



## **CONFLICT-OF-INTEREST OVERVIEW**

The Model Nonprofit Corporation Act requires that the directors of a nonprofit corporation abide by a Duty of Loyalty. Directors must act in the best interest of the organization, not in their own interest. Federal tax law specifically requires that no profits or assets of an exempt organization inure to the benefit of officers and directors or other private individuals.

A fiscally prudent nonprofit organization will adopt a conflict-of-interest policy to ensure that personal benefit is not given to insiders as financial decisions are made. The policy expresses the nonprofit's ethical obligation to use resources solely for the benefit of constituents. Transactions involving insiders are not necessarily prohibited, but they must be fully disclosed and subjected to scrutiny. All relationships and possible self-interest must be revealed and objectively examined.

Conflict of interest is difficult to define, yet many people think they know it when they see it. The legal definition of conflict of interest, usually set out in state laws governing nonprofit corporations, is very specific and covers relatively few situations. Most conflicts fall into a gray area where ethics and public perception are more relevant than statutes or precedence.

Conflict of interest arises whenever the personal or professional interests of a board member are potentially at odds with the best interests of the nonprofit. Such conflicts are common: A board member performs professional services for an organization, or proposes that a relative or friend be considered for a staff position. Such transactions are perfectly acceptable if they benefit the organization and if the board makes the decisions in an objective and informed manner. Even if they do not meet these standards, such transactions are usually not illegal. They are, however, vulnerable to legal challenges and public misunderstanding.

Loss of public confidence and a damaged reputation are the most likely results of a poorly managed conflict of interest. Public confidence is of utmost importance to Grace Commons Foundation's ability to raise funds and to accomplish its mission. Furthermore, the current potential for increased regulatory and legal scrutiny makes it imperative that the board take steps to, as far as possible, avoid even the appearance of impropriety.



## CONFLICT-OF-INTEREST POLICY

### Basic Policy

No director or officer or employee of the Presbyterian Foundation of Boulder dba Grace Commons Foundation (GCF) should have any position or interest, financial or otherwise, which conflicts, or might reasonably appear to conflict, with the proper performance of his or her duties and responsibilities, or which may tend to affect his or her independence of judgment with respect to transactions between GCF and others. We intend to avoid any possible conflict between the personal interests of those that govern and operate the organization, and its constituents.

### Specific Policies

It is impractical to attempt to set forth rules which cover all conceivable situations in which a conflict of interest may arise. The following list of areas is not all-inclusive, but highlights several of the more sensitive areas where problems of conflict of interest are likely to occur:

- Personal investment with Grace Commons Foundation suppliers
- Interest of family members or friends with Grace Commons Foundation suppliers
- Confidential information of Grace Commons Foundation being disclosed outside the organization
- Acceptance of gifts, discounts and entertainment from suppliers
- Acceptance of fees and remuneration from Grace Commons Foundation suppliers
- Borrowing from suppliers for personal use
- Participating in any financial transaction involving with Grace Commons Foundation without a proper financial record of the transaction being made

### Annual Disclaimer

For purposes of implementing this policy statement, each person shall complete and submit an annual disclaimer statement attesting to her or his compliance with the policy.

### Conflict Disclosure

Regardless of this annual statement, each director, officer or employee of Grace Commons Foundation is expected to promptly report the existence of any relationship or interest which might involve, or appear to involve, a conflict of interest, as well as any illegal or improper act coming to her or his attention.

- All conflicts must be disclosed when they occur so board members voting on a decision are aware that another member's interests are being affected.

- The competitive bid form, or similar documentation, must be completed for every potential conflict to ensure that Grace Commons Foundation is receiving fair value in the transaction.
- Transactions may be allowed if they are clearly shown to benefit Grace Commons Foundation, and approved by a two-thirds majority of the directors, not counting the interested party(ies).