

STELLAR DEVELOPMENT FOUNDATION RECORDS RETENTION POLICY

This Policy was adopted by the Board of Directors of the **Stellar Development Foundation** on July 8, 2014 (the “Organization”). The records retention policies set forth below for various categories of records are based on state and federal requirements, including the statutes of limitations of various statutory regimes.

If litigation or a government investigation is imminent or pending, Organization representatives *must* seek legal advice from our attorneys before continuing ordinary destruction regimes. The Sarbanes-Oxley Act of 2002 makes it a crime to alter, cover up, falsify, or destroy any document to prevent its use in an official proceeding. *No state or federal law punishes an officer, director, or employee of a charity for failing to destroy a document.* Therefore, if there is any doubt, retain the document.

NONPROFIT TAX EXEMPTION DOCUMENTS: PERMANENT

The following records must be maintained throughout the life of the organization because they form the basis upon which a nonprofit organization was granted exemption from state and federal taxes: federal and state exemption applications, determination letters from the Internal Revenue Service (“IRS”) and the State of California, and any correspondence with the IRS or California during the determination process. In addition, records supporting an organization’s state and local sales tax exemptions must also be maintained permanently. Members of the public are entitled to copies of an organization’s exemption application and supporting documents, on request.

GOVERNANCE DOCUMENTS: PERMANENT

An organization’s governance documents include its Articles of Incorporation and all amendments and restatements, Bylaws and all amendments and restatements, minutes of Board of Directors and committee meetings (including all waivers to notice of meetings), written consents of governing bodies, director resignations, and information on any relationships with other affiliated organizations, exempt or non-exempt. All these records must be maintained permanently.

TAX RETURNS: PERMANENT

Tax returns and schedules necessary to support an organization’s tax exemption and compliance with all federal and state income tax requirements, including unrelated business income tax and employment tax, must be maintained for the period in which the applicable statute of limitations is open, which for federal returns is normally three years from the date of filing of the return or the due date, whichever is later. Employment tax records and supporting documentation must be kept for at least four years after the date the taxes become due or were paid, whichever was later. Charities are also required under federal law to maintain copies of their tax returns for at least three years and provide them to members of the public on request.

Because of varying statutes of limitations, the obligation of charities to provide tax returns to members of the public on request, and, more importantly, because tax returns can provide valuable information to Board members and legal counsel about the history and past activities of a charity, all federal and state tax returns and filings must be kept permanently.

FINANCIAL RECORDS: PERMANENT/ACTIVE, PLUS TEN YEARS

Financial records include the following: revenue and expense records, budget and expense reports, accounts payable and receivable records, bank statements, investment reports, general ledgers, audit reports and work papers, audited or unaudited annual financial statements, asset depreciation schedules, cancelled checks, and any other records relating to the preparation of the organization's financial statements.

The audited or unaudited annual financial statements and the annual report should be maintained permanently, while the supporting schedules and documents must be maintained while active, plus an additional ten years.

ORGANIZATION LEGAL DOCUMENTS: VARIABLE

An organization's legal documents include (but are not limited to): deeds, titles, and copyright, patent, and trademark records. All these records must be maintained permanently. Leases and other contracts and agreements unrelated to specific projects or activities should be maintained during the contractual period, plus six years. Licenses must be maintained while active, plus two years. Organizations should keep legal opinions permanently and in a separate confidential file.

GRANTMAKING AND PROJECT-RELATED RECORDS: ACTIVE, PLUS TEN YEARS

Grantmaking records include an organization's annual reports (if any), grantee IRS determination letters and verifications, selection criteria, application materials, evidence of expenditure follow-up, any matching gifts, grant records, and correspondence relating to any contributions. Aside from the annual grant reports, which should be maintained permanently, grantmaking records should be maintained during the duration of the grant, plus ten years.

Project-related records include those records relating to an organization's activities. Records may include: project proposals and descriptions, project reports, Organization publications and promotional literature, legal opinions relating to a specific project or activity, and contracts and agreements relating to each project or activity. These records must be maintained during the duration of the project or activity, plus ten years.

EMPLOYMENT RECORDS: VARIABLE

Employment records include employee applications, background investigation and results, résumés, personnel files, time reports, W-2 forms, withholding exemptions, salary and benefit policy changes, employee accident reports, pension plan records, and termination agreements.

Pension plan records and termination agreements must be retained for six years after expiration. W-2 Forms, W-4 Forms, and SS-8 Forms must be kept for six years. Wage or salary history must also be kept for six years. Records relating to unemployment claims should be maintained for at least eight years, and workers' compensation reports for two years after resolution. All other employment records must be kept for each employee during the employment period, plus three years.

INSURANCE RECORDS: ACTIVE, PLUS TEN YEARS

Insurance records may include: property insurance, liability insurance, directors' and officers' insurance, other umbrella policies, and insurance claim documents. These records must be maintained during the life of the policies (or until settlement of the claim), plus ten years.

LITIGATION RECORDS: ACTIVE, PLUS TEN YEARS

Litigation records include: claims, court documents and records, deposition transcripts, discovery materials, and litigation files. These records must be maintained while the litigation matter is active, plus ten years. *Until a final judgment is rendered in a legal proceeding and all appeals, or time period for appeals, have been exhausted, a litigation matter continues to be active.*

CORRESPONDENCE: FOUR YEARS

General correspondence not related to any of the above categories, including e-mail backup files, must be maintained for at least four years.

ELECTRONIC MAIL: VARIABLE

Electronic mail that needs to be saved should either be:

- (i) printed in hard copy and kept in the appropriate file; or
- (ii) downloaded to a computer file and kept electronically or on a disk as a separate file.

The retention period depends on the subject matter of the e-mail, as covered above.