

*The United Methodist Stewardship Foundation of Central Pennsylvania*

***CONFLICT OF INTEREST POLICY***

***ARTICLE I.  
GENERAL STATEMENT***

It is recognized that divided loyalties will arise from time to time in charitable organizations if knowledgeable persons with broad experience in investments, stewardship, religious ministries, accounting, legal and other services are attracted to serve as members of the Boards of Directors of those organizations.

Active community persons who serve on much charitable and volunteer board bring knowledge and experience which help organizations like The United Methodist Stewardship Foundation of Central Pennsylvania (“The Foundation”) accomplish more with their programming and increase their asset bases through practiced financial stewardship.

These many relationships argue for a comprehensive policy which gives directors, officers, members of a committee with board-delegated powers, consultants and employees of the Foundation (“Foundation Representatives”) guidance about how to handle scenarios when divided loyalties must be dealt with in accordance with laws of the Commonwealth of Pennsylvania and with concern for the reputation, integrity, and mission of The Foundation.

The duty of loyalty requires Foundation Representatives to exercise their powers in the interest of The Foundation not in their own interest or the interest of another entity or person. The duty of loyalty also requires that Foundation Representatives be conscious of the potential for conflicts of interest and act with candor and care in dealing with such situations.

Conflicts of interest involving a Foundation Representative are not inherently illegal nor are they to be regarded as a reflection on the integrity of the board or of the Foundation Representative. It is the manner in which the Foundation Representative and The Foundation’s Board of Directors deal with a disclosed conflict which determines the propriety of the transaction.

The basic legal principle to be observed here is a negative one: **A Foundation Representative shall not use his/her position with The Foundation for individual personal advantage.**

## ***ARTICLE II. PURPOSE***

The purpose of this Conflict of Interest Policy is **to protect the interest of The Foundation, a Pennsylvania non-profit corporation and a 501(c) organization, when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of The Foundation.** This Policy is intended to supplement, but not replace, any applicable state laws governing conflicts of interest applicable to non-profit and charitable or religious organizations.

This Policy sets forth specific rules for Foundation Representatives to limit their actions involving divided loyalties which could adversely affect the decisions of The Foundation and the collegiality necessary for good governing. **Foundation Representatives are encouraged to take additional actions beyond those specified in this Policy** to handle situations where there are divided loyalties and the strict language of this Policy does not seem adequate to achieve its goals.

For example, Foundation Representatives should not act as advocate for The Foundation for personal charitable causes outside the formal meetings of The Foundation through private contact, communication or discussion. They should not infer to potential donors and investors and other interested parties that they can influence the decision-making processes of The Foundation other than through their regular roles outlined in The Foundation's governing instruments.

Likewise, Foundation Representatives should not put staff members in situations where undue influence can be applied by that Foundation Representative or his/her associates on behalf of a particular organization. The avoidance of an appearance of impropriety should be the test that Foundation Representatives use to govern their conduct beyond the rules of this Policy.

The Foundation's Board of Directors should not assume that a conflict cannot exist for a director who receives no monetary or other tangible benefit from a transaction with The Foundation. **Access to information which could be used for individual profit might put a Foundation Representative in conflict with The Foundation.**

## ***ARTICLE III. DEFINITIONS***

***Interested Person.*** Any Foundation Representative who has a direct or indirect financial interest, as defined below, is an interested person. An indirect interest shall include an interest of a spouse or child or a position of a Foundation Representative, employee or substantial contractor held by a spouse or child.

***Financial Interest.*** A person has a financial interest if the person has, directly or indirectly, through business, investment or family:

- ❖ An ownership or investment interest of 10% or greater in any entity with which The Foundation has a transaction or arrangement, or
- ❖ A compensation arrangement with The Foundation or with any entity or individual with which The Foundation has a transaction or arrangement, excluding the routine payment of dividends and interest from financial institutions, or
- ❖ A potential ownership or investment interest of 10% or greater in, or compensation arrangement with, any entity or individual with which The Foundation is negotiating a transaction or arrangement excluding the routine payment of dividends and interest from financial institutions

Compensation includes direct and indirect remuneration as well as gifts or favors that are substantial in nature.

A financial interest is not necessarily a conflict of interest. Under this Policy, a person who has a financial interest may have a conflict of interest only if the appropriate board or committee decides that a conflict of interest exists.

***Substantial Contractor Relationship.*** A substantial contractor relationship is present when there is any relationship where more than \$5,000 per annum is paid for goods or services to or by the board member, spouse of the board member, and children of the board member, in the aggregate, to the organization or any of its affiliated entities.

***Affiliated entities.*** This includes one-hundred-percent owned subsidiaries, organizations controlled by inter-locking directorates (often found in non-profit settings), and organizations where common control is maintained through nomination and appointments. In general, for non-profit groups, affiliation is present when organizations are required under accounting standards to be included in a single audit.

## ***ARTICLE IV. DISCLOSURE PROCEDURES***

***Duty to Disclose.*** In connection with any actual or possible conflicts of interest, an interested person must disclose the existence and nature of her/his financial interest and must be given the opportunity to disclose all material facts to The Foundation's Board of Directors and members of committees with board-delegated powers considering the actual or proposed transaction or arrangement.

***How to Disclose.*** The Executive Director of The Foundation will prepare an appropriate form which will be used by each director to list present charitable organization

affiliations, including service on different agencies of the United Methodist Church. **This form will be completed upon acceptance of the nomination for membership on The Foundation's Board of Directors and be updated thereafter at the annual Re-organizational Meeting of The Foundation's Board of Directors.** Disclosure should cover involvement in any other governing board, taskforce, advisory council, or a similar group associated with an organization (alumni council, church work area, etc.) and as an officer of an organization.

**In addition, the form will contain similar information about the spouse of the director and will report service of a child of a director as an employee of any such organization.** The forms will be kept on file by The Foundation and shall be available for review by any board member. The form will be provided to each director during each Re-organizational Meeting of the Board of Directors for review and updating annually.

***ARTICLE V.***  
***DETERMINING WHETHER A CONFLICT OF INTEREST EXISTS***

**After the disclosure of the financial interest and all material facts, and after any discussion with the interested person, he/she shall leave the 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.**

Any director who is a director or officer of or has a direct or indirect financial interest (including having a substantial contractor relationship) in a corporation, partnership, association or other organization which is a proposed or actual contracting party or participant in a transaction with The Foundation shall **disclose such relationship to the Committee Chairperson, Board President or Vice President presiding over the meeting considering the contract or transaction as soon as the potential conflict is realized.**

**Any director aware of such conflict shall also disclose the matter to the Committee Chairperson, Board President, Vice President or Executive Director in the absence of disclosure by the affected board member. The Committee Chairperson, Board President, Vice President or Executive Director shall disclose the material facts of the relationship or interest (or request such disclosure by the board member) to the applicable Committee or entire Board of Directors.**

A board member subject to this Policy shall be **entitled to listen to the general presentation of the issue to the committee or board and to provide any additional or corrective factual information deemed relevant by that board member. Following presentation of that factual information, the board member will be excused from the meeting room during further discussion and final action.**

**Any contract or transaction involving such a conflict of interest may be approved by a majority vote of the disinterested board members even though the disinterested board members are less than a quorum.**

**The Board President or Committee Chairperson shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.**

In general, a director's conflict will be cleared of any consequence by first, full disclosure, and second, approval or ratification of the subject action by a disinterested majority of directors. The foregoing principles should guide the board and its members: The first rule is awareness, the second disclosure, and the third is disinterested review.

**After exercising due diligence, the board or committee shall determine whether The Foundation can obtain a more advantageous transaction or arrangement with reasonable efforts from a person or entity that would not give rise to a conflict of interest.**

**If a more advantageous transaction or arrangement is not reasonably attainable under circumstances that would not give rise to a conflict of interest, the board or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in The Foundation's best interest and for its own benefit and whether the transaction is fair and reasonable to The Foundation and shall make its decision as to whether to enter into the transaction or arrangement in conformity with such determination.**

Many statutes uphold the validity of a transaction authorized even when a director had an undisclosed interest therein, if the transaction was "fair", but in the event of litigation, the non-disclosing director, and in some instances, even the disinterested directors who supported the transaction, will have the burden of proving fairness.

## ***ARTICLE VI.***

### ***TREATMENT OF INSIDER TRANSACTIONS***

**In some cases The Foundation's Board of Directors may legitimately choose to deal with an inside supplier of goods and services because of greater familiarity with the supplier's reliability. Although such association with a director providing services might result in extra benefits for The Foundation, The Foundation's records must show that the best interests of The Foundation were the overriding consideration in deciding to use such a supplier.**

**Corporate Opportunity. Before a director engages in a transaction which she/he reasonably should know may be of interest to The Foundation, the director should disclose the transaction to the Board of Directors in sufficient detail and adequate time to enable the board to act or decline to act with regard to such transaction.**

A corporate opportunity arises when a director knows that she/he can participate in a transaction which would plausibly fall within The Foundation's present or future activities. The director should affirmatively present the opportunity to the board before participating in the transaction outside The Foundation. A director should, for her/his self-protection, and as a matter of good corporate practice, **make a clear record of such disclosure and request that the board's abstention (if any) from exercise of the opportunity be explicit and of record.**

## *ARTICLE VII. ADDITIONAL SPECIAL RULES*

**Any member of the Investment Management Committee or Consultant to the Investment Management Committee who has an interest as described herein in an investment manager, advisor or custodial of The Foundation shall not participate in the review of the performance of that manager, advisor or custodian or in any decisions relative to that manager, advisor or custodian.**

**In addition, any Foundation Representative or Consultant to the Investment Management Committee who receives the services of an investment manager, advisor or custodian under contract with The Foundation (or whose spouse receives those services) shall disclose that relationship on the disclosure form.** That relationship (or a service relationship with any entity being considered for a contract as investment manager, advisor or custodian with The Foundation) will be orally disclosed by the Foundation Representative, Chairperson, President, Vice President or Executive Director to the Board or Committee prior to any action taken relative to said investment manager, advisor or custodian.

In some cases, a Foundation Representative may have an interest in a transaction but be unable, because of duties running to others, to disclose the nature of the interest. In such a case, the director should **at least state that such an interest exists, consider leaving the meeting, or at least abstain from the discussion and not vote thereon.** Where the conflicting interest presents so difficult a problem that even the above measures are impossible, the director should consider resigning.

## *ARTICLE VIII. VIOLATIONS OF THE CONFLICTS OF INTEREST POLICY*

**If The Foundation's Board of Directors or any committee of the Foundation has reasonable cause to believe that a Foundation Representative has failed to disclose actual or possible conflicts of interest, it shall inform the Foundation Representative of the basis for such belief and afford the Foundation Representative an opportunity to explain the alleged failure to disclose.**

If, after hearing the response of the Foundation Representative and making such further investigation as may be warranted in the circumstances, The Foundation's Board of Directors or committee determines that a Foundation Representative has in fact failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and correction action.

***ARTICLE IX.***  
***RECORDS OF PROCEEDINGS***

The minutes of The Foundation's Board of Directors and all committees of The Foundation with board-delegated powers shall contain:

- ❖ **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 board's or committee's decision as to whether a conflict of interest in fact existed.**
- ❖ **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 therewith.**
- ❖ **The director having a conflict should record her/his absence from discussion and abstention from a vote relating thereto.**

***ARTICLE X.***  
***COMPENSATION***

A voting member of The Foundation's Board of Directors who receives compensation, directly or indirectly, from The Foundation or The Central Pennsylvania Conference of the United Methodist Church for services is precluded from voting on matters pertaining to that member's compensation.

A voting member of any committee of The Foundation whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from The Foundation or The Central Pennsylvania Conference of the United Methodist Church for services is precluded from voting on matters pertaining to that member's compensation.

***ARTICLE XI.***  
***ANNUAL STATEMENTS***

**Each Foundation Representative, of a committee with board-delegated powers shall annually sign a statement** which affirms that such person:

- ❖ has received a copy of this Conflict of Interest Policy,
- ❖ has read and understands the policy,
- ❖ has agreed to comply with the policy, and
- ❖ understands that The Foundation is a charitable organization and that 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 XII.***  
***PERIODIC REVIEWS***

**To ensure that The Foundation operates in a manner consistent with its charitable purposes and that it does not engage in activities that could jeopardize its status as an organization exempt from federal income tax, periodic reviews shall be conducted.** The periodic reviews shall, at a minimum, include the following subjects:

- ❖ whether compensation arrangements and benefits are reasonable.
- ❖ whether partnership, joint-venture arrangements and arrangements with management service organizations conform to The Foundation's written policies, are properly recorded, reflect reasonable payments for goods and services, further The Foundation's charitable purposes and do not result in inurement or an impermissible private benefit.

***ARTICLE XIII.***  
***USE OF OUTSIDE EXPERTS***

In conducting the periodic reviews provided for herein, The Foundation may, but need not, use outside advisors. **If outside experts are used, their use shall not relieve The Foundation's Board of Directors of its responsibility for ensuring that periodic reviews are conducted.**

***ARTICLE XIV.***  
***CONFIDENTIALITY***

**A Foundation Representative should treat as confidential all matters involving The Foundation and the constituencies it serves until there has been general public**

**disclosure or unless the information is a matter of public record or common knowledge.**

**CERTIFICATE**

I, Donald E. Barnhart, Secretary of The United Methodist Stewardship Foundation of Central Pennsylvania, certify that this Conflict of Interest Policy was adopted at a meeting of the Board of Directors as of this eleventh day of November 2007.

*(Signed original document on file at The Foundation)*

\_\_\_\_\_  
Donald E. Barnhart, Secretary

\_\_\_\_\_  
Dilip Abayasekara, Secretary, 2008

**SIGNATURE:**

PRINT NAME: \_\_\_\_\_

SIGNATURE: \_\_\_\_\_

DATE OF SIGNATURE: \_\_\_\_\_

Attachment: Current list of vendors.

01-15-08