

## ***(2) Conflict-of-Interest Policy***

REASON FOR STATEMENT: XYZ, 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 IRS, as well as state corporate and tax officials, view the operations of XYZ as a public trust that is subject to scrutiny by and accountability to such governmental authorities as well as to members of the public.

Consequently, there exists between XYZ 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 XYZ honestly and prudently, and of exercising their best care, skill, and judgment for the sole benefit of XYZ. Those persons shall exercise the utmost good faith in all transactions involved in their duties, and they shall not use their positions with XYZ or knowledge gained therefrom for their personal benefit. The interests of the organization must have the first priority in all decisions and actions.

PERSONS CONCERNED: This statement is directed not only to board members and officers, but to all employees who can influence the actions of XYZ. For example, this would include all who make purchasing decisions, all other persons who might be described as "management personnel," and all who have proprietary information concerning XYZ.

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:

1. Persons and firms supplying goods and services to XYZ
2. Persons and firms from whom XYZ leases property and equipment
3. Persons and firms with whom XYZ is dealing or planning to deal in connection with the gift, purchase or sale of real estate, securities, or other property
4. Competing or affinity organizations
5. Donors and others supporting XYZ
6. Agencies, organizations, and associations that affect the operations of XYZ
7. Family members, friends, and other employees

NATURE OF CONFLICTING INTEREST: A material conflicting interest may be defined as an interest, direct or indirect, with any persons and firms mentioned in Section 3. Such an interest might arise through

1. Owning stock or holding debt or other proprietary interests in any third party dealing with XYZ
2. Holding office, serving on the board, participating in management, or being otherwise employed (or formerly employed) in any third party dealing with XYZ.
3. Receiving remuneration for services with respect to individual transactions involving XYZ
4. Using XYZ's time, personnel, equipment, supplies, or good will for other than XYZ approved activities, programs, and purposes

5. Receiving personal gifts or loans from third parties dealing with XYZ. 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.

**INTERPRETATION OF THIS STATEMENT OF POLICY:** The areas of conflicting interest listed in Section XXX, and the relations in those areas that may give rise to conflict, as listed in Section YYY, are not exhaustive. Conceivably, conflicts might arise in other areas or through other relations. It is assumed that the trustees, officers, and management employees will recognize such areas and relation by analogy.

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

However, it is the policy of the board that the existence of any of the interests described in Section YYY shall be disclosed before any transaction is consummated. It shall be the continuing responsibility of board, officers, and management employees to scrutinize their transactions and outside business interests and relationships for potential conflicts and to immediately make such disclosures.

**DISCLOSURE POLICY AND PROCEDURE:** Disclosure should be made according to the XYZ standards. Transactions with related parties may be undertaken only if all of the following are observed:

1. A material transaction is fully disclosed in the audited financial statements of the organization;
2. The related party is excluded from the discussion and approval of such transaction;
3. A competitive bid or comparable valuation exists; and
4. The organization's board has acted upon and demonstrated that the transaction is in the best interest of the organization.

Disclosure in the organization should be made to the chief executive (or if she or he is the one with the conflict, then to the board chair), who shall determine whether a conflict exists and is material, and if the matters are material, bring them to the attention of the board chair.

Disclosure involving directors should be made to the board chair, who shall bring these matters, if material, 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 XYZ. The decision of the board on these matters will rest in their sole discretion, and their concern must be the welfare of XYZ and the advancement of its purpose.