

**CONFLICT OF INTEREST POLICY<sup>1</sup>**  
**OF**  
**THE COMMUNITY ALLIANCE OF SPRING GARDEN-EAST DEUSCHTOWN**  
**(“CASGED”)**

A Pennsylvania Nonprofit Corporation

**ARTICLE I. INTRODUCTION AND PURPOSE**

CASGED (also referred to herein as the “Corporation”) requires its directors, officers, staff and volunteers to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. The Board of Directors (the “Board”) of the Corporation, recognizing that it is entrusted with resources devoted to charitable purposes, has adopted this Conflict of Interest Policy (the “Policy”).

The purpose of this Policy is to protect the Corporation’s interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of a director, officer or other person in a position of authority within the Corporation. The Corporation strives to avoid conflicts of interest to ensure that it continues to operate in accordance with its tax-exempt purpose. This Policy is intended to supplement but not replace any state or federal laws governing conflicts of interest applicable to nonprofit and charitable organizations.

**ARTICLE II. DEFINITIONS**

**Section 1. Duty of Loyalty of Interested Persons.** Conflicts of interest can place personal interests at odds with the fiduciary “duty of loyalty” that an individual owes to the Corporation. The duty of loyalty requires that a director, manager, principal, officer, or member of a committee (“Committee”) with governing board-delegated powers (each, an “Interested Person”), refrain from using his or her position for personal gain and avoid acting on issues in which his or her personal or financial interests could conflict with the interests of the Corporation.

**Section 2. Direct and Indirect Conflicts of Interest.** Conflicts of interest arise from personal relationships or from a financial interest. Conflicts can arise either directly or indirectly. A direct conflict can arise where an Interested Person has a personal or financial interest in any matter involving the Corporation or has a financial or agency relationship (i.e., is

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<sup>1</sup> Based on 2010 document by Public Counsel.

a director, officer, manager, partner, associate, trustee or has a similar agency relationship) with an entity involved in a transaction or other business with the Corporation.

An indirect conflict can arise where someone related to an Interested Person by business affiliation, or a “Family Member” (such as a spouse, parents-in-law, siblings, children, and spouses of siblings or children) of the Interested Person has dealings with the Corporation.

By way of example, an Interested Person has a financial interest if such person has, directly or indirectly, through business, investment or a Family Member:

- (a) an ownership or investment interest in any entity with which the Corporation has a transaction or arrangement;
- (b) a compensation arrangement with the Corporation or with any entity or individual with which the Corporation 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 Corporation is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as non-trivial gifts or favors.

**Section 3. Potential and Actual Conflicts of Interest.** Acts that mix the personal or financial interests of an Interested Person with the interests of the Corporation are indicative of a potential conflict of interest. However, not every potential conflict is an actual conflict. Acts that have even the appearance of a conflict of interest can be damaging to the reputation of the Corporation. Consequently, the Corporation seeks to avoid potential and actual conflicts of interest, as well as the appearance of conflicts. Some potential conflicts of interest can be dealt with using the mitigating approach described in this Policy.

**Section 4. Activities that May Present a Conflict of Interest.** The following is a non-exclusive list of the types of activities that may present a conflict of interest and should be disclosed in accordance with Article III.

- (a) **Adverse Interest.** Participation by an Interested Person in decisions or negotiations related to a contract, transaction or other matter between the Corporation and: (i) the Interested Person; (ii) an entity in which the Interested Person or a Family Member has financial interest; or (iii) an entity with which the Interested Person has an agency relationship.
- (b) **Competing Interests.** Competition by an Interested Person, either directly or indirectly, with the Corporation in the purchase or sale of property or property rights, interests, or services, or, in some instances, competition directly for the same donor or external resources.

- (c) **Use of Resources.** Use of the Corporation's resources (for example, staff, contracts, donor lists, or name) for personal purposes of the Interested Person or a Family Member.
- (d) **Inside Information.** Disclosure or exploitation by an Interested Person of information pertaining to the Corporation's business for the personal profit or advantage of such person or a Family Member of such person or a person/entity with whom the Interested Person has an agency relationship.

**Section 5. Disclosure.** The primary obligation of any person subject to this Policy who may be involved in a conflict of interest situation is to bring it to the attention of the Corporation so that the potential conflict can be evaluated and addressed. An Interested Person must not make the decision about whether a conflict of interest exists unilaterally.

### **ARTICLE III. PROCEDURES TO DISCLOSE AND RESOLVE CONFLICTS**

#### **Section 1. Duty to Self-Disclose.**

- (a) An Interested Person shall disclose all material facts, including the existence of any financial interest, at any time that any actual or potential conflict of interest arises. Disclosure may be made to any Director or the full Board of the Corporation.
- (b) In addition, Interested Persons shall, in accordance with Article VI, make an annual disclosure of on-going relationships and interests that may present a conflict of interest.

**Section 2. Disclosure of Conflicts of Others.** If an Interested Person becomes aware of any actual or potential conflict of interest involving another Interested Person, he or she should report it in accordance with the requirements of this Article III.

#### **Section 3. Evaluation of Potential Conflict.**

- (a) After disclosure of all material facts and any follow-up discussion with the Interested Person with a potential conflict of interest, a determination must be made about whether an actual conflict exists. If the potential conflict is first disclosed during a Board or Committee meeting at which the Interested Person with the potential conflict is in attendance, the Interested Person shall leave the meeting while the potential conflict is discussed and/or voted upon. In either event, the decision-making body will evaluate the disclosures by the Interested Person and will determine on a case-by-case basis whether the disclosed activities constitute an actual conflict of interest. If the disclosure is made outside of the context of a meeting, then the determination of whether a conflict exists will be

referred to the Board for decision and action. Factors the decision-making body may consider when determining whether an actual conflict exists include (i) the proximity of the Interested Person to the decision-making authority of the other entity involved in the transaction, (ii) whether the amount of the financial interest or investment is *de minimis* relative to the overall financial situation of the Corporation, and (iii) the degree to which the Interested Person might benefit personally if a particular transaction were approved.

- (b) If it is determined that an actual conflict exists which also constitutes a “self dealing” transaction as described in Section 4, then the transaction or matter in question can only be authorized if approved by the vote described in Section 6(a) after the Corporation has followed the procedures set forth in Section 5.
- (c) If it is determined that an actual conflict of interest exists which is not a “self dealing” transaction, but involves participation by the Interested Person in decisions or negotiations related to a material contract, transaction or other matter between the Corporation on the one hand and (i) the Interested Person, (ii) an entity in which the Interested Person or a Family Member of such person has financial interest, or (iii) an entity with which the Interested Person has an agency relationship on the other hand, then the matter in question can only be authorized if approved by the vote described in Section 6(b) after the Corporation has followed the procedures set forth in Section 5.
- (d) In all other circumstances where it is determined that an actual conflict of interest exists, the decision-making body will recommend an appropriate course of action to protect the interests of the Corporation.
- (e) All disclosures and the outcome of the deliberation about whether a conflict of interest exists will be recorded in the minutes of the appropriate deliberative meeting.

**Section 4. “Self-Dealing” Transactions.** Self-dealing transactions are those in which an Interested Person has a material financial interest.

**Section 5. Procedures for Addressing a Conflict of Interest.** Prior to voting on a contract, transaction or matter in which an actual conflict of interest is found to exist, the Board or Committee will follow the procedures described in this Section 5.

- (a) The Interested Person may make a presentation at the Board or Committee meeting at which such transaction is being considered, but after the presentation, he or she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.
- (b) The Chairperson of the 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 Board or Committee shall determine whether the Corporation could 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 Board or Committee shall determine whether the transaction or arrangement is in the Corporation's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination, the Board shall make its decision as to whether to enter into the transaction or arrangement by the vote described in Section 6.

**Section 6. Vote Required for Approval of Conflict Transaction.**

- (a) A self dealing transaction must receive prior approval by a vote of a majority of the directors in office, without counting the vote of any interested director, and with knowledge of the material facts of the transaction and the involved director's interest.
- (b) A transaction in which an actual conflict of interest exists but is not a self-dealing transaction must receive prior approval by a majority vote of the disinterested directors or Committee members present at a meeting at which a quorum is present.

**Section 7. Interlocking Directorships.**

Transactions between corporations having common directors are permitted so long as all material facts regarding the transaction and the relevant directorships are known to the respective boards of directors, and the matters are approved in good faith by a vote sufficient without counting the vote of the common director(s). Such transactions are not self-dealing transactions subject to Section 4.

**Section 8. Violations of the Conflict of Interest Policy.**

- (a) If the Board has reasonable cause to believe that an Interested Person has failed to disclose an actual or potential conflict of interest, it shall inform the Interested Person of the basis for such belief and afford the Interested Person an opportunity to explain the alleged failure to disclose.
- (b) If, after hearing the Interested Person's response and after making further investigation as warranted by the circumstances, the Board determines the Interested Person has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

#### **ARTICLE IV. RECORDS OF PROCEEDINGS**

The minutes of the Board or Committee meeting convened to consider a transaction subject to the mitigating procedures described in Article III shall contain:

- (a) The names of the Interested Persons who disclosed or whom otherwise were found to have a financial or other interest in connection with an actual or possible conflict of interest, the nature of the financial or other 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.
- (b) The names of the persons who were present for discussions and votes relating to the transaction or arrangement, notes on 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 voting member of any body whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Corporation for services is precluded from voting on matters pertaining to that member's compensation.

#### **ARTICLE VI. ANNUAL STATEMENTS**

Interested Persons shall make an annual disclosure of on-going relationships and interests that may present a conflict of interest. Disclosures should address current affiliations, as well as affiliations for the prior two years. Where required, conflict of interest disclosure forms will be submitted to the Board annually, and when appropriate, at or prior to action on relevant business transactions.

## SCHEDULE 1: CONFLICT OF INTEREST DISCLOSURE FORM

The undersigned, as a director, manager, principal, officer, or member of a committee with governing board-delegated powers, of the Community Alliance of Spring Garden-East Deutschtown (“CASGED” or the “Corporation”), acknowledges that:

1. he or she has received a copy of the Corporation’s Conflict of Interest Policy (the “Policy”);
2. he or she has read and understands the Policy;
3. he or she has agreed to comply with the Policy;
4. he or she understands the Corporation is charitable and in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes; and
5. the following on-going relationships and interests may present a conflict of interest:<sup>2</sup>

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

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<sup>2</sup> Disclosures must address current affiliations, as well as affiliations for the prior two years, and must include all of the following: the undersigned’s employer, all corporations (nonprofit and for-profit) of which the undersigned is a board member or officer which may present a conflict of interest, and the names of such of the undersigned’s Family Members or business affiliates or any other relationships the undersigned has which the undersigned believes presents a potential conflict.