

X. CONFLICT OF INTEREST POLICY

Revised: 10-01-2018

1. PURPOSE

The purpose of this Policy is to ensure that the Stewart B. Lang Memorial Library (the Library) identifies, evaluates and properly manages potential conflicts of interest as defined herein. This policy is intended to comply with and implement the conflict of interest provisions of state and federal laws and regulations applicable to nonprofit association libraries.

2. POLICY

- 2.1 Library Board members (trustees) shall not derive any personal profit or gain, directly or indirectly, by reason of their participation on the Board.
- 2.2 Other than compensation and approved professional development activities, Library employees shall not derive any personal profit or gain, directly or indirectly, by reason of their employment with the Library.
- 2.3 Trustees and employees shall disclose to the Board any personal interest which they may have in any matter pending before the Board, and shall refrain from participation in any decision on such matters.
- 2.4 Trustees and employees shall not accept any gift or favor which might influence or appear to influence their judgment on any matter affecting the Library.
- 2.5 No trustee or employee shall obtain a Library patron list or other patron data that could result in a personal benefit or otherwise compromise confidentiality.

3. DEFINITIONS

3.1 Potential Conflict of Interest

A potential conflict of interest exists whenever the Library is considering entering into a transaction or arrangement that might:

- Benefit the personal interests of a trustee or employee of the Library;
- Result in an excess benefit transaction; or
- Involve a related party transaction;

3.2 Personal Interest

A Library trustee or employee has a personal interest if they, or any of their immediate family members, have:

- An ownership or investment interest in any entity or individual with which the Library has a transaction or arrangement; or
- A compensation arrangement with any entity or individual with which the Library a transaction or arrangement; or
- A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Library is considering a transaction or arrangement.

3.3 Compensation

Compensation as used in this Policy includes direct and indirect remuneration as well as benefits, gifts or favors that are not insubstantial.

3.4 Excess Benefit Transaction

An excess benefit transaction is a transaction or arrangement in which a nonprofit organization such as the Library provides a disqualified person with a benefit that is worth more than the value of services the organization received from that person.

Disqualified persons include the Library trustees, Library employees, and any other person who was, at anytime during the five years preceding the transaction:

- in a position to exercise substantial formal or informal influence over the affairs of the organization;
- an immediate family member of such a person; or
- an entity in which the person or person's family member owns more than a 35% interest.

The IRS can impose financial penalties on both parties to an excess benefit transaction, and could also revoke the Library's nonprofit status.

3.5 Related Party Transaction

A related party transaction occurs whenever the Library enters into an exchange of goods or services with a Library trustee, with a Library employee, or with an immediate family member of a trustee or employee.

3.6 Immediate Family Member

Immediate family members include a child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law.

4. PROCEDURE

- 4.1 A copy of the latest revision of this Policy shall be provided to each new trustee and employee when they initially join the Library, and annually thereafter during their term of service.
- 4.2 Upon initial receipt of this Policy, and annually thereafter, each trustee and employee shall certify their understanding of and compliance with the Policy by signing and submitting to the Board Secretary a Certificate of Compliance (copy attached).
- 4.3 Whenever a trustee or employee becomes aware of a potential conflict of interest as defined in Section 2 of this Policy the trustee or employee shall promptly make a full written disclosure to the Board Secretary regarding the potential conflict of interest. The Secretary shall provide a copy of the disclosure to the Board President or chairperson.
- 4.4 At the next meeting of the Board following the receipt of any facts or disclosures of a potential conflict of interest, the person who has the potential conflict of interest shall be given the opportunity to present all material facts and supporting information to the Board.
- 4.5 After disclosure of the potential conflict of interest and all material facts, and after any discussion with the interested person, the person shall leave the Board meeting while the potential conflict of interest is discussed and voted upon.

- 4.6 The Board President or chairperson may, if appropriate, appoint a disinterested person or committee to investigate, gather additional information, and develop possible alternatives to the proposed transaction or arrangement.
- 4.7 After exercising due diligence, the Board shall determine whether the Library can obtain with reasonable effort another equally advantageous transaction or arrangement that would not give rise to a conflict of interest. If such an alternative exists the Board shall determine by majority vote whether to proceed with that alternative.
- 4.8 If a more advantageous transaction or arrangement is not reasonably possible, the Board shall:
 - Determine whether proceeding with the original transaction or arrangement would be fair, reasonable, and in the best interests of the Library;
 - Consider possible actions or controls that could prevent or mitigate the effects of the disclosed conflict of interest; and
 - Determine by majority vote whether to enter into the original transaction or arrangement.
- 4.9 The Board's meeting minutes shall include the following information:
 - A description of the transaction or arrangement under consideration;
 - A description of the potential conflict of interest;
 - The name(s) of the person(s) who disclosed or reported the potential conflict of interest;
 - The content of discussions, including any alternative transactions or arrangements that were considered, and a record of any votes taken in connection with the proceedings; and
 - The names of all persons who were present during the Board's discussions and votes.

5. EXCESS BENEFIT TRANSACTIONS

Whenever considering a transaction or agreement with a disqualified person, the Library shall exercise all possible due diligence to ensure that the transaction does not involve an excess benefit. If an excess benefit exists or appear likely to exist, the Library shall not enter into the transaction or arrangement.

6. RELATED PARTY TRANSACTIONS

- 6.1 The Library shall not enter into any related party transaction or arrangement unless the transaction or arrangement has been approved by the Board.
- 6.2 A trustee or employee who has an interest in a related party transaction shall promptly disclose the relevant facts to the Board, and shall not participate in or influence any discussions or decisions regarding the transaction.
- 6.3 All related party transactions must be evaluated by the Board to determine:
 - Whether the terms of the transaction are fair, reasonable, in the best interest of the library and are on the same basis as would apply if the transaction did not involve a related party;
 - Whether there are sound business reasons for the Library to enter into the transaction;
 - Whether the transaction would create an improper conflict of interest for any trustee or employee, taking into account the size of the transaction and the related party's relationship.

6.4 After exercising due diligence, the Board shall determine by majority vote whether to enter into the related party transaction. The Board meeting minutes shall describe the related party transaction, summarize the Board's deliberations and conclusions, and indicate whether the Board approved or disapproved the transaction. The minutes shall include the names of the people who participated in the deliberations and voting.

7. FAILURE TO DISCLOSE

7.1 If the Board has reasonable cause to believe that a Trustee or employee has failed to disclose an actual or possible conflict of interest, the Board shall inform the individual of the basis for such belief and afford that individual the opportunity to explain the alleged failure to disclose.

7.2 If, after hearing the individual's response, and after further investigation as warranted by the circumstances, the Board determines that the individual has failed to disclose an actual or potential conflict of interest, the Board shall take appropriate disciplinary and corrective action.

8. PERIODIC REVIEWS

To ensure the Library operates in a manner consistent with its nonprofit role 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:

8.1 Whether compensation arrangements and benefits are reasonable, are based on competent survey information, and are the result of arm's length bargaining as applicable.

8.2 Whether any partnerships, joint ventures, and arrangements with management organizations conform to the Library'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 an excess benefit transaction.

8.3 When conducting the periodic reviews as provided for in herein, the Library may, but need not, use outside advisors. If outside advisors are used, their use shall not relieve the Library Board of its responsibility for ensuring periodic reviews are conducted.

9. RECORDS

9.1 This Policy shall be retained in the Library's records for as long as it remains in effect.

9.2 The following trustee and employee records shall be maintained for the duration of each person's service with the Library and for a period of five years thereafter:

- Initial and annual Certificates of Compliance.
- Conflict of interest disclosure statements and the associated Board meeting minutes.
- Records of any disciplinary actions taken as a result of a failure to disclose.

Attachment: Certificate of Compliance

Reviewed: 2021-08-02 (no changes)

Conflict of Interest Policy

Certificate of Compliance

I, (Print Name) _____, as an employee or trustee of the Stewart B. Lang Memorial Library, hereby confirm that I have received a copy of the Library's Conflict of Interest Policy with a revision date of _____. I further confirm that I have read, understood, and agree to comply with the subject Policy.

In addition, I understand that the Library is a nonprofit organization that must engage primarily in activities which accomplish its nonprofit purposes in order to maintain its tax exempt status.

Signature

Date

Circle One: Employee (or) Trustee

Forward completed Certificate to the Library Board Secretary