

## **Conflict of Interest Policy**

### **Article I Purpose**

The purpose of this policy is to protect the interest of the Foundation for Mohawk Valley Libraries (the Foundation) when the Foundation is contemplating entering into a Transaction or arrangement that might benefit the private interest of a Trustee or other Officer of the Foundation or might result in an excess benefit transaction. This policy is intended to supplement, not replace, any applicable state and federal laws.

### **Article II Definitions**

**OFFICER** means a member of the Board of Trustees of the Foundation, or of any of its committees, excluding advisory committees.

**INTEREST** means a financial or other material benefit which will accrue to the Officer, a Family Member, or a Business Associate from a Transaction. A gift or favor received by the Officer from the other party to the proposed Transaction during the period when the Transaction is being considered also constitutes an Interest in the Transaction.

**FAMILY MEMBER** includes: the Officer's ancestors, descendants, siblings, spouse, or domestic partner; the spouse or domestic partner of any of the Officer's ancestors, descendants, or siblings; and the ancestors, descendants, or siblings of the Officer's spouse or domestic partner.

**BUSINESS ASSOCIATE** means any for-profit or not-for-profit entity of which the Officer is an employee, owner, or member of the governing board, or in which the Officer has a beneficial interest, except that under no circumstances shall the Mohawk Valley Library System or a member library of the Mohawk Valley Library System be considered a Business Associate of any Officer for purposes of this policy. Further, a publicly-traded corporation shall not be considered a Business Associate if the total amount of stock in that corporation owned by the Officer and all the Officer's Family Members and Business Associates is five percent (5%) or less of the issued and outstanding stock of the corporation.

**TRANSACTION** means any contract or other arrangement to which the Foundation is a party.

**INTERESTED OFFICER** means an Officer who has an Interest in a Transaction.

CONFLICT OF INTEREST means that the Officer has a substantial financial interest in the proposed Transaction.

A RELATED PARTY TRANSACTION is a Transaction in which an Officer has any financial interest.

### **Article III Procedures**

1. An Officer who realizes that they may have an Interest in a proposed Transaction being considered by the Board of Trustees or a committee will refrain from discussing the Transaction with other members of the Board or of the committee, except to the extent necessary to disclose the Interest, and will also refrain from seeking in any other way to influence the decision concerning that Transaction.
2. When the Board of Trustees or a committee is considering a Transaction in which an Officer who is a member of the Board or that committee has an Interest, the Interested Officer must, at the earliest opportunity, disclose to the remaining members of the Board or the committee the existence of the Interest and all material facts concerning it.
3. After disclosing the Interest and all material facts concerning it, the Interested Officer shall leave the Board or committee meeting, and the remaining Board or committee members shall review the information provided and determine whether a Conflict of Interest or Related Party Transaction exists.
4. If the Board or committee determines that a Conflict of Interest or Related Party Transaction exists, the Interested Officer shall not be present when the Transaction is discussed and may not participate in the decision whether or not to enter into the Transaction.
5. Before approving or recommending the Transaction, the Board or committee shall conduct a reasonable investigation of the available alternatives to the proposed Transaction. If, from that investigation, it appears that the Foundation cannot with reasonable effort obtain a more advantageous Transaction from a source that would not give rise to a Conflict of Interest or Related Party Transaction, the Board or committee may approve or recommend the Transaction if it determines by the affirmative vote of a majority of the entire Board or of the committee that the Transaction is fair, reasonable, for the Foundation's own benefit, and in its best interest.

6. The minutes of any meeting of the Board or of a committee at which an Officer's Interest in a Transaction is discussed shall include: the name of each Officer who disclosed, or who was otherwise discovered to have, an Interest in the Transaction; the nature of each such Interest; the decision of the Board or committee concerning whether a Conflict of Interest or Related Party Transaction exists; and the rationale underlying the Board's or the committee's decision.

7. The minutes of any meeting at which the Board or a committee discussed a Transaction in which an Officer has an Interest that constitutes a Conflict of Interest or Related party Transaction shall include: the names of all persons who were present during the discussion of the Transaction; the content of the discussion, including any alternatives which were considered; the names of all persons who were present during any vote relating to the Transaction; and a record of each vote.

8. The failure to disclose an Interest in a proposed Transaction is cause for removal from the Board or the committee.

#### **Article IV Initial and Annual Statements**

1. Each Officer shall, before assuming office, sign a statement which affirms that the Officer:

- a. Has received a copy of this policy;
- b. Has read, and understands, the policy;
- c. Has agreed to comply with the policy; and
- d. Understands that the Foundation can maintain its federal tax-exempt status only if it engages primarily in activities which accomplish one or more of its tax-exempt purposes.

2. Each Officer shall, before assuming office and annually thereafter, file with the Foundation's Secretary, a written statement disclosing, to the best of the Officer's knowledge, any of the Officer's Business Associates with which the Foundation has a relationship, and any Transaction in which the Foundation is a participant in which the Officer might have a conflicting Interest.

#### **Article V Periodic Reviews**

1. To ensure that the Foundation operates in a manner consistent with its 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, address:

- a. Whether compensation arrangements and benefits are reasonable, based on relevant survey information, and are the result of arm's length bargaining.
- b. Whether partnerships, joint ventures, and arrangements with management organizations conform to the Foundation's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes and do not result in an impermissible private benefit or an excess benefit transaction.

2. When conducting such reviews the Foundation may, but need not, use outside advisors, but their use shall not relieve the Board of Trustees of its responsibility for ensuring that periodic reviews are conducted.

Adopted: July 18, 2014