



GOVERNING INSTRUMENT AND BYLAWS OF  
COMMUNITY FOUNDATION OF NORTHERN ILLINOIS

**ARTICLE X**  
**CONFLICT OF INTEREST**

10.1 RECUSAL FOR ANY CONFLICT OF INTEREST. A Conflicted Person must declare a Conflict of Interest and recuse themselves from any Transaction related to the Conflict of Interest. To avoid any doubt:

- a. A Conflicted Person shall not, directly nor indirectly, participate in deliberations or voting on a Transaction in which such person has a Conflict of Interest.
- b. A Conflicted Person shall not attempt to influence the deliberations of the staff, committee, or Board pertaining to a Transaction in which such person has a Conflict of Interest.
- c. A Conflicted Person shall not promote or lobby for an interest pertaining to a Transaction in which such person has a Conflict of Interest.
- d. A Conflicted Person shall not attend that portion of meetings pertaining to a Transaction in which such person has a Conflict of Interest.
- e. A Conflicted Person shall not disclose any Confidential Information regarding the Foundation's deliberations pertaining to a Transaction in which such person has a Conflict of Interest.
- f. A Conflicted Person shall not act to subvert or undermine any aspect of such Transaction in which such person has a Conflict of Interest.

10.2 **PURPOSE.** The purpose of this Article is to protect the interest of the Foundation and its tax-exempt status when it is contemplating entering into a Transaction that might benefit -- directly or indirectly -- the private interest of an officer, Board Member, committee member or employee. This policy is intended to supplement but not replace any applicable state or federal laws or regulations governing conflicts of interest applicable to not-for-profit and charitable corporations.

10.3 **DEFINITIONS.**

- a. **"Compensation."** Compensation includes direct and indirect remuneration or benefits as well as gifts or favors that are substantial in nature, including payment for service as a Board Member or staff.
- b. **"Conflict of Interest."** A Conflict of Interest exists when an Interested Person, either directly or indirectly through a Related Person, has an Financial Interest in the outcome of a Transaction such that an ordinarily prudent person would reasonably expect that such Financial Interest would exert an influence on the Interested Person's judgment if the Interested Person were called on to vote on the Transaction, except, however, it shall not be a Conflict of Interest for a Conflicted Person to vote upon budget allocations, committee action approvals, or similar proposals where the Conflict of Interest has been previously disclosed by the Conflicted Person, the Transaction with the Conflict of Interest was previously approved by the Board or a committee aware of the Conflict of Interest, the Transaction with the Conflict of Interest is an embedded portion of a larger proposal, and there is no discussion of the Transaction causing the Conflicted Person's Conflict of Interest.



GOVERNING INSTRUMENT AND BYLAWS OF  
COMMUNITY FOUNDATION OF NORTHERN ILLINOIS

- c. **“Conflicted Person.”** An Interested Person becomes a Conflicted Person in relation to a Transaction when an Interested Person declares, or the appropriate Board or committee determines, that the Interested Person has a Conflict of Interest with the Transaction.
- d. **“Financial Interest.”** A person has a Financial Interest if the person has, directly or indirectly, through business, investment or a Related Person:
  - i. An ownership, partnership, or investment interest in any entity with which the Foundation is considering a Transaction,
  - ii. A Compensation arrangement with the Foundation or with any entity or individual with which the Foundation is considering a Transaction, or
  - iii. A potential ownership, partnership, or investment interest in, or compensation arrangement with, any entity or individual with which the Foundation is considering a Transaction, or
  - iv. Any other professional or business or fiduciary or financial relationship with any entity or individual with which the Foundation is considering a Transaction.
- e. **“Interested Person.”** An Interested Person is any Board Member, officer, member of a committee with Board delegated powers, or staff member of the Foundation who is participating in the consideration of a Transaction.
- f. **“Related Person.”** A person is a Related Person if a family, business, or personal relationship with the Interested Person exists such that an ordinarily prudent person would reasonably expect the Related Person to be able to exert an influence on the Interested Person’s judgment regarding the interests of the Foundation. Related persons include, but are not limited to:
  - i. Family - An Interested Person's spouse, domestic partner, parent, parent of a spouse or domestic partner, sibling, sibling of a spouse or domestic partner, child or grandchild, child or grandchild of a spouse or domestic partner, or spouse or domestic partner of a child or grandchild.
  - ii. Roommates - An Interested Person's friends and associates residing in the Interested Person's residence.
  - iii. Friendships and Associations - Mere friendships and associations between an Interested Person and persons who have a Financial



## GOVERNING INSTRUMENT AND BYLAWS OF COMMUNITY FOUNDATION OF NORTHERN ILLINOIS

Interest do not necessarily establish a Related Person, but friends and associates with whom the full disclosure of the relationship are such that an ordinarily prudent person would reasonably expect the friend or associate to be able to exert an influence on the Interested Person's judgment regarding the interests of the Foundation do establish a Related Person.

- g. **“Qualified Person.”** A Qualified Person means any Board Member, officer, member of a committee with Board delegated powers, or staff member of the Foundation who is not a Conflicted Person with respect to a Transaction.
- h. **“Transaction.”** Any proposed action or arrangement of the Foundation under consideration, including any action on behalf of the Foundation by the Board, a committee, an employee, or an advisor.

### 10.4 PROCEDURES.

- a. **Annual Disclosure.** To assist with the identification of any actual or possible conflicts of interest, each Board Member, member of a committee, and Foundation employee must annually:
  - i. Disclose to the Secretary of the Foundation the existence and nature of such personal financial, fiduciary, or other interests that reasonably might create a Conflict of Interest; and
  - ii. Sign a statement affirming that such person has received a copy of this conflict-of-interest policy, has read and understands the policy, has agreed to comply with the policy, and understands that the Foundation 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 and must establish and comply with this Bylaw.
- b. **Transactional Disclosures.** When a Transaction is presented for consideration each Interested Person shall act as follows:
  - i. **Participate.** Interested Persons who believe in good faith they have no Conflict of Interest may participate in the consideration of the Transaction.
  - ii. **Voluntary Recusal.** Any Interested Persons who acknowledges a personal Conflict of Interest shall declare the Conflict of Interest in committee or with the President, the Chairperson of the Board, or the



## GOVERNING INSTRUMENT AND BYLAWS OF COMMUNITY FOUNDATION OF NORTHERN ILLINOIS

Chairperson of the committee prior to discussion and voting on the Transaction.

iii. **Voluntary Inquiry Concerning Personal Recusal.** An Interested Person concerned about a possible personal Conflict of Interest with a Transaction should raise the concern of whether or not a Conflict of Interest exists either in committee or with the President, the Chairperson of the Board, or the Chairperson of the committee prior to discussion and voting on the Transaction.

iv. **Duty to Inquire Concerning Potential Conflict of Interest.** Any person concerned that a potential Conflict of Interest has not been disclosed or might not be disclosed in a timely fashion by an Interested Person with a potential Conflict of Interest must raise the question of whether or not a Conflict of Interest exists either in committee, or with the President, the Chairperson of the Board, or the Chairperson of the committee, prior to discussion and voting on the Transaction

c. **Determining Whether a Conflict of Interest Exists.** Unless the Interested Person acknowledges the existence of a Conflict of Interest and voluntarily recuses, the Interested Person whose potential Conflict of Interest is under review shall disclose all facts known to the Interested Person respecting the potential Conflict of Interest that an ordinarily prudent person would reasonably believe to be material to a judgment about whether or not a Conflict of Interest exists. The Chairperson may gather for consideration such additional information or documents respecting the potential Conflict of Interest that an ordinarily prudent person would reasonably believe to be material to a judgment about whether or not a Conflict of Interest exists. After disclosure of all material facts related to the Conflict of Interest and after discussion with the Interested Person that the Chairperson determines is required for adequate disclosure, the Interested Person with the potential Conflict of Interest shall leave the meeting while the determination of the existence of a Conflict of Interest is discussed and voted upon. A majority of the Qualified Persons present shall decide if a Conflict of Interest exists. If it is determined that a Conflict of Interest exists, the Conflicted Person is recused and additional actions shall be taken as provided for herein.

d. **Additional Procedures for Addressing a Conflict of Interest.**

i. The Chairperson of the Board or committee shall, if appropriate, appoint a Qualified Person or committee to investigate alternatives to the proposed Transaction or arrangement.



## GOVERNING INSTRUMENT AND BYLAWS OF COMMUNITY FOUNDATION OF NORTHERN ILLINOIS

- ii. If the Chairperson of the Board is a Conflicted Person, then the next available officer (in the order that they are listed in the Bylaws) who is a voting member of the Board and who is a Qualified Person shall become acting Chairperson for all deliberations and voting pertaining to the conflicted matter.
  - iii. If the Chairperson of a committee is a Conflicted Person then another Trustee who is also a member of that committee (in the order of Trustee seniority) and who is a Qualified Person shall become acting Chairperson for all deliberations and voting pertaining to the conflicted matter.
  - iv. If an employee of the Foundation is a Conflicted Person, all employees of the Foundation subordinate to the Conflicted Person are also considered to be Conflicted Persons and the Conflicted Person employee and their subordinate employees shall recuse themselves consistent with this policy.
- e. **Procedures for a Transaction Between the Foundation and a Conflicted Person.**
- i. Under appropriate circumstances, the Foundation may enter into a Transaction with a Conflicted Person, but due care must be taken to avoid an excess benefit Transaction. An excess benefit Transaction is a Transaction in which an economic benefit (such as compensation, payment for goods or services, the use of Foundation assets, etc.) is provided by the Foundation, directly or indirectly, to or for the use of any individual, and the value of the economic benefit provided by the Foundation exceeds the economic benefit of goods or services received by the Foundation in exchange.
  - ii. In regard to a Transaction between the Foundation and a Conflicted Person, after exercising due diligence, the Board or committee shall determine whether the Foundation can obtain a more advantageous Transaction with reasonable efforts from a person or entity that would not give rise to a Conflict of Interest.
  - iii. In regard to Transactions between the Foundation and a Conflicted Person, if a more advantageous Transaction is not reasonably attainable under circumstances that would not give rise to a Conflict of Interest, the Board or committee shall determine by a majority vote, of at least two Qualified Persons whether the Transaction is in the Foundation's best interest and for its own benefit and whether the Transaction is fair and reasonable to the Foundation and shall



## GOVERNING INSTRUMENT AND BYLAWS OF COMMUNITY FOUNDATION OF NORTHERN ILLINOIS

make its decision as to whether to enter into the Transaction or arrangement in conformity with such determination.

- iv. A voting member of the Board of Trustees who receives compensation, directly or indirectly, from the Foundation for services is precluded from voting on all matters pertaining to that member's compensation or benefits, or participating in the consideration thereof.
- v. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Foundation for services is precluded from voting on matters pertaining to that member's compensation or benefits, or participating in the consideration thereof.
- f. **Violations of the Conflict of Interest Policy.** Any time after a decision on a Transaction, if any person has reasonable cause to believe that an Interested Person failed to comply with the Conflict of Interest policy, the person should advise the President or the Chairperson of the Board. If the President or the Chairperson of the Board is concerned there may be a violation of the Conflict of Interest policy, the Chairperson of the Board shall investigate upon the terms the Chairperson of the Board determines to be appropriate. The investigation shall inform the Board and the potentially Conflicted Person of the basis for such belief. The Chairperson of the Board shall provide the potentially Conflicted Person an opportunity to explain the alleged failure to disclose or comply. If, after considering any written or oral response of the potentially Conflicted Person and making such further investigation as may be warranted in the circumstances, the Board determines that the Interested Person materially failed to comply with the Conflict of Interest Article, it shall refer the matter to the Executive Committee of the Board for appropriate corrective action.
  - i. Except for making a one-time response to any such allegation, the potentially Conflicted Person shall not attend or participate in any meeting in which any such allegation is considered.
  - ii. Corrective action may include removal from the Board or committee or termination of employment.
  - iii. The Board may also, to the extent legally possible, seek to invalidate a Transaction and seek reimbursement from a Conflicted Person if the Conflicted Person's failure to comply with this policy resulted in damage to the Foundation.