

Approved by Council on 09-06-2008

Grace UCC Conflict of Interest Policy

Article 1: Purpose

The purpose of the conflict of interest policy is to protect the interests of Grace UCC (hereunder, the Church) when the Church is contemplating entering into a transaction or arrangement that might benefit the private interest of a member of the Church or might result in a possible excess benefit transaction (as defined by the IRS). This policy is intended to supplement but not replace applicable state and federal laws governing conflict of interest applicable to nonprofit religious organizations.

Article 2: Definitions

Section 2.1: Council

The deacons, trustees, and other elected officers of Grace UCC, together with the pastor(s), who comprise the Church Council as specified in the Constitution and Bylaws.

Section 2.2: Interested Person

A pastor, deacon, trustee or other member of a committee with delegated powers, who has a direct or indirect financial interest, as defined below, is an interested person.

Section 2.3: Financial Interest

A person has a financial interest if that person has one of the following situations, directly or indirectly, through business, investment, or family relationships:

- a) An ownership or investment interest in any entity with which the Church has a transaction or arrangement
- b) A compensation arrangement with the Church or with any entity or individual with which the Church has a transaction or arrangement
- c) A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Church is negotiating a transaction or arrangement.

Section 2.4: Compensation

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

Article 3: Procedures

A financial interest is not necessarily a conflict of interest. In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial interest to Council and be given the opportunity to disclose all material facts to the Council and the committees which are considering the proposed transaction or arrangement.

Section 3.1: Disclosures of Possible Conflict of Interest

The Church Council shall review the financial interest, material facts, and discuss the situation with the interested person to clarify the issues. The interested person shall leave the Council meeting while the determination of a conflict of interest is discussed and voted upon. The interested person shall have no vote in the decision whether a conflict of interest exists.

If a conflict of interest is determined to exist, the Moderator or Vice Moderator may appoint a disinterested person or a committee of disinterested persons to investigate alternatives to the proposed transaction or arrangement. After exercising due diligence, the person or committee

shall advise the Council whether the Church can obtain with reasonable efforts a more advantageous transaction or arrangement that would not give rise to a conflict of interest.

If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the Council shall determine by a majority vote of the disinterested members whether the transaction or arrangement is in the Church's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with this determination, Council shall decide whether to enter into the transaction or arrangement.

Section 3.2: Violations of the Conflicts of Interest Policy

If the Church Council or a committee has reasonable cause to believe a member has failed to disclose actual or possible conflicts 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 to Council.

If, after hearing the member's response and after making further investigation as warranted by the circumstances, the Council determines the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

Article 4: Records of Proceedings

The minutes of the Council and all committees engaged in conflict of interest investigations shall include:

- a) The names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest
- b) the nature of the financial interest
- c) any action taken to determine whether a conflict of interest was present
- d) and the Council's or committee's decision as to whether a conflict of interest in fact existed.
- e) The names of the persons who were present for discussions and votes relating to the transaction or arrangement
- f) the content of the discussion, including any alternatives to the proposed transaction or arrangement
- g) a record of any votes taken in connection with the proceedings.

Article 5: Compensation

A pastor or other voting member of the Council who receives compensation from the Church, whether directly or indirectly, as an employee or contractor, is precluded from voting on matters pertaining to that member's compensation.

However, no member of the Council or committee is prohibited from providing information regarding compensation, whether they receive compensation in any form from the Church, or not.

Article 6: Annual Statements

Each officer of the Church, member of Council and each committee member with delegated powers shall annually sign a statement which affirms such person:

- a. Has received a copy of the conflicts of interest policy,
- b. Has read and understands the policy,
- c. Has agreed to comply with the policy, and
- d. Understands the Church is a religious 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.

Article 7: Periodic Reviews

To ensure the Church operates in a manner consistent with charitable purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

- a) Whether compensation arrangements and benefits are reasonable, based on competent survey information and the result of arm's length bargaining.
- b) Whether partnerships, joint ventures, and arrangements with employees and contractors conform to the Church's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes and do not result in inurement, impermissible private benefit or in an excess benefit transaction.

Article 8: Use of Outside Experts

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