

SMRCA Board of Directors  
Policies and Procedures Manual

**SMRCA Conflict of Interest, Code of Conduct, Code of Ethics and Compliance Policies and Procedures**

**Section 1: Conflict of Interest:**

**POLICY:**

The Board of Directors (BOD) of South Middle River Civic Association (SMRCA) shall avoid the appearance or actuality of private benefit to persons who are in a position of substantial authority.

When an actual or potential conflict of interest arises, this policy shall be decided by the BOD. This policy is intended to supplement but not replace state laws governing conflicts of interest in nonprofit charitable corporations.

An “interested person” is an Officer, Director, or Member of a Committee with Board delegated powers, who has a direct or indirect Financial Interest, as defined below.

- 1) A person has a “financial interest” if the person has, directly or indirectly, through business, investment or family (blood or marriage):
- 2) An ownership or investment interest in any entity with which SMRCA has a transaction or arrangement, or
- 3) A compensation arrangement with SMRCA or with any entity or individual with which the organization has a transaction or arrangement, or
- 4) A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with whom SMRCA is negotiating a transaction or arrangement. “Compensation” includes direct and indirect remuneration, as well as gifts or favors that are substantial in nature. Not every Financial Interest creates an actionable conflict of interest. A “financial interest” is a conflict of interest only if the Board of Directors decides that a conflict exists.

**PROCEDURE:**

In the event that an Officer, Director, or member of a Committee with board delegated powers has a direct or indirect Financial Interest in a transaction or arrangement, the following procedure shall be used:

1. Duty to Disclose. The interested person shall disclose the existence of his or her financial interest and be given the opportunity to disclose all material facts to the Board of Directors considering the proposed transaction or arrangement.
2. Determining Whether a Conflict of Interest Exists. After disclosure of the financial interest and all material facts, the interested person shall leave the board meeting while the potential conflict of interest is discussed and voted upon. The remaining board members shall decide if a conflict of interest exists.

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3. Procedures for Addressing the Conflict of Interest. If the board determines that a conflict of interest exists, the interested person shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement that involves the conflict of interest.
  - The President shall, if appropriate, appoint a disinterested person or a special committee to investigate alternatives to the proposed transaction or arrangement.
  - After exercising due diligence, the board shall determine whether the organization can obtain a more advantageous transaction or arrangement with reasonable efforts from a person or entity that would not give rise to a conflict of interest.
  - If a more advantageous transaction or arrangement is not reasonably attainable, the Board shall determine by a majority vote of disinterested members whether the transaction or arrangement is in the organization's best interest and is fair and reasonable to the organization, and shall make its decision as to whether to enter into the transaction or arrangement in conformity with such determination.
4. Violations of the Conflicts of Interest Policy. If the BOD has reasonable cause to believe that an Interested Person has failed to disclose actual or possible conflicts of interest, it shall inform the person of the basis for such belief and afford the person an opportunity to explain the alleged failure to disclose. If, after hearing the response and making such further investigation as may be warranted in the circumstances, the Board determines that the person has in fact failed to adequately disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action, up to and including removal from the Board or Committee.
5. Minutes. The minutes of the board meeting regarding Conflict of Interest shall contain:
  - The names of persons who disclosed or were found to have a Financial Interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the board's decision as to whether a conflict of interest in fact existed.
  - 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.

### **SPECIAL PROCEDURES FOR COMPENSATION ISSUES:**

1. A voting member of the Board of Directors who receives compensation, directly or indirectly, from SMRCA for services is precluded from voting on matters pertaining to his/her compensation.

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2. A voting member of any Committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from SMRCA for services is precluded from voting on matters pertaining to that member's compensation.
3. Persons who receive compensation, directly or indirectly, from SMRCA, whether as employees or independent contractors, are precluded from membership on any Committee whose jurisdiction includes compensation matters. No person, either individually or collectively, is prohibited from providing information to any Committee regarding compensation.

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**Section 2: Compliance:**

**Annual Compliance Statements:**

Each Board member shall annually sign a statement which affirms that such person:

1. Has received a copy of this conflicts of interest policy,
2. Has read and understands the policy,
3. Has agreed to comply with the policy, and
4. Understands that the organization is a charitable organization and that in order to maintain its federal tax exemption, it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

**PERIODIC REVIEWS (prepared by Compliance Officer):**

To ensure that SMRCA operates in a manner consistent with its charitable purposes and that it does not engage in activities that could jeopardize its status as an organization exempt from federal income tax, periodic reviews by the board of directors shall be conducted at least twice a year, usually June and November. The periodic reviews shall, at a minimum, include the following subjects:

- 1) Whether provider services result in impermissible private benefit.
- 2) Whether partnership and joint venture arrangements and arrangements conform to written policies, are properly recorded, reflect reasonable payments for goods and services, further SMRCA's charitable purposes and do not result in impermissible private benefit..
- 3) Whether agreements with other providers, employees, and third party entities further SMRCA's charitable purposes and do not result in impermissible private benefit.

USE OF OUTSIDE EXPERTS: In conducting the periodic reviews, SMRCA may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the board of its responsibility for ensuring that periodic reviews are conducted.

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**Section 3: Code of Ethics and Whistleblower Policy:**

**Policy:**

This policy reflects a code of conduct that requires The Board of Directors of South Middle River Civic Association ("SMRCA") to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. As volunteers and representatives of SMRCA, we must practice honesty and integrity in fulfilling our responsibilities and comply with all applicable laws and regulations. It also is our responsibility to report violations of this Code in accordance with this Policy. No board or general member who in good faith reports a violation of the Code shall suffer harassment, retaliation or adverse employment consequence.

**Code of Conduct:**

The Board members and general members of SMRCA are expected to adhere to high standards of ethical conduct. Although it is impossible to describe all conduct that is addressed, this policy specifically requires the following:

1. Dedication to SMRCA's mission, vision and core values and recognition that the chief function of SMRCA at all times is to serve the best interests of our Association and neighborhood.
2. The responsible and prudent management of SMRCA's funds and assets.
3. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships.
4. Full, fair, accurate and timely disclosure of relevant facts in all reports and documents dealing with matter of program, service, governance and business administration.
5. Compliance with all applicable governmental laws, rules and regulations.
6. Treatment of all persons with respect, equity and fairness regardless of race, religion, gender, ability, age, sexual orientation or national origin.
7. Respect and protection of confidential and/or privileged information to which we have access in the course of our duties.
8. Prompt internal reporting of code of conduct violations to an appropriate person or persons within the organization.
9. Personal accountability for adherence to this Code of Conduct.

**Reporting Responsibility:**

It is the responsibility of all Board members and general members to comply with the Code of Conduct and to report violations or suspected violations in accordance with this Whistleblower Policy. Under this policy, it is a disciplinary issue for any member to know of ethical misconduct and stay silent.

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### **No Retaliation:**

No member who in good faith reports a violation of the Code of Conduct shall suffer harassment, retaliation or adverse consequence. Any member who retaliates against someone who has reported a violation in good faith is subject to discipline up to and including expulsion from the SMRCA. This Whistleblower Policy is intended to encourage and enable members and others to raise serious concerns within SMRCA prior to seeking resolution outside the Association.

### **Reporting Violations and Grievances:**

The Code of Conduct addresses SMRCA's open door policy and suggests that all members share their questions, concerns, suggestions or complaints with someone who can address them properly. In most cases, another Board member is in the best position to address an area of concern. However, if a member is not comfortable speaking with a particular Board member or not satisfied with his/her response, the member is encouraged to speak with anyone on the Board whom he/she is comfortable approaching. Board members are required to report suspected violations of the Code of Conduct to the Compliance Officer, who has specific and exclusive responsibility to investigate all reported violations. For suspected fraud, or when someone is not satisfied or comfortable with following SMRCA's open door policy, individuals should contact the Compliance Officer directly.

The correct protocol for members of SMRCA to make their grievances known is as follows:

- 1) Any matter of concern can be placed on the agenda for discussion at a board or general meeting.
- 2) If the matter is "sensitive" and/or involves a particular member of SMRCA who may not have followed the bylaws, code of ethics or conflict of interest policies, then this is better done by contacting a Board member confidentially first, who must then contact the Compliance Officer; or by contacting the Compliance Officer directly in any of these cases.
- 3) Public defamation is not acceptable.

### **Accounting and Auditing Matters**

In the event that a reported concern or complaint involves accounting practices or internal controls of auditing, the Compliance Officer shall immediately notify the Finance Committee of the complaint and work with the Committee until the matter is resolved. The Finance Committee and the Board shall address all reported concerns or complaints regarding accounting practices, internal controls or auditing.

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**Acting in Good Faith**

Anyone filing a complaint concerning a violation or suspected violation of the Code must be acting in good faith and have reasonable grounds for believing the information disclosed indicates a violation of the Code. Any allegations that prove not to be substantiated and which prove to have been made maliciously or knowingly to be false will be viewed as a serious disciplinary offense.

**Confidentiality**

Violations or suspected violations may be submitted on a confidential basis by the complainant or may be submitted anonymously. Reports of violations or suspected violations will be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation.

**Handling of Reported Violations**

The Compliance Officer will notify the sender and acknowledge receipt of the reported violation or suspected violation within five business days. All reports will be promptly investigated and appropriate corrective action will be taken if warranted by the investigation.

**Acknowledgement and Distribution of Policy re: Code of Conduct**

As it is the intent of SMRCA to strive for high ethical conduct from all board members and solicit trust and confidence in fulfilling the mission and goals of SMRCA, each board member will receive a copy of this Code of Conduct Policy and any subsequent updates, and will be requested to acknowledge and sign this Code in January of each year. This acknowledgement will be kept on file.

This Policy was duly adopted on this \_\_\_\_\_ day of \_\_\_\_\_ in the year \_\_\_\_\_.

**Board Member and Title**

\_\_\_\_\_

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

Date Policy Adopted: \_\_\_\_\_

Secretary \_\_\_\_\_

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