

NC Conference of the United Methodist Church Conflict of Interest Policy

Article I

Purpose

The purpose of this conflict of interest policy is to protect the North Carolina Conference of the United Methodist Church's (a nonprofit organization, hereafter referred to as the "Conference") interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the Conference or another Interested Person as defined below, 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.

Board members or other Interested Persons as defined below have a fiduciary duty to exercise good faith in all transactions involving the Conference or one of its Affiliates as defined below. A rule of honest and fair dealing shall apply to transactions between Interested Persons and the Conference. They shall not knowingly use their positions or knowledge gained therefrom to materially or financially benefit, so that a conflict of interest may arise between the Conference's interest and that of any Interested Person.

Article II

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, is an Interested Person. If a person is an Interested Person with respect to any board, committee or corporation controlled or wholly elected by the Conference ("Affiliate" or "Affiliates"), he/she is an Interested Person with respect to the Conference and any other of its Affiliates for the purposes of this policy.

2. Financial Interest

A person has a financial interest if the person has, directly or indirectly, through business, investment, or any family member of such person:

- a. An ownership or investment interest in any entity with which the Conference has a transaction or arrangement,
- b. A compensation arrangement with the Conference or with any entity or individual with which the Conference 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 Conference is negotiating a transaction or arrangement.

For the purposes of this Policy, "compensation" includes direct and indirect remuneration as well as gifts or favors that are not insubstantial, and the term "family member" includes the person's spouse, brothers, sisters, ancestors and lineal descendants.

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.

Article III

Procedures

1. Duty to Disclose

In connection with any actual or possible conflict of interest, an Interested Person must disclose at the earliest possible time 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.

2. Determining Whether a Conflict of Interest Exists

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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 disinterested board or committee members shall decide if a conflict of interest exists.

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 proposed 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 Conference 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 Conference's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination, the governing board or committee shall make its decision as to whether to enter into the transaction or arrangement.

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, or shall refer to the appropriate body to take, appropriate disciplinary and corrective action.

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. 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 Conference for services is precluded from participating in the discussion of, and

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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 Conference for services is precluded from participating in the discussion of, and 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 Conference, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

Article VI Dissemination of Policy

The Conference Treasurer's Office shall be responsible for ensuring that a copy of this Policy is provided to each employee of the Conference and its Affiliates and to each Interested Person as defined above on an annual basis.

Article VII Periodic Reviews

To ensure the Conference operates in a manner consistent with its charitable and religious 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, based on competent survey information and the result of arm's length bargaining.
- b. Whether partnerships, joint ventures, and arrangements with management organizations, if any, conform to the Conference'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 Conference 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.