

Friends of the Henry County Public Library, Inc.

Conflict of Interest Policy

Article I – Purpose

The purpose of this conflict of interest policy is to protect the interests of the Friends of the Henry County Public Library, Inc. when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of Friends of the Henry County Public Library or might result in a possible excess benefit transaction. This policy is intended to supplement but not replace any applicable state, federal laws, or local ordinances governing conflict of interest applicable to nonprofit and charitable organizations.

Article II – Definitions

Section 1 – Interested Person

Any director, officer, or member of a committee with Board of Director delegated powers, who has a direct or indirect financial interest, as defined below, is an interested person.

Section 2 – Financial Interest

A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:

- An ownership or investment interest in any entity with which Friends of the Henry County Public Library has a transaction or arrangement,
- A compensation arrangement with Friends of the Henry County Public Library or with any entity or individual with which Friends of the Henry County Public Library has a transaction or arrangement, **OR**
- A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which Friends of the Henry County Public Library is negotiating a transaction or arrangement.

Compensation includes direct and indirect payment 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 Board of Directors or an appropriate Board committee decides that a conflict of interest exists.

Article III – Procedures

Section 1 – Duty to Disclose

In connection with any actual or possible conflict of interest, (1) an interested person must disclose the existence of the financial interest, and (2) he or she must be given the opportunity to disclose all material facts to the Board of Directors and any committees with Board delegated powers considering the proposed transaction or arrangement.

Section 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 or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining Directors shall decide if a conflict exists by a majority vote, a quorum being present.

Section 3 – Procedures for Addressing the Conflict of Interest

- (a) An interested person may make a presentation at the meeting considering the issue, but after the presentation, he or she shall leave the meeting for all of the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.
- (b) The President of the Board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangements.
- (c) After exercising due diligence, the Board or committee shall determine whether Friends of the Henry County Public Library 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 committee shall determine by a majority vote of the disinterested Directors, a quorum being present, whether the transaction or arrangement is in the best interest of Friends of the Henry County Public Library, 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.

Section 4 – Violations of This Conflict of Interest Policy

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

- (b) If, after hearing the interested person's response and after conducting any further investigation as may be warranted by the circumstances, the Board or committee determines the interested person has failed to disclose an actual or possible conflict of interest, the Board shall take appropriate disciplinary and corrective action, and, any committee shall recommend to the Board of Directors 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 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 committee's decision as to whether a conflict of interest existed.
- (2) The names of the persons who were present for discussions and votes relation 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

- (a) A member of the Board who receives compensation, directly or indirectly, from Friends of the Henry County Public Library for services is precluded from voting on matters pertaining to his or her compensation.
- (b) A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from Friends of the Henry County Public Library for services is precluded from voting on matters pertaining to his or her compensation.
- (c) No member of the Board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from Friends of the Henry County Public Library, either individually or collectively, is prohibited from providing information to any such body regarding his or her compensation.

Article VI – Annual Statements

Each director, officer, and member of a committee with Board delegated powers shall annually sign a statement which affirms that such a person:

- 1. Has received a copy of this conflict of interest policy.
- 2. Has read and understands this policy.
- 3. Has agreed to comply with the policy

4. Understands that Friends of the Henry County Public Library is charitable, educational and cultural 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.

Article VII – Periodic Reviews

To ensure that Friends of the Henry County Public Library operates in a manner consistent with its non-profit, tax-exempt 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:

1. Whether compensation arrangements and benefits are reasonable, based on competent survey and other such pertinent information, and the result of arm's length bargaining.
2. Whether partnerships, joint ventures, and arrangements with management organizations conform to Friends of the Henry County Public Library written policies, are properly recorded, reflect reasonable investment or payments for goods, and services, further non-profit, tax-exempt purposes and do not result in inurement, 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, Friends of the Henry County Public Library may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the Board of Directors of its responsibility for ensuring periodic review are conducted.

Certificate of Secretary

I, undersigned, do hereby certify that I am the duly elected Secretary of Friends of the Henry County Public Library, Inc., a Kentucky non-profit corporation, and that the foregoing is a policy of said Corporation, as fully adopted in a meeting of the Board of Directors held on the

_____ day of _____ 2013.

Linda Miller,

Secretary of Friends of the Henry
County Public Library