Conflict of Interest and Compensation Policy of Locust Valley Historical Society ("LVHS")

Adopted by the Board of Trustees on [Date]

I. Overview

1. Purpose

The purpose of this Conflict of Interest and Compensation Policy (the "policy") is to protect the LVHS's interests when it is considering taking an action or entering into a transaction that might benefit the private interests of a trustee, officer or **key person**[1], result in the payment of excessive compensation to a trustee, officer or key person; or otherwise violate state and federal laws governing conflicts of interest applicable to nonprofit, charitable organizations.

2. Why is a policy necessary?

As a nonprofit, charitable organization, the LVHS is accountable to both government agencies and members of the public for responsible and proper use of its resources. Trustees, officers and employees have a duty to act in the LVHS's best interests and may not use their positions for their own financial or personal benefit.

Conflicts of interest must be taken very seriously since they can damage the LVHS's reputation and expose both the LVHS and affiliated individuals to legal liability if not handled appropriately. Even the appearance of a conflict of interest should be avoided, as it could undermine public support for the LVHS.

3. To whom does the policy apply?

This policy applies to all trustees, officers and key persons ("you").

II. Identifying Conflicts of Interest

1. What is a conflict of interest?

A perceived, actual or apparent conflict of interest arises when a trustee, officer or key person, or that person's **relative**[2] or business (a) stands to gain a financial benefit from an action the LVHS takes or a transaction into which the LVHS

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[1] **Key person** means a person, other than a trustee or officer, whether or not an employee of the LVHS, who:

a) has responsibilities, or exercises powers or influence over the LVHS as a whole similar to the responsibilities, powers, or influence of directors and officers;

b) manages the LVHS, or a segment of the LVHS that represents a substantial portion of the activities, assets, income, or expenses of the LVHS; or

c) alone or with others controls or determines a substantial portion of the LVHS's capital expenditures or operating budget.

[2] **Relative** means a person's spouse or domestic partner, ancestors, brothers and sisters (whether whole or half- blood), children (whether natural or adopted), grandchildren, great-grandchildren, and spouses or domestic partners of brothers, sisters, children, grandchildren and great-grandchildren.

enters; or (b) has another interest that impairs, or could be seen to impair, the independence or objectivity of the trustee, officer or key person in discharging their duties to the LVHS.

2. **What are some examples of perceived, actual or apparent conflicts of interest?** It is impossible to list all the possible circumstances that may present conflicts of interest. Perceived, actual or apparent conflicts of interest include situations in which a trustee, officer or key person or that person's relative or business:
    - has an ownership or investment interest in any third party that the LVHS deals with or is considering dealing with;
    - serves on the board of, participates in the management of, or is otherwise employed by or volunteers with any third party with substantially similar missions, goals and/or objectives that the LVHS deals with or is considering dealing with (limited to: libraries, museums, historical societies or other substantially similar organizations within a 15-mile radius of a mid-point at the intersection of Forest Avenue/Buckram Road and Birch Hill Road, Locust Valley, NY);
    - receives or may receive compensation or other benefits in connection with a transaction into which the LVHS enters;
    - receives or may receive personal gifts or loans from third parties dealing with the LVHS;
    - serves on the board of trustees (or board of directors) of another nonprofit organization that is competing with the LVHS for a grant or contract;
    - has a close personal or business relationship with a participant in a transaction being considered by the LVHS;
    - would like to pursue a transaction being considered by the LVHS for their personal benefit.

3. In situations where you are uncertain, err on the side of caution and disclose the potential conflict as set forth in Section III of this policy.

4. **A perceived, actual or apparent conflict is not necessarily a conflict of interest**. A person has a conflict of interest only if the audit committee decides, pursuant to Section IV of this policy, that a conflict of interest exists.[3]

III. Disclosing Potential Conflicts of Interest

1. You must disclose to the best of your knowledge all perceived, actual and apparent conflicts of interest as soon as you become aware of them and always before any

[3] Alternatively, the policy could provide for disclosure (1) to the board of trustees, in which case, the board would decide both whether there is a conflict and how to handle the conflict; or (2) to a different board committee.

actions involving the potential conflict are taken. You must submit a signed, written statement disclosing all the material facts to the audit committee.

2. You must file an annual disclosure statement in the form attached to this policy. **If you are a trustee**, you must also file this statement prior to your initial attendance at a board meeting. Submit the form to the chair of the audit committee, or in their absence to the Secretary of the Board of Trustees.

IV. Determining Whether a Conflict of Interest Exists[4]

1. After there has been disclosure of a perceived, actual or apparent conflict and after gathering any relevant information from the concerned trustee, officer or key person, the audit committee shall determine whether there is a conflict of interest. The trustee, officer or key person shall not be present for deliberation or vote on the matter and must not attempt to influence improperly the determination of whether a conflict of interest exists.

2. In determining whether a conflict of interest exists, the audit committee shall consider whether the potential conflict of interest would cause a transaction entered into by the LVHS to raise questions of bias, inappropriate use of the LVHS's assets, or any other impropriety.

3. A conflict always exists in the case of a **related party transaction** – a transaction, agreement or other arrangement in which a **related party**[5] has a financial interest and in which the LVHS or any affiliate of the LVHS is a participant.[6]

4. If the audit committee determines that there is a conflict of interest, it shall refer the matter to the board of trustees ("board").

V. Procedures for Addressing a Conflict of Interest

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[4] Alternatively, the policy could provide for disclosure (1) to the board of directors, in which case, the board would decide both whether there is a conflict and how to handle the conflict; or (2) to a different board committee.

[5] A **related party** is:

1. a director, officer or key person of the LVHS or any affiliate of the LVHS, or
2. a relative of any individual described in (1), or
3. an entity in which any individual described in (1) or (2) has an ownership or beneficial interest of 35% or more, or in the case of a partnership or professional Corporation, a direct or indirect ownership interest in excess of 5%.

[6] A transaction is not a related party transaction if:

1. the transaction, or the related party's financial interest in the transaction, is *de minimis*;
2. the transaction would not customarily be reviewed by the board or the boards of similar organizations in the ordinary course of business and is available to others on the same or similar terms;
3. the transaction constitutes a benefit provided to a related party solely as a member of a class of the beneficiaries that the LVHS intends to benefit as part of the accomplishment of its mission (and that benefit is available to all similarly situated members on the same terms).

1. When a matter involving a conflict of interest comes before the board, the board may seek information from the trustee, officer or key person with the conflict prior to beginning deliberation and reaching a decision on the matter. However, a conflicted person shall not be present during the discussion or vote on the matter and must not attempt to influence improperly the deliberation or vote.

2. **Additional Procedures for Addressing Related Party Transactions**
   a. The LVHS may not enter into a related party transaction unless, after good faith disclosure of the material facts by the trustee, officer or key person, the board or a committee authorized by the board determines that the transaction is fair, reasonable and in the LVHS's best interest at the time of such determination.

   b. If the related party has a substantial financial interest, the board or authorized committee shall:

      i. prior to entering into the transaction, consider alternative transactions to the extent available;

      ii. approve the transaction by a vote of not less than a majority of the trustees present at the meeting; and

      iii. contemporaneously document in writing the basis for its approval, including its consideration of any alternative transactions.

VI. Minutes and Documentation

The minutes of any board meeting at which a matter involving a conflict of interest or potential conflict of interest was discussed or voted upon shall include:

a. the name of the interested party and the nature of the interest;

b. the decision as to whether the interest presented a conflict of interest;

c. any alternatives to a proposed contract or transaction considered by the board; and

d. if the transaction was approved, the basis for the approval.

VII. Prohibited Acts

The LVHS shall not make a loan to any trustee or officer.

VIII. Procedures for Determining Compensation

1. No person shall be present for or participate in board or committee discussion or vote pertaining to:

a. their own compensation;

b. the compensation of their relative;

c. the compensation of any person who is in a position to direct or control them in an employment relationship;

d. the compensation of any person who is in a position to directly affect their financial interests; or

e. any other compensation decision from which the person stands to benefit.

2. In the case of compensation of Key Persons, the following additional procedures apply:

a. The board or a committee authorized by the board shall approve compensation before it is paid.

b. The board or authorized committee shall base approval of compensation on appropriate data, including compensation paid by comparable organizations (three are sufficient if the LVHS's income is less than $1,000,000) for functionally similar positions, availability of similar services in the geographic area of the LVHS, and compensation surveys compiled by independent firms.

c. The board or authorized committee shall contemporaneously document:

i. the terms of compensation and date of determination;

ii. the members of the board or committee who were present and those who voted for it;

iii. the comparability data relied on and how it was obtained;

iv if the compensation is higher or lower than the range of comparable data, the basis for the determination, and;

v. any actions with respect to consideration of the compensation by anyone on the board or committee who had a conflict of interest with respect to the matter.

LOCUST VALLEY HISTORICAL SOCIETY

Conflict of Interest Disclosure Statement

By signing below, I affirm and acknowledge that:

1. I have received and read a copy of the Conflict of Interest and Compensation Policy;
2. I agree to comply with the policy;
3. I have no actual or potential conflicts as defined by the policy or if I have, I have previously disclosed them as required by the policy or am disclosing them below.

Disclose here, to the best of your knowledge:

1. any entity in which you participate (as a trustee, officer, employee, volunteer, or member) with which the LVHS has a relationship;
2. any transaction in which the LVHS is a participant as to which you might have a conflicting interest; and
3. any other situation which may pose a conflict of interest.

DISCLOSURES, *if any, use a separate sheet if necessary; (if no disclosures, please draw a line through the space below)*:

_____ _____

Signature of Individual Signing this Document *Date*

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Print Name of Individual Signing this Document