

## **WASHINGTON AREA HUMANE SOCIETY CONFLICT OF INTEREST POLICY**

The purpose of the Conflict of Interest Policy is to protect the interests of the Washington Area Humane Society (the “Society”) when it is contemplating entering into a transaction, agreement or other arrangement that might benefit the private interest of an Officer or Director of the Society or might result in a possible excess benefit transaction. This Policy is intended to supplement, but not replace, any applicable state and/or federal law governing conflicts of interest applicable to nonprofit and charitable organizations.

### **A. Definitions.**

1. Interested Person. Any Director or Officer of the Society 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 Society has, or may have, a transaction, agreement or other arrangement;

(b) A compensation agreement arrangement with the Society or with any entity or individual with which the Society has, or may have, a transaction, agreement or other arrangement, or

(c) A potential ownership or investment interest in, or compensation agreement arrangement with, any entity or individual with which the Society is negotiating a transaction, agreement or other arrangement.

A Financial Interest is not necessarily a conflict of interest. Under Section B hereof, a person who has a Financial Interest may have a conflict of interest only if the Board of Directors or appropriate committee decides that a conflict of interest exists.

3. Compensation. For purposes of this Policy, “compensation” shall include direct and indirect remuneration as well as gifts or favors that are not insubstantial.

### **B. Procedures.**

1. Duty to Disclose. In connection with any actual or possible conflict of interest, an Interested Person must disclose the existence of a Financial Interest and be given the opportunity to disclose all material facts to the Board of Directors and/or a committee of the Board of Directors which has been delegated powers over the proposed transaction, agreement 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 or she shall leave the Board of Directors or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining Board or committee members shall decide if a conflict of interest actually exists.

3. Procedures for Addressing the Conflict of Interest.

(a) An Interested Person may make a presentation at the Board of Directors or committee meeting, but after the presentation, he or she shall leave the meeting during the discussion of, and the vote on, the transaction, agreement or arrangement involving the possible conflict of interest.

(b) The chairperson of the Board of Directors or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction, agreement or arrangement.

(c) After exercising due diligence, the Board of Directors or committee shall determine whether the Society can obtain with reasonable efforts a more advantageous transaction, agreement or arrangement from a person or entity that would not give rise to a conflict of interest.

(d) If a more advantageous transaction, agreement or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the Board of Directors or committee shall determine by a majority vote of the disinterested Directors whether the transaction, agreement or arrangement is in the Society'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, agreement or arrangement.

4. Violations of the Conflicts of Interest Policy.

(a) If the Board of Directors or committee has reasonable cause to believe an individual has failed to disclose actual or possible conflicts of interest, it shall inform the individual of the basis for such belief and afford the individual an opportunity to explain the alleged failure to disclose.

(b) If, after hearing the individual's response and after making further investigation as warranted by the circumstances, the Board of Directors or committee determines that the individual has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and/or corrective action.

**C. Records of Proceedings.** The minutes of the Board of Directors 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 Board of Directors' 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, agreement or arrangement, the content of the discussion, including any alternatives to the proposed transaction, agreement or arrangement, and a record of any votes taken in connection with the proceedings.

**D. Compensation.**

(a) A Director who receives or may receive compensation, directly or indirectly, from the Society for services or otherwise is precluded from voting on matters pertaining to such compensation.

(b) A member of any committee of the Board of Directors who receives or may receive compensation, directly or indirectly, from the Society for services or otherwise is precluded from voting on matters pertaining to compensation.

**E. Annual Statements.** Each Director and Officer of the Society shall annually sign a statement, in the form attached hereto as Exhibit "A," 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 Society 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.

**F. Periodic Reviews.** To ensure that the Society 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 agreements and compensation arrangements and benefits are reasonable, based on competent survey information, and the result of arm's length bargaining; and

(b) Whether agreements and arrangements conform to the Society's written policies, are properly recorded, reflect reasonable investment or payments for goods and/or services, further charitable purposes and do not result in impermissible private benefit or in an excess benefit transaction.

**G. Use of Outside Experts.** When conducting the periodic reviews as provided for in Section F, the Society may, but need not, use outside consultants.

**Exhibit "A"**

**Washington Area Humane Society  
Conflict of Interest Policy - Annual Statement**

I, \_\_\_\_\_ (name), hereby state that:

- (a) I have received a copy of the Washington Area Humane Society Conflicts of Interest Policy,
- (b) I have read and understand the Policy,
- (c) I agree to comply with the Policy, and
- (d) I understand the Society 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.

\_\_\_\_\_  
Date

\_\_\_\_\_  
(Name)