

## **FINANCIAL CONFLICT OF INTEREST POLICY FOR MVNU EMPLOYEES**

### Article I Purpose

The purpose of the conflict of interest policy is to protect and promote the highest ethical standards of Mount Vernon Nazarene University (MVNU) and protect the tax-exempt status of MVNU when it is contemplating entering into a transaction or arrangement that might benefit the private interest of the President, an MVNU cabinet member, or any other employee of MVNU, 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 conflict of interest applicable to nonprofit and charitable organizations.

### Article II Definitions

1. Interested Person. The President, any cabinet member, or other employee of MVNU, who has a direct or indirect financial interest, as defined below, is an interested person.
2. Financial Interest. A person has a financial interest if the person has, directly or indirectly, through business interest, investment, or family:
  - a. An ownership or investment interest in any entity with which MVNU has a transaction or arrangement,
  - b. A compensation arrangement with MVNU or with any entity or individual with which MVNU has a transaction or arrangement, or
  - c. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which MVNU is negotiating a transaction or arrangement.
3. Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial. Insubstantial shall be defined as not greater than ten thousand dollars (\$10,000.00) annually.
4. A financial interest is not necessarily a conflict of interest. A request for a determination should always be made if there is a financial interest or the appearance of impropriety.

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 designated representative of MVNU. For the President, the potential conflict shall be referred to the Chairperson of the Board of Trustees. For members of the cabinet and other employees of MVNU, notice shall be supplied to the MVNU Compliance Officer. (See attached Disclosure Form.)

2. Determining Whether a Conflict of Interest Exists.

After disclosure of the financial interest and all material facts to the appropriate official, the matter will be reviewed by legal counsel. If necessary, it will then be referred to a conflicts committee. For the President, this committee will consist of the Chairperson of the Board, Chairperson of the Board Development Committee and legal counsel. For cabinet members and employees, the committee shall consist of designated members of the faculty and legal counsel.

When a matter is presented to a conflicts committee for consideration, the committee will confer with the interested person. The interested person shall not be present during deliberations and vote of the conflicts committee. For cabinet members or employees of MVNU, the President shall appoint an alternate. For matters involving the President, the Chairperson of the Board of Trustees shall appoint an alternate.

3. Procedures for Addressing the Conflict of Interest.

- a. An interested person may make a presentation at the designated committee meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.
- b. The chairperson of the designated committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
- c. After exercising due diligence, the designated committee shall determine whether MVNU can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.

- d. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the designated committee shall determine by a majority vote of the disinterested members whether the transaction or arrangement is in MVNU'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.
4. Violations of the Conflicts of Interest Policy.
    - a. If the Board of Trustees in matters involving the President, or the President in matters involving cabinet members, and/or other MVNU employees has reasonable cause to believe an interested person has failed to disclose actual or possible conflicts of interest, the Chairperson of the Board or the President shall inform the interested person of the basis for such belief and afford the interested person an opportunity to explain the alleged failure to disclose. If appropriate, the circumstances shall be presented to the appropriate conflicts committee for a determination of whether a conflict of interest exists.
    - b. If, after hearing the interested person's response and after making further investigation as warranted by the circumstances, the Board of Trustees or President in consultation with counsel determines the interested person has failed to disclose an actual or possible conflict of interest, MVNU shall take appropriate disciplinary and corrective action up to/and including termination of employment and/or termination of external contract.
    - c. Inquiries of potential conflict of interest are informal in nature. A record of the inquiry shall be maintained by legal counsel.

Article IV  
Records of Proceedings

1. Minutes of the appropriate committee shall contain:
  - a. 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 committee's decision as to whether a conflict of interest in fact existed.
  - b. 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.

Article V  
Compensation

A voting member of a conflicts committee who could directly or indirectly receive compensation from the contemplated transaction is precluded from voting on matters pertaining to that transaction.

Article VI  
Annual Statements and Education

1. The President, cabinet members, academic school deans, academic department chairs, academic program coordinators, and those specific individuals that are directly or indirectly doing business with MVNU shall annually sign a statement which affirms each person:
  - a. Has received a copy of the conflicts of interest policy,
  - b. Has read and understands the policy,
  - c. Has agreed to comply with the policy, and
  - d. Understands MVNU 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.
2. Further, each faculty member will be notified in his/her faculty contract of MVNU's conflict of interest policy. The attached Statement of Disclosure shall be signed and returned with the faculty contract before the contract deadline. Staff members shall be made aware of the policy annually and, if applicable, file a signed disclosure statement before August 30.
3. Further, on an annual basis each employee shall be reminded of MVNU's conflict of interest policy.
4. New faculty and staff shall receive a copy and education on the conflict of interest policy during orientation.

Article VII  
Periodic Reviews

1. To ensure MVNU operates in a manner consistent with charitable purposes and does not engage in activities that could jeopardize its tax-exempt status, the Compliance Officer and legal counsel will conduct annual reviews of external

contracts exceeding fifty thousand dollars (\$50,000.00). The periodic reviews shall, at a minimum, include the following subjects:

- a. Whether compensation arrangements and benefits are reasonable, based on competent information and the result of arm's length bargaining (e.g., no special deals, considerations, or conditions).
  - b. Whether transactions conform to MVNU's written policies; are properly recorded; reflect reasonable investment or payments for goods and services; further charitable purposes; and do not result in inurement, impermissible private benefit or in an excess benefit transaction.
2. The annual reviews shall be completed before October 1 for the contracts entered into the prior fiscal year.

Article VIII  
Use of Outside Experts

When conducting the periodic reviews as provided for in Article VII, MVNU 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 that periodic reviews are conducted.