

# Conflicts of Interest and Code of Ethics

## GENERAL INFORMATION

When an individual joins the Board of Directors, the law requires that the best interest of the organization prevail over any director's personal or business interests. Conflicts of interest have both legal consequences and public perception consequences.

## DEFINITIONS

- Interested Person: Any director, principal officer, or member of a committee with governing board delegated powers, who has a direct or indirect financial interest (as defined below) is an interested person.
- Financial Interests: Financial interests include, but are not limited to the following:
  - An ownership, investment interest, or compensation arrangement with any entity with which the MQG has a transaction or arrangement
  - A compensation arrangement with the MQG or with any entity or individual with which the MQG has a transaction or arrangement
  - A potential ownership, investment interest, or compensation arrangement with any entity or individual with which the MQG is negotiating a transaction or arrangement, including a commission or fee, share of the proceeds, the prospect of promotion or profit, or any other form of financial reward

## PROHIBITED TRANSACTIONS

- Loans to Directors: There is an absolute prohibition on paying dividends or lending the money of the MQG to a director or employee.
- Private Inurement: In order for an organization to be recognized as a public charity by the IRS, no part of the net earnings of the organization may inure to the benefit of a private individual. Violations of this restriction may result in severe penalties and substantial legal problems for the nonprofit and for directors approving the transaction.

## PERMITTED TRANSACTIONS

- Reasonable Compensation for Services: A nonprofit may pay reasonable compensation to a director for services the director provides on behalf of the nonprofit. The amounts of the compensation must be in line with payments made for similar services to other individuals who are not directors. All payments to directors (other than reimbursements for incurred expenses) are disclosed on the organization's 990 form.

- Interested Director Transactions: Some states may permit transactions with directors under certain circumstances. The three things to remember with regard to an interested director transaction are:
  - Disclose material facts;
  - Ensure that the transaction is fair to the nonprofit; and
  - Document the decision-making process.

Any transaction with an interested director should be carefully documented in the minutes of a meeting at which the transaction is considered.

## **PROCEDURES**

1. Duty to Disclose: In connection with the actual or potential conflict of interest, an interested person must disclose the existence of their financial interest and all material facts to the directors considering the proposed transaction or arrangement and shall abstain from voting on such matters.
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, the interested party shall leave the board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining board members shall decide if a conflict of interest exists.
3. Addressing a Potential Conflict of Interest:
  - a) An interested person may make a presentation at the board or committee meeting, and after such presentation, they shall leave the meeting during the discussion of, and vote on, the transaction or arrangement that results in the conflict of interest.
  - b) The president shall appoint a disinterested person or persons to investigate alternatives to the proposed transaction or arrangement. If the president is the interested person, the vice president shall appoint the investigative party.
  - c) After exercising due diligence, the board shall determine whether the MQG 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.
  - d) If a more advantageous transaction or arrangement is not reasonably attainable under circumstances that would not give rise to a conflict of interest, the Board shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the MQG's best interest and for its own benefit and whether the transaction is fair and reasonable to the MQG. The MQG shall make its decision as to whether to enter into a transaction or arrangement in conformity with such determination.
4. Potential Violations of the Conflict of Interest Policy:

- a. If the Board has reasonable cause to believe that a 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 member an opportunity to explain the alleged failure to disclose.
- b. If, after hearing the response of the person and making such further investigation as may be warranted in the circumstances, the Board determines that the person has in fact failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

### **RECORDINGS AND PROCEEDINGS**

The minutes of any board meeting where potential conflicts are discussed shall contain:

- 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's decision as to whether a conflict of interest existed; and
- 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.

### **GIFTS, COMPENSATION**

- Any qualified member of the Board of Directors may be hired to provide lecture , program, or workshop instruction or pattern design services so long as they have applied and been selected through the same process as individuals who do not serve on the Board of Directors.
- Any Board member who is hired by the MQG into an hourly or salaried position, be it either temporary or permanent, is prohibited from voting on matters of compensation during the time of employment.
- Directors and employees of the MQG may not receive a gift, or a series of gifts, valued at more than \$100 from contractors or businesses who have performed services for the MQG within the past 12 months without prior approval of a majority vote of disinterested directors.

### **ANNUAL STATEMENT**

Each Director, officer, and committee member with board-delegated powers shall annually sign a statement that affirms that such person:

1. Has received a copy of the Conflicts of Interest policy;
2. Has read and understands the policy;
3. Has agreed to comply with the policy; and

4. Understands that the MQG is a charitable corporation and that in order to maintain its federal tax exemption, it must engage primarily in activities that accomplish one or more of its tax-exempt purposes.

## **PERIODIC REVIEWS**

To ensure the MQG 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:

- Whether compensation arrangements and benefits are reasonable, based on competent survey information and the result of arm's length bargaining.
- Whether partnerships, joint ventures, and arrangements with management organizations conform to MQG'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 MQG may, but need not, 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.

## Conflict of Interest Disclosure Questionnaire

To be completed by officers, directors, key employees, and members of Board committees

The Conflict of Interest Policy adopted by the Board of Directors of the MQG requires disclosure of certain Interests. It is not uncommon to have these interests, but it is very important to make them known to the MQG. Use this questionnaire to disclose where you or your family members have certain affiliations, interests or relationships, and/or have taken part in transactions that, in light of your relationship to the MQG, might possibly give rise to an actual, apparent, or potential conflict of interest.

NAME: \_\_\_\_\_

In accordance with the purposes and intent of the Conflict of Interest policy adopted by the Board of Directors of the MQG, a copy of which has been furnished to me, I hereby disclose that I or my family members have the following affiliations, interests or relationships, and/or have taken part in the following transactions:

1. I hold the following position(s) and/or have the following relationship(s) with the MQG:
  - a. \_\_\_\_ Board of Directors director member
  - b. \_\_\_\_ Board of Directors officer
  - c. \_\_\_\_ Other (please specify  
\_\_\_\_\_)
  
2. Do you or any family member hold, directly or indirectly:
  - a. An ownership or investment interest in a company that does or may do business with, or that competes with, the MQG? (If yes, please explain)  
\_\_\_\_\_
  - b. A compensation arrangement with any company that does or may do business with, or that competes with, the MQG? Examples: compensation for employment or independent contractor services, consulting fees, board stipends or fees, advisory committee fees, honoraria, etc. (If yes, please explain) \_\_\_\_\_
  - c. A director, trustee, officer or board committee position with any other company that does or may do business with, or that competes with the MQG (including competition for grants or donations)? (If yes, please explain) \_\_\_\_\_

d. Any personal loans, advances or other indebtedness to or from anyone who also does or may do business with any the MQG? (Note: You may exclude charge cards and personal or mortgage loans at market rates from financial institutions) (If yes, please explain)

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3. Do you or any family member provide managerial, consultative, or other services to or on behalf of any other company that does or may do business with, or that competes with, the services of the MQG? (If yes, please explain)

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4. Do you or any family member employ or otherwise retain any MQG personnel for work on non-MQG business done outside of the MQG? (If yes, please explain)

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5. Have you or any family member used MQG property to conduct business that is not corporate business, without prior approval of the executive director of the MQG? (If yes, please explain)

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6. Do you or any family member know of any recent or pending actions, suit or proceeding in which you have an interest adverse to the interests of, or are a party adverse to any the MQG? (If yes, please explain)

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7. Have you or any family member attempted to influence the MQG concerning the employment or retention of any immediate family member or other individual with whom you have a business or personal relationship? (If yes, please explain)

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8. Have you or any family member accepted gifts, or other favors from any person or company under circumstances from which someone might think that such action was intended to influence you in the performance of your duties on behalf of the MQG? Note: This does not prohibit the acceptance of reasonable items of nominal value that are clearly tokens of respect or friendship and not related to any particular transaction or activity when the value of such entertainment or items does not exceed One Hundred Dollars (\$100.00).(If yes, please explain)

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9. Have you or any family member accepted any gifts, favors or benefits valued in excess of One Hundred Dollars (\$100.00) from customers, suppliers or agents of the MQG?(If yes, please explain)

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10. In the space below, please disclose any other interest, activities, investments or involvement that you think might be relevant for full disclosure of all actual, apparent or possible conflicts of interest. If none, indicate "none." [Use additional pages as necessary.]

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AFFIRMATION

I acknowledge that:

1. I have received a copy of the Board's Conflict of Interest Policy and Code of Ethics;
2. I have read and understand the Policy;
3. I agree to comply with the Policy;
4. I understand that the MQG is a charitable organization and that in order to maintain its federal tax exemption it must engage primarily in activities that accomplish one or more of its tax-exempt purposes;
5. I agree to report to the appropriate person
  - a) any change in the responses to each of the foregoing questions that may result from changes in circumstances
  - b) any further financial interest, situation, activity, interest or conduct that may develop before completion of my next annual questionnaire
6. The information contained in this questionnaire is true and accurate to the best of my knowledge and belief as of the date below.

Signed: \_\_\_\_\_

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