

Big Sky Institute for the Advancement of Nonprofits (BSI)

Conflict of Interest Policy¹ And Annual Statement

For Directors and Officers and Members of a Committee with Board Delegated Powers

Approved: August 1, 2013

Amended: August 23, 2013

Context and Obligations. As a nonprofit organization organized under section 501(c)(3) of the Federal Tax Code, the Big Sky Institute for the Advancement of Nonprofits (BSI) is exempt from taxes on the assumption that it will use its resources for its tax-exempt purposes and in the public interest.

Accordingly, in carrying out their duties as Board members, BSI Directors are expected to establish and maintain high standards of integrity, putting the interests of BSI ahead of any personal or professional interests or preoccupations.

BSI Board members are capable, prominent, and active individuals, with multiple areas of personal and professional interest and involvement, and it is inevitable that situations will arise in which the Board must decide about an organization or activity in which one of its members has an interest that represents an actual, potential, or apparent conflict. Accordingly, it is important that BSI Directors adopt standards of conduct and behavior that protect the integrity of the Board and of the organization.

Policy. BSI will avoid making decisions, engaging in activities, or participating in transactions in which there is either the appearance or actuality of a conflict of interest between a Director's obligations to the organization and his/her interest in, or loyalty to, another organization – whether for-profit or not-for-profit – *unless* there is full compliance with procedures established to eliminate or minimize the impact of such a conflict on BSI. Examples include: (i) decisions concerning program priorities or policy positions; (ii) selection of sponsors with which to be associated; and (iii) selection of vendors with which the organization does business.

¹ This policy is based on the IRS model Conflict of Interest policy, which is an attachment to Form 1023. It adds information needed to allow BSI to assess director independence in order to answer questions on Form 990.

Article I -- Purpose

1. The purpose of this Board conflict of interest policy is to protect Big Sky Institute for the Advancement of Nonprofits' (BSI) interests when it is contemplating entering into a transaction or arrangement that might benefit the private interests of an officer or director of BSI or might result in a possible excess benefit transaction.
2. This policy is intended to supplement, but not replace, any applicable state and federal laws governing conflicts of interest applicable to nonprofit and charitable organizations.
3. This policy is also intended to identify "independent" directors.

Article 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 member:
 - a. An ownership or investment interest in any entity with which BSI has a transaction or arrangement,
 - b. A compensation arrangement with BSI or with any entity or individual with which BSI has a transaction or arrangement, or
 - c. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which BSI 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. 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.

3. **“Organization”** – (i) any business enterprise from which BSI might purchase goods or services; or (ii) any for-profit or not-for-profit entity with which BSI might partner or collaborate.
4. **“Family member”** -- Includes an individual's spouse, ancestors, children, grandchildren, great grandchildren, siblings (whether by whole or half blood), and the spouses of children, grandchildren, great grandchildren, and siblings.
5. **“Acting on behalf of some other organization”** – (i) in the case of nonprofit organizations, serving as a trustee/director, employee, independent contractor advisor, or volunteer, or having a family member who serves one of these functions; and (ii) in the case of for-profit organizations, serving as an owner, director, employee, advisor, counsel, or other financial interest as to potentially benefit materially from transactions with BSI, or having a family member who holds such an interest.
6. **“Independent Director”** -- A director shall be considered “independent” for the purposes of this policy if he or she is “independent” as defined in the instructions for the IRS Form 990 or, until such definition is available, the director --
 - a. is not, and has not been for a period of at least three years, an employee of BSI or any entity in which BSI has a financial interest;
 - b. does not directly or indirectly have a significant business relationship with BSI, which might affect independence in decision-making;
 - c. is not employed as an executive of another corporation where any of BSI’s executive officers or employees serve on that corporation’s compensation committee; and
 - d. does not have an immediate family member who is an executive officer or employee of BSI or who holds a position that has a significant financial relationship with BSI.

Article 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 Board.
2. **Recusal of Self** – Any director may recuse himself or herself at any time from involvement in any decision or discussion in which the director believes he or she has or may have a conflict of interest, without going through the process for determining whether a conflict of interest exists.
3. **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 Board or Executive Committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining Board or Executive Committee members shall decide if a conflict of interest exists.
4. **Procedures for Addressing the Conflict of Interest**
 - a. An interested person may make a presentation at the Board or Executive Committee meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.
 - b. The Chairperson of the Board or Executive 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 Board or Executive Committee shall determine whether BSI 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 Board or Executive Committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in BSI'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 into the transaction or arrangement.

5. Violations of the Conflicts of Interest Policy

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

Article IV – Records of Proceedings

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

1. 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.
2. 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.

Article V – Compensation

1. A voting member of the Board who receives compensation, directly or indirectly, from BSI 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 matters and who receives compensation, directly or indirectly, from BSI for services is precluded from voting on matters pertaining to that member's compensation.
3. No voting member of the Board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from BSI, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

Article VI – Annual Disclosure Form

1. Each director, principal officer and member of a committee with Board delegated powers shall annually sign a statement which affirms 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 BSI 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.

2. Each voting member of the Board shall annually sign a disclosure form which declares whether such person is an independent director, to be completed as soon after January 1 as possible, but not later than January 15th.
3. The signed disclosure form shall be forwarded to the Executive Director, who reviews it for accuracy and any potential concerns. The signed forms are forwarded to all members of the Board for review at the Annual Meeting of the Corporation. Following the Board review, the date of review will be noted on each form.
4. In the case of a new Board member who is elected after the Annual Meeting of the Corporation, the process described in this section shall be followed as soon as possible following the election, and the full Board review shall take place at the next meeting of the Board.
5. If at any time during the year, the information in the annual disclosure form changes materially, the director shall disclose such changes and revise the annual disclosure form.
6. The Board shall regularly and consistently monitor and enforce compliance with this policy by reviewing annual disclosure forms and taking such other actions as are necessary for effective oversight.

Article VII – Periodic Reviews

To ensure BSI 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:

1. Whether compensation arrangements and benefits are reasonable, based on competent survey information (if reasonably available), and the result of arm's length bargaining.
2. Whether partnerships, joint ventures, and arrangements with management organizations, if any, conform to BSI'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.

Article VIII – Use of Outside Experts

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

As amended by the BSI Board on August 23, 2013.

Big Sky Institute for the Advancement of Nonprofits
Director and Officer Annual Conflict of Interest Disclosure Form

The purpose of this form is to identify relationships between Directors, or their family members, and outside organizations that have the potential to jeopardize the integrity or financial position of the Big Sky Institute for the Advancement of Nonprofits (BSI). BSI's conflict of interest policy, along with relevant obligations, definitions, and procedures, are spelled out in the attached policy.

1. **Name:** _____ **Date:** _____

2. **Position:** If you are a BSI Officer, which position do you hold? _____

3. I affirm that I have received a copy of the BSI's Conflict of Interest Policy, read and understand the policy, and agree to comply with the policy. In addition, I understand that BSI is a charitable organization and in order to maintain its federal tax exemption it must engage primarily in activities that accomplish one or more tax-exempt purposes.

4. Disclosures:

a. **Nonprofit Organizations:** I, or a family member, as defined in this policy, serve the following nonprofit organizations as a director, trustee, employee, independent contractor, advisor, or volunteer.

Organization	Role in Organization	Director/ Family Member

b. **For-profit Organizations:** I, or a family member, as defined in this policy, serve the following business enterprises as an owner, director, employee advisor, counsel, or other capacity, or as a holder of sufficient financial interest as to potentially benefit materially from transactions with BSI.

Organization	Role in Organization	Director/ Family Member

5. **Are you an independent director**, as defined in the Conflict of Interest policy? Yes No

If you are not independent, why? _____

 Signature of BSI Board director Date: _____

Date of Review by Board: _____ **Use Reverse Side, Where Necessary.**