

CONFLICT OF INTEREST POLICY

Article 1 - Purpose

The purpose of this conflict of interest policy is to protect the interest of First United Methodist Foundation of Phoenix (the "Foundation") when it is contemplating entering into a transaction that might benefit the private interest of a director of the Foundation or might result in a possible excess benefit transaction. The policy is intended to supplement but not replace any applicable state and federal laws governing conflicts of interest applicable to nonprofit and charitable organizations.

Article 2 - Definitions

Section 2.01. Board. The *board* means the board of directors of the Foundation.

Section 2.02 Church. The *Church* means the First United Methodist Church of Phoenix, Arizona.

Section 2.03. Committee. A *committee* as used in this policy shall mean a committee to which the *board* has delegated decision making authority.

Section 2.04. Compensation. *Compensation* includes direct and indirect remuneration as well as gifts or favors that are not insubstantial. No conflict of interest exists with respect to authorized *compensation*, if any, received from the Foundation for performance of the duties of a director. To the extent a director is also a pastor or employee of the *Church*, remuneration received from the *Church* as a pastor or employee is not *compensation* for these purposes even if directly or indirectly funded by payments from the Foundation.

Section 2.05. Interested Person. An *interested person* is any director who has a direct or indirect financial interest, as defined below.

Section 2.06. 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 Foundation has a transaction or arrangement;
- b. A *compensation* arrangement with the Foundation or with any entity or individual with which the Foundation 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 Foundation is negotiating a transaction or arrangement.

A *financial interest* is not necessarily a conflict of interest. Under Article 3, a person who has a *financial interest* may have a conflict of interest only if the *board* or the appropriate *committee* determines that a conflict of interest exists.

Article 3 - Procedures

Section 3.01. 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 *board* or the members of the *committee* considering the proposed transaction or arrangement.

Section 3.02. 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 or she 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.

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Section 3.03. Procedures for Addressing the Conflict of Interest.

- a. An *interested person* may make a presentation at the meeting of the *board* or the *committee*, but after the presentation, he or 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 of the *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 *board* or *committee* shall determine whether the Foundation 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 possible under circumstances not producing a conflict of interest, the *board* or *committee* shall determine by a majority vote of the disinterested *board* or *committee* members whether the transaction or arrangement is in the best interests of the Foundation and whether it is fair and reasonable. In conformity with the above determination it shall make its decision as to whether to enter into the transaction or arrangement.

Section 3.04 Violations of the Conflict of Interest Policy.

- a. If the *board* or a *committee* has reasonable cause to believe a person to whom this policy is applicable has failed to disclose an actual or possible conflict of interest, it shall inform the person of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.
- b. If, after hearing the person's response and after making further investigation as warranted by the circumstances, the *board* or *committee* determines the person has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

Article 4 - Records of Proceedings

The minutes of the *board* and all *committees* 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 *board* 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 the 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 5 - Compensation

- a. A voting member of the *board* who receives *compensation* from the Foundation for services is precluded from voting on matters pertaining to that person's *compensation*.
- b. A voting member of any *committee*, whose delegated authority includes *compensation* matters, and who receives *compensation* from the Foundation for services is precluded from voting on matters pertaining to that person's *compensation*.

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c. No voting member of the *board* or any *committee*, whose jurisdiction includes *compensation* matters, and who receives *compensation* from the Foundation is prohibited from providing information to the *board* or any *committee* considering *compensation*.

Article 6 – Director Affirmations

Following the adoption of this policy, as amended in 2014, (i) each director then serving and (ii) each new director upon taking office, shall sign a statement which affirms such director:

- a. Has received a copy of this Conflict of Interest Policy;
- b. Has read and understands the Conflict of Interest Policy;
- c. Agrees to comply with the Conflict of Interest Policy; and
- d. Understands that the Foundation is a tax-exempt charitable organization 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 7 - Periodic Reviews

To ensure that the Foundation is operated in a manner consistent with its tax-exempt 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 comparative information, and the result of arms-length bargaining.
- b. Whether partnerships, joint ventures, and arrangements with other entities and organizations conform to the Foundation'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.

When conducting the periodic reviews, the Foundation may, but need not, 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.

REVIEW

These GUIDELINES shall be reviewed, and revised if appropriate, bi-annually by the Foundation Board Governance Committee and again be approved by the Foundation Board.

APPROVAL

These GUIDELINES were most recently adopted by the Foundation Board at their regular meeting on May 6, 2014.

Board Secretary

Date

The undersigned director of the First United Methodist Foundation of Phoenix hereby affirms the following (please initial each item and sign):

___ I have received a copy of the Conflict of Interest Policy

___ I have read and understand the Conflict of Interest Policy

___ I agree to comply with the Conflict of Interest Policy

___ I understand that the Foundation is a tax-exempt charitable organization 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.

Dated: _____

Printed Name