

APPENDIX C

CONFLICT OF INTEREST POLICY

Article 1 – Purpose

The purpose of the conflict of interest policy is to protect Wernersville Public Library (“the Organization”) interest when it is contemplating entering into a contract, transaction or arrangement that might benefit the private interest of an employee, independent contractor, trustee of the Organization, or might result in a possible excess benefit transaction under the Internal Revenue Code. This policy is intended to supplement but not replace any applicable state and federal laws governing conflicts of interest applicable to nonprofit and charitable organizations.

Article 2 - Definitions

1. Interested Person

Any employee, independent contractor, trustee, 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. Financial Interest

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

- a. An ownership or investment interest in any entity with which the Organization has a contract, transaction or arrangement,
- b. A compensation arrangement with the Organization or with any entity or individual with which the Organization has a contract, transaction or arrangement, or
- c. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Organization is negotiating a contract, transaction or arrangement.

3. Compensation

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

4. Conflict of Interest

A conflict of interest exists when the interests of an interested person have the potential to be at odds with the best interests of the Organization. The interested person’s interests may be personal (for example, the consideration of a family member for employment) or professional (such as affiliation with a potential supplier to the association). A financial interest is not necessarily a conflict of interest. Under Article 4, Section 3, a person who has a financial interest may have a conflict of interest only if the appropriate governing board, committee or decision maker decides that a conflict of interest exists.

Article 3 - General Principles

1. Interests in conflict

Interested persons may have interests in conflict with those of the Organization. The duty of loyalty requires that trustee or employee be conscious of the potential for such conflicts at all times and act with candor and care in dealing with such situations. Conflicts of interest involving an interested person are not inherently illegal, nor are they to be regarded as a reflection on the integrity of the interested person, Board of Trustees, or the Organization. It is the manner in which the interested person, and those making decisions for the Organization, deal with a disclosed conflict, that determines the propriety of the transaction.

2. Awareness and disclosure

An interested person should be sensitive to any interest he or she may have any decision to be made and, as far as possible, recognize such interest prior to the discussion or presentation of such a matter before the Board of Trustees or other decision making entity or person. When an interested person has an interest in a transaction being considered, the interested person should disclose the conflict at the earliest time practical before a decision is made on the matter. Upon disclosure by the interested person, the decision making entity or person should provide a disinterested review of the matter as described in this policy.

3. Insider transactions

Sometimes, the Organization may decide to choose to deal with an inside supplier of goods or services (i.e., involving an interested person) because of familiarity with the supplier's reliability or for another reason. Although such association with an interested person or their business or family in providing services may result in extra benefits for the Organization, the record of the decision must show that the best interests of the Organization were the overriding consideration in deciding to use such a supplier.

Article 4 - Applicability and Procedures

1. Applicability

In the case of interested persons who are employees or independent contractors, the same procedures described below as to trustees and committee members apply, except it is the Library Director to whom disclosure must be made, and who must deal with the disclosed conflict, not the trustees and members of committees with governing board delegated powers. The Library Director, when appropriate, shall then make such disclosures of the conflict that are proper to the trustees and members of committees.

2. 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 trustees and members of committees with governing board delegated powers considering the proposed

transaction or arrangement. The officer presiding over the meeting has a duty and is expected to make inquiry if any such conflict appears to exist and the affected board member has not made it known.

3. 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 governing board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining board or committee members shall first decide if a conflict of interest exists, and if one does exist, the rest of this article applies. If a conflict does not exist, the interested person shall resume normal participation in the meeting.

4. Procedures for Addressing the Conflict of Interest

The remaining board or committee members shall follow the following procedures if a conflict of interest exists:

- a. An interested person may make a presentation at the governing board or committee meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.
- b. The chairperson of the governing board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
- c. After exercising due diligence, the governing board or committee shall determine whether the Organization 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 governing board or committee shall determine by a majority vote of the disinterested trustees whether the transaction or arrangement is in the Organization'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.

5. Violations of the Conflicts of Interest Policy

If a member of the Board of Trustees or committee suspects a violations of the Conflicts of Interest Policy, he or she must bring the matter to the attention to the board or committee, which shall deal with it as follows:

- a. 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.
- b. 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.

Article 5 - Records of Proceedings

The minutes of the governing 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 governing 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 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 6 - Compensation

The following policies apply to compensation-related matters:

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

Article 7 - Annual Disclosure Statements

Each employee, independent contractor, trustee, and member of a committee with governing board delegated powers shall annually sign and any potential trustee before election shall sign a statement that 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 Organization 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.

Article 8 - Periodic Reviews

The Library Director and/or the Board of Trustees shall from time to time, as it deems reasonably appropriate, conduct periodic reviews to determine the following:

- a. Whether all compensation arrangements and benefits are reasonable, based on competent survey information, and the result of arm's length bargaining.
- b. Whether disclosure statements are being properly used; partnerships, joint ventures, and financial arrangements with interested persons conform to the Organization'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.

Article 9 - Use of Outside Experts

When conducting the periodic reviews as provided for in Article 8, the Organization 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.

Reviewed 1/9/2024