

# UPPER MORELAND FREE PUBLIC LIBRARY

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## CONFLICT OF INTEREST

### I. POLICY

- A. The purpose of this policy is to protect the library’s interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of a trustee or the director of the library and to supplement but not replace any applicable state laws governing conflicts of interest applicable to nonprofit corporations.
- B. In connection with any actual or possible conflict of interest, a trustee or the director must promptly disclose the existence of the conflict and all material facts to the executive committee..
- C. Determining Whether the Conflict is an Actual Conflict of Interest
  - 1. After disclosure of the actual or possible conflict of interest and all material facts, and after any discussion with the interested person, the executive committee shall decide if an actual conflict of interest exists.
    - a. A trustee or the director disclosing the conflict has the right to meet with the executivecommittee to discuss the possible conflict of interest.
    - b. The executivecommittee determines if the disclosed conflict is an actual conflict of interest after exercising appropriate due diligence.
  - 2. A trustee with a possible conflict of interest will abstain from votes at a board meeting related to the possible conflict.
- D. Addressing the Actual Conflict of Interest
  - 1. A trustee or the director with an actual conflict must disclose the conflict of interest to the board and the interested trustee will leave the board meeting while the conflict of interest is deliberated.
  - 2. After exercising due diligence, the board shall determine whether the library 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.
  - 3. 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 shall determine by a majority vote of the disinterested trustees whether the transaction or arrangement is in the library’s best

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interest and for its own benefit and whether it is fair and reasonable to the library.

- E. Failure to Disclose a Conflict
  - 1. If the board believes a trustee or the director has failed to disclose actual or possible conflicts of interest, it shall inform the trustee or the director of the basis for such belief and afford them an opportunity to explain the alleged failure to disclose.
  - 2. If, after hearing the response of the trustee or the director and making such further investigation as may be warranted, the board determines that they have in fact failed to disclose an actual or possible conflict of interest, the board shall take appropriate disciplinary and corrective action.
- F. The minutes of the board shall contain the names of the persons who were present for discussions and votes relating to the transaction or arrangement, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection therewith.
- G. A voting member of the board who receives compensation, directly or indirectly, from the library for services is precluded from voting on matters pertaining to that member's compensation.
- H. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the library for services is precluded from voting on matters pertaining to that member's compensation.
- I. Each member of the board and the director shall annually sign a statement which affirms that such person:
  - 1. Has received a copy of the conflict of interest policy,
  - 2. Has read and understands the policy,
  - 3. Has agreed to comply with the policy, and
  - 4. Understands the library is a non-profit 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
- J. Periodic reviews shall be conducted to ensure the library operates in a manner consistent with non-profit purposes and that it does not engage in activities

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that could jeopardize its status as an organization exempt from federal income tax. Periodic reviews shall include, at a minimum, the following subjects:

1. Whether compensation arrangements and benefits are reasonable, based on competent survey information, and the result of arm's-length bargaining.
2. Whether partnerships, joint ventures arrangements, and arrangements with management service organizations conform to written policies, are properly recorded, reflect reasonable payments for goods and services, further the library's non-profit purposes and do not result in inurement, or impermissible private benefit.
3. If outside experts are used, their use shall not relieve the board of its responsibility for ensuring periodic reviews are conducted.

## II. DEFINITIONS

- A. A conflict of interest is defined as a situation where the library is contemplating entering into a transaction or arrangement that might benefit the private interest of a trustee or the director.
  - B. An actual conflict arises in a situation where financial or other personal or professional considerations compromises a trustee or director's objectivity or occurs if they receive substantial compensation or private interest that would compromise their objectivity.
  - C. A trustee or the director has a financial interest if the person has, directly or indirectly, through business, investment, or family:
    1. An ownership or investment interest in any entity with which the library has a transaction or arrangement, or
    2. A compensation arrangement with the library or with any entity or individual with which the library has a transaction or arrangement, or
    3. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the library is negotiating a transaction or arrangement
  - D. Compensation includes direct and indirect remuneration as well as gifts or favors.
- III. RESPONSIBILITY: The director shall establish necessary procedures to comply with this policy.