



Sample conflict-of-interest policy statement

Establishing a strong conflict-of-interest policy is particularly important for nonprofits. Conflicts of interest have the potential to jeopardize a nonprofit's tax-exempt status and damage its reputation with donors. Because of the crucial role many nonprofits play in protecting the public interest, any erosion in public confidence is particularly harmful to these organizations.

For your benefit, Vanguard has provided a sample conflict-of-interest policy statement and questionnaire to guide your committee. As with any fiduciary document, your committee should tailor the policy to your organization and address any specific concerns.

All aspects of a nonprofit's conflict-of-interest policy should be consistent with the IRS's model conflict-of-interest policy statement, referenced below, as is required. The IRS also requires nonprofits to provide a copy of their specific policy. Therefore, a nonprofit organization must also include the following items (which are not included in our sample) in its conflict-of-interest policy:

- A clear record of any proceedings concerning individuals who have either disclosed a conflict of interest or were found to have one.
- A description of compensation and other financial arrangements with your officers, directors, trustees, employees, and independent contractors, including clearly established rules which prohibit board and committee members who receive compensation from the organization from voting on matters pertaining to their compensation.
- A periodic review of your existing conflict-of-interest policy to ensure that it is relevant and reflects your organization's specific needs and unique situation.

You can refer to the IRS's sample conflict-of-interest policy statement for further details. This is available in Appendix A of the instructions for Form 1023 at www.irs.gov/pub/irs-pdf/f1023.pdf.

Conflict-of-Interest Policy Statement

XYZ Nonprofit Investment Committee

Article I. Purpose

The purpose of a conflict-of-interest policy is to protect an organization's interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of one of its officers or directors, or might result in a possible excess benefit transaction. This policy is intended to supplement, but not replace, any applicable state and federal laws governing conflicts of interest.

Article II. Definitions

1. Interested Person

An Interested Person is 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.

2. Financial Interest

A person has a Financial Interest if the individual has, directly or indirectly, any actual or potential ownership, investment, or compensation arrangement with XYZ Nonprofit or with any entity that conducts transactions with XYZ Nonprofit.

A Financial Interest is not necessarily a conflict of interest in all cases. Under Article III, Section 2 of IRS Form 1023, a person with a Financial Interest may have a conflict of interest only if the appropriate governing board or committee decides that a conflict of interest exists.

Article III. Procedures

1. 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 directors and members of the committees with governing board-delegated powers considering the proposed transaction or arrangement. In an effort to aid such disclosure, each member (board, committee, or staff) shall complete a conflict-of-interest questionnaire as circumstances warrant, but no less frequently than annually.

2. Determining whether a conflict of interest exists

The board shall review each member questionnaire and any other disclosures regarding the Financial Interests of its members. After disclosure of the Financial Interest, the Interested Person shall leave the board meeting while the remaining board members discuss and vote on whether a conflict of interest exists.

3. Procedures for addressing the conflict of interest

After exercising due diligence, the governing board or committee shall determine whether the organization can obtain with reasonable effort a more advantageous transaction or arrangement from a person or entity that would not produce a conflict of interest. The Interested Person shall not be present in the room during the determination.

If an alternative transaction or arrangement is not possible, the governing board or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the best interests of the organization, for its own benefit, and fair and reasonable. Based on these determinations, the board or committee shall make its decision on whether to enter into the transaction or arrangement.

4. Disciplinary action

If the committee has reason to believe an individual has failed to disclose actual or potential conflicts of interest, it will inform the member and allow him/her to explain the alleged failure to disclose. If the committee still has reason to believe a conflict of interest exists after the alleged conflict is explained, it will take corrective action.

Conflict-of-Interest Questionnaire

The following questionnaire must be completed annually by all members and affiliates of XYZ Nonprofit. Answers to this questionnaire should relate to relationships that occurred from <insert month, date, year> through <insert month, date, year>. Once you have completed this questionnaire, please sign and date in the space provided and return it to:

<Contact person's name>

<Contact person's title>

XYZ Nonprofit

<Address>

<Phone #>

<Fax #>

<E-mail address>

1. Are you an officer of an organization that conducts business or has a relationship with XYZ Nonprofit?

Yes _____ No _____

If yes, please define. _____

2. Have you ever served on the board of a business in which XYZ Nonprofit invests?

Yes _____ No _____

If yes, please define. _____

3. Do you have a family relationship with anyone who has a noted relationship with XYZ Nonprofit? Family connections include an individual's spouse, parent, child, grandparent, grandchild, great-grandchild, and sibling. The spouses of any children, grandchildren, great-grandchildren, and siblings are considered family relationships as well.

Yes _____ No _____

If yes, please define. _____

4. Have you participated, directly or indirectly, in any employment agreement, compensation relationship, or any other arrangement/investment opportunity with a third-party vendor doing business with the XYZ Nonprofit that has resulted or could result in personal benefit to you?

Yes _____ No _____

If yes, please define. _____

5. Have you received, directly or indirectly, any salary payments, loans, or gifts of any kind or any free service, discounts, or other fees from any person/organization engaged in any transaction with the XYZ Nonprofit?

Yes _____ No _____

If yes, please define. _____

6. Do you share ownership of a business that does business with XYZ Nonprofit? Ownership means voting power in a corporation, profits interest in a partnership, or beneficial interest in a trust.

Yes _____ No _____

If yes, please define. _____

Signature _____ Date _____

Print name _____

For additional information and one-stop access to other valuable resources, please visit Vanguard's Investment Committee Resource Center at vanguard.com/nonprofitresourcecenter.

Connect with Vanguard® > institutional.vanguard.com > 888-888-7064

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P.O. Box 2900
Valley Forge, PA 19482-2900

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