

FAMILY & CHILDREN SERVICES

BOARD OF DIRECTORS

CONFLICT OF INTEREST

POLICY

The purpose of this policy is to ensure that the Family & Children Services (F&CS) Board of Directors acts ethically, in accordance with the organization's by-laws and in the best interest of the organization. Major portions of F&CS's funding are derived from public sources and charitable contributions from individuals, agencies and businesses who share a firm belief in the work of the organization and the reputation of its governing board. The nature of the belief necessitates the highest form of ethical conduct by the Board of Directors of F&CS in fact and appearance.

This policy is meant to ensure open communication and transparency between individual board members and the organization when potential conflicts of interest could occur or perceived to occur. It is also meant to uphold, in action, the by-laws of the organization.

F&CS's by-laws state:

“Section 1. Loans. Except as permitted by Section 5236 of the California Nonprofit Public Benefit Corporation Law, this corporation shall not make any loan of money or property to, or guarantee the obligation of, any director or officer; provided, however, that this corporation may advance money to a director or officer of this corporation or any subsidiary for expenses reasonably anticipated to be incurred in performance of the duties of such director or officer so long as such individual would be entitled to be reimbursed for such expenses absent that advance.

Section 2. Self-Dealing Transactions. Except as provided in Section 3 below, the Board of Directors shall not approve, or permit the corporation to engage in, any self-dealing transaction. A self-dealing transaction is a transaction to which this corporation is a party and in which one or more of its directors has a material financial interest, unless the transaction comes within California Corporations Code Section 5233(b).

Section 3. Approval. This corporation may engage in a self-dealing transaction if the transaction is approved by a court or by the Attorney General. This corporation may also engage in a self-dealing transaction if the Board determines, before the transaction, that (a) this corporation is entering into the transaction for its own benefit; (b) the transaction is fair and reasonable to this corporation at the time; and (c) after reasonable investigation, the Board determines that it could not have obtained a more advantageous arrangement with reasonable effort under the circumstances. Such determinations must be made by the Board in good faith, with knowledge of the material

facts concerning the transaction and the director's interest in the transaction, and by a vote of a majority of the directors then in office, without counting the vote of the interested director or directors.

Where it is not reasonably practicable to obtain approval of the Board before entering into a self-dealing transaction, a Board Committee may approve such transaction in a manner consistent with the requirements above; provided that, at its next meeting, the full Board determines in good faith that the Board Committee's approval of the transaction was consistent with the requirements above and that it was not reasonably practical to obtain advance approval by the full Board, and ratifies the transaction by a majority of the directors then in office without the vote of any interested director."

Policy:

To prevent a real or perceived conflict of interest between the needs of the organization and its Board members and avoid conflict of interest with respect to their fiduciary responsibility, the following policy will be held to ensure that Board members make decisions in terms of the public interest invested in them and in the best interest of F&CS:

- 1) Board members should make decisions in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their families or their friends. Members must avoid conflict of interest with respect to their fiduciary responsibility.
 - a) To assure openness, competitive opportunity, and equal access to inside information, there must be no self-dealing or conduct of private business or personal services between any board member and the agency except as procedurally controlled.
 - b) If a board member has an interest in a proposed transaction with F&CS in the form of a significant personal financial interest in the transaction or in any organization involved with the transaction, or holds a position as trustee, director, or officer in any such organization, he or she must make full disclosure before any discussion or negotiation of such transaction.
 - c) All regular CEO reports will include mention of any "new" business of any amount of money with an interested board member or potential board member.
 - d) Any member of the Board of Directors who is individually or as a part of business or professional firm involved in business transactions or current professional services worth a minimum cost of \$5,000 shall disclose this relationship to the Board Chairperson, and shall not participate in any vote taken by the Board of Directors in respect to such transactions or services. In addition, the CEO shall inform the Board of Directors, in advance, of any proposed transaction with an interested director having a cost in excess of \$5,000.
 - e) The ownership of a less than 1% interest in a publicly traded organization shall not cause such disqualification to vote on a business transaction of more than \$5,000 with Family & Children Services.
 - f) Members will annually disclose their involvement with other organizations, with vendors, or with other associations which might produce a conflict.

- g) Members of the Board of Directors shall receive no compensation for service, other than reimbursement for expenses directly related to board or agency duties.
 - h) Members shall not use the organization's resources for other than F&CS-related activities.
 - i) Members shall not receive kickbacks, gifts or remuneration from third parties dealing with F&CS. This does not include the acceptance of items of nominal or minor values (less than \$25) that are clearly tokens of respect or friendship and are not related to any particular transaction or activity.
 - j) No immediate family member of a Board member may serve as a Corporate Officer, the Director of Finance and Business Operations, or as an independent contractor of the Agency.
 - k) The Chief Executive Officer (CEO) or any other employee or paid consultant who is a member of the Board of Directors must abstain from any vote in which his/her financial compensation of any kind is being considered, as well as issues of accountability
- 2) Board members will act with prudence in the purchase and sale of property related to F&CS
- a) No property or service may be purchased by F&CS from a board member, officer, or employee of the organization or persons related to them for more than its fair market value.
 - b) No property or service of F&CS, or of persons or agencies doing business with the organization, may be purchased or acquired by any trustee, officer, or employee of the organization or persons related to them except for fair market value.
 - c) No board member, agent, representative, or employee of the organization shall participate in either the sale or purchase of goods or services on behalf of the organization if such person or any person related to him or her is a participant as seller or buyer in the sale or purchase.
 - d) Transactions involving the purchase or sale of property or services between the organization and board members, staff or persons related to them shall be subject to these conditions:
 - i) The transaction is disclosed to the Board of Directors and is approved in advance by the Board or its Executive Committee.
 - ii) The transaction is in the best interest of the organization.
- 3) There shall be no loan or grant, secured or unsecured, of the funds of the corporation made to any trustee, officer, agent or employee of the corporation.
- 4) Influence or favoritism arising from the relationship of a Board member to an employee regarding personnel matters is strictly prohibited. Relatives of Board members are not to be given preferential treatment regarding application for employment, recruitment, hiring, work assignment, supervision, retention, promotion or student placement.

Should a Board member desire employment, he or she must first resign from the

Board of Directors.

- 5) Members of the Board of Directors may not receive prizes awarded to participants in special fundraising events. Employees and volunteers (other than board members) who serve on the committee(s) which organize and implement specific fundraising events, and the immediate family members of all of the above may earn incentive prizes, except for situations in which affiliation with the agency presents the possibility of an unfair advantage in winning a prize.

When interpretation of the words, phrases, or meaning of this policy, or any part of it, is required, the Chair of the Board of Directors shall provide such interpretations. If such interpretation deals with a matter involving the Chair of the Board of Directors, a group of directors designated by the executive committee of the Board shall provide the interpretation.

ATTACHMENT A
FAMILY & CHILDREN SERVICES
BOARD OF DIRECTORS

POTENTIAL CONFLICT-OF-INTEREST STATEMENT

I have read the statement of policy regarding conflicts on interest.

To the best of my knowledge and belief, except as disclosed herewith, neither I nor any person with whom I have or had a personal or business relationship is engaged in any transaction or activity or has any relationship that may represent a potential competing or conflicting interest, as defined in the statement of policy.

Further, to the best of my knowledge and belief, except as disclosed herewith, neither I nor any person with whom I have or had a personal, business, or compensated professional relationship intends to engage in any transaction, to acquire any interest in any organization or entity, or become the recipient of any substantial gifts or favors that might be covered by the statement of policy regarding conflicts of interest.

- Without exception
- Except as described in the attached statement

Date: _____

Signature: _____

Printed Name: _____

To be executed by each board member at the beginning of each fiscal year.