



**THE COMMUNITY FOUNDATION OF FREDERICK COUNTY
STATEMENT OF POLICY AND GUIDELINES WITH RESPECT TO POTENTIAL
CONFLICTS OF INTEREST FOR TRUSTEES, BOARD COMMITTEE MEMBERS, AND
STAFF**

Approved by the Board of Trustees 9/23/11

The Community Foundation of Frederick County is a nonprofit, charitable organization whose primary mission is to serve as a vehicle for positive and lasting change in Frederick County by building and fostering relationships with generous citizens who aspire to support the common good.

Under applicable laws and its own bylaws, ultimate authority for managing The Community Foundation of Frederick County ("Community Foundation") resides with its Board of Trustees ("Board"), composed of volunteers with a commitment to the betterment of Frederick County, Maryland. The President serves as an ex officio, non-voting member of the Board.

In view of the purposes of the Community Foundation and the nature of its activities, it is possible that members of the Board and volunteers who serve on Board created committees may be in a situation where an outside business, employment, investment, or personal or professional interest conflicts with their fiduciary duty to the Community Foundation. Therefore, the Community Foundation sets forth the following policy.

I. Policy Statement.

The Board is committed to meeting its fiduciary responsibilities; including maintaining its duty of loyalty to the Community Foundation and the community it serves. To this end, the Board will exercise vigilance in identifying any Conflicts of Interest. The Board will also maintain transparency and objectivity in making decisions about Conflicts of Interest so that the Community Foundation's mission is always the first priority.

II. Definitions.

A. Interested Person. For the purposes of applying this policy to any contract, transaction, or arrangement involving the Community Foundation, an *Interested Person* shall be defined as any employee, trustee, officer, volunteer, or member of a committee. Additionally, any parents, domestic partner, children of siblings or brothers and sisters by whole or half blood are understood to be an *Interested Person*.

B. Substantial Influence. It is understood that any individual who receives any monetary benefit or, based on the facts and circumstances of a given situation, is in a position to compel action for any personal interest, will constitute an *Interested Person* as well.

C. Conflict of Interest. A "Conflict of Interest" arises when an interested person is involved in a particular matter as part of his or her official duties with an outside organization with which he or

she also has a financial interest, or one which is imputed to him or her, i.e., the interested person's 1) spouse, 2) minor children, 3) general partner, 4) parent, 5) an organization in which the interested person serves or is negotiating with for prospective employment or interests.

1. A "real conflict" of interest exists when an interested person participates personally in particular matters that have a direct and predictable effect on a financial interest of the employee, or one of the 5 others listed above.
2. An "appearance of a conflict" exists when an interested person is involved in a particular matter involving specific outside parties (including individuals, corporate entities, etc.) and the circumstances are such that a reasonable person with knowledge of the relevant facts would question the employee's impartiality in the matter.

III. Procedures.

A. Duty to Disclose. An Interested Person has a continuing obligation to disclose the existence and nature of any actual, apparent, or potential Conflict of Interest that he or she may have. "Disclosure" is defined as promptly providing a written description (email or letter) of the material facts of the real or apparent Conflict of Interest to the Governance Committee Chairman. The Interested Person with the conflict will recuse him/herself from all deliberations regarding the issue. If the Conflict of Interest involves the Governance Committee Chairman, then he or she is considered the Interested Person and shall submit the written disclosure to the Governance Committee Vice Chairman.

Additionally, each Interested Person will complete and sign an annual Biographical Information and Annual Conflict of Interest Questionnaire. When an Interested Person is made aware of a conflict of interest and referred to the Governance Committee, the Chairman of the Board of Trustees is also notified. Copies of any disclosure will be kept on file and referenced as necessary.

B. Determining Whether a Conflict of Interest Exists and Addressing the Conflict. The Board recognizes there are situations in which the Community Foundation can benefit from contracting with an Interested Person.

The following process will guide Interested Persons when discussing and making decisions about Interested Person transactions:

1. The Governance Committee Chairman (or Vice Chairman if the Chairman is the Interested Person) takes the following steps in addressing Conflict of Interest issues:
 - a. Promptly notifies the Governance Committee and the Chairman of the Board of the reported Conflict of Interest.
 - b. Presides at a meeting (in person or via electronic means) of the Governance Committee to review and prepare a statement of findings and recommendations to the Executive Committee.

- c. Submits Governance Committee statement of findings and recommendations to the Executive Committee for consideration.
 2. The Executive Committee will review the statement of findings and recommendations and determine whether or not to forward the information to the Board.
 3. The Interested Person shall have the opportunity to present relevant information and to answer questions posed by the Governance Committee. The Interested Person shall not vote nor be present for the discussion or the vote regarding the transaction at the Board, Executive Committee or Governance Committee meetings. To prevent actual or perceived influence on the Board's decision, the Interested Person is prohibited, after initial disclosure, from discussing the Conflict of Interest either formally or informally with fellow Trustees or others.
 4. The Board will consider whether the transaction at issue is in the Community Foundation's best interest given the specific circumstances. Consideration shall be given to:
 - a. public perception
 - b. special expertise
 - c. local knowledge
 - d. time constraints
 - e. size and scope of the contract
 - f. the possibility of lower than market pricing
 - g. the potential for future complications and the consequences of such complications
 - h. alternatives to the proposed contract, transaction or arrangement
 - i. risk benefit
 - j. any other criteria that the Board determines appropriate.
 5. At its discretion, the Board may appoint a disinterested person or committee to investigate alternatives to the Interested Person transaction.
 6. The Chairman of the Board (or Vice Chairman if the Chairman is the Interested Person) shall communicate any decisions to the Interested Person.
- C. Violations of the Conflict of Interest Policy. If an Interested Person willfully violates or attempts to violate the Conflict of Interest Policy, the Board will exercise its fiduciary responsibility and take appropriate disciplinary action.
- D. Records of Proceedings. The Governance Committee shall maintain minutes of its procedure reflecting the disclosure, key elements of the discussions, decisions made by the Board and/or committees, and participants in the proceedings.
- E. IRS Compliance. The Community Foundation will comply with all IRS standards and regulations regarding Conflict of Interest.
- F. Annual Review. There will be an annual review of all Interested Person transactions prepared by the Staff and reviewed by the Governance Committee and the full Board of Trustees as a part of the

review of the Form 990. At that time, all Trustees will be reminded of the IRS Intermediate Sanctions Regulation that establishes excise taxes as a sanction against Trustees, volunteers, committee members and staff or tax-exempt organizations who participate in "excess benefit transactions" (e.g., unreasonably high employment compensation or business deals).