the primary role of the Board member is to assist the staff member in overseeing the successful execution of the event. This includes directing committee members, thanking sponsors, greeting participants, customer service and overall hosting, as applicable at the event.

As the business of the Festival is fun, our goal is to ensure that everyone enjoys the events. Our primary concern is that Festival events are safe venues for the participants' enjoyment. Should an incident or safety concern arise, a staff member should be contacted immediately. (Please refer to the Festival Safety Manual for detailed instructions regarding our safety policy).

APPENDIX

Kentucky Derby Festival Investment Guidelines Revised November 13, 2017

Purpose

The purpose of this document is to clearly define the objectives and goals of the Kentucky Derby Festival's Investment Account(s). Further, it will provide the guidelines by which these objectives and goals should be achieved. These guidelines will include investment priorities, asset allocation ranges and appropriate policies to achieve these goals, as well as standards of investment performance and reporting. These guidelines will also set forth the review requirements of the investments and these guidelines and policies.

Investment Objectives

The principal objective of the Investment Account(s) is to provide for the financial security of the Kentucky Derby Festival hereinafter referred as “the Festival.”

The priorities the Account(s) should follow are as follows:

Priority #1 Security of Principal

Priority #2 Capital Appreciation

Priority #3 Maintenance Income in the percentage amount of: 2.0%

Priority #4 Maintenance of Cash Access in the amount of \$100,000.00

A minimum 3-year composite rate of return of 7.0% per annum is sought; however, the rate of return should not compromise any of the priorities above.

Investment Goals

In establishing the investment goals of the Investment Account(s), the Festival recognizes the need for growth as well as future income. These Investment Guidelines specify a well-diversified portfolio of high quality, readily marketable securities to minimize non-market specific risk. It was for this reason that a balanced approach has been adopted. Equities shall be utilized to provide both growth and income. Fixed income securities shall be utilized to provide income and/or capital preservation. Government or federal agency-based cash equivalent funds shall be utilized for liquidity and/or capital preservation needs. Foreign securities and sector funds, aggressive growth mutual funds, un-managed and hybrid investments are also permitted in a limited fashion, provided that they comply with the parameters set forth below.

Investment Guidelines

Equities

Equities refer to stocks (both common and preferred), mutual funds containing equities, equity unit trusts and equity-based exchange traded funds and/or stock indexes.

1. No individual security position may represent more than 5% of the equity allocation of the portfolio.
2. Equities may be non-dividend paying.
3. Though no specific quality rating is required to be maintained, securities should generally be rated B or better at the time of purchase by at least one of either Moody's or Standard & Poor.
4. The use of equity options as a capital preservation or income generating strategy is permissible.

Fixed Income Securities

Fixed Income Securities refer to bonds, notes, bills, bank certificates of deposits, fixed income mutual funds, and bond exchange traded funds.

1. No individual issuer may represent more than 10% of the fixed income allocation of the account(s).

2. No individual issue may represent more than 10% of the fixed income allocation of the account(s).
3. The average quality of the fixed income or bond fund portions of the portfolio(s) must be "A" rated or better by all of the major rating agencies (Moody's, Standard & Poor or Fitch).
4. No individual security may be rated below investment grade by any of the major rating agencies (Moody's, S&P or Fitch).
5. The average duration of the fixed income investments should be kept in a range of two (2) to ten (10) years.
6. The use of mutual funds, bank certificates of deposits, fixed income mutual funds and preferred stocks are allowed, provided they meet the above criteria.
7. All fixed income products shall be, or consist of, direct obligations of the issuer(s). Neither tranching collateralized fixed income securities, nor investments containing them, are permitted as investments within the Investment Accounts.

Cash and Cash Equivalents

Government or federal agency-based cash equivalent funds, or US Government or Federal Agency paper, or securities backed by such entities with maturities not to exceed 1 year, shall be utilized for liquidity and/or capital preservation needs. Corporate, Foreign, Yield Enhanced cash equivalent money market funds are not permissible. The minimum cash level to be maintained to insure the Festival's operation is \$50,000.00

Foreign Securities

The use of foreign stock, bonds, mutual funds, indexes, exchange traded funds or unit trusts are permitted if they comply with the same criteria set forth above for domestic securities; however, foreign securities may not constitute an amount greater than 15% of the Investment Account(s).

Sector Funds, Aggressive Growth Mutual Funds, Un-managed and Hybrid Investments

The use of sector funds and/or aggressive growth mutual funds or funds containing equities, options, equity unit trusts, equity based exchange traded funds, indexes, and fixed income mutual funds is permitted provided that they comply with the criteria set forth above, however, no fund or combination of funds may constitute an amount greater than 5% of the Investment Account(s). The use of Fund of Funds mutual funds is prohibited.

Prohibited Securities

Unless authorized by the Festival's Executive Board, no other investment products or strategies shall be utilized, including but not limited to tracking securities, hedge funds, commodities, precious metals, managed properties, alternative investments, and indexes or exchange traded funds which fail to own the permitted securities above.

Asset Allocation and Benchmarks

Asset Class	Maximum Allocation	BenchMark
Equities	65%	S&P 500
Fixed Income Securities	60%	Barclays Capital Aggregate bond index
Cash and Cash Equivalents	30%	
Foreign Securities	15%	MS EAFE
Sector/Aggressive Growth/Managed/Un-managed/Hybrid	5%	Russell 2000

Performance Standards and Review

The goals are expected to be met over a full market cycle, generally considered to be 3-5 years, in conjunction with the priorities, composite rate of return and individual asset class allocations. Reports should be based on the Festival's fiscal year end, September 30, and should be reported net of fees. Aggregate fees since funds deposited should be reported annually in addition to the annual fees imposed and charged. The Investment Guidelines will be formally reviewed by the Festival's Finance Committee at least once each year. The Festival's Finance Committee will meet with the investment managers at least semi-annually to review performance, allocations, and the Festival's objectives/needs.

ACCOUNTS RECEIVABLE RESERVE POLICY

Objective

To optimize cash flow through the efficient billing and collection of accounts receivable.

Current Policy

Accounts receivables are written off on a specific identification basis when they are determined to be uncollectible.

Proposed Policy

All amounts in accounts receivable which are greater than 120 days old shall be reserved at 100%.

The accounts receivable aging report and appropriate reserves will be reviewed quarterly by the Finance Committee.

Exceptions

Exceptions will be rare and must be supported by clear intent and ability of the entity to pay and approved by the Finance Committee.

Implementation

The proposed policy will be implemented with the annual financial statements.

POLICY ON CAPITALIZATION OF EXPENDITURES

Consideration for capitalization will be given on tangible items exceeding \$2,500. However, if the item in question does not have a benefit of more than one (1) year, the Festival reserves the right to expense it in the given year.

POLICY ON CREDIT BALANCES

Fees and charges for Kentucky Derby Festival goods and/or services must be paid with cash, check, credit, or by purchase order or other digital means of payment before delivery can be made. This policy includes tickets, insurance premiums, official vehicles, workshop fees, uniforms, and Pegasus Pins. No credit may be extended as this may legally be construed as a loan and therefore illegal under Kentucky's law pertaining to non-profit organizations.

POLICY ON CORPORATE EXPENSE CHARGES/REIMBURSEMENT

The Festival may choose to provide select employees with a corporate credit card as a tool to manage business-related expenses. These cards are not for personal use and employees are fully responsible and accountable for all transactions made with a corporate credit card. The following guidelines shall govern their use:

- Employees should obtain approval from their supervisor in advance for charges over \$100.
- Employee travel expenses should be booked at the lowest possible rate. KDF does not pay/reimburse for employee travel in Business Class or First Class.
- Employees should submit an expense report to their supervisor for approval at least 5 business days before the due date. Supervisors should submit the approved expense reports to the Leadership Team within 24 hours so that the Director of Finance can process and pay the invoice in a timely manner.
- Transaction receipts should accompany all reports for expenses greater than \$25.
- Any charge deemed disallowable -- fully or partially -- will be the responsibility of the employee and must be personally paid by the due date.
- Any finance charges incurred on the account due to the negligence or tardiness of the employee shall be the responsibility of said employee and must be reimbursed by the close of the next billing cycle.

POLICY ON BANK RECONCILIATION REVIEW

Reconciliation of all monthly KDF bank statements shall be done under the supervision of the CEO or designate. After review by the CEO, the bank statements are returned to the Director of Finance who shall make them available for review along with all other appropriate financial reports.

POLICY ON REQUIRED VACATIONS

The Organization has a formal personnel policy requiring employees with authority over or control of assets or in an accounting position, to take an annual, uninterrupted one week or longer vacation whereby someone else takes over their responsibilities during their time off. It is important that another person perform the absent employee's duties while they are on vacation. Requiring annual vacations is important in the detection of errors, inefficiencies, and irregularities; provides management with a means of cross-training employees; and helps prevent employee burnout and resulting inefficiencies.

BACKGROUND CHECKS OF POTENTIAL NEW EMPLOYEES

The Organization's security is enhanced by performing background checks of persons being considered for employment. Performing background checks reduces the risk of hiring dishonest or dangerous individuals and of the related potential for negligent hiring or workplace violence lawsuits against the Organization. Performing background checks also reduces the costs of finding and replacing inappropriately hired individuals. Also, background checks may be helpful or sometimes necessary for obtaining employee bonding. Such checks will include verification of identity, social security number, education, certifications and credentials, employment, credit history, business and personal references, motor vehicle record, and criminal conviction record.

POLICY ON THE DIVERSITY OF KENTUCKY DERBY FESTIVAL BOARD OF DIRECTORS

It shall be the policy of the Kentucky Derby Festival when making appointments to its Board of Directors to consider the demographic characteristics of the Greater Louisville area including, but not limited to race, gender, age, sexual orientation, and economic status.

Appointment shall be made to the Board of Directors so that the governing body of the Kentucky Derby Festival reflects the diversity of the community it serves. This policy shall also be applied to the recruitment and hiring of Staff.

POLICY ON NON-DISCRIMINATION

The Kentucky Derby Festival is committed to providing an inclusive and welcoming environment for all members of our community. Consistent with this principle and applicable laws, it is therefore the Derby Festival's policy not to discriminate against employees, sponsors, volunteers, patrons, job applicants, Royal Court applicants, vendors or others on the basis of race, color, gender, national origin, age, religion,

creed, persons with a disability, veteran's status, political affiliation, sexual orientation, marital status, gender identity or gender expression. Such a policy ensures that only relevant factors are considered and that equitable and consistent standards of conduct and performance are applied.

It is the policy of the Kentucky Derby Festival to:

- Strictly follow personnel procedures that will ensure equal opportunity for all people without regard to race, color, gender, national origin, age, religion, creed, persons with a disability, veteran's status, sexual orientation, marital status, gender identity or gender expression;
- Make reasonable accommodations wherever necessary for all employees or applicants with disabilities, provided that the individual is otherwise qualified to safely perform the duties and assignments connected with the job;
- Be continually alert to identify behavior and practices by individuals that are at variance with this Policy;
- Thoroughly investigate instances of alleged discrimination and take corrective action if warranted.

POLICY ON THE UTILIZATION OF MINORITY, FEMALE AND PERSONS WITH DISABILITIES OWNED BUSINESS ENTERPRISES

It shall be the policy of the Kentucky Derby Festival that all event committees shall use good faith efforts to utilize minority, female and disability owned businesses in the procuring of supplies and services for Derby Festival events.

Definitions:

For the purpose of this policy, the following definitions shall apply unless the context clearly indicates or requires a different meaning.

“MINORITY OWNED BUSINESS” A business enterprise including but not limited to an individual, partnership, corporation, joint venture, association, or cooperative, which is owned by a person or a combination of persons who are minorities and legal residents of the United States.

“MINORITY” A legal resident of the United States having ethnic origin in the black racial groups of Africa; a person of Mexican, Puerto Rican, Cuban, Central or South American, or other Spanish cultures; a person having ethnic origin in any of the original peoples of the Far East, Southeast Asia, the Indian subcontinent, or the Pacific Islands, including but not limited to Japan, Korea, China, the Philippines, Malaysia, Hawaii and Samoa; a person having origins in any of the original peoples of North America who is an enrolled member of an Indian tribe recognized as such by the government of the United States or Canada; or a person having origins in the Eskimo or Aleut peoples and who is recognized as such by either a tribe, tribal council, or a substitute authority in the community, with authority may be any educational institution, religious organization, or a federal or state agency.

“FEMALE OWNED BUSINESS” A business enterprise including but not limited to an individual, partnership, corporation, joint venture, association, or cooperative, which is owned by a person or a combination of persons who are female and legal residents of the United States.

“DISABILITY OWNED BUSINESS” A business enterprise including but not limited to an individual, partnership, corporation (including non-profit), joint venture, association, or cooperative, which is an entity that is majority owned by a person or a combination of persons with disabilities who are legal residents of the United States.

“PERSONS WITH A DISABILITY” A legal resident of the United States with a physical or mental disability caused by birth defect, bodily injury, illness, or other reason or as certified by a physician.

“PROCUREMENT” The buying, purchasing, renting, leasing, or otherwise acquiring of any supplies, services or construction.

POLITICAL AND ISSUE ADVERTISING PROCESS

Sponsorships or participation that might be affected by this policy and are unclear shall be referred by the President & CEO to the Board Officers for interpretation. The Board Officers and President & CEO shall then report their findings to the Executive Board. New events affected by this policy shall be subject to the established process set forth by the Event Review Committee.

KENTUCKY DERBY FESTIVAL POLICY STATEMENT REGARDING POLITICAL AND ISSUE ADVERTISING

When evaluating the sponsorship or participation by individuals or organizations in Kentucky Derby Festival events, the Kentucky Derby Festival (“Festival”) considers how the sponsorship or participation aids the Festival in its mission to... provide creative and unique entertainment and community service for the people of Greater Louisville, that directly contributes to the aesthetic, cultural, educational, charitable, and economic development of the area.

Next, the Festival will consider the nature and extent of the sponsorship or participation (i.e. advertising, solicitation, sales, etc.).

Lastly, Festival will not accept, as a sponsor or participant, individuals or organizations that engage in “Issue Advertising.” Issue Advertising includes, without limiting the generality of the term:

Political candidates or those groups who support political candidates; and,
Individuals or groups who support or oppose any question which could be the subject of a referendum or legislative, executive, or judicial determination of a public question; and,

Individuals or groups who engage in or promote discrimination; and,
Active interpersonal solicitation for or promotion of specific religious beliefs, as opposed to general promotion of a religious based organization; and,
Elected government officials, if invited, may participate in Festival events in their official capacity.

KENTUCKY DERBY FESTIVAL UNIFORM POLICY

On an annual basis, the Board Leadership will communicate the Derby Festival events where the “**standard**” or “**relaxed**” uniform is allowed. The variation of the two would be that the tie is optional for men and ladies may wear black underneath vs. a white top:

For the standard uniform men should wear a white shirt with a tie and ladies should wear a white top (this applies to Board, Past Chairs and Staff):

The standard board uniform is:

- KDF jacket
- white shirt for men – white top for ladies
- tie (for men)
- ladies’ scarf (optional)
- black slacks for men – black slacks or skirt for ladies
- black shoes for men and ladies
- Pegasus Pin, Director’s Pin, or theme pin
- name badge

The “relaxed” board uniform is:

- KDF jacket
- white shirt for men/black or white top for ladies
- tie is optional for men.
- ladies’ scarf (optional)
- black slacks for men – black slacks, black skirt or black dress for ladies
- optional shoe color for ladies
- Pegasus Pin, Director’s Pin or theme pin
- name badge

The standard Past Chair’s uniform is:

- KDF jacket
- white shirt for men – white top for ladies
- tie (for men)
- ladies’ scarf (optional)
- Black or khaki slacks for men – Black or khaki slacks or skirt for ladies
- black shoes for men and ladies
- Pegasus Pin, Director’s Pin, or theme pin
- name badge

The “relaxed” Past Chair’s uniform is:

- KDF jacket
- white shirt for men/black or white top for ladies
- tie is optional for men.
- ladies’ scarf (optional)
- Black or khaki slacks for men – Black or khaki slacks or skirt for ladies
- optional shoe color for ladies
- Pegasus Pin, Director’s Pin or theme pin
- name badge

Casual/logo wear

Directors will be given the option of purchasing KDF branded apparel which may be worn at events such as, but not limited to; Marathon, WineFest,, Parade, Thunder and Kroger’s FAV. Previously purchased items may be worn as well. When attending or working events that have not been designated standard or relaxed uniform, please wear KDF branded apparel and your name badge to all other KDF events.

CONFLICT OF INTEREST POLICY

Article I: Purpose

The purpose of the conflict-of-interest policy is to protect the Kentucky Derby Festival’s (the “Organization”) interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an active member of the Board of Directors or employee of the Organization or might result in a possible excess benefit transaction. This policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to nonprofit and charitable organizations.

Article II: Definitions

1. Interested Person: Any active member of the Board of Directors or employee of the Organization, who has a direct or indirect financial interest, as defined below, is an interested person.
2. Financial Interest: A person has a financial interest if the person has, directly, or indirectly, through business, employment, investment, or family:
 - a. An ownership or investment interest in any entity with which the Organization has a transaction or arrangement.
 - b. A compensation arrangement with the Organization or with any entity or individual with which the Organization has a transaction or arrangement,
or

- c. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Organization is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.

A financial interest is not necessarily a conflict of interest. Under Article III, Section 2, a person who has a financial interest may have a conflict of interest only if the appropriate governing board or committee decides that a conflict of interest exists.

Article III: Procedures

1. The Board Officers of the Organization shall be tasked with reviewing and making determinations on all actual or possible conflicts of interest relating to active members of the Board of Directors. The Board Officers shall report their findings to the Executive Board of the Organization. If a determination cannot be made by the Board Officers, the Executive Board shall make a final determination on the issue.

The President & CEO of the Organization shall be tasked with reviewing and making determinations on all actual or possible conflicts of interest relating to employees of the Organization.

2. Duty to Disclose: In connection with any actual or possible conflict of interest, an interested person who is an active member of the Board of Directors must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the Board Officers.
 - a. Determining Whether a Conflict of Interest Exists: After disclosure of the financial interest and all material facts, and after any discussion with the interested person, he/she shall leave the meeting while the determination of a conflict of interest is discussed and voted upon. The Board Officers shall decide if a conflict of interest exists.
 - b. Employees of the Organization shall disclose the financial interest and all material facts to the President & CEO. After discussion with the employee, the President & CEO shall make a determination as to whether a conflict of interest exists.
3. Procedures for Addressing the Conflict of Interest:
 - a. An interested person who is an active member of the Board of Directors may make a presentation to the Board Officers, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.

- b. The Chair of the Board of Directors, if appropriate, may appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
 - c. After exercising due diligence, the Board Officers shall determine whether the Organization can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.
 - d. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the Organization's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination it shall make its decision as to whether to enter into the transaction or arrangement.
 - e. If the Board Officers are unable to determine whether a conflict of interest exists, the issue shall then be passed to the Executive Board.
 - f. The interested party may make a presentation to the Executive Board, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.
4. Violation of the Conflicts of Interest Policy:
- a. If the Board Officers or Executive Board has reasonable cause to believe a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.
 - b. If, after hearing the member's response and after making further investigation as warranted by the circumstances, the Board Officers or Executive Board determines the member has failed to disclose an actual or possible conflict of interest, appropriate disciplinary and corrective action shall be taken by the Executive Board.
 - c. If the President & CEO determines that an employee has failed to disclose an actual or possible conflict of interest, appropriate disciplinary and correction action shall be taken by the President & CEO.

Article IV: Records of Proceedings

- 1. The minutes of the Board Officers and Executive Board shall contain:
 - a. The names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and

the Executive Board's or committee's decision as to whether a conflict of interest in fact existed.

- b. The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transactions or arrangement, and a record of any votes taken in connection with the proceedings.

Article V: Compensation

1. A voting member of the Board of Directors who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member's compensation.
2. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member's compensation.
3. No voting member of the Executive Board or committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

Article VI: Annual Statements

1. Each active member of the Board of Directors or employee shall annually sign a statement which affirms such person:
 - a. Has received a copy of the conflict-of-interest policy, Has read and understands the policy,
 - b. Has agreed to comply with the policy and

Understands the Organization is charitable and in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

Article VII: Periodic Reviews

1. To ensure the Organization operates in a manner consistent with charitable purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:
 - a. Whether compensation arrangements and benefits are reasonable, based on competent survey information and the result of arm's length bargaining.
 - b. Whether partnerships, joint ventures, and arrangements with management organizations conform to the Organization's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes and do

not result in impermissible private benefit or in an excess benefit transaction.

Article VIII: Use of Outside Experts

1. When conducting the periodic reviews as provided for in Article VII, the Organization may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the Executive Board of its responsibility for ensuring periodic reviews are conducted.

POLICY ON DOCUMENT RETENTION AND DESTRUCTION

I. Purpose

In accordance with the Sarbanes-Oxley Act, which makes it a crime to alter, cover up, falsify, or destroy any document with the intent of impeding or obstructing any official proceeding, this policy provides for the systematic review, retention and destruction of documents received or created by the Kentucky Derby Festival, Inc. (the "Organization") in connection with the transaction of its business. This policy covers all records and documents, regardless of physical form, contains guidelines for how long certain documents should be kept and how records should be destroyed. The policy is designed to ensure compliance with federal and state laws and regulations, to eliminate accidental or innocent destruction of records and to facilitate the Organization's operations by promoting efficiency and freeing up valuable storage space.

II. Document Retention

The Organization follows the document retention procedures outlined below. Documents that are not listed but which are substantially similar to those listed will be retained for the specified length of time.

Type of Document

Minimum Requirement

Accounts payable ledgers and schedules	7 years
Audit reports	Permanently
Bank Reconciliations	2 years
Bank Statements	3 years
Checks (for important payments and purchases)	Permanently
Contracts, mortgages, notes and leases (expired)	7 years
Contracts (still in effect)	Permanently
Correspondence	2 years
Correspondence (legal and important matters)	Permanently
Correspondence (with customers and vendors)	2 years

Deeds, mortgages, and bills of sale	Permanently
Depreciation Schedules	Permanently
Duplicate deposit slips	2 years
Employment applications	3 years
Expense Analysis/expense distribution schedules	7 years
Year end financial statements	Permanently
Insurance policies (expired)	3 years
Insurance records, current accident reports, claims, policies, etc.	Permanently
Internal audit reports	3 years
Inventories of products, materials, and supplies	7 years
Invoices (to customers, from vendors)	7 years
Minute books, bylaws and charter	Permanently
Patents and related papers	Permanently
Payroll records and summaries	7 years
Personnel files	7 years
Retirement and pension records	Permanently
Tax returns and worksheets	Permanently
Trademark registrations and copyrights	Permanently
Withholding tax statements	7 years

POLICY ON APPROVAL OF THE IRS FORM 990

The following process shall be followed for the annual submission of the IRS Form 990.

1. An internal draft of the IRS Form 990 is prepared by KDF accountants and staff.
2. The draft is then submitted to the audit committee for review and approval.
3. After approval by the audit committee, the draft is then forwarded to the KDF Executive Board for review and approval prior to submission to the Internal Revenue Service.

WHISTLEBLOWER POLICY

This **Whistleblower Policy** of The Kentucky Derby Festival (the "Organization"):

(1) encourages staff and volunteers to come forward with credible information on illegal practices or serious violations of adopted policies of the Organization; (2) specifies that the Organization will protect the person from retaliation; and (3) identifies where such information can be reported.

1. **Encouragement of reporting.** The Organization encourages complaints, reports or inquiries about illegal practices or serious violations of the Organization's policies, including illegal or improper conduct by the Organization itself, by its leadership, or by others on its behalf. Appropriate subjects to raise under this policy would include financial improprieties, accounting or audit matters, ethical violations, or similar illegal or improper practices or policies. Other subjects on

which the Organization has existing complaint mechanisms should be addressed under those mechanisms, such as raising matters of alleged discrimination or harassment via the Organization's human resources channels, unless those channels are themselves implicated in the wrongdoing. This policy is not intended to provide a means of appeal from outcomes in those mechanisms.

2. **Protection from retaliation.** The Organization prohibits retaliation by or on behalf of the Organization against staff or volunteers for making good faith complaints, reports, or inquiries under this policy or for participating in a review or investigation under this policy. This protection extends to those whose allegations are made in good faith but prove to be mistaken. The Organization reserves the right to discipline persons who make bad faith, knowingly false, or vexatious complaints, reports or inquiries or who otherwise abuse this policy.
3. **Where to report.** Complaints, reports or inquiries may be made under this policy on a confidential or anonymous basis. They should describe in detail the specific facts demonstrating the bases for the complaints, reports or inquiries. They should be directed to the Organization's President & CEO or Chair of the Board of Directors; if both of those persons are implicated in the complaint, report or inquiry, it should be directed to the Chair-elect of the Board of Directors. The organization will conduct a prompt, discreet, and objective review or investigation. Staff or volunteers must recognize that the Organization may be unable to fully evaluate a vague or general complaint, report or inquiry that is made anonymously.

POLICY ON CASH MANAGEMENT

Purpose

The purpose of this document is to clearly define the capabilities of the Kentucky Derby Festival President and Chief Executive Officer (CEO) regarding cash management for the Festival in general and specifically as it may relate to the cash management of the investment account(s).

Cash Management Objectives

Effective management of cash and cash flow is critical to both the operation and success of the Festival. The President and CEO shall ensure adequate cash management for the continued operation of the Festival.

Cash Management Guidelines

Consistent with the KDF Investment Guidelines, the Festival money managers, currently Stock Yards Bank and Trust and Fifth Third Bank, shall each maintain at least \$50,000 in cash and/or cash equivalent money market funds at all times as reserve liquidity totaling \$100,000 for the Festival. Additionally, the Festival maintains an open credit line in the amount of \$200,000 for immediate cash access, if necessary.

In the event that current cash on hand and anticipated cash flow are deficient for the continued operation of the Festival, or if the President and CEO has sufficient reason to believe that a shortfall may emerge, the President and CEO or his designee is granted the authority in his/their discretion to exercise any or all of following options:

If the anticipated need is less than \$100,000.00:

- The President and CEO or his designee may access the line of credit and report such access to the Executive Board of Directors via email prior to such action.
- The President and CEO or his designee may direct that an amount sufficient to meet the anticipated deficiency or shortfall be transferred to the Festival from one or both of the investment management companies. Notice of such actions shall be emailed to the Executive Board of Directors.

If the anticipated need is greater than or equal to \$100,000.00 but less than or equal to \$200,000:

- The President and CEO or his designee may access the line of credit and report such access to the Executive Board of Directors via email prior to such action.
- The President and CEO may direct the investment managers to allocate an amount up to the maximum level consistent within the current KDF Investment Guidelines to cash and cash equivalent. Notice of such actions shall be emailed to the Executive Board of Directors.
- The President and CEO or his designee may direct that an amount sufficient to meet the anticipated deficiency or shortfall be transferred to the Festival from one or both of the investment management companies. Notice of such actions shall be emailed to the Executive Board of Directors.

If the anticipated need is greater than \$200,000.00:

- With prior consent of the Executive Board of Directors, the President and CEO may access an amount up to the maximum available line of credit (currently \$200,000).
- The President and CEO may direct the investment managers to allocate an amount up to the maximum level consistent within the current KDF Investment Guidelines to cash and cash equivalent. Notice of such actions shall be emailed to the Executive Board of Directors.
- With prior consent of the Executive Board of Directors, the President and CEO may direct that an amount sufficient to meet the anticipated deficiency or shortfall be transferred to the Festival from one or both of the investment management companies.

The President and CEO is only granted the authority to take any actions listed above once in any fiscal year without the explicit written prior approval of the KDF Executive Board.

Any alternative(s) to the guidelines set forth above (i.e. bond issuance, changes in capital structure, etc.) must be ratified and incorporated into this policy statement according to the policies and bylaws of the Kentucky Derby Festival prior to its implementation.

Strategic Asset Maintenance & Improvement Fund:

Effective October 1, 2021, by approval of the Executive Board both investment portfolios will make a predetermined amount of funds available to KDF for non-operating expenses that are necessary for ongoing asset maintenance and/or improvement.

The details are as follows:

- Annually as needed, Management will present the Executive Board with a list of projects the funds will be used for before drawing funds.
- The amount of funds available are determined by 3% of the running average portfolio balance of the last three complete fiscal years.
 - For example, the 2021 Asset Maintenance & Improvement Fund amount will be 3% of the 3 year average of 9/30/19-20-21 portfolio balance.
- The funds will be deposited into a separate checking account (non-operating) by the portfolio managers when requested by KDF management. It is expected the money will be requested quarterly but if it is needed earlier management can draw it sooner.
- All remaining funds at the conclusion of the fiscal year can be included in the next operating years Strategic Asset Maintenance Fund, or if not needed, can be reinvested into the investment portfolio

POLICY ON CONFIDENTIALITY

The purpose of the confidentiality policy is to protect the Kentucky Derby Festival's (the "Organization") interest while being transparent with the Board of Directors and the ability to assist the Organization in the overall mission and business of the Festival. The policy shall protect all information contained in the Bylaws and Policy Manual as well as any and all other information regarding Kentucky Derby Festival, Inc whether proprietary or non-proprietary obtained or exposed to during a term of service as a member of the Board of Directors and shall remain strictly confidential. Information can, but is not limited to; Bylaws, Policy Manual, budgeting, media, fund raising, corporate sponsorship (monetary and in-kind) and any all information having to do with any aspect of the Organization.

Breach of this agreement may be grounds for termination from the Board of Directors of the Organization.

