

# CONFLICT OF INTEREST POLICY

## PURPOSE

The purposes of this policy are to ensure that directors and officers act loyally to Beit Am and that directors, officers, and those who exercise substantial influence over Beit Am do not use their influence to obtain benefits in excess of fair market value in transactions with Beit Am. This policy seeks to ensure that Beit Am maintains high ethical standards and observes state and federal taxation concerning conflicts of interest and excess benefit transactions.

## SECTION 1: DEFINITION OF CONFLICTS OF INTEREST

A conflict of interest arises when an Insider described below may benefit financially from a decision he or she could make in his or her capacity as an Insider, including indirect benefits to family members or businesses with which the Insider is closely associated. A conflict of interest arises in any such transaction between Beit Am and an Insider, except for:

- transactions in the normal course of operations that are available to the general public under similar terms and circumstances, and
- expense reimbursements to an insider made pursuant to an accountable plan under IRS Reg. 1.62-2(c)(2).

## SECTION 2: DEFINITION OF INSIDER

An insider is any of the following persons, family members, or entities:

*Insider:* An insider is any person who is in a position of authority over Beit Am or who exerts substantial influence over Beit Am, including directors, officers, the rabbi, other key employees, the founders and major donors. In addition, all current members of Beit Am are Insiders.

*Family Members:* Family members of Insiders are also Insiders. Family members include the spouse or partner in a civil union recognized by state law; children, grandchildren, great-grandchildren, whole and half-blooded brothers and sisters, and spouses of any of these people; and any ancestor (parents, grandparents, etc.).

*Entities:* An entity in which a director is a general partner, director, officer, top management official, top financial officer, or any other key employee is an Insider. Corporations and limited liability companies in which an Insider owns more than 5% of the voting power, partnerships in which the insider owns more than 5% of the profits, and trusts or estates in which the Insider owns more than 5% of the beneficial interests are Insiders.

*Other Nonprofits and For-Profits:* Another nonprofit or for-profit entity is an Insider if:

- One of the Beit Am directors is also a director or officer of the other entity, and
- Beit Am and the other entity are engaged in a transaction that is significant enough that the transaction is or should be approved by the boards of both organizations.

## SECTION 3: PROHIBITED CONFLICTS

*Loans to Directors or Officers:* Beit Am cannot make a loan or guarantee an obligation to or for the benefit of any of its officers or directors.

## SECTION 4: PROCEDURE FOR PERMISSIBLE CONFLICTS

In order to ensure that permissible conflicts with insiders are fair to Beit Am and comply with state and federal laws:

1. *Full Disclosure:* All insiders must promptly and fully disclose all material facts of every actual or potential conflict of interest to the Board of Directors at the time such conflict arises.

2. *Determining Whether a Conflict of Interest Exists:* After disclosure of the financial interest and all material facts, and after any discussion with the Insider, he or she shall leave the Board meeting while the determination of a conflict of interest is discussed and voted upon. The remaining Board members shall decide if a conflict of interest exists.

3. *Procedures for Addressing the Conflict of Interest:* When Beit Am engages in a transaction with an Insider that constitutes a conflict of interest, the Board shall handle the transaction as follows:

a. The Board shall exclude any Insider that has a conflict of interest with respect to the transaction from all discussion and from voting on the transaction. The Board may ask questions of the insider prior to beginning its discussion.

b. The Board shall gather appropriate data to ensure that the compensation for each Insider is reasonable. If appropriate, the President of the Board shall appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.

c. After exercising due diligence, the Board shall determine whether Beit Am 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 shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in Beit Am's best interest and for its own benefit and whether the transaction is fair and reasonable to Beit Am and shall make its decision as to whether to enter into the transaction or arrangement in conformity with such determination.

4. *Violations of the Conflict of Interest Policy:* If the Board has reasonable cause to believe that an Insider has failed to disclose actual or possible conflicts of interest, it shall inform the Insider of the basis for such belief and afford him or her an opportunity to explain the alleged failure to disclose. If, after hearing the Insider's response and after making such further investigation as warranted by the circumstances, the Board determines that the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

5. *Documentation:* The Board shall document its decision by including the following in the minutes:

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 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 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.

## **SECTION 5: COMPENSATION**

1. A voting member of the Board who receives compensation, directly or indirectly, from Beit Am 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 Beit Am 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 Beit Am, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

## **SECTION 6: COMPLIANCE WITH THIS POLICY**

In order to ensure compliance with this policy:

1. *Annual Disclosure Statement:* Each director and officer shall annually sign a statement which affirms such person:
  - Has received a copy of the Conflict of Interest policy,
  - Has read and understands the policy,
  - Has agreed to comply with the policy, and
  - Understands that Beit Am is a charitable organization and that 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. *Periodic Reviews:* To ensure that Beit Am operates in a manner consistent with its charitable purposes and that it does not engage in activities that could jeopardize its status as an organization exempt from federal income tax, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:
  - a. Whether compensation arrangements and benefits are reasonable and are the result of arm's length bargaining.
  - b. Whether acquisitions of assets or property from any officer or director conform to Beit Am's written policies, are properly recorded, reflect reasonable payments for goods and services, further charitable purposes, and do not result in inurement or impermissible private benefit.