

ARTICLE V

Conflict of Interest Policy

Section 1. Purpose.

The purpose of this Conflict of Interest Policy is to protect the Organization's interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director 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.

Organization, as a nonprofit, tax-exempt organization, depends on charitable contributions from the public. Maintenance of its tax-exempt status is important both for its continued financial stability and for the receipt of contributions and public support. Therefore, the operations of Organization first must fulfill all legal requirements. They also depend on the public trust and thus are subject to scrutiny by and accountability to both governmental authorities and members of the public.

Consequently, there exists between Organization and its Board, officers, and management employees a fiduciary duty that carries with it a broad and unbending duty of loyalty and fidelity. The Board, officers, and management employees have the responsibility of administering the affairs of Organization honestly and prudently, and of exercising their best care, skill, and judgment for the sole benefit of Organization. Those persons shall exercise the utmost good faith in all transactions involved in their duties, and they shall always ensure the interests of the Organization have the first priority in all decisions and actions in which those persons are involved.

Section 2. Persons Concerned

This Conflict of Interest Policy is directed not only to Board members and officers, but to all employees who can influence the actions of Organization. For example, this includes all who make purchasing decisions, all other persons who might be described as "management personnel," and all who have proprietary information concerning Organization.

Section 3. Key Areas in which Conflict May Arise

Conflicts of interest may arise in the relations of directors, officers, and management employees with any of the following third parties:

- a. Persons and firms supplying goods and services to Organization;
- b. Persons and firms from whom Organization leases property and equipment;
- c. Persons and firms with whom Organization is dealing or planning to deal in connection with the gift, purchase or sale of real estate, securities, or other property;
- d. Competing or affinity organizations;
- e. Donors and others supporting Organization;
- f. Agencies, organizations, and associations that affect the operations of Organization; and
- g. Family members, friends, and other employees of Organization.

Section 4. Nature of Conflicting Interest

A material conflicting interest may be defined as an interest, direct or indirect, with any persons and firms mentioned in the previous paragraph. Such an interest might arise, for example, through:

- a. Ownership or investment interest or holding debt or other proprietary interests in any third party dealing with Organization;
- b. Holding office, serving on the Board, participating in management, or being otherwise employed (or formerly employed) by any third party dealing with Organization;
- c. Receiving compensation for services with respect to individual transactions involving

Organization;

- d. Using Organization's time, personnel, equipment, supplies, or good will other than for approved Organization activities, programs, and purposes; or
- e. Receiving personal gifts or loans from third parties dealing with Organization. Receipt of any gift is disapproved except gifts of nominal value that could not be refused without discourtesy. No personal gift of money should ever be accepted.

Section 5. Interpretation of this Statement of Policy

The areas of conflicting interest listed in the previous paragraph and the relations in those areas that may give rise to conflict, as listed previously are not exhaustive. Conceivably, conflicts might arise in other areas or through other relations. It is assumed the Board, trustees, officers, and management employees will recognize such areas and relation by analogy.

The fact one of the interests described in the previous sections exists does not mean necessarily a conflict exists, or the conflict, if it exists, is material enough to be of practical importance, or if material, upon full disclosure of all relevant facts and circumstances, it is necessarily adverse to the interests of Organization.

However, it is the policy of the Board that the existence of any of the interests previously described shall be disclosed on a timely basis and always before any transaction is consummated. It shall be the continuing responsibility of the Board, trustees, officers, and management employees to scrutinize their transactions and outside business interests and relationships for potential conflicts and to immediately make such disclosures.

Section 6. Disclosure and Procedures

- a. Disclosure should be made according to Organization standards. Transactions with related parties may be undertaken only if all of the following are observed:
 - i. A material transaction is fully disclosed and included in the audited financial statements of the Organization if appropriate;
 - ii. The related party is excluded from the discussion and approval of such transaction;
 - iii. A competitive bid or comparable valuation exists; and
 - iv. The Organization's Board has acted upon and demonstrated the transaction is in the best interest of the Organization.

Staff disclosures should be made to the President of the Board (or if he or she is the one with the conflict, then to the Board), who shall determine whether a conflict exists and is material, and if the matters are material, bring them to the attention of the Board.

Disclosure involving directors should be made to the Board. The Board shall determine whether a conflict exists and is material, and in the presence of an existing material conflict, whether the contemplated transaction may be authorized as just, fair, and reasonable to Organization. The decision of the Board on these matters will rest in their sole discretion, and their concern must be the welfare of Organization and the advancement of its purpose.

- b. The Board's procedures for addressing the conflict of interest should be as follows:
 - i. An interested person may make a presentation at the governing Board meeting, 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.
 - ii. The chair of the Board shall, if appropriate, appoint a disinterested person or task force to investigate alternatives to the proposed transaction or arrangement.

- iii. After exercising due diligence, the Board shall determine whether 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.
 - iv. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the Board shall determine by a simple 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.
 - v. The minutes of the Board shall contain 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 board's decision as to whether a conflict of interest in fact existed.
- c. Violations of the Conflicts of Interest Policy shall be addressed as follows:
- i. If the governing Board or committee 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.
 - ii. If, after hearing the member's response and after making further investigation as warranted by the circumstances, the governing Board or committee determines the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

Section 7. Annual statements.

Each director, principal officer and member of a committee with governing board delegated powers shall annually sign a statement which affirms such person:

- a. Has received a copy of the Conflicts of Interest Policy;
- b. Has read and understands the policy;
- c. Has agreed to comply with the policy; and
- d. 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.

Section 8. Periodic reviews.

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 inurement, impermissible private benefit or in an excess benefit transaction.

Section 9. Use of outside experts.

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