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Sample Conflict of Interest Policy

The purpose of the Conflict of Interest policy is to protect [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 applicable state and federal laws governing conflict of interest with regard to nonprofit and charitable organizations.

Definitions

- 1. Interested Person:** Any director, principal officer, or member of a committee with governing board delegated powers, who has a direct or indirect financial interest as defined below.
- 2. Financial Interest:** A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:
 - a. An ownership or investment interest in any entity with which [Organization] has a transaction or arrangement,
 - b. A compensation arrangement with [Organization] or with any entity or individual with which [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 [Organization] is negotiating a transaction or arrangement.

**Compensation includes direct and indirect remuneration as well as gifts or favors that aren't insubstantial.*

A financial interest isn't necessarily a conflict of interest. It is the responsibility of [Organization]'s governing board to decide whether a conflict of interest exists.

Procedures

- 1. Duty to Disclose:** An interested person must disclose the existence of financial interest that may result in an actual or possible conflict of interest and be given the opportunity to disclose all material facts to the governing board considering the proposed transaction or arrangement.

2. Determining Whether a Conflict of Interest Exists: An interested person may make a presentation at the governing board meeting. After disclosure of the financial interest and all material facts, and after discussion with the interested person, he/she shall leave the meeting and the remaining board members shall discuss the facts and determine whether a conflict of interest exists.

3. Procedures for Addressing the Conflict of Interest

- a. The board chairperson shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
- b. After exercising due diligence, the governing board or committee shall determine whether [Organization] can make reasonable efforts to obtain an equally or more advantageous alternative transaction or arrangement that would not give rise to a conflict of interest.
- c. If an equally or more advantageous transaction or arrangement isn't reasonably possible under circumstances not producing a conflict of interest, the governing board shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in [Organization]'s best interest, whether it is fair and reasonable, and whether to enter into the transaction or arrangement.

4. Violations of the Conflicts of Interest Policy

- a. If the governing 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 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.

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 decision as to whether a conflict of interest 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.

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 that, in order for [Organization] to maintain its federal tax exemption, it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

Periodic Reviews

To ensure [Organization] operates in a manner consistent with charitable purposes and doesn't 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 [Organization]'s written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes and don't result in inurement, impermissible private benefit, or in an excess benefit transaction.

Use of Outside Experts

When conducting the periodic reviews, [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.