



## 2.4.1 CONFLICT OF INTEREST POLICY

### I. PURPOSE

The purpose of the conflict of interest policy is to protect the interest of Oak Hill Montessori Community School (hereinafter known as “Organization”) when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the Organization or might result in a possible excess benefit transaction. This policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to nonprofit and charitable organizations and public charter schools.

### II. DEFINITIONS

1. Interested Person. Any director, principal officer, or member of a committee with governing board delegated powers, who has a direct or indirect financial interest, as defined below, is an interested person.
2. Financial Interest. A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:
  - a. An ownership or investment interest in any entity with which the Organization has a transaction or arrangement,
  - b. A compensation arrangement with the Organization or with any entity or individual with which the Organization has a transaction or arrangement, or
  - c. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Organization is negotiating a transaction or arrangement.

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

A financial interest is not necessarily a conflict of interest. Under Article III, Section 2, a person who has a financial interest may have a conflict of interest only if the appropriate governing board or committee decides that a conflict of interest exists.

### III. 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 and be given the opportunity to disclose all material facts to the directors and members of committees with governing board delegated powers considering the proposed transaction or arrangement.
2. Determining Whether a Conflict of Interest Exists. After disclosure of the financial interest 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 (unless he/she is provided the option to remain at the meeting under applicable “open meeting” law for a charter school board). The remaining board or committee members shall decide if a conflict of interest exists.
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/shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest (unless he/she is provided the option to remain at the meeting under applicable “open meeting” law for a charter school board).
  - 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 Organization 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. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the governing board or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the Organization’s best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination and (e) and (f) below, it shall make its decision as to whether to enter into the transaction or arrangement.
  - e. Consistent with Minnesota Statute 124D.10 (Subdivision 4a), a member of the board of directors is prohibited from serving as a member of the board of directors if the individual, an immediate family member, or the individual’s partner is an owner, employee or agent of, or a contractor with a for-profit or nonprofit



entity with whom the school contracts, directly or indirectly, for professional services, goods, or facilities.

- f. Neither the board nor the Organization shall enter into any contract or transaction with (i) one or more of its directors, (ii) a director-related organization, or (iii) an organization in or of which a director of the organization is a director, officer, or legal representative, employee, or in some other way has a material financial interest unless all of the following criteria are met, in addition to (d) and (e) above: (1) The contract or transaction is fair and reasonable; (2) that interest is fully disclosed to all the board's directors; (3) the board approves, authorizes or ratifies the action in good faith and within Minn. Stat. 124D.10; and (4) the approval is by unanimous decision of the board, with the interested party abstaining from discussion and vote.
- g. The minutes of all actions taken by the board on matters pertaining to a possible or actual conflict of interest shall clearly show that the requirements of this section were met and were consistent with Minn. Stat. 124D.10.

#### 4. Violations of the Conflict of Interest Policy.

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

### **IV. RECORDS OF PROCEEDINGS**

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

- 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, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the governing board or committee's decision as to whether a conflict of interest in fact existed.
- 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 with the proceedings.

## **V. COMPENSATION**

- a. A voting member of the governing board who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member's compensation.
- b. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member's compensation.
- c. No voting member of the governing board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

## **VI. STATEMENTS**

Each director must complete a conflict-of-interest statement for review by the board within thirty (30) days of his or her election, and shall annually complete such a statement on the anniversary of his or her election or on such an annual date that the board may select. The board will provide all such conflict of interest statements to the authorizer of the Organization. The statement shall affirm that such person:

- a. Has received a copy of the conflict of interest policy,
- b. Has read and understands the policy,
- c. Has agreed to comply with the policy, and
- d. Understands the Organization is charitable 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.

## **VII. PERIODIC REVIEWS**

To ensure the Organization 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 arrangement with management organizations confirm to the Organization's written policies, are properly recorded, reflect reasonable investment or payments of goods and services, further charitable purposes and do not result in inurement, impermissible private benefit or in an excess benefit transaction.

### **VIII. OUTSIDE EXPERTS**

When conducting the periodic reviews as provided for in Article VII, the Organization 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.