

**Appendix A To Nonprofit Bylaws:
Conflict of Interest Policy
For
Community Builders Fund**

**ARTICLE I
Purpose of Policy**

This organization (“Organization”) is a nonprofit corporation organized under the laws of the State of Missouri, and has been granted or is seeking tax-exempt status under Internal Revenue Code 501(c). The purpose of the Conflict of Interest Policy (“policy”) is to protect Organization’s interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the Organization or might result in a possible excess benefit transaction. This policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to nonprofit and charitable organizations, or to general business corporations if nonprofit corporations are governed by the general business corporations laws of any state at issue. It is strongly suggested by the IRS that exempt organizations put into place a conflict of interest policy.

**ARTICLE II
Definitions**

1. **Interested Person** - Any member of the Board of Directors, principal officer, or member of a committee with governing board delegated powers that have a direct or indirect financial interest, as defined below, is an interested person. An executive director and other key employee shall be held to the same standard as an interested person with regard to conflicts of interest.
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 a transaction or arrangement,
 - b. A compensation arrangement with the Organization or with any entity or individual with which the Organization 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 Organization is negotiating a transaction or arrangement.
3. **Compensation** - Compensation includes direct and indirect remuneration as well as bartering, gifts or favors that are not insubstantial.
4. **Financial Interest Not Always a Conflict** - 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 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 or acting chair 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 not producing a conflict of interest is not reasonably possible under circumstances, the governing board or committee shall determine by a majority vote of the disinterested voting directors or committee members whether:

- (1) the transaction or arrangement is in the Organization's best interest;
- (2) the transaction or arrangement is for the Organization's benefit; and
- (3) the transaction or arrangement it is fair and reasonable.

Only if the transaction or arrangement is determined to pass all three of these tests shall the governing board or committee have authority to vote to enter into the transaction or arrangement.

e. An interested person has an affirmative duty to bring potential conflicts of interest to the governing board to assess it or delegate its assessment prior to proceeding with the transaction or arrangement involving the possible conflict of interest.

4. Violations of the Conflicts of Interest Policy

a. If the governing board or committee has reasonable cause to believe an interested person has failed to disclose actual or possible conflicts of interest prior to proceeding with the transaction or arrangement involving the possible conflict of interest, it shall inform the interested person of the basis for such belief and afford him/her an opportunity to explain the alleged failure to disclose.

b. If, after hearing the interested person's response and after making further investigation as warranted by the circumstances, the governing board or committee determines the interested person has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action, as it sees fit under the circumstances. In certain egregious

circumstances, removal of the interested person from the position that causes them to be defined as an interested person may be warranted, or termination of employee in the case of an employee. If a committee is empowered to hear the proceeding, but not to exact the disciplinary or corrective action it has determined appropriate, it may recommend the governing board take such corrective action and will have dutifully fulfilled its obligation by making such recommendation in a writing explaining its findings and reasons it believes the disciplinary or corrective action it has recommended is appropriate under the circumstances.

ARTICLE IV

Records of Proceedings

1. The minutes of the governing board and all committees with board delegated powers acting under the authority of this policy 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 V

Compensation

1. 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, and that person's family members are also precluded from voting on such matters.

2. 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, and that person's family members are also precluded from voting on such matters.

3. 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 VI

Annual Statements

1. Each director, principal officer and member of a committee with governing board-delegated powers shall annually 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 obtain and maintain its federal tax exemption it must engage primarily in activities that accomplish or further one or more of its tax-exempt purposes.

ARTICLE VII

Periodic Reviews

1. To ensure 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 private inurement, impermissible private benefit or in an excess benefit transaction.

c. The periodic reviews set forth herein shall only be necessary when there is a reasonable basis for conducting them. If no compensation is paid to any non arm's-length person or entity, and there is clearly no private inurement or other private benefit, etc., no reviews shall be necessary.

ARTICLE VIII

Use of Outside Experts

When conducting the periodic reviews as provided for in Article VII, the Organization may, but is not required to 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.

ARTICLE IX

Indemnity

Nothing herein shall be construed to contradict or supersede the indemnity provisions contained in the Bylaws, as they pertain to any person, including any person who may be defined as interested person under the terms of this policy. In the event of any conflict, the terms of the Bylaws shall govern.

END OF POLICY.