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**Conflict of Interest Policy, Procedure, and Disclosure Form**

**Purpose**

The Internal Revenue Service (IRS) requires nonprofit organizations like [FULL LEGAL ORGANIZATION NAME] to have a conflict of interest policy in place. This policy is crucial for promoting transparency, accountability, and ethical practices within the organization. Failing to comply with this requirement can have serious legal ramifications, potentially jeopardizing the organization's tax-exempt status.

By implementing and following a comprehensive conflict of interest policy, [ORGANIZATION NAME] demonstrates its commitment to ethical conduct and the avoidance of conflicts that could compromise its mission. This policy helps safeguard the organization's reputation, maintain public trust, and ensure that decisions are made in the best interests of the organization and the communities it serves.

**Conflict of Interest Policy**

**Article I: Purpose**

The purpose of this conflict of interest policy is to establish procedures that identify and address conflicts of interest arising from transactions or arrangements involving [ORGANIZATION NAME]. These conflicts may arise when an Interested Person (defined below) has a Financial Interest (defined below) or Fiduciary Responsibility (defined below) towards an individual or entity with which [ORGANIZATION NAME] is negotiating a transaction or arrangement.

While the existence of a conflict of interest does not necessarily prohibit [ORGANIZATION NAME] from entering into such transactions or arrangements, adherence to the procedures outlined in Article III is essential. This policy serves as a supplement to applicable state laws governing conflicts of interest for nonprofit and charitable corporations.

**Article II: Definitions**

**Interested Person:** Any director, principal officer, employee, or member of a committee with board-delegated powers who has either (a) a direct or indirect financial interest (Financial Interest) or (b) a fiduciary responsibility to another organization (Fiduciary Responsibility) is considered an interested person.

**Financial Interest:** A person has a Financial Interest if they, directly or indirectly, through business, investment, or family (including spouse, children, stepchildren, and other relatives living with them):

* Possess an ownership or investment interest in any entity with which [ORGANIZATION NAME] has a transaction or arrangement, including grants.
* Have a compensation arrangement with [ORGANIZATION NAME] or any entity or individual with which [ORGANIZATION NAME] has a transaction or arrangement, including grants.
* Hold a potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which [ORGANIZATION NAME] is negotiating a transaction or arrangement, including grants.
* Maintain a relationship with prospective or actual grantees that is not at arm's length concerning the design, proposals, review, oversight, and [ORGANIZATION NAME]-related activities of specific projects.

Compensation encompasses direct and indirect remuneration, as well as substantial gifts or favors. It does not include loans from financial institutions on customary terms, articles of nominal value used for sales promotion, ordinary "business lunches," or reasonable entertainment consistent with local social or business customs.

Continued in the next message.

A Financial Interest, as defined above, does not automatically indicate a conflict of interest. The determination of a conflict of interest is made by the board or appropriate committee, as outlined in Article III, Section 2.

**Fiduciary Responsibility:** A person has a Fiduciary Responsibility towards an organization or individual if they:

* Occupy a position of special confidence towards such organization or individual.
* Hold property in trust for another person, who has the beneficial title or interest, or receive and control another person's income.
* Have a duty of loyalty or duty of care to an organization, such as serving as an officer, director, or in a similar position with corresponding responsibilities. A duty of loyalty requires refraining from dealing with the organization on behalf of a party whose interests conflict with the organization's and refraining from competing with the organization. A duty of care entails fulfilling responsibilities in good faith and in a manner that is believed to be in the organization's best interests.

Similar to a Financial Interest, a Fiduciary Responsibility does not inherently imply a conflict of interest. The determination of a conflict of interest is made by the board or appropriate committee, as specified in Article III, Section 2.

**Article III: Procedures**

**Duty to Disclose:** Any interested person must disclose the existence and nature of their Financial Interest or Fiduciary Responsibility, along with all pertinent facts, to the directors and members of committees with board-delegated powers involved in considering the proposed transaction or arrangements. Full transparency is essential for effectively identifying and addressing conflicts of interest.

**Determining Whether a Conflict of Interest Exists**: After the interested person discloses their Financial Interest or Fiduciary Responsibility and all relevant facts, they should excuse themselves from the board or committee meeting during the discussion and voting on the conflict of interest. The remaining board or committee members will determine whether a conflict of interest exists.

**Procedures for Addressing the Conflict of Interest:**

a. Interested persons may provide factual presentations during board or committee meetings. However, they must leave the meeting during discussions and voting related to the transaction or arrangement causing the conflict of interest. They should not actively participate in these discussions or votes, whether formally or informally. Additionally, the interested person should not be included when determining the quorum for the meeting where the transaction or arrangement will be voted upon.

b. The board or committee chair, if appropriate, may appoint a disinterested person or committee to explore alternative options for the proposed transaction or arrangement.

c. After conducting due diligence, the board or committee will assess whether [ORGANIZATION NAME] can pursue a more advantageous transaction or arrangement that avoids a conflict of interest.

d. If a more favorable transaction or arrangement that avoids a conflict of interest is not reasonably attainable, the board or committee, through a majority vote or as specified in the Bylaws, will determine whether the transaction or arrangement is in [ORGANIZATION NAME]'s best interest. They will also evaluate whether the transaction is fair, reasonable, and aligned with the organization's goals. The decision to proceed with the transaction or arrangement will be made accordingly.

**Violations of the Conflicts of Interest Policy:**

a. If the board or committee has reasonable cause to believe that a member has failed to disclose actual or potential conflicts of interest, they will inform the member of the basis for their belief and provide an opportunity for the member to explain the alleged failure to disclose.

b. After considering the member's response and conducting further investigation if necessary, the board or committee will determine whether the member has indeed failed to disclose an actual or potential conflict of interest. If such a failure is confirmed, appropriate disciplinary and corrective actions will be taken.

**Article IV: Records of Proceedings**

The minutes of the board and all committees with board-delegated powers will include:

a. The names of individuals who disclosed or were found to have a Financial Interest or Fiduciary Responsibility relating to an actual or potential conflict of interest. The minutes will also specify the nature of the Financial Interest or Fiduciary Responsibility, actions taken to determine the presence of a conflict of interest, and the board's or committee's decision on the existence of a conflict of interest.

b. The names of attendees during discussions and votes on the transaction or arrangement, including those who abstained from participation. The minutes will capture the content of the discussion, including alternative options considered, and record any votes taken.

**Article V: Compensation Committees**

Members of any committee with board-delegated powers responsible for matters concerning compensation, and who receive compensation from [ORGANIZATION NAME], either directly or indirectly, for their services, are prohibited from voting on matters related to their own compensation.

**Article VI: Annual Statements**

Each director, principal officer, and member of a committee with board-delegated powers must sign an acknowledgment and disclosure form annually. This form:

a. Confirms that the person has received and reviewed a copy of the conflict of interest policy and agrees to comply with its terms.

b. Requires the person to disclose any Financial Interest or Fiduciary Responsibility they may have towards an entity they believe may engage in a transaction with [ORGANIZATION NAME] in the upcoming year.

**Article VII: Periodic Reviews**

To ensure [ORGANIZATION NAME] operates consistently with its charitable purposes and maintains its status as a tax-exempt organization, periodic reviews will be conducted. These reviews, at a minimum, will encompass the following areas:

a. Assessment of whether compensation arrangements and benefits are reasonable and the result of arm's-length negotiations.

b. Evaluation of grants to ensure they comply with regulations, including avoiding excess benefit transactions or providing benefits to disqualified individuals

c. Verification of arrangements with other organizations, ensuring alignment with [ORGANIZATION NAME]'s policies, accurate record-keeping, reasonable payments for goods and services, and adherence to the organization's charitable purposes. These arrangements should not result in inurement or impermissible private benefit.

**Article VIII: Use of Outside Experts**

During the periodic reviews specified in Article VII, [ORGANIZATION NAME] has the option to engage outside experts, although it is not mandatory. If outside experts are utilized, their involvement does not absolve the board of their responsibility to ensure the reviews are conducted appropriately.

Failure to comply with the provisions of this Conflict of Interest Policy can have legal ramifications, including jeopardizing [ORGANIZATION NAME]'s tax-exempt status with the IRS and potential penalties. It is essential for all directors, officers, employees, and committee members to understand and adhere to this policy to maintain the integrity and reputation of [ORGANIZATION NAME].

**CONFLICT OF INTEREST ACKNOWLEDGEMENT/DISCLOSURE FORM FOR [ORGANIZATION NAME]**

1. **CONFLICTING ORGANIZATIONS**

Please list any organizations where you hold a position, have a financial interest, or engage in activities that may conflict with the interests of [ORGANIZATION NAME]. Include the organization's name and your title or role.

1. **CONFLICTING ACTIVITIES/OBLIGATIONS**

Indicate if you are involved in any activities, transactions, or contracts that may have adverse interests or conflicts with [ORGANIZATION NAME]. If there are any, please provide details.

1. **CONFLICTING BUSINESS OPPORTUNITIES/COMMITMENTS**

Please state if you have committed to or are pursuing any business opportunities that could potentially harm or conflict with the interests of [ORGANIZATION NAME]. If applicable, provide relevant information.

1. **CONFLICTING RELATIONSHIPS**

If you have a fiduciary relationship with any individuals or entities involved in business opportunities pursued by [ORGANIZATION NAME], please disclose those relationships here.

1. **OTHER POTENTIAL CONFLICTS**

If you have any additional concerns regarding actual or potential conflicts of interest that have not been covered above, please describe them here.

I acknowledge that I have received and reviewed [ORGANIZATION NAME]'s Conflict of Interest Policy, Procedure, and Disclosure Form. To the best of my knowledge, I have accurately answered the questions above and agree to comply with the policy's terms.

Signature: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Printed Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_