

HOPKINS BAND AND ORCHESTRA BOOSTERS

CONFLICT OF INTEREST POLICY

Adopted May 31, 2015

Article I: Purpose

The purpose of this conflict of interest policy is to foster public confidence in the integrity of **Hopkins Band and Orchestra Boosters** (the "Organization") and to protect this tax-exempt Organization's interest when it is contemplating entering into a transaction (defined below) or arrangement that might benefit the private interest of a director or an officer of the Organization or might result in a possible excess benefit transaction. This policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to nonprofit and charitable organizations.

Article II: Definitions

1. **Interested Person**. Any director, board officer, member of a committee with governing board delegated powers, president, chief executive officer, chief operating officer, treasurer and chief financial officer, executive director, or any person with the responsibilities of any of these positions (whether or not the person is an officer of the Organization under the Organization's Bylaws and the California Corporations Code), who has a direct or indirect financial interest, as defined below, is an interested person.
2. **Financial Interest**. A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:
 - a. An ownership or investment interest in any entity with which the Organization has a transaction or arrangement,
 - b. A compensation arrangement with the Organization or with any entity or individual with which the Organization 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 Organization is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.

A financial interest is not necessarily a conflict of interest. Under Article III, Section 2, a person who has a financial interest may have a conflict of interest only if the appropriate governing board or committee decides that a conflict of interest exists.

A *conflict of interest* is present when, in the judgment of the Board of Directors, a person's stake in the transaction is such that it reduces the likelihood that his or her influence can be exercised impartially in the best interests of the Organization.

Article III: Procedures

1. Duty to Disclose

In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the directors and members of committees with governing board delegated powers considering the proposed transaction or arrangement. Such disclosure shall be made promptly upon the interested person's learning of the proposed transaction or arrangement.

2. Determining Whether a Conflict of Interest Exists

After disclosure of the financial interest and all material facts, and after any discussion with the interested person, he/she must leave the governing 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. The interested person(s) involved with the transaction or arrangement shall not be present during the Board's discussion or determination of whether a conflict of interest exists, except as provided in Section 3, Procedures for Addressing a Conflict of Interest below.

3. Procedures for Addressing a Conflict of Interest

The Board shall follow the following procedures to decide what measures are needed to protect the Organization's interests in light of the nature and seriousness of the conflict, to decide whether to enter into the transaction or arrangement and, if so, to ensure that the terms of the transaction or arrangement are appropriate.

- a. An interested person may make a presentation at the governing board or committee meeting, but after the presentation, he/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 governing 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 governing board or committee shall determine whether the Organization can 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 governing board or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the Organization's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination it shall make its decision as to whether to enter into the transaction or arrangement.

4. Violations of the Conflict of Interest Policy

- a. If the governing board or committee has reasonable cause to believe a member has failed to disclose actual or possible conflicts of interest, it will inform the member of the basis for such belief and give the member an opportunity to explain the alleged failure to disclose.
- b. If, after hearing the member's response and after making further investigation as warranted by the circumstances, the governing board or committee determines the member has failed to disclose an actual or possible conflict of interest, it will take appropriate disciplinary and corrective action.

Article IV: Records of Proceedings

The minutes of any meeting of the governing board and all committees with board delegated powers pursuant to this policy shall contain:

1. The name of each person who disclosed or was otherwise determined 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 existed, the governing board's or committee's decision as to whether a conflict of interest in fact existed, and the decision and the basis for the decision of each individual voting member who votes on whether a conflict of interest in fact existed.
2. The names of the persons who were present for discussions, the content of the discussion, any alternatives to the proposed transaction or arrangement, any comparability data or other information obtained and how such information was obtained, a record of any votes taken in connection with the proceedings, including, if applicable, the terms of the transaction or arrangement that was approved and the date it was approved.

Article V: Compensation

1. A voting member of the governing board who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member's compensation.
2. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member's compensation.

3. No voting member of the governing board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

4. The compensation arrangements presented for approval must be in writing and are required to include, without limitation, the date and terms of the compensation arrangements.

5. The Organization shall consider and base approval of compensation arrangements on information including, but not limited to, compensation paid by similarly situated taxable or tax-exempt organizations for similar services, current compensation surveys compiled by independent firms, or actual written offers from similarly situated organizations. The information and the source on which the Organization relies for its decision shall be recorded in the meeting minutes.

6. The compensation arrangements must be approved in advance of payment of any compensation.

7. The decision and the basis for the decision of each individual voting member who votes on a compensation arrangement will be recorded in the meeting minutes as required under the Organization Bylaws.

Article VI: Annual Disclosure and Compliance Statements

Each director, each principal officer, and each member of a committee with governing board delegated powers will annually sign a statement which affirms 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 Organization 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.

Article VII: Periodic Reviews

To ensure that the Organization operates in a manner consistent with charitable purposes and its status as an organization exempt from federal income tax, the Board shall authorize and oversee periodic reviews of the administration of this conflict of interest policy. The review may be written or oral.

The review shall, at a minimum, include the following:

1. Consider the level of compliance with this policy, the continuing suitability of this policy, and whether this policy should be modified and improved.
2. Whether compensation arrangements and benefits are reasonable, based on competent survey information, and the result of arm's-length bargaining.

3. Whether partnerships, joint ventures, and arrangements with management organizations conform to the Organization's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes and do not result inurement, impermissible private benefit or in an excess benefit transaction.

Article VIII: Use of Outside Experts

When conducting the periodic reviews as provided for in Article VII, the Organization may, but need not, use outside experts. If outside experts are used, their use shall not relieve the governing board of its responsibility for ensuring periodic reviews are conducted and comply with California law.

HOPKINS BAND AND ORCHESTRA BOOSTERS

CONFLICT OF INTEREST POLICY ACKNOWLEDGMENT AND FINANCIAL INTEREST DISCLOSURE STATEMENT

Hopkins Band and Orchestra Boosters (the "Organization") follows a conflict of interest policy designed to foster public confidence in our integrity and to protect our interest when we are contemplating entering a transaction or arrangement that might benefit the private interest of a director, a corporate officer, our top management official and top financial official.

Part I. Acknowledgment of Receipt

I hereby acknowledge that I have received a copy of the conflict of interest policy of Hopkins Band and Orchestra Boosters (the "Organization"), that I have read and understood it, I agree to comply with its terms, and I understand that the Organization 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.

Printed Name

Date

Signature

Part II. Disclosure of Financial Interests

We are required annually to file Form 990 with the Internal Revenue Service, and the form we file is available to the public. To complete Form 990 fully and accurately, we need each officer and director to disclose the information requested in this Part II.

A “conflict of interest,” for purposes of Form 990, arises when a person in a position of authority over an organization, such as an officer or director, may benefit financially from a decision he or she could make in such capacity, including indirect benefits such as to family members or businesses with which the person is closely associated.

Please disclose all financial interests requested in this Part II (continue on separate sheet if needed):

Adopted by resolution of the Board of Directors on May 31, 2015.