



(Source: <http://www.irs.gov/Charities-&Non-Profits/Form-1023:-Purpose-of-Conflict-of-Interest-Policy>),
(IRS policy updated May 2, 2014)

Article I – Purpose

Charitable organizations are frequently subject to intense public scrutiny, especially where they appear to have inappropriately benefited their officers, directors or trustees. The IRS also has an oversight role with respect to charitable organizations. An important part of this oversight is providing organizations with strategies that will help avoid the appearance or actuality of private benefit to individuals who are in a position of substantial authority. The recommended conflict of interest policy is a strategy we encourage organizations to adopt as a means to establish procedures that will offer protection against charges of impropriety involving officers, directors or trustees.

A conflict of interest occurs where individuals' obligation to further the organization's charitable purposes is at odds with their own financial interests. For example, a conflict of interest would occur where an officer, director or trustee votes on a contract between the organization and a business that is owned by the officer, director or trustee. Conflicts of interest frequently arise when setting compensation or benefits for officers, directors or trustees. A conflict of interest policy is intended to help ensure that when actual or potential conflicts of interest arise, the organization has a process in place under which the affected individual will advise the governing body about all the relevant facts concerning the situation. A conflict of interest policy is also intended to establish procedures under which individuals who have a conflict of interest will be excused from voting on such matters.

Apart from any appearance of impropriety, organizations will lose their tax-exempt status unless they operate in a manner consistent with their charitable purposes. Serving private interests more than insubstantially is inconsistent with accomplishing charitable purposes. For example, paying an individual who is in a position of substantial authority excessive compensation serves a private interest. Providing facilities, goods or services to an individual who is in a position of substantial authority also serves a private interest unless the benefits are part of a reasonable compensation arrangement or they are available to the public on equal terms and conditions.

Article II – Definitions

1. **Interested Person** is any officer¹, board member², or member³ of a committee with governing board delegated powers, who has a direct or indirect financial interest, as defined below.

2. A person has a **financial interest** if the person has, directly or indirectly, through business, investment, or family,
 - a. an ownership or investment interest in any entity with which MDSC has a transaction or arrangement,
 - b. a compensation arrangement with MDSC or with any entity or individual with which the MDSC has a transaction or arrangement, or
 - c. a potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which MDSC is negotiating a transaction or arrangement.
3. **Compensation** includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.
4. A financial interest is not necessarily a conflict of interest. Under Article III, Section 2 of this policy, a person who has a financial interest may have a conflict of interest only if the appropriate governing board or committee decides that a conflict of interest exists.

Article III – Procedures

1. **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 directors and members of committees with governing board delegated powers considering the proposed transaction or arrangement.*
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/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 decide if a conflict of interest exists.*
3. **Procedures for Addressing the Conflict of Interest**
 - 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 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 directors 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.

4. Violations of the Conflicts of Interest Policy

- 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 action and corrective action.*

Article IV – 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 related 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 voting member of the governing board who receives compensation, directly or indirectly, from MDSC 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 MDSC's 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 MDSC, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

Article VI - Annual Statements

Each director, principal officer and member of a committee with governing 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 that the MDSC, Inc. 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 VII Periodic Reviews

To ensure that the Organization 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 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 VIII - Use of Outside Experts

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

Footnote 1: Article 4 - Officers, MDSC Bylaws
 Footnote 2: Article 4 Section 7 - Board, MDSC Bylaws
 Footnote 3: Article 5 – Executive Board, MDSC Bylaws

Approved by the Executive Board of MDSC, Inc., on _____, 2014.

_____, President

_____, Secretary

_____, Law Committee Chairman/Parliamentarian

In accordance to the above Article VI, I have received a copy of this conflict of interest policy, read and understand the policy, and agree to comply with the policy. I also understand that the Corporation 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 activities.

Signature: _____, Date _____

Title: _____
 MDSC Officer, Board member or Committee Member

Individuals to Sign the above Conflict of Interest Policy:

1. Willis Mann, President
2. Andrea Panella, Vice President
3. NaVee Duncan, Recording Secretary
4. Roy White, Treasurer
5. Allen Sussman, Member-at-Large
6. Phil Aiello, Member at large
7. Mary Lynn Lally, Member at Large
8. Lance Fischer, Member at Large
9. Allan Frankel, Webmaster
10. Nancy Kensicki, Newsletter Editor
- ~~11. Jon Lambert, Corresponding Secretary~~
12. Michael Moore, Law Committee Chair/Parliamentarian
13. Joe Rose, Immediate Past President
14. Wayne Berke, Deaf Festival Committee Chair
15. James Macfadden, Finance Committee Chair
16. Phil Aiello, Center Committee Chair
17. Finance Committee members ???
18. MDSC Center committee members ???

Procedure:

Each member shall keep a copy of the conflict of interest policy and MDSC shall retain an original signed copy of the conflict of interest policy. At the request of the MDSC President, the Chair of the Law Committee shall ensure that MDSC keeps original copies of every board member's and committee chair's signed copies on file with the MDSC Secretary.