

**Educational Theatre Association
Conflicts of Interest Policy**

**Article I
Purpose**

The purpose of this Conflicts of Interest Policy (this "Policy") is to protect the interest of the Educational Theatre Association (the "Corporation") when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the Corporation or might result in a possible excess benefit transaction. This Policy is intended to supplement but not replace any applicable state laws governing conflicts of interest applicable to nonprofit and charitable organizations.

**Article II
Definitions**

Section 2.1. Interested Person. Any director, officer, or member of a committee with board-delegated powers who has a direct or indirect financial interest, as defined below, is an Interested Person. In addition, family members (i.e., spouses, brothers or sisters, spouses of brothers or sisters, ancestors, descendants, and spouses of descendants) of an Interested Person, that may create a perceived duty of loyalty conflict, is also an Interested Person.

Section 2.2. 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 Corporation has a transaction or arrangement,
- b. a compensation arrangement with the Corporation or any entity or individual with which the Corporation has a transaction or arrangement, or
- c. a potential ownership or investment interest in, or compensation arrangement with any entity or individual with which the Corporation is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are substantial in nature. A Financial Interest is not necessarily a conflict of interest. Under Section 3.2, a person who has a Financial Interest may have a conflict of interest only if the appropriate board or committee decides that a conflict of interest exists.

Section 2.3. Personal Interest. A personal conflict of interest in which a board member has a financial interest, personal activity, or relationship that could impair the employee's ability to act impartially and in the best interest of the Corporation during their term.

Under Section 3.2, a person who has a Financial Interest may have a conflict of interest only if the appropriate board or committee decides that a conflict of interest exists.

Article III **Procedures**

Section 3.1. Duty to Disclose. In connection with any actual or possible conflict of interest, an Interested Person must disclose the existence of their Financial or Personal Interest and must be given the opportunity to disclose all material facts to the directors and members of committees with board-delegated powers considering the proposed transaction, relationship, or arrangement.

Section 3.2. Determining Whether a Financial Conflict of Interest Exists. After disclosure of the Financial Interest and all material facts, and after any discussion with the Interested Person, they shall leave the 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.

Section 3.2.i. Determining Whether a Personal Conflict of Interest Exists. As topics arise that may involve Interested Persons, the board should discuss the perceived duty of loyalty conflict and the conflicted board member shall leave the board or committee meeting while the determination of the conflict of interest is discussed and a vote is taken whether or not the conflict of interests exists.

Section 3.3. Procedures for Addressing the Conflict of Interest.

- a. An Interested Person may make a presentation at the board or committee meeting, but after such presentation, they shall recuse themselves and leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.
- b. If a Board Member does not willingly recuse themselves from a discussion or vote and it is determined by the Board that the individual presents a conflict, the Board will require the conflicted Board Member to recuse themselves from the subject by a vote of majority of the Board.
- c. The Chair of the board or committee shall, if appropriate, appoint a disinterested person or committee to obtain appropriate data as to comparable transactions and investigate alternatives to the proposed transaction or arrangement. Appropriate data as to compensation shall include compensation data from three comparable organizations in the geographic area for similar services. Appropriate data as to a property

transaction may include independent appraisals and/or offers received as part of an open and competitive bidding process.

d. The board or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the Corporation's best interests, for its own benefit, and whether the transaction is fair and reasonable to the Corporation and shall make its decision as to whether to enter into the transaction or arrangement in conformity with such determination.

Section 3.4. 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 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 response of the member and making such further investigation as may be warranted in the circumstances, the board or committee determines that the member has in fact failed to disclose an actual or possible conflict of interest, it shall take appropriate action.

Article IV
Records of Proceedings

Section 4.1. Content of Minutes. The minutes of the 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 or Personal Interest in connection with an actual or possible conflict of interest, the nature of the Financial or Personal 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 therewith.

c. A description of the comparability or other data obtained and relied upon by the board or committee and how that data was obtained.

d. A description of the terms of the transaction that was approved and the date it was approved.

e. A record of the actions of members of the board or committee having a conflict of interest with respect to the transaction.

Section 4.2. Time for Completing Records of Proceedings. The minutes described in Section 4.1 above must be prepared before the later of (1) the next meeting of the board or committee or (2) sixty days after the final determination as to the transaction has been made.

Section 4.3. Approval of Records of Proceedings. The minutes described in Section 4.1 above must be approved by the board or committee that authorized the transaction as reasonable, accurate and complete within a reasonable time period thereafter.

Article V **Compensation**

A voting member of the board who receives compensation, directly or indirectly, from the Corporation for services is precluded from voting on matters pertaining to that member's compensation. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, for the Corporation for services is precluded from voting on matters pertaining to that member's compensation. No voting member of the board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Corporation, 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 board-delegated powers shall annually sign a statement which affirms such person:

- a. has received a copy of this Conflicts of Interest policy;
- b. has read and understands the policy;
- c. has agreed to comply with the policy; and
- d. understands 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 purposes.

Article VII
Periodic Reviews

To ensure the Corporation 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, including 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 Corporation'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 Corporation may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the board of its responsibility for ensuring periodic reviews are conducted.

This Conflicts of Interest Policy was adopted by the Board of Directors effective as of the 29 day of June, 2007.

Last updated December 2020.