



Mountain Island Day School

Board Policy-Conflict of Interest and Anti Nepotism

1) Purpose

- a. The purpose of this policy is to protect Mountain Island Day School's interest when the Board is contemplating entering into a transaction, arrangement, or employment agreement which might benefit the private interests of an officer or director of the school and/or might result in a possible excess benefit transaction. Consistent with the principles that employees and prospective employees shall be treated fairly and evaluated on the basis of individual merit, the following policy has been developed to prevent conflicts of interest that compromise these principles by the real or perceived possibility of favoritism based on family or personal relationships. This policy is intended to supplement, but not replace, any applicable state and federal laws governing conflict of interest and nepotism applicable to nonprofit organizations.

2) Definitions

- a. **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.
- b. **Related person**- For the purpose of this policy "immediate family members" shall include a spouse, parent, child, brother, sister, grandparent, or grandchild. The term includes the step, half, and in-law relationships.
- c. **Financial Interest** -A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:
 - i. An ownership or investment interest in any entity in which the school has a transaction or arrangement;
 - ii. A compensation arrangement with the school or with any entity or individual in which the school has a transaction or arrangement; or
 - iii. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual in which the school is negotiating a transaction or arrangement.
- d. **Nepotism**- is a form of discrimination in which related persons or friends are hired based on family or personal relationships over more qualified applicants.
- e. **Compensation**- includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.

3) Provisions **Requirements copied from the Charter Agreement 2017*

- a. No voting member of the governing board shall be an employee of a for-profit company that provides substantial services to the charter school for a fee.
- b. Prior to employing any immediate family, as defined in G.S. 115C-12.2, of any member of the board of directors or a charter school employee with supervisory authority shall be employed or engaged as an employee, independent contractor, or otherwise by the board of directors in any capacity, such proposed employment or engagement shall be disclosed to the board of directors and approved by the board of directors in a duly called open-session meeting.
- c. The burden of disclosure of such a conflict of interest shall be on the applicable board member or employee with supervisory authority. If the requirements of this subsection are complied with, the charter school may employ immediate family of any member of the board of directors or a charter school employee with supervisory authority.

- d. An individual shall not be disqualified from serving as a member of a charter school's board because of the existence of a conflict of interest, so long as the person's actions comply with the school's conflict of interest policy established as provided in this subsection and applicable law.
- e. No teacher or staff member that is immediate family of the chief administrator shall be hired without the board of directors evaluating their credentials, establishing a structure to prevent conflicts of interest, and notifying the Department, with evidence, that this process has occurred.
- f. Comply with Chapter 55A of the General Statutes related to conflicts of interest. (55A-8-31)

4) Procedures

- i. **Duty to Disclose**-In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial interest or family relation 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.
- ii. **Determining Whether a Conflict of Interest Exists** -After disclosure of the financial interest, family relation, or other material facts, and after any discussion with the interested person, he or she shall leave the governing board or committee meeting while the determination of a conflict of interest is discussed and voted on. The remaining board or committee members shall decide if a conflict of interest exists.
- iii. **Procedures for Addressing the Conflict of Interest**
 - 1. An interested person may make a presentation at the governing board or committee meeting, but after the presentation, he or she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.
 - 2. The board or committee chair shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed financial transaction or arrangement and additional applications for possible conflicts concerning employment.
 - 3. After exercising due diligence, the governing board or committee shall determine whether the school can obtain with reasonable efforts a more advantageous transaction, arrangement, or employee agreement from a person or entity that would not give rise to a conflict of interest.
 - 4. If a more advantageous transaction, arrangement or employee agreement is not reasonably possible under circumstances not producing a conflict of interest, the governing board or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the school's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination it shall make its decision as to whether to enter into the transaction or arrangement.
- iv. **Violations of the Conflict of Interest Policy**
 - 1. If the governing board or committee has reasonable cause to believe an individual has failed to disclose actual or possible conflicts of interest, it shall inform the individual of the basis for such belief and afford the individual an opportunity to explain the alleged failure to disclose.
 - 2. If, after hearing the member's response and after making further investigation as warranted by the circumstances, the governing board or committee determines the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

5) Records of Proceedings

- a. The minutes of the governing board and all committees with board delegated powers shall contain:

- i. Whether compensation arrangements and benefits are reasonable, based on competent survey information, and the result of arm's length bargaining;
- ii. Whether partnerships, joint ventures, and arrangements with management organizations conform to the school's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further.
- iii. 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 governing boards or committee's decision as to whether a conflict of interest in fact existed.
- iv. 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 with the proceedings.

6) Compensation

- a. A voting member of the governing board or a related person of a member who receives compensation, directly or indirectly, from the school for services is precluded from voting on matters pertaining to that member's compensation.
- b. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the school for services is precluded from voting on matters pertaining to that member's compensation.
- c. No voting member of the governing board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the school, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

7) Annual Statements

- a. Each director, principal officer and member of a committee with governing board delegated powers shall annually sign a statement which affirms such person:
 - i. Has received a copy of the Conflict of Interest Policy;
 - ii. Has read and understands the policy;
 - iii. Has agreed to comply with the policy;
 - iv. Understands the school is charitable and in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

8) Periodic Reviews

- a. To ensure the school 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: charitable purposes and do not result in inurement, impermissible private benefit or in an excess benefit transaction.

9) Use of Outside Experts

- a. When conducting the periodic reviews as provided for in Article 7, the school 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.

10) Adoption

- a. This board policy was adopted by the Mountain Island Day Schools' governing board on November 30th, 2017

Items addressed:

- Conflict of Interest
- Nepotism

Policy adopted 11-30-2017