

*Executive Board Policy*  
*Policy No. 2013-002*

**CONFLICTS OF INTEREST AND DISCLOSURE OF CERTAIN INTERESTS POLICY**

**Adopted:** 02-Feb-2013  
by the Executive Board

**Revised:** 18-Sep-14  
by the Executive Board

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**1.0 Purpose**

The the North American Vexillological Association / Association nord-américaine de vexillologie (the “Association”) is a tax-exempt organization. The purpose of the conflict of interest policy is to protect Association’s interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the Association 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.

**2.0 Definitions**

2.1 “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.

2.2 “Financial Interest”: a person has a financial interest if the person has, directly or indirectly, through business, investment, or family:

- (1) An ownership or investment interest in any entity with which the Association has a transaction or arrangement,
- (2) A compensation arrangement with the Association or with any entity or individual with which the Association has a transaction or arrangement, or
- (3) A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Association is negotiating a transaction or arrangement.

2.3 The term “compensation” includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.

2.4 A financial interest is not necessarily a conflict of interest. Under Section 3.2, 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.

**3.0 Procedures**

3.1 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.

3.2 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, the interested person shall leave the governing board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining board or committee members must decide if a conflict of interest exists.

### 3.3 Procedures for Addressing the Conflict of Interest

(1) An interested person may make a presentation at the governing board or committee meeting, but after the presentation, the interested person must leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.

(2) The presiding officer of the governing board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.

(3) After exercising due diligence, the governing board or committee shall determine whether the Association 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.

(4) If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the governing board or committee must determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the Association'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.

### 3.4 Violations of the Conflicts of Interest Policy

(1) 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.

(2) 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.

## 4.0 Records of Proceedings

4.1 The minutes of the governing board and all committees with board delegated powers shall contain the names of the persons who:

(1) 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's or committee's decision as to whether a conflict of interest in fact existed.

(2) 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.

## 5.0 Compensation

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

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

5.3 A voting member of the governing board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Association, either individually or collectively, is not prohibited from providing information to any committee regarding compensation.

### **6.0 Annual Statements**

Each director, principal officer and member of a committee with governing board delegated powers must sign a statement annually which affirms that the person has:

- (1) received a copy of the conflicts of interest policy;
- (2) read and understands the policy;
- (3) agreed to comply with the policy; and
- (4) understands the Association is charitable and in order to maintain its U.S. tax exemption, it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

### **7.0 Periodic Reviews**

To ensure the Association operates in a manner consistent with charitable purposes and does not engage in activities that could jeopardize its tax-exempt status, The Executive Board must conduct periodic reviews. The periodic reviews must, at a minimum, include the following subjects:

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

### **8.0 Use of Outside Experts**

When conducting the periodic reviews under Section 7.0, the Association 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.

### **9.0 Application to Non-Financial Conflicts**

This policy applies to governing board and committee members voting on matters that involve a personal, non-financial conflict of interest, including, without limitation, nominations for awards and elective office made by the governing board or a committee. A governing board or committee member may not participate in the discussion or, or vote on, any matter in which the member has a personal, non-financial conflict of interest.