

**CONFLICT OF INTEREST POLICY
FOR
SUNSTONE MONTESSORI SCHOOL**

Article I: Purpose. The purpose of this conflict of interest policy is to protect this tax-exempt organization's (Organization) interests when it is contemplating possibly entering into a transaction or arrangement that might benefit the private interest of any officer or director of the Organization or that might result in a potential excess benefit transaction. This policy is intended to supplement but not replace any applicable state or federal laws governing a conflict of interest for a nonprofit and charitable organization.

Article II: Definitions.

1. **Interested Person.** An interested person means any director, officer, or member of a committee with board delegated powers who has a direct or indirect financial interest in a relevant matter.
2. **Financial Interest.** 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 the Organization has any transaction or arrangement;
 - b. A compensation arrangement with the Organization or with any entity or individual with which the Organization has any 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 any transaction or arrangement.

Compensation includes any direct and indirect remuneration as well as gifts or favors that are not insubstantial. A financial interest is not necessarily a conflict of interest. Under Article III, Section 2, a person who has a financial interest may have a conflict of interest only if the board or committee decides that a conflict of interest exists.

Article III: Procedures.

1. **Duty to Disclose.** In connection with any actual or potential conflict of interest, an interested person must disclose the existence of the financial interest and must be given the opportunity to disclose all material facts to the directors and members of committees with board delegated powers who are 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 must leave the meeting while the determination of a conflict of interest is discussed and voted on. The remaining board or committee members must decide whether a conflict of interest exists.
3. **Procedures for Addressing the Conflict of Interest.**
 - a. An interested person may make a presentation at the meeting, but after the presentation, he/she must leave the meeting during the discussion of, and

- the vote on, the transaction or arrangement involving the potential conflict of interest.
- b. The chairperson of the board or committee may, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
 - c. After exercising due diligence, the board or committee may 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 potential under circumstances not producing a conflict of interest, the board or committee must determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the Organization's best interests, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination, it must make its decision as to whether to enter into the transaction or arrangement.
4. Violations of the Conflict of Interest Policy.
- a. If the board or committee has reasonable cause to believe that a member has failed to disclose an actual or potential conflict of interest, it must 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 having the member's response and after making further investigation as may be warranted by the circumstances, the board or committee determines that the member has failed to disclose an actual or potential conflict of interest, it must take appropriate disciplinary and corrective action.

Article IV: Records of Proceedings. The minutes of the board and all committees with board delegated powers must contain:

- a. The names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or potential 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 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 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 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 VI: Annual Statements. Each director, officer and member of a committee with board delegated powers must annually sign a statement in which such person affirms that he/she:

- a. Has received a copy of the conflict 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, to maintain its federal tax exemption, it must engage primarily in activities that 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 must be conducted. The periodic reviews must, at a minimum, include the following subjects:

- a. Whether compensation arrangements and benefits are reasonable, based on competent survey information, and are the result of arm's length bargaining; and
- 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 the inurement of an 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 use outside advisors. If outside experts are used, their use does not relieve the board of its responsibility for ensuring that periodic reviews are conducted.