CONFLICT OF INTEREST POLICY

CODE OF CONDUCT

I. Introduction

The Community Foundation of Northeast Alabama is a publicly supported charitable foundation serving the communities in Calhoun County, Alabama and northeast Alabama and is dedicated to its mission of expanding private philanthropy in these communities. The Foundation operates within public trust and strives to maintain current and nationally recognized standards of conduct in all of its operations.

The Foundation recognizes that it can best accomplish its mission when the Board of Trustees, officers, volunteer committee members, staff and other groups associated with the Foundation represent the diverse interests, cultures, occupations and expertise of the community. Thus, the Foundation recognizes that members of the Board of Trustees and others representing or affiliated with the Foundation will from time to time face potential conflicts of interest or situations in which the appearance of a conflict of interest could be detrimental to the Foundation and the communities it serves. The Foundation adopts this Code of Conduct in recognition of its responsibility to the public trust, in recognition of the importance of fairness and objectivity in its conduct of business, as a means of assuring that every decision of the Foundation is made in the interest of the Foundation and the communities it serves and as a means of publicly codifying its expectations of Board, staff and volunteers, and others serving the Foundation.

This Code of Conduct applies to all persons holding positions of responsibility and trust on behalf of the Foundation, including but not limited to members of the Board of Trustees, volunteer committee members, members of the boards of Supporting Organizations or Affiliate Community Funds to the Foundation, and members of the Foundation staff (hereinafter "Members"). This Code of Conduct shall be provided to each Member at the time he or she is asked to serve the Foundation.

Annually, all trustees, volunteers and employees will be required to complete a Conflict of Interest Disclosure Statement identifying any positions held personally or any immediate family member (parent, spouse, or child) having affiliations with any organization using the following guidelines:

II. General Policies and Expectations

The purpose of the Conflict of Interest Policy is to protect the Foundation's interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of a Member. Members of the Foundation are expected to commit themselves to ethical and professional conduct. This includes the proper use of authority and appropriate decorum.

This policy is intended to supplement, but not replace, any applicable state laws governing conflicts of interest applicable to nonprofit and charitable foundations. This policy is not intended as a substitute for the "disqualified persons" or "self-dealing" prohibitions established by Federal law and the Internal Revenue Service Code. Moreover, this policy is an expression of the legal duty of loyalty defined, in the attached legal summary Serving on the Board of Directors of an Alabama Charitable Organization, as one of the three paramount legal duties of Trustees and Officers. In addition, Members must represent unconflicted loyalty to the interest of the Foundation. This accountability
supersedes any conflicting loyalty such as that to advocacy or interest groups, business interests, personal interests or paid or volunteer service to other organizations. It also supersedes the personal interest of any staff or volunteer member acting as a consumer or client of the Foundation's services.

It is the policy of the Foundation that no Member shall derive any personal profit or gain, directly or indirectly, by reason of his or her service to the Foundation.

There may be no self-dealing or any conduct of private business or personal service between any Member and the Foundation except those conducted in an open and objective manner to ensure equal competitive opportunity and equal access to information.

Board members or volunteer committee members must not use their positions to obtain employment in the Foundation for themselves, family members or close associates. Should a Board or volunteer committee member desire employment, he or she must first resign.

**DEFINITIONS**

1. **Conflict of Interest**

A conflict of interest is considered an activity or interest that may cause bias due to a desired outcome that may or may not result in a less favorable outcome for the Foundation.

2. **Interested Person**

Any trustee, officer, or member of a committee with board delegated powers or employee who has a direct or indirect private or financial interest, as defined below, is an interested person. This could include any position held presently or in the recent past, investment or ownership in any business, avocation or other activity that may result in a possible impartial opinion.

3. **Financial and Other Interests**

A person has a private interest if the person has a direct or indirect desired outcome based on competing dualities resulting from business, investment or family interest such as:

   a. Any role (significant donor, board member, volunteer, advocate or advisor) held personally or by an immediate family member with any nonprofit or community organization currently or within the past three years.

   b. Any ownership or investment interest held personally or by an immediate family member with any entity currently or within the past year, which the Foundation has or is negotiating a transaction, contract, grant or arrangement.

   c. Any potential ownership or investment interest held personally or by an immediate family member in any entity or with any individual with which the Foundation is negotiating a transaction, contract or arrangement.

   d. Any intention to influence, directly or by voting power, grant recipients or grantmaking activities of the Foundation where the grant could potentially inure, in part or in whole, to personal benefit, family benefit or benefit an entity where the individual or family member is an officer, board member, or employee.
e. Any consulting work or other compensation with organizations that may create an interest or bias with respect to grant funding. Compensation includes direct and indirect remuneration as well as gifts or favors that are substantial in nature.

f. Any intention to influence, directly or by voting power, scholarship recipients or scholarship award activities of the Foundation where the scholarship could potentially inure, in part or in whole, to personal benefit of the individual, a family member or the secondary school or institution of higher learning where the individual or family member is an officer, board member, or employee.

g. Any visible leadership position in a community-wide fund raising campaign engaged by an employee of the Foundation in which the Foundation is not the beneficiary.

h. Any Foundation employee serving as a trustee, director, or officer of, or in any other official capacity with, any organization or institution which has received a grant in the past or might reasonably be expected to apply for a grant in the future from the Foundation unless such participation has been specifically authorized by the Chairman of the Board and the President/CEO, and with full knowledge of the Board of Trustees. A grant is defined for the purpose of this policy statement as a distribution subject to a competitive grant application process.

i. Any drafting of a grant proposal or scholarship application to the Foundation on behalf or for the benefit of another entity or individual by Board members or Foundation employees.

**PROCEDURES**

1. **Duty to Disclose**

   In connection with actual or possible conflict of interest, an interested person must disclose the existence and nature of his or her private interest to the trustees and or members of committees with board delegated powers enabling them to consider action on the proposed transaction or arrangement.

2. **Determination Whether a Conflict of Interest Exists**

   The interested person has the primary responsibility to determine the existence of a conflict of interest. If the interested person determines that there is a conflict of interest, he or she must disclose it, and must disqualify him or herself. If the person is uncertain as to existence of an actual or possible conflict of interest, that person must disclose it, and request adjudication by the Board or committee.

   After disclosure of the private interest, the interested person shall leave the Board or committee meeting while the private interest is discussed. The remaining Board or committee members shall decide if a conflict of interest exists.

3. **Procedures for Addressing the Conflict of Interest**

   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.

   After exercising due diligence, the Board or committee shall determine whether the Foundation 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.
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 or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the Foundation's best interest and for its own benefit and whether the transaction is fair and reasonable to the Foundation and shall make its decision as to whether to enter into the transaction or arrangement in conformity with such determination.

4. Violations of the Conflict of Interest Policy

If the Board or committee chairperson has reasonable cause to believe that a 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.

If, after hearing the response of the member and making such further investigation as may be warranted in the circumstances, the Board or committee chairperson determines that the member has in fact failed to disclose an actual or possible conflict of interest, it shall direct the issue to the Governance Committee for further action.

**RECORDS OF PROCEEDINGS**

Any possible conflicts shall be disclosed before discussion begins. The minutes of the meeting shall reflect this disclosure. After acknowledging the potential conflict, the interested person may briefly address the other members regarding this matter. The interested person may also answer pertinent questions since personal knowledge on the issue may be of assistance to the other members in reaching their decisions. The interested person will leave the meeting during additional discussion and abstain from voting on this issue. For grantmaking and scholarship decisions where conflicts of interest exist, the trustees or members will vote on each grant or scholarship request separately, noting and addressing any conflicts at the time of each vote.

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

a. The names of the persons who disclosed or otherwise were found to have a private interest in connection with an actual or possible conflict of interest, the nature of the private 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, and

b. 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 taken in connection therewith.

**COMPENSATION COMMITTEES**

A voting member of the Board and any committee, whose jurisdiction includes compensation matters, is precluded from voting on matters pertaining to personal compensation if the member receives compensation or consulting fees directly or indirectly from the Foundation.

Approved: May 3, 2005