

2.5 **BOARD MEMBER CONFLICT OF INTEREST**

I. **POLICY**

It is the policy of SourcePoint to have a Conflict of Interest Policy and related procedures in place for the Board of Directors and officers.

II. **PURPOSE**

The purpose of this policy is to protect SourcePoint's interests when it is contemplating entering into a transaction or arrangement that might benefit the private interests of an officer or director of SourcePoint 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 conflicts of interest applicable to non-profit and charitable organizations.

This policy is also intended to identify "independent" directors.

III. **DEFINITIONS**

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.

Family Member - Defined as spouse, domestic partner, parent, grandparent, child, grandchild, brother, sister, and the corresponding in-law and/or step relationships and other family member residing in the same household.

Financial Interest – Defined as an individual who has, directly or indirectly through business, investment, or family:

- An ownership or investment in any entity with which SourcePoint has a transaction or arrangement,
- A compensation arrangement with SourcePoint or with any entity or individual with which SourcePoint has a transaction or arrangement, or
- A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which SourcePoint is negotiating a transaction or arrangement.

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

*A financial interest is not necessarily a conflict of interest. A person who has a financial interest may have a conflict of interest only if the Board or Executive Committee decides that a conflict of interest exists, in accordance with this policy.

Independent Director – Defined, as stated in the instructions for the IRS 990 form, as a director who:

- Is not, and has not been for a period of at least three years, an employee of SourcePoint or any entity in which SourcePoint has a financial interest;
- Does not directly or indirectly have a significant business relationship with SourcePoint which might affect independence in decision-making;
- Is not employed as an executive of another corporation where the executive director, their direct reports, or the human resources leadership of SourcePoint serve on that corporation's compensation committee; and
- Does not have a family member who is the executive director, their direct reports, or the human resource leadership SourcePoint or who holds a position that has a significant financial relationship with SourcePoint.

Conflict of Interest – A situation when an individual or organization is involved in multiple interests, one of which could possibly corrupt the motivation.

IV. PROCEDURES OF POLICY

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 Board or Executive Committee.

Recusal of Self – Any director may recuse themselves at any time from involvement in any decision or discussion in which the director believes they have or may have a conflict of interest, without going through the process for determining whether a conflict of interest exists.

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, the director shall leave the Board or Executive Committee meeting while the determination of conflict of interest is discussed and voted upon. The remaining Board or Executive Committee members shall decide if a conflict of interest exists.

Procedures for Addressing the Conflict of Interest

- An interested person may make a presentation at the Board or Executive Committee meeting, but after the presentation, they shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.
- The President of the Board or Executive 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 Executive Committee shall determine whether SourcePoint 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.
- If a more advantageous transaction or arrangement is not reasonably possible under

circumstances not producing a conflict of interest, the Board or Executive Committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in SourcePoint's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination, it shall make its decision as to whether to enter the transaction or arrangement.

- Violations of the Conflicts of Interest Policy –
 - 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 or disclose.
 - If, after hearing the member's response and after making further investigation as warranted by the circumstances, the Board or Executive Committee determines that member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

V. RECORDS OF PROCEEDINGS

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

- 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 Board's or Executive Committee's decision as to whether a conflict of interest in fact existed.
- The names of the persons who were present for discussions and votes relating to the transactions or arrangement, the content of the discussion, including any alternatives to the proposal transaction or arrangement, and a record of any votes taken in connection with the proceedings.

VI. COMPENSATION

A voting member of the Board who receives compensation, directly or indirectly, from SourcePoint for services is precluded from voting on matters pertaining to that member's compensation.

A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from SourcePoint for services is precluded from voting on matters pertaining to that member's compensation.

No voting members of the Board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from SourcePoint, either individually or collectively, is prohibited from providing information to any committee.

VII. ANNUAL CONFLICT OF INTEREST STATEMENTS

Each director, principal officer or member of a committee with Board delegated powers shall annually sign a statement which affirms such person;

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

Each voting member of the Board shall annually sign a statement which declares whether such person is an independent director.

If at any time during the year, the information in the annual statement changes materially, the director shall disclose such changes and revise the annual disclosure form.

The Executive Committee shall regularly and consistently monitor and enforce compliance with this policy by reviewing annual statements and taking such other actions as are necessary for effective oversight.

The Executive Assistant will maintain original, signed statements, providing copies to the Director of Operations and Accounting Manager once the reviewed by the Executive Committee.

VIII. PERIODIC REVIEWS

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

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

VIII. USE OF OUTSIDE EXPERTS

When conducting the periodic reviews, SourcePoint 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.

Each board member is asked to review the Conflict of Interest Policy and to sign a Conflict of Interest form on an annual basis.

*This policy is based on the IRS model Conflict of Interest Policy. See the Appendices for the form.