

What is the Purpose of a Conflict of Interest Policy?

From the IRS Form 1023: The Purpose of a Conflict of Interest Policy

Charitable organizations are frequently subject to intense public scrutiny, especially where they appear to have inappropriately benefited their officers, directors, or trustees. The IRS also has an oversight role with respect to charitable organizations. An important part of this oversight is providing organizations with strategies that will help avoid the appearance or actuality of private benefit to individuals who are in a position of substantial authority. The recommended conflict of interest policy is a strategy we encourage organizations to adopt as a means to establish procedures that will offer protection against charges of impropriety involving officers, directors, or trustees.

A conflict of interest occurs where individuals' obligation to further the organization's charitable purposes is at odds with their own financial interests. For example, a conflict of interest would occur where an officer, director, or trustee votes on a contract between the organization and a business that is owned by the officer, director or trustee. Conflicts of interest frequently arise when setting compensation or benefits for officers, directors, or trustees. A conflict of interest policy is intended to help ensure that when actual or potential conflicts of interest arise, the organization has a process in place under which the affected individual will advise the governing body about all the relevant facts concerning the situation. A conflict of interest policy is also intended to establish procedures under which individuals who have a conflict of interest will be excused from voting on such matters.

Apart from any appearance of impropriety, organizations will lose their tax-exempt status unless they operate in a manner consistent with their charitable purposes. Serving private interests more than insubstantially is inconsistent with accomplishing charitable purposes. For example, paying an individual who is in a position of substantial authority excessive compensation serves a private interest. Providing facilities, goods, or services to an individual who is in a position of substantial authority also serves a private interest unless the benefits are part of a reasonable compensation arrangement or they are available to the public on equal terms and conditions.

Northwest Wall and Ceiling Bureaus Conflict of Interest Policy

Policy on Conflict of Interest

It is in the best interest of the Northwest Wall & Ceiling Bureau to be aware of and properly manage all conflicts of interest and appearances of a conflict of interest. This conflict of interest policy is designed to help directors, officers, employees and board/volunteers of the Northwest Wall and Ceiling Bureau (NWCB) identify situations that present potential conflicts of interest and to provide the Northwest Wall & Ceiling Bureau with a procedure to appropriately manage conflicts in accordance with legal requirements and the goals of accountability and transparency in the NWCB operations.

Conflict of Interest Defined

For purposes of this policy, the following circumstances shall be deemed to create a Conflict of Interest:

- a. A director, officer, employee or volunteer, including a board member (or family member of any of the foregoing) is a party to a contract, or involved in a transaction with the Northwest Wall & Ceiling Bureau for goods or services.
- b. A director, officer, employee or volunteer, (or a family member of any of the foregoing) has a material financial interest in a transaction between the NWCB and an entity in which the director, officer, employee or volunteer, or a family member of the foregoing, is a director, officer, agent, partner, associate, employee, trustee, personal representative, receiver, guardian, custodian, or other legal representative.
- c. A director, officer, employee or volunteer, (or a family member of the foregoing) is engaged in some capacity or has a material financial interest in a business or enterprise that competes with the Northwest Wall & Ceiling Bureau.

Other situations may create the appearance of a conflict, or present a duality of interests in connection with a person who has influence over the activities or finances of the NWCB. All such circumstances should be disclosed to the board or staff, as appropriate, and a decision made as to what course of action the organization or individuals should take so that the best interests of the nonprofit are not compromised by the personal interests of stakeholders in the nonprofit.

Gifts, Gratuities and Entertainment: Accepting gifts, entertainment or other favors from individuals or entities can also result in a conflict or duality of interest when the party providing the gift/entertainment/favor does so under circumstances where it might be

inferred that such action was intended to influence or possibly would influence the interested person in the performance of his or her duties. This does not preclude the acceptance of items of nominal or insignificant value or entertainment of nominal or insignificant value which are not related to any particular transaction or activity of the NWCB

Procedures

Prior to board or committee action on a contract or transaction involving a conflict of Interest, a director or committee member having a conflict of interest and who is in attendance at the meeting shall disclose all facts material to the conflict of interest. Such disclosure shall be reflected in the minutes of the meeting. If board members are aware that staff or other board/volunteers have a conflict of interest, relevant facts should be disclosed by the board member or by the interested person themselves if invited to the board meeting as a guest for purposes of disclosure.

A director or committee member who does not plan to attend a meeting at which he or she has reason to believe that the board or committee will act on a matter in which the person has a conflict of interest shall disclose to the chair of the meeting all facts material to the conflict of interest. The chair shall report the disclosure at the meeting and the disclosure shall be reflected in the minutes of the meeting.

A person who has a conflict of interest shall not participate in or be permitted to hear the boards or committee's discussion of the matter except to disclose material facts and to respond to questions. Such person shall not attempt to exert his or her personal influence with respect to the matter, either at or outside the meeting.

A person who has a conflict of interest with respect to a contract or transaction that will be voted on at a meeting shall not be counted in determining the presence of a quorum for purposes of the vote.

The person having a conflict of interest may not vote on the contract or transaction and shall not be present in the meeting room when the vote is taken, unless the vote is by secret ballot. Such person's ineligibility to vote shall be reflected in the minutes of the meeting. For purposes of this paragraph, a member of the board of directors of the Northwest Wall & Ceiling Bureau has a conflict of interest when he or she stands for election as an officer or for re-election as a member of the board of directors.

Interested persons who are not members of the board of directors of the NWCB, or who have a conflict of interest with respect to a contract or transaction that is not the subject of board or committee action, shall disclose to their supervisor, or the chair, or the chair's designee, any conflict of interest that such interested person has with respect to a contract or transaction. Such disclosure shall be made as soon as the conflict of interest is known to the interested person. The interested person shall refrain from any action that may affect the Northwest Wall & Ceiling Bureau's participation in such

contract or transaction. In the event it is not entirely clear that a conflict of interest exists, the individual with the potential conflict shall disclose the circumstances to his or her supervisor or the chair or the chair's designee, who shall determine whether full board discussion is warranted or whether there exists a conflict of interest that is subject to this policy.

Confidentiality

Each director, officer, employee and board/volunteer shall exercise care not to disclose confidential information acquired in connection with disclosures of conflicts of interest or potential conflicts, which might be adverse to the interests of the Northwest Wall & Ceiling Bureau. Furthermore, directors, officers, employees and board/volunteers shall not disclose or use information relating to the business of Northwest Wall & Ceiling Bureau for their personal profit or advantage or the personal profit or advantage of their Family Member(s).