

# **Cottage Cove Urban Ministries**

## **Conflict of Interest Policy**

### **Article I - Purpose**

The purpose of the conflict of interest policy is to protect Cottage Cove'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.

It is also the purpose of this conflict of interest policy to protect the independent decision making ability of the governing body of Cottage Cove and any committee to which it may delegate its' powers.

### **Article II - Definitions**

#### **1. Interested Person**

Any director, principal officer, or member of a committee with governing board (board of directors) delegated powers, who has a direct or indirect financial interest, as defined below, is an interested person.

For the purposes of the at arm's length provision, as defined below, all members of the governing board, or any committee with governing board delegated powers, is an interested person.

#### **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 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 Article III, Section 2, 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.

#### **3. At arm's length**

At arm's length is a tax concept describing a relationship in which the parties are acting independently of each other. The opposite, not at arm's length, covers people acting in concert without separate interest, including individuals who are related to each other by blood, marriage, adoption, common-law relationships, or close business ties. Any individual substantially or wholly dependant on another individual for support is not at arm's length from that person. Blood relations are considered to be individuals immediately related such as a parent, child, or sibling.

Not being at arm's length may be acceptable provided that the relationship is declared, as defined under Article III, Section I, and that a minimum of seventy-five (75%) of the governing board and any committee with governing board delegated powers must remain at arm's length.

### **Article III - Procedures**

#### **1. 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.

All members of the governing board of Cottage Cove must disclose any not at arm's length relationships with other governing board members, as defined under Article II, Section 3. This disclosure should be made at the commencement of the next meeting in the

event that any changes have taken place since the annual declaration. Additionally, it is the duty of all governing board members to declare any potential not at arm's length relationships when considering new board members.

## **2. 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, he/she 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.

The governing board will maintain a minimum of seventy-five (75%) of the governing board to be at arm's length. This shall normally be accomplished through examining the annual declaration of each member prior to voting on any new member. Should the violation of this at arms length provision be found, through discovery or disclosure, the board may discuss this with the interested person. After any discussion with the interested person, he/she shall leave the governing board or committee meeting while the determination of an at arm's length conflict of interest is discussed and voted upon. The remaining board or committee members shall decide if an at arm's length conflict of interest exists.

All parties found to not be at arm's length shall be factored in calculating the approved ratio. Examples: (1) 10 board members, two are not at arm's length, the ratio is acceptable with 80% being found to be at arm's length. (2) 10 board members, two are not at arms length with each other, plus another two are not at arm's length with each other, the ration is unacceptable as only 60% are not at arm's length. (3) As in the first example, it is a father and son that are the only two not at arm's length. But then, the son now marries another board member. All three are now considered to not be at arm's length, making the ratio unacceptable at only 70%.

## **3. 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, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.
- 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.
- e. If an at arm's length conflict of interest is found to exist, the governing board must resolve it through the voluntary resignation of the interested person or of another board member with whom the not at arm's length relationship exists. It is also permissible to add (through proper and established procedure) additional, at arm's length, members to restore the correct minimum ratio. No more than the time of the next regularly scheduled board meeting shall pass without acting upon this and, until the ratio is restored, the interested party shall not vote on any governing decisions.

## **4. Violations of the Conflicts of Interest Policy**

- a. 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.
- 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.
- c. If an unresolved at arm's length conflict of interest is found to exist, the governing board must resolve it through the duly voted upon removal of the interested person.

## **Article IV - 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. In regards to a not at arm's length conflict of interest; the names of the persons who disclosed or otherwise found the interest, the nature of the interest, any action taken to determine whether the conflict of interest was present, and the governing board's decision as to whether the conflict of interest in fact existed.
- c. 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.

#### **Article V - Compensation**

- a. A voting member of the governing board who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member's compensation.
- b. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member's compensation.
- c. No voting member of the governing board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

#### **Article VI - 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.

#### **Article VII - 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 and the result of at arm's length bargaining.
- b. Whether any 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.

#### **Article VIII - Use of Outside Experts**

When conducting the periodic reviews as provided for in Article VII, 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.

**Cottage Cove Urban Ministries  
Annual Conflict of Interest Information Form**

Name (please print): \_\_\_\_\_ Year: \_\_\_\_\_

List membership in all governing bodies or committees with governing board designated powers:

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If an officer of Cottage Cove, please state office:

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Please describe below any relationships, positions, or circumstances in which you are involved that would place you not at arm's length from any other board members, and potentially contribute to a not at arm's length Conflict of Interest (as defined in Cottage Cove's Conflict of Interest Policy).

Please describe below any relationships, positions, or circumstances in which you are involved that you believe could contribute to a financial Conflict of Interest (as defined in Cottage Cove's Conflict of Interest Policy).

*I hereby certify that the information set forth above is true and complete to the best of my knowledge. I have received, reviewed and understand, and agree to abide by, Cottage Cove's conflict of Interest Policy that is currently in effect. Moreover I understand that Cottage Cove is a charitable organization which must engage primarily in activities which accomplish one or more of its tax-exempt purposes.*

Signature: \_\_\_\_\_

Date: \_\_\_\_\_