

This is the first 3-pages of our 6-page nonprofit conflict of interest policy. Our nonprofit conflict of interest policy was drafted specifically for nonprofit organizations by a licensed attorney experienced in employment law and is updated regularly.

Our conflict of interest policy is included with our nonprofit employee handbook when you buy it.

You can call with questions at 1-866-901-3142 or order online 24 hours a day at

<http://urgentbusinessforms.com/nonprofit-employee-handbook.asp>

**[Important Note:** Most nonprofits are not required to have a conflict of interest policy. However, having one is good governance policy and may help in obtaining federal (IRS) or state tax-exempt status, or grants or donations from certain individuals and organizations. Therefore, it is common for nonprofits to adopt such a policy and have all directors, officers, and committee members review a copy and then initially and annually sign the attached acknowledgement.

The policy is written as if the nonprofit is a charitable organization organized as a corporation and assuming that the organization already has or intends to seek tax-exempt status. If these assumptions are not accurate, then this conflict of interest policy will require some changes. This policy is not intended for use by hospitals, which should instead consult an attorney for an appropriate conflict of interest policy.

Please delete these instructions prior to printing; otherwise, the page numbering will start with page two.]

## **Conflict of Interest Policy**

**of**

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**(the “Organization”)**

### **Article One**

#### **Purpose**

The purpose of this Conflict of Interest Policy (the “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.

### **Article Two**

#### **Definitions**

##### **Section 2.01 Interested Person**

Any Organization director, member of a committee with governing board delegated powers, or principal officer, who has a direct or indirect financial interest, as defined below, is an Interested Person.

##### **Section 2.02 Financial Interest**

A person has a Financial Interest if the person has, directly or indirectly, through business, investment, or spouse, domestic partner, or relative:

- 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 Section 3.02 of this Policy, 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 Three**

#### **Procedures**

#### **Section 3.01      Duty to Disclose**

In connection with any actual or possible conflict of interest, an Interested Person must disclose the existence of the Financial Interest and be given the opportunity to disclose all material facts to the directors and members of committees with governing board delegated powers considering the proposed transaction or arrangement.

#### **Section 3.02      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, s/he shall leave the governing board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining board or committee members shall decide if a conflict of interest exists.

#### **Section 3.03      Procedures for Addressing the Conflict of Interest**

- a. An Interested Person may make a presentation at the governing board or committee meeting, but after the presentation, s/he shall leave the meeting during the discussion of the transaction or arrangement involving the possible conflict of interest and shall not be entitled to vote on the matter.
- b. The chairperson of the governing board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
- c. After exercising due diligence, the governing board or committee 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 governing board or 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.

**Section 3.04      Violations of the Conflicts of Interest Policy**

- a.     If the governing board or committee has reasonable cause to believe a person has failed to disclose actual or possible conflicts of interest, it shall inform the person of the basis for such belief and afford the person an opportunity to explain the alleged failure to disclose.
- b.     If, after hearing the person's response and after making further investigation as warranted by the circumstances, the governing board or committee determines the person has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

**Article Four**

**Records of Proceedings**

The minutes of the governing board and all committees with board delegated powers 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 governing 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 transaction or arrangement, and a record of any votes taken in connection with the proceedings.