

Conflict of Interest Policy 004

Y-Squalicum Water Association, Inc

SECTION 1. PURPOSE

The purpose of the conflict of interest policy is to protect the interests of this corporation when the corporation is contemplating entering a transaction or arrangement that might benefit the private interest of an officer, committee member, or Trustee of this corporation. This policy is intended to supplement, but not replace, any applicable laws governing conflicts of interest applicable to nonprofit and charitable corporations including any provisions in Washington State Nonprofit Corporation Law and Guidance found in the Washington Nonprofit Handbook 9th Edition or more current.

SECTION 2. DEFINITIONS

1. Conflict of Interest

Conflict of Interest is a set of circumstances that creates a risk that professional judgment or actions regarding the execution of Board Members', Employees' and/or Committee members' primary fiduciary or delegated responsibility to the Y-Squalicum Water Association might be unduly influenced by a secondary interest. Secondary interests includes personal benefit and is not limited to only financial gain but also such motives as the desire for professional advancement, political and other organizational agendas, advancement of personal beliefs and values, or the wish to do favors for family and friends. These secondary interests are not treated as wrong in and of themselves, but become objectionable when they are believed to have greater weight than the primary interests.

2. Duty of Loyalty

Duty of Loyalty is a Trustee's duty to administer the Trust solely in the interest of the Y-Squalicum Association Members, putting the corporation's interests ahead of their own. It generally prohibits a Trustee, Employee, or Committee Member from engaging in transactions that might involve Self-Dealing or even an appearance of conflict of interest. Furthermore, it requires a fiduciary to deal with transparency regarding material facts known to them in interactions with the Association Members and or other Board Members, Employees, Committee members. Corporate fiduciaries breach their duty of loyalty when they divert corporate assets, opportunities, or information for personal gain.

3. Self Dealing

Self Dealing is when an Official who controls an organization causes it to enter into a transaction with the official, or another organization that benefits the official only. The official is on both sides of the deal.

4. Interested Person(s)

An interested person(s) is any principal officer, trustee, member of a committee, or employee, with Board delegated powers that has a direct or indirect financial interest, or, who is in a position to corrupt the primary purpose of the Y-Squalicum Water Association.

5. Financial Interest

A person has a financial interest if the person has, directly or indirectly, through business, investment or family (i.e., spouse, children, parents or siblings).

- a. an ownership or investment interest in any entity with which this corporation has a transaction or arrangement; or
- 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 this corporation is negotiating a transaction or arrangement; or
- d. dual responsibilities in being a Board member and an employee such as developing budgets, managing the Association's system, executing contracts and managing funds.

6. Personal Conflict of Interest

A personal conflict of interest is a situation in which a Board Member, Employee, or Committee Member who is in a position of trust, has a competing professional or personal interest. Such competing interests can make it difficult to fulfill his or her Association duties impartially. A conflict of interest exists even if no unethical or improper act results.

7. Compensation

Compensation includes direct and indirect remuneration, as well as gifts or favors. A limit for remuneration would be \$50.

8. Private Inurement

The Association must be operated in such a manner that none of the Association's assets "inures to the benefit" of any private individual. Private inurement occurs when a person, who is an "insider" with respect to the Association, such as an officer or director, derives a benefit from the Association without giving something of at least equal value in return. The IRS may revoke an organization's tax-exempt status if any private inurement occurs. As a technical matter, there is no de minimis (very small in nature) exception.

SECTION 3. 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, personal/competing interests, personal relationships, political or other organizational affiliations, and, be given the opportunity to disclose all material facts to the President of the Board for conflict of interest issues that pertain to Board members and to the Committee's Chair for conflict of interest issues pertaining to the Committee members. If the Committee Chair finds cause, it shall be reported along with recommendations to the Board and recorded with the Secretary.

2. Determining Whether a Conflict of Interest Exists

After disclosure of the financial, personal and or organizational interests and all material facts, and after any discussion with the interested person, he/she shall 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 by majority vote.

3. Procedures for Addressing the Conflict of Interest

- 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 Association 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. The governing board or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in corporation'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 trustee, employee, or committee member has failed to disclose actual or possible conflict of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.
- b. If, after hearing the board member's, employee's and or committee member's response to the alleged violation, and after making further investigation as warranted by the circumstances, if the governing board or committee determines that the individual(s) has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and or corrective action, such as counseling, sanctions, limitations of duties/travel, revocation of Committee or Board membership status and or in a last case be referred for civil/criminal action. The Board shall consult with an independent mediator/arbitrator as may be necessary.
- c. A director or officer of the Association is not individually liable for any discretionary decision or failure to make a discretionary decision within his or her official capacity as a director or officer unless the decision or failure to decide constitutes gross negligence, and or is not consistent with the severity of the violation and or does not address the root cause and subsequent recurrences.

SECTION 4. RECORDS OF PROCEEDINGS

The minutes of the governing board and all committees with board delegated powers shall contain:

1. The names of the persons who disclosed or otherwise were found to have a financial and or personal interest in connection with an actual or possible conflict of interest, the nature of the financial and or personal interest, any action taken to determine whether a conflict of interest was present, and the governing board's or committee's decision as to whether a conflict of interest in fact existed.
2. 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 (rollcall) taken in connection with the proceedings.

SECTION 5. COMPENSATION

1. A voting member of the governing board who receives compensation, directly or indirectly, from the corporation 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 corporation for services is precluded from voting on matters pertaining to that member's compensation.
3. Private Inurement by any Board Member, Employee or Committee Member is prohibited.

SECTION 6. RULES FOR CONFLICT AVOIDANCE

1. Board members and employees of the corporation may not be related. This includes immediate family, spouse, children, parents or siblings.
2. Board members may not be related to other Board members. This includes immediate family, spouse, children, parents or siblings.
3. Board Members may not serve as paid employees of Association at the same time.
4. Transactions, information access, and arrangements that affect and or are in behalf of the Association shall be discussed within the Board meetings and or documented in memorandums to the Association files with all Board members copied.
5. Association expenditures cannot be submitted by the same person who is in a position to authorize payment.
6. The Association may not enter into a contract for services or work that is not budgeted without Board knowledge and pre-approval.
7. The funds of the Association cannot be used to violate the rights and privileges of one of its members as defined by the Association's Articles of Incorporation, By Laws and Policies.
8. No Board Member shall release Association proprietary financial information outside of the Association's contracted accounting and auditing vendors as a unilateral action that was not previously approved by the Board.

SECTION 7. ANNUAL DISCLOSURE

Each Board Member, Officer, Employee, and Committee Member shall upon assuming Association functions and annually thereafter, verify that they:

- a. Have received a copy of the conflict of interest policy,
- b. Have read and understand the policy,

- c. Have agreed to comply with the policy,
- d. Agrees that if his/her financial or personal interest changes, he/she shall notify the Association of such changes as soon as possible.
- e. Understands that the Association is a not-for-profit organization 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.
- f. Complete the Annual Written Disclosure Form upon assuming Board, Employee, or Committee functions.

Process and Procedures for Determining
Appropriate Disciplinary and Corrective Action
(To Be Developed)

ANNUAL CONFLICT OF INTEREST
WRITTEN DISCLOSURE FORM

This Annual Conflict of Interest Written Disclosure Form is designed to guide those that are in service to the Association either voluntarily or paid, to identify if a perceived or real conflict of interest exists. Answering the questions below carefully and truthfully ensures that interests of the Association are consistent with Duty of Loyalty, unbiased Fiduciary responsibility and represents the sole the interests of the Association Members.

1. NAME OF EMPLOYEE, COMMITTEE MEMBER OR BOARD MEMBER: (Please print)

2. CAPACITY(check all that apply):

- Board Trustee
- Board President
- Board Vice President
- Water Manager
- Treasurer
- Secretary
- Committee Member

Do you understand the limits of your function as defined by Association's governing documents: Articles of Incorporation, By Laws, Policies and guidance from the State of Washington Nonprofit handbook?

YES NO

3. How many positions do you hold in the Association?

List here

4. Do you have overlapping duties and or have you been directly involved with any Association functions outside of your specific assigned function?

List here

5. Are you related to any member of the Association as listed above in item 2.?

YES NO

If yes, please describe the nature of the relationship with that person:

6. Are you aligned with, and or have held an office or function with a political or social organization, or special interest groups or persons whose ideology, involvement in legal proceedings, legislation or lobbying may influence or impact this organization?

YES NO

If yes, please describe the nature of the relationship, the name of and your relationship with the interested individual, and what influence or impact this has or may have on the Association:

7. Have you purchased and or are an interested person that has benefitted from services obtained on behalf of the Association, in the past year?

YES NO

If yes, please describe the purchased services and how you or any interested persons or any related family member or affiliated group or interest benefited directly or indirectly from these services:

8 Have you or any of your interested persons had any direct or indirect interest in any business transaction(s) in the past year to which the Association was or is a party?

YES NO

If yes, describe the transaction(s) and how the affiliated person is involved, the identity of the affiliated person and your relationship with that person:

9. Were you or any of your interested persons indebted to the Association at any time in the past year?

YES NO

If yes, please describe the indebtedness and if an affiliated person is involved, the identity of the affiliated person and your relationship with that person:

10. In the past year, did you or any of your interested persons receive, or become entitled to receive, directly or indirectly, any personal benefits from the Association or as a result of your relationship with _____, that in the aggregate could be valued in excess of \$50, that were not or will not be compensation directly related to your duties to as _____?

____ YES ____ NO

If yes, please describe the benefit(s) and if an interested person is involved, the identity of the interested person and your relationship with that person:

11. Are you aware of any other events, transactions, arrangements or other situations that have occurred or may occur in the future that you believe should be examined by the Association Board of Trustees, Committees, Officers or Auditors in accordance with the terms and intent of the Association's Conflict of Interest Policy, governing documents and State and Federal Laws?

____ YES ____ NO

If yes, please describe the situation(s) and if an interest person is involved, the identity of the interested person and your relationship with that person:

I HERBY CONFIRM that I have read and understand the Association's Conflict of Interest Policy and that my responses to the above questions are complete and correct to the best of my information and belief. I agree that if I become aware of any information that might indicate that this disclosure is inaccurate, or, that I have not complied with this policy, I will notify the designated Trustee Chair, Officer or Committee Chair immediately.

Signature _____ Date _____.

Process and Procedures for Determining

Appropriate Disciplinary and Corrective Action

(To Be Developed)