Policy II D Conflict of Interest Policy

1. Purpose

The purpose of the conflict of interest policy is to protect the Foundation’s interest when it is contemplating entering into a contract, transaction, or arrangement that might benefit the private interest of an officer or director of the Foundation 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. Definitions

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

b. Financial Interest. A person has a financial interest if the person has, directly or indirectly, through business or investment, or a member of the person’s family has:

i. A position as an officer, director, trustee, partner, employee, or agent of any entity with which the Foundation has or is considering a contract, transaction, or arrangement;

ii. An ownership or investment interest in any entity with which the Foundation has or is considering a contract, transaction, or arrangement;

iii. A compensation arrangement with the Foundation or with any entity or individual with which the Foundation has or is considering a contract, transaction, or arrangement;

iv. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Foundation is considering or negotiating a contract, transaction, or arrangement; or

v. Any other direct or indirect dealings with any entity from which he or she knowingly benefitted (e.g., through receipt directly or indirectly of cash or other property in excess of $500 a year exclusive of dividends or interest) and with which the Foundation has, is considering, or is negotiating a contract, transaction, or arrangement.

c. The term “a member of the person’s family” means the person’s spouse, parent, step-parent, guardian, brother, sister, step-brother, step-sister, mother-in-law,
father-in-law, child, stepchild, grandmother, grandfather, aunt, uncle, niece, nephew, brother-in-law, sister-in-law, first cousin, or grandchild.

d. Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.

e. A financial interest is not necessarily a conflict of interest. Under Section 6.03 Paragraph (b) below, a person who has a financial interest may have a conflict of interest only if the appropriate Board or Committee decides that a conflict of interest exists.

3. Procedures

a. Duty to Disclose. At the first knowledge of the possibility, creation, or existence of a financial interest as described above, the interested person must disclose to the Board the existence of the financial interest and any and all relevant and material facts known to the interested person about the proposed or existing contract, transaction, or arrangement that might reasonably be construed to be adverse to the Foundation's interest. The interested person must be given the opportunity to disclose all other material facts to the directors and members of committees with Board delegated powers considering the proposed contract, transaction, or arrangement.

b. 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 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 exists.

c. Procedures for Addressing the Conflict of Interest.

i. An interested person may make a presentation at the Board or Committee meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the contract, transaction, or arrangement involving the possible conflict of interest.

ii. The Chairperson of the Board or Committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed contract, transaction, or arrangement.

iii. After exercising due diligence, the Board or Committee shall determine whether the Foundation can obtain with reasonable efforts a more advantageous contract, transaction, or arrangement from a person or entity that would not give rise to a conflict of interest.

iv. If a more advantageous contract, 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 whether the contract, transaction, or arrangement is in the Foundation'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 contract, transaction, or arrangement.

v. Such contract, transaction, or arrangement shall only be authorized, approved, or ratified upon the affirmative vote of a majority of the directors of the Board then in office, or a majority of the Committee members, who are not interested persons as described above.

4. Violations of the Conflicts of Interest Policy

   a. If the 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.

   b. If, after hearing the member's response and after making further investigation as warranted by the circumstances, the 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.

5. Records of Proceedings

   The minutes of the Board 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's 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 contract, transaction, or arrangement, the content of the discussion, including any alternatives to the proposed contract, transaction, or arrangement, and a record of any votes taken in connection with the proceedings.

6. Compensation

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

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

7. Annual Statements

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 conflicts of interest policy,

b. Has read and understands the policy,

c. Has agreed to comply with the policy, and

d. Understands the Foundation 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.

8. Periodic Reviews

To ensure the Foundation 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 compensation arrangements and benefits are reasonable, based on competent survey information and the result of arm's length bargaining.

b. Whether partnerships, joint ventures, and arrangements with management organizations conform to the Foundation'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.

9. Use of Outside Experts

When conducting the periodic reviews as provided for in Section 6.08, the Foundation 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.

10. Foundation Conflicts

The Foundation acting through its officers and directors will make a good faith attempt to avoid conflicts of interest between the Foundation and Idaho State University and its Board, and will not, without approval of the Board of the Foundation, borrow funds from, or otherwise obligate Idaho State University.
11. Material Gifts

No director, trustee, officer, or staff member of the Foundation shall accept from any source any material gift or gratuity in excess of fifty dollars ($50.00) that is offered, or reasonably appears to be offered, because of the position held with the Foundation; nor shall an offer of a prohibited gift or gratuity be extended by such an individual on a similar basis.

Date of Board Approval: October 17, 2008

Person responsible for the periodic review of policy and submitting proposed revisions to the Board for approval: Board Chair

Date of Last Review