

## **John T. Gorman Foundation**

### **Conflict of Interest Policy**

#### **Purpose**

The purpose of this conflict of interest policy (Policy) is to protect the John T. Gorman Foundation's (the "Foundation") interests when it does business that might benefit an individual or entity. This policy is intended to supplement, but not replace, any applicable state and federal laws governing conflicts of interest.

#### **Restrictions**

1. **Conflict of Interest** - Interested persons have a duty to disclose any actual or potential conflict of interest annually or when such conflicts arise. In addition:
  - a. **Gifts and Gratuities** – Interested persons cannot solicit or accept anything of value from persons or organizations doing or seeking to do business with the Foundation (other than unsolicited gifts or tokens of nominal value) unless the gift is based on a relationship that is not associated with the Foundation.
  - b. **Compensation for Services** -- Interested persons cannot accept compensation for serving outside organizations when they are representing the Foundation. However, interested persons are permitted to hold other employment so long as it does not interfere with the duties and obligations to the Foundation.
  - c. **Non-Pecuniary Benefits** -- Interested persons must not use their affiliation with the Foundation to enhance their own personal stature, including using their position to secure board appointments to other organizations or to receive awards, preferential treatment or other special recognition.
2. **Other Restricted Conduct – Self Dealing and Private Inurement**
  - a. **Self Dealing** - The Foundation is a charitable organization and may not engage in any act of self dealing. Self dealing may exist even if the transaction is economically beneficial to the Foundation.
  - b. **Private Inurement** -- No part of the net earnings of the Foundation may inure to or be distributable to or for the benefit of any interested or disqualified person or private individual. However, the Board is authorized to pay reasonable compensation and commissions for services rendered to or for the Foundation, and to make distributions in furtherance of the Foundation's purposes.

## **Procedures**

1. **In General** – All directors, officers, agents and employees must disclose any actual or potential conflict of interest, as well as any acts of self dealing or private inurement. If a person learns of a potential violation of this Policy, that person must bring it to the Board’s attention. Interested persons have an ongoing responsibility to scrutinize interests and relationships for restricted conduct and to make disclosures. The Board of Directors will determine when a conflict of interest exists.
2. **Doing Business After a Conflict of Interest is Disclosed**
  - a. In the case of a grant, a grant may be made where there is a potential or actual conflict of interest if the grant meets the Foundation’s stated eligibility and selection criteria and was objectively found to carry out the Foundation’s programmatic goals.
  - b. An interested person must not participate in the vote on business involving a potential or actual conflict of interest. After exercising due diligence, the remaining Board members will determine whether the Foundation can obtain with reasonable efforts a more advantageous transaction or arrangement that would not create a conflict of interest. If a conflict-free transaction or arrangement is not reasonably possible, the Board of Directors will determine by a vote of the disinterested directors whether the transaction or arrangement is in the Foundation’s best interest and is fair and reasonable. If so, the Board may enter into the transaction or arrangement.
3. **Self Dealing** -- The Board of Directors may not approve a grant or business transaction that would amount to self-dealing.

## **Records of Proceedings**

The minutes of the Board of Directors must contain all relevant information relating to the Board’s investigation to determine whether a conflict of interest, self dealing or other prohibited transaction exists, the names of the persons present for discussions and votes, and a record of any votes taken.

## **Permissible Compensation and Related Rules**

All compensation agreements between an individual or entity and the Foundation are subject to this policy. Compensation arrangements will be based on information about compensation paid by similarly situated tax-exempt organizations for similar services.

## **Additional Guidelines**

1. Interested persons may not use their position to benefit the interests of a particular organization, constituency, or special interest group by any means.
2. Interested persons may not enter into any close relationship with any organization which has obtained, is seeking, or is likely to seek, a grant from the Foundation unless and until prior written approval is granted by the Board. Approval must not be contrary to the interests of the Foundation.
3. Interested persons will maintain confidentiality and will not create preferential access by disclosing information not yet available to the general public.

### **Annual Statements**

Each director and principal officer shall annually affirm that such person has received a copy of this Policy, will comply with it and understands the Foundation must engage primarily in activities which accomplish its tax-exempt purposes in order to maintain its exempt status.

### **Periodic Reviews**

Periodic reviews must be conducted to ensure the Foundation operates in a manner consistent with charitable purposes and does not engage in activities that could jeopardize its tax-exempt status. The periodic reviews shall include the following subjects:

1. Whether compensation arrangements are reasonable, based on competent survey information; and
2. Whether the Foundation's business conforms to this Policy, is properly recorded, reflects reasonable investment or payments for goods and services, furthers charitable purposes and does not result in private inurement, impermissible private benefit or in an excess benefit transaction.

### **Definitions**

1. **Conflict of Interest** – A conflict of interest may occur when the Foundation's and an interested person's interests differ. A conflict of interest may also exist when an interested person's actions or activities on behalf of the Foundation result in personal gain or advantage, whether directly or through a third party. A conflict of interest can come in the form of a financial interest, a gift or gratuity, a disclosure or use of inside information for personal gain, or any other situation in which an interested person has a dual interest in the Foundation's business.
2. **Interested Person** – Any director, officer, agent or employee who can influence the actions of the Foundation, or who has a direct or indirect financial interest, is an interested person. A substantial contributor is also an interested person.

3. **Disqualified persons** include an interested person's family and any other person with a close personal relationship to the interested person.
4. **Financial Interest** – An interested person has a financial interest if the person has or potentially will have:
  - a. An ownership or investment interest in any entity with which the Foundation does business;
  - b. A compensation arrangement with the Foundation or with any entity or individual with which the Foundation does business; or
  - c. A close relationship with an organization or person seeking or having received a grant from the Foundation or with which the Foundation proposes to do business.

Doing business includes engaging in or negotiating a transaction or arrangement, including providing or receiving grant monies or investment services. A financial interest may exist directly or indirectly, through business, investment, or disqualified persons. A financial interest may not be a conflict of interest. An interested person with a financial interest has a conflict of interest only if the Board of Directors decides that a conflict exists.

## 5. Self Dealing

- a. Subject to exceptions, some of which are noted in paragraph (b) below, self dealing transactions which are forbidden include any direct or indirect:
  - i. sale or exchange, or leasing of property between the Foundation and an interested or disqualified person
  - ii. lending of money or other extensions of credit between the Foundation and an interested or disqualified person
  - iii. furnishing of goods, services or facilities between the Foundation and an interested or disqualified person
  - iv. payments of compensation or reimbursement of expenses by the Foundation to an interested or disqualified person
  - v. transfers of the Foundation income or assets to, or use by or for the benefit of, an interested or disqualified person
- b. Exceptions to self dealing include the following:
  - i. interest-free loans from an interested or disqualified person to the Foundation, used exclusively for charitable purposes
  - ii. furnishing goods, services or facilities by an interested or a disqualified person to the Foundation without charge if the goods, services or facilities are used exclusively for charitable purposes
  - iii. furnishing goods, services or facilities by the Foundation to an interested or disqualified person if such furnishing is made on a basis no more favorable

than that on which such goods, services, or facilities are made available to the general public

- iv. payment of compensation for personal services which are reasonable and necessary to carry out the exempt purpose of the Foundation if the compensation is not excessive
  
- c. Self dealing may exist even if the transaction is economically beneficial to the Foundation. Severe excise taxes are imposed on all participants in a transaction in which self-dealing occurs.

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