

John T. Gorman Foundation

Conflict of Interest Policy

Introduction

In every aspect of its business dealings, the Foundation is committed to the highest professional and ethical standards. The Foundation strongly values having board members and employees with knowledge of and direct engagement with other non-profit organizations. At the same time, the Foundation must also maintain transparency, fairness, and integrity in its decision-making processes. In practice, this means that board members and employees must avoid any situation, or appearance of a situation, with any unfair influence, favoritism, or other improper behavior. This is especially true with regard to the grantmaking process and our relationships with grant-seekers and grantees. It also applies to vendors, independent contractors, and others who do business with the Foundation. This policy defines what the Foundation considers to be a conflict of interest and provides general guidelines on how to handle situations where conflicts of interest arise.

Policy Statement

In order to assure impartial decision making, it is the policy of the John T. Gorman Foundation that any conflicts of interest, or apparent or potential conflicts of interest, be fully disclosed before a decision is made on the matter involved, and that no director or employee participate (other than by providing information) in any decision in which he or she has a conflict of interest. A special category of activities that constitute a conflict of interest is a self-dealing transaction, as defined later in this policy. The Board of Directors will not approve, and the Foundation will not participate in, any self-dealing transaction as defined in Appendix A.

It is the continuing responsibility of all directors and employees to review their outside business interests, philanthropic interests, personal interests, and family and other close relationships for actual, apparent, or potential conflicts of interest with respect to the Foundation, and to promptly disclose the nature of the interest or relationship.

Conflict of Interest Defined

Generally, a conflict of interest with respect to a proposed Foundation transaction or grant exists if a director or employee of the Foundation: (a) is in a position to make or influence the Foundation's decisions about whether and how to proceed with the proposed transaction or grant, and (b) has an affiliation, as described below, with any other party to a business transaction or with the potential beneficiary of a grant. An apparent conflict of interest is one that a skeptical viewer might reasonably believe might cause the director's or employee's decision to be tainted by self-interest.

For purposes of this policy, an affiliation is the close involvement with a vendor, service provider, or grantee on the part of: (a) a director of the Foundation, (b) an employee of the Foundation, or (c) family member of a director or employee of the Foundation. For purposes of this policy, family member is defined as spouse/domestic partner, ancestor, children, grandchildren, great grandchildren, and spouses of children, grandchildren, and great-grandchildren.

Affiliation includes, but is not limited to, serving as a Board member, employee, or consultant to a current or potential grantee, service provider, or vendor, doing business with the grantee, service provider, or vendor, or having a special personal relationship with a current or potential grantee, service provider, or vendor. Directors and employees of the Foundation shall communicate fully with the Foundation regarding such affiliations and any other relationship or commitment that could affect, or be seen to affect, the impartial fulfillment of their roles in the affairs of the Foundation. Doubts about whether a relationship warrants disclosure under this policy should be resolved in favor of disclosure.

Disclosure of Affiliations Generally

Each director and employee must complete a disclosure statement on appointment and annually thereafter. Directors and employees should also be alert to other potential conflicts that may arise during the course of the year. Disclosure of affiliations in the disclosure statement does not substitute for the disclosure requirements in connection with any specific transaction or grant. Affiliations or interests should be disclosed to other participants in the Foundation's decision-making process whenever there is any doubt about whether disclosure is required.

Abstention from Decision making Generally

In all situations calling for disclosure of affiliations, the conflicted or possibly conflicted director or employee must abstain from voting or otherwise participating in the decision (to determine if there is a conflict of interest, and to approve or disapprove the transaction unless the disinterested decisionmakers decide otherwise) other than by providing information requested by the disinterested decisionmakers. That abstention should be formally noted in the minutes in the case of directors or other appropriate written record in the case of employees.

Disclosure and Abstention in Specific Situations

- **Conflicts Arising from Recommendations and Approval of Grants**

Unless well known to the Board or employees considering a proposed grant, disclosure should be made, orally or in writing, whenever a grant involving a conflict or apparent conflict of interest is being considered. Employees should make disclosure to the President (see section relating specifically to employees below). Directors should normally make disclosure to the Board at the time the grant is discussed with the Board, or sooner to the Chairman of the Board.

If the grant is authorized without discussion as part of a motion to approve a set of proposed grants, the interested director shall note his or her abstention from voting on the grant with which the director is affiliated. If there is a Board deliberation on the merits of a grant to an organization with which a director is affiliated, the interested director shall, in addition to abstaining from voting, leave the room after having answered any questions posed by other directors.

While grants may be made to organizations that employ a director or family member of a director or employee, or that contract for the provision of goods or services from any of those individuals, no grant to such an organization shall include funds designated to pay for the employment or the provision of goods and services of any of these individuals.

- **Conflicts Arising in Transactions Other than Grants**

Board members and employees of the Foundation are responsible for disclosing any actual, potential, or perceived conflicts of interest with independent contractors, service providers, or other vendors. Disclosure should be made either in writing or verbally to the President describing the transaction involving the actual or perceived conflict of interest being considered.

Doubts about whether a relationship warrants disclosure under this policy should always be resolved in favor of disclosure. All information so disclosed will be treated on a confidential basis, except to the extent necessary for the protection of the interest of the Foundation. While the Foundation may contract for the provision of goods and services from organizations that employ a board member, employees, or the family members of a board member or employees, none of the Foundation's funds may be designated to pay for the employment or the provision of goods and services of any of these individuals. Moreover, Foundation funds may not be used to enhance a board member's or employee's reputation or prestige.

The Foundation will generally avoid any transaction that results in direct or indirect material economic benefit to any affiliated person. If the board believes that such a transaction is in the best interests of the Foundation, and if the transaction is not prohibited by federal or state law, the board may with the advice of counsel, consider the transaction in accordance with any relevant procedures required by applicable law.

Self - Dealing Transactions

The Internal Revenue Code imposes a penalty on any act of self-dealing between the Foundation and disqualified persons unless the disinterested decisionmakers determine that an exception to the self-dealing rules clearly applies (see Appendix A for a description of a self-dealing transaction and disqualified persons). The Foundation will not engage in such self-dealing. Generally speaking, sales of property, goods, or services; exchanges and loans between a foundation and a disqualified person (such as a director or officer or a member of their families); payment of compensation to a disqualified person; and use of Foundation assets by or for the benefit of a disqualified person, including satisfying a legal obligation of a disqualified person, constitute self-dealing and, unless an exception applies, are prohibited.

Gifts

With the exception noted below, directors, employees, and members of their families, may not knowingly receive or accept any pecuniary gain or anything else of value (including gifts, honoraria, loans, and entertainment) from recent, current, or potential grantees, vendors, suppliers, consultants, or others who have existing or proposed business or grantor-grantee relationships with the Foundation. It is permissible to accept gifts of nominal value, meals, and social invitations that are in keeping with good business ethics and do not obligate the recipient to take or refrain from taking any action or decision on behalf of the Foundation. Where it would be awkward to decline a proffered gift, it should be accepted on behalf of the Foundation, and the President should be consulted as to its disposition.

Provisions Specific to Employees

Full-time employees have a full-time responsibility to the Foundation and may not engage in activities that would interfere with the discharge of this responsibility. No employee may have business dealings with the Foundation beyond receipt of salary and personnel benefits and reimbursement of authorized expenses. Any service as a director of, or advisor or consultant to, any business or nonprofit organization must not only be stated on the employee's Disclosure Statement but, in the case of a relationship with an organization doing business with or receiving a grant from the Foundation, permission must be sought in advance from the President (or from the Chairman of the Board if the President is involved). Permission will be granted only when it is determined that the interests of the Foundation are not compromised by the service to the other organization. Full disclosure of the relationship to the proposed grantee must be made again before the employee recommends any grant or transaction to or with the other organization and, if the recommendation goes forward, the disclosure must be presented to the Board and recorded in the Board minutes.

Appendix A

Private Foundation Self-Dealing Rules

As a private foundation, the John T. Gorman Foundation is subject to the self-dealing rules established by section 4941 of the Internal Revenue Code. These rules tightly regulate all transactions between the Foundation and its directors, officers, and other "disqualified persons" (see definition below). The conceptual starting point of the self-dealing rules is that a private foundation should not engage in economic transactions with disqualified persons even if those transactions result in the net transfer of value to the foundation. The rules establish an important, but limited, exception under which a foundation may pay reasonable compensation to a disqualified person and reimburse reasonable expenses for personal services that are reasonable and necessary to advance the exempt purposes of the foundation.

Sanctions

The sanctions for violating the self-dealing rules fall primarily on the disqualified person(s) involved in a self-dealing transaction, who must both pay a penalty tax and "correct" the violation. Correction generally requires both undoing the transaction to the extent possible and also placing the foundation in a financial position "not worse than that in which it would be if the disqualified person were dealing under the highest fiduciary standards." Directors and officers who knowingly, willfully, and without reasonable cause approve a self-dealing transaction are also subject to financial penalty and a correction obligation.

Definition of Disqualified Persons

For purposes of the self-dealing rules, disqualified persons include:

- A foundation's directors and officers as well as other "foundation managers" who have decision authority over a specific transaction;
- Substantial contributors to the foundation;
- Family members of the foregoing (i.e., spouses, ancestors, lineal descendants through greatgrandchildren, and spouses of such descendants); and
- Any entity (other than another section 501(c)(3) organization) in which disqualified persons own a 35 percent or greater ownership interest.

Transactions Prohibited Under the Self-Dealing Rules.

- Buying and selling property from or to a disqualified person, even on terms favorable to the Foundation;
- Leasing of property between a disqualified person and a private foundation (Exception: Lease of property is without charge or if the lease is in a building with other tenants who are not disqualified people.);

- Lending money or extending credit to disqualified people or borrowing money from disqualified people (Exception: Loans to the Foundation by a disqualified person is without interest or other charge.);
- Providing goods, services or facilities (Exception: The goods, services or facilities are made available to the general public on at least as favorable a basis.);
- Paying compensation or reimbursing expenses to a disqualified person (Exception: Payment of compensation or reimbursement of expenses for personal services is reasonable and necessary to carry out the Foundation's purpose.);
- Transferring Foundation income or assets to, or for the use or benefit of, a disqualified person including a grant or other payment made by a foundation to satisfy the legal obligation, including legally enforceable pledges, of a disqualified person. (Exception: Receipt of incidental benefits from use of the Foundation's income or assets.); and
- Certain agreements to make payments of money or property to government officials. (Exception: A scholarship or fellowship, any gift or service or facilities made available that is not more than \$25 in a calendar year, payment for government training programs, travel expenses within the United States and conference participation.)