

**North Carolina Synod Council of the Evangelical Lutheran Church in America
Conflict of Interest Policy¹**

**For Synod Council members and Officers and
Members of a Committee with Synod Council Delegated Powers**

Article I -- Purpose

1. The purpose of this conflict of interest policy is to protect North Carolina Synod Council's interests when it is contemplating entering into a transaction or arrangement that might benefit the private interests of an officer or member of the North Carolina Synod Council or might result in a possible excess benefit transaction.
2. This policy is intended to supplement, but not replace, any applicable state and federal laws governing conflicts of interest applicable to nonprofit or charitable organizations.
3. This policy is also intended to identify "independent" Synod Council members.

Article II -- Definitions

1. **Interested person** -- Any Synod Council member, 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.
2. **Financial interest** -- A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:
 - a. An ownership or investment interest in any entity with which the North Carolina Synod of the Evangelical Lutheran Church in America has an arrangement,
 - b. A compensation arrangement with the North Carolina Synod of the Evangelical Lutheran Church in America or with any entity or individual with which the North Carolina Synod of the Evangelical Lutheran Church in America has a transaction or arrangement, or
 - c. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the North Carolina Synod of the Evangelical Lutheran Church in America is negotiating a transaction or arrangement.

¹ This policy is based on the IRS model Conflict of Interest policy, which is an attachment to Form 1023. It adds information needed to allow the North Carolina Synod of the Evangelical Lutheran Church in America to assess council member independence in order to answer questions on IRS Form 990.2

Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.

A financial interest is not necessarily a conflict of interest. A person who has a financial interest may have a conflict of interest only if the Synod Council or Executive Committee decides that a conflict of interest exists, in accordance with this policy.

3. Independent Synod Council member -- A North Carolina Synod Council member shall be considered "independent" for the purposes of this policy if he or she is "independent" as defined in the instructions for the IRS 990 form or, until such definition is available, the Synod Council member --

- a. is not and has not been for a period of at least three years, an employee of the North Carolina Synod of the Evangelical Lutheran Church in America or any entity in which the North Carolina Synod of the Evangelical Lutheran Church in America has a financial interest;
- b. does not directly or indirectly have a significant business relationship with the North Carolina Synod of the Evangelical Lutheran Church in America , which might affect independence in decision-making;
- c. is not employed by another corporation or organization where any member or employee of the North Carolina Synod Council is in a position to determine his or her compensation;
and
- d. does not have an immediate family member who is an executive officer or employee of the North Carolina Synod of the Evangelical Lutheran Church in America or who holds a position that has a significant financial relationship with the North Carolina Synod of the Evangelical Lutheran Church in America.

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 or other interest and be given the opportunity to disclose all material facts to the Synod Council or Executive Committee.
2. **Recusal of Self** -- Any Synod Council member may recuse himself or herself at any time from involvement in any decision and/or discussion in which the Synod Council member believes he or she has or may have a conflict of interest, without going through the process for determining whether a conflict of interest exists.
3. **Determining Whether a Conflict of Interest Exists** -- After disclosure of the financial interest and all material facts, and after any discussion with the interested person, he/she shall leave the Synod Council or Executive Committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining

Synod Council or Executive Committee members shall decide if a conflict of interest exists.

4. Procedures for Addressing the Conflict of Interest

- a. An interested person may make a presentation at the Synod Council or Executive 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 Vice President of the Synod Council or the Executive 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 Synod Council or Executive Committee shall determine whether the North Carolina Synod Council of the Evangelical Lutheran Church in America 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 Synod Council or Executive Committee shall determine by a majority vote of the disinterested council members whether the transaction or arrangement is in North Carolina Synod Council'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.

5. Violations of the Conflicts of Interest Policy

- a. If the Synod Council or Executive Committee has reasonable cause to believe a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.
- b. If, after hearing the member's response and after making further investigation as warranted by the circumstances, the Synod Council or Executive Committee determines the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

Article IV – Records of Proceedings

The minutes of the Synod Council and all committees with Synod Council delegated powers 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 Synod Council's or Executive 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. A voting member of the Synod Council who receives compensation, directly or indirectly, from the North Carolina Synod of the Evangelical Lutheran Church in America 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 North Carolina Synod of the Evangelical Lutheran Church in America for services is precluded from voting on matters pertaining to that member's compensation.
- c. No voting member of the Synod Council or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the North Carolina Synod of the Evangelical Lutheran Church in America, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

Article VI – Annual Statements

1. Each Synod Council member, principal officer and member of a committee with Synod Council delegated powers shall annually sign a statement, which affirms such person:
 - a. Has received a copy of the conflict of interest policy,
 - b. has read and understands the policy,
 - c. has agreed to comply with the policy, and
 - d. Understands the North Carolina Synod of the Evangelical Lutheran Church in America 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. Each voting member of the Synod Council shall annually sign a statement, which declares whether such person is an independent director.
3. If at any time during the year, the information in the annual statement changes materially, the director shall disclose such changes and revise the annual disclosure form.

4. The Executive Committee shall regularly and consistently monitor and enforce compliance with this policy by reviewing annual statements and taking such other actions as are necessary for effective oversight.

Article VII – Periodic Reviews

To ensure the North Carolina Synod of the Evangelical Lutheran Church in America 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:

- a. Whether compensation arrangements and benefits are reasonable, based on competent survey information (if reasonably available), and the result of arm's length bargaining.
- b. Whether partnerships, joint ventures, and arrangements with management organizations, if any, conform to the North Carolina Synod Council's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes and do not result in inurement or impermissible private benefit or in an excess benefit transaction.

Article VIII – Use of Outside Experts

When conducting the periodic reviews as provided for in Article VII, the North Carolina Synod of the Evangelical Lutheran Church in America may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the Synod Council of its responsibility for ensuring periodic reviews are conducted.

Revision History by the North Carolina Synod of the Evangelical Lutheran Church in America Synod Council
Initial Conflict of Interest policy adopted June 2, 2013

**North Carolina Synod Council of the Evangelical Lutheran Church in America
Annual Conflict of Interest Statement**

1. Name: _____ Date: _____

2. Position: _____

Are you a voting Member of the Synod Council? Yes No

Are you an Officer or Committee Chair of the Synod Council? Yes No

If you are an Officer or Committee Chair,
which position do you hold: _____.

3. I affirm the following:

I have received a copy of the North Carolina Synod Council's Conflict of Interest Policy and I have read and understand the policy. _____ (initial)

I agree to comply with the policy. _____ (initial)

I understand that North Carolina Synod of the Evangelical Lutheran Church in America is charitable and in order to maintain its federal tax exemption it must engage primarily in activities, which accomplish one or more of tax-exempt purposes. _____ (initial)

4. Disclosures:

- a. Do you have a financial interest (current or potential), including a compensation arrangement, as defined in the Conflict of Interest policy with North Carolina Synod of the Evangelical Lutheran Church in America? Yes No
 - i. If yes, please describe it: _____
 - ii. If yes, has the financial interest been disclosed, as provided in the Conflict of Interest policy? Yes No

- b. In the past, have you had a financial interest, including a compensation arrangement, as defined in the Conflict of Interest policy with NORTH CAROLINA SYNOD OF THE EVANGELICAL LUTHERAN CHURCH IN AMERICA? Yes No
 - i. If yes, please describe it, including when (approximately):
 - ii. If yes, has the financial interest been disclosed, as provided in the Conflict of Interest policy? Yes No

5. Are you an independent Synod Council member, as defined in the Conflict of Interest policy? Yes No

- a. If you are not independent, why?

Signature of Synod Council member: _____

Date of Review by Executive Committee: _____