

Pacific Crest Youth Arts Organization

Board of Directors Conflict of Interest Policy

Board of Directors

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I. General

The purpose of this Board conflict of interest policy is to protect Pacific Crest Youth Arts Organization's (PCYAO) interests when it is contemplating entering into a transaction or arrangement that might benefit the private interests of a Director or Officer/Staff of PCYAO or might result in a possible excess of benefit transaction.

The policy is intended to supplement, but not replace, any applicable state and federal laws governing conflicts of interest as they relate to nonprofit and charitable organizations.

The policy is intended to include and require an "independent persons with accountable interests" to inform and disclose according to procedure established in this policy.

This Policy establishes creation, distribution and annual agreement for each Director and Officer to acknowledge compliance with these policies and understandings of operation.

II. Policy

II.A. Definitions

1. Interested Parties- Any Board member, Officer/Staff, or Board determined person or entity, who has a direct financial, governance or significant influence on decision making and/or actions.
2. Independent Persons with an accountable interest, is considered an Interested Party (s) and should be identified by Board as such.
3. Financial Interest- An interested party has a financial interest if the person has:
 - a. An ownership or investment in a determined entity with which PCYAO has a board directed transaction or arrangement or;
 - b. A compensation arrangement with PCYAO or with any entity or individual with which PCYAO has a significant (over \$600 cash or value) transaction, arrangement or vested interest, or;
 - c. A potential, realized or unrealized, ownership, investment or interest in, or compensation arrangements with, any entity or individual with which PCYAO is negotiating a transaction or arrangement.
4. Compensation includes remuneration as well as gifts or favors that are not insubstantial. Any level of financial interest is not necessarily a conflict of interest unless the Board, or its representative, determines it to be so. A person who has a financial interest may have a conflict of interest only if the Board decides that a conflict of interest exists.

II.B. Procedure

1. Duty to Disclose
Any Interested Party MUST disclose the existence of a financial interest and be given the opportunity to disclose all material facts to the Board, and or notify the President of any such probability or concern.

2. **Recusal of Self**
Any Interested Party (s) MUST recuse himself/herself from involvement in any decision or discussion in which the director believes he or she may have a real or perceived conflict of interest, without consequence, and without going through the process for determining whether a conflict exists.
3. **Determining Whether a Conflict of Interest Exists**
After disclosure of the interest and all material facts, and after any discussion with the interested person, he/she shall leave the Board meeting while the determination is discussed and voted upon. The remaining Board members shall decide by majority recorded vote, if such Conflict exists.

II.C. Procedure for Addressing the Conflict of Interest

The procedure for considering or determining a conflict of interest is:

1. An interested party may: simply notify the President of a possible or real Conflict, make a presentation at the Board meeting, but after the presentation, he/she shall leave the meeting during the discussion of and vote on the transaction or arrangement involving the possible Conflict.
2. The Chairperson or President, shall, if appropriate, appoint a disinterested person or sub-committee, to investigate alternatives to the proposed transaction or arrangement should the conflict be significant enough to warrant.
3. After exercising due diligence, the Board shall determine whether PCYAO can obtain, through reasonable efforts, a more advantageous or equal outcome or arrangement from person or entity, that would not give rise to a conflict of interest.
4. If a more advantageous transaction or arrangement is not reasonably possible under circumstances nor producing a conflict of interest, the Board shall determine, if the disinterested directors, while the interested parties are not present, that the transaction or arrangement is in the best interest of PCYAO.

II.D. Violation of Conflict of Interest Policy

1. If the Board or Executive 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.
2. If, after hearing the member's response and after making further investigation as warranted by the circumstances, the Board or the Executive Committee determines the member has failed to disclose a violation this policy, it shall take appropriate disciplinary and corrective actions including, but not restricted to, demanding immediate resignation and if required by law, reporting the violation to legal authorities.

III. Records of Proceedings

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

1. The names of persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, and any action taken to determine whether a conflict of interest was present, and the Board's decision as to if a conflict of interest in fact existed and actions if required.
2. The names of the persons who were present for the discussion and votes related to the transaction or agreement, the content of the discussion, and a record of any votes taken in connection with the proceedings.

IV. Compensation

Compensation within this context complies with definitions, financial interests and remuneration or gifts as described in Section II.A. Definitions:

1. A voting member of the Board who receives compensation, directly or indirectly, from PCYAO 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 and who receives compensation, direct or indirect, from PCYAO, for services rendered, is precluded from voting in matters directly pertaining to setting the level of that member's compensation.
3. No voting member of the Board, whose jurisdiction includes compensation, directly or indirectly, is prohibited from providing influence to any committee or Board member regarding compensation.

V. Periodic Review

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

1. Whether compensation arrangements and benefits are reasonable, based on competent, available comparisons and the result of arm's length bargaining.
2. Whether partnerships, joint ventures and arrangements with management organizations, conform to PCYAO's written policies, are properly recorded, reflect reasonable investment, furthers charitable purposes and do not result in inurement or impermissible private benefit or could be found to be a significant transaction in violation of policy.

VI. Use of Outside Experts

When conducting the periodic review as provided in Section V, PCYAO may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the Board of its responsibility for ensuring periodic reviews are conducted in accordance with this policy and governing laws.

VII. Procedure and Remedy

1. If a Conflict of Interest is reported and duly identified by Board, the Board President will cause to be created a formal document of position, addressing the concern and possible consequence or action, addressed to the involved party(s), providing them with no less than 10 (ten) calendar days to respond.
2. Upon receipt of response, the President will determine appropriate action and or recommendation for presentation to Board for a determination.
3. If a Board determination that a Conflict of Interest has occurred, in violation of this and other related policies, and if this violation has been determined willful and intentional, the Board will discuss and determine consequences. Consequences include but are not limited to: a notice of violation; removal from office and or Board; requirement for immediate cease and desist of actions or agreements; cessation of any or all further relationships inclusive of some level of redress; establishment of fines and or fees according to best business practices; and or further legal action and/or reporting, in accordance with state and federal law.
4. Such actions and findings, as well as record of process, will be documented and memorialized in Board minutes.