

Article I Purpose

The purpose of this policy is to protect the interests of the Gloversville Public Library when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an Officer or key employee of the Library or might result in an excess benefit transaction. This policy is intended to supplement, not replace, any applicable state and federal laws, including NYS NPC Article 7: Directors and Officers, section 715-A and Federal Law 26 CFR §53.4958-3 subd.(e). (See appendix)

Article II Definitions

OFFICER means a member of the Board of Trustees of the Library, or of any of its committees, excluding advisory committees.

KEY EMPLOYEE means any employee who has ultimate responsibility for implementing the decisions of the Board of Trustees; or for supervising the management, administration, or operation of the Library; or for managing the finances of the Library. Other employees may be deemed to be key employees based on an evaluation of all facts and circumstances, guided by 26 CFR §53.4958-3 subd.(e).

INTEREST means a financial or other material benefit which will accrue to the Officer or key employee, or to a family member or a business associate, from a transaction. A gift or favor received by the Officer or key employee from another party to the proposed transaction during the period when the transaction is being considered also constitutes an interest in the transaction.

FAMILY MEMBER includes Officer's or key employee's ancestors, descendants, siblings, spouse or domestic partner; the spouse or domestic partner of any of the Officer's or key employee's ancestors, descendants, or siblings; and the ancestors, descendants, or siblings of the Officer's or key employee's spouse or domestic partner.

ANCESTOR includes parents, grandparents, and great-grandparents in addition to more remote ancestors.

BUSINESS ASSOCIATE means any for-profit or not-for-profit entity of which the Officer or key employee is an employee, owner, or member of the governing Board of Trustees, or in which the Officer or key employee has a beneficial interest. A publicly-traded corporation shall not be considered a business associate if the total amount of stock in that corporation owned by the Officer or key employee and all the Officer's or key employee's family members and business associates is five percent (5%) or less of the issued and outstanding stock of the corporation.

TRANSACTION means any contract or other arrangement to which the Library is a party.

INTERESTED PERSON means an Officer or key employee who has an interest in a transaction.

CONFLICT OF INTEREST means that the Officer or key employee has a substantial financial interest in the proposed transaction.

A **RELATED PARTY TRANSACTION** is a transaction in which an Officer or key employee has any financial interest.

Article III Procedures

An Officer or key employee who realizes that they may have an interest in a proposed transaction being considered by the Board of Trustees or a committee will refrain from discussing the transaction with members of the Board of Trustees or of the committee, except to the extent necessary to disclose the interest. Said

officer or key employee will also refrain from seeking in any other way to influence the decision concerning that transaction.

When the Board of Trustees of or a committee of the Library is considering a transaction in which an interested person who is a member of the Board of Trustees or that committee has an interest, the interested person must, at the earliest opportunity, disclose the conflict to the remaining members.

After disclosing the interest and all material facts concerning it, the Board of Trustees shall be made aware of the conflict at the next board meeting and the interested person shall leave for the remainder of the meeting while that transaction is discussed.

If the Board of Trustees or committee determines that a conflict of interest or related party transaction exists the interested person shall not be present when the transaction is discussed and may not participate in the decision whether to enter into the transaction.

Before approving or recommending the transaction, the Board of Trustees or committee shall conduct a reasonable investigation of the available alternatives to the proposed transaction. If, from that investigation, it appears that the Library cannot with reasonable effort obtain a more advantageous transaction from a source that would not give rise to a conflict of interest or related party transaction, the Board of Trustees or committee may approve or recommend the transaction if it determines by the affirmative vote of a majority of the entire Board of Trustees or of the committee that the transaction is fair, reasonable, for the Library's own benefit, and in its best interest.

The minutes of any meeting of the Board of Trustees or of a committee at which an Officer's or key employee's interest in a transaction is discussed shall include: the name of each Officer or key employee who disclosed, or who was otherwise discovered to have, an interest in the transaction; the nature of each such interest; the decision of the Board of Trustees or committee concerning whether a conflict of interest or Related Party transaction exists; and the rationale underlying the Board of Trustees' or the committee's decision.

The minutes of any meeting at which the Board of Trustees or a committee discussed a transaction in which an Officer or key employee has an interest that constitutes a conflict of interest or related party transaction shall include: the names of all persons who were present during the discussion of the transaction; the content of the discussion, including any alternatives which were considered; the names of all persons who were present during any vote relating to the transaction; and a record of each vote.

The failure to disclose an interest in a proposed transaction is cause for removal from the Board of Trustees or the committee, and cause for employee discipline up to and including termination.

Article IV Initial and Annual Statements

Each Officer shall, before assuming office, and each key employee shall, before commencing the duties of the position, sign a statement which affirms that the Officer or key employee:

- Has received a copy of this policy;
- Has read, and understands, the policy;
- Has agreed to comply with the policy; and
- Understands that the Library can maintain its federal tax-exempt status only if it engages primarily in activities which accomplish one or more of its tax-exempt purposes.

Each Officer or key employee shall, before assuming office or commencing the duties of the position, and annually thereafter, file with the Library's Secretary a written statement disclosing, to the best of the Officer's or key employee's knowledge, any of the Officer's or key employee's business associates with which the Library has a relationship, and any transaction in which the Library is a participant in which the Officer or key employee might have a conflicting interest.

Article V Periodic Reviews

To ensure that the Library operates in a manner consistent with its 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, address:

- Whether compensation arrangements and benefits are reasonable, based on relevant survey information, and are the result of arm's length bargaining.
- Whether partnerships, joint ventures, and arrangements with management organizations conform to the Library's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes, and do not result in an impermissible private benefit or an excess benefit transaction.

When conducting such reviews the Library may, but need not, use outside advisors, but their use shall not relieve the Board of Trustees of its responsibility for ensuring that periodic reviews are conducted.

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Appendix NYS Laws

Not-For-Profit Corporation (NPC), Article 7 Directors and Officers, Section 715-A, Conflict of interest policy

(a) Except as provided in paragraph (d) of this section, the board shall adopt, and oversee the implementation of, and compliance with, a conflict of interest policy to ensure that its directors, officers and key persons act in the corporation's best interest and comply with applicable legal requirements, including but not limited to the requirements set forth in section seven hundred fifteen of this article.

(b) The conflict of interest policy shall include, at a minimum, the following provisions:

(1) a definition of the circumstances that constitute a conflict of interest;

(2) procedures for disclosing a conflict of interest or possible conflict of interest to the board or to a committee of the board, and procedures for the board or committee to determine whether a conflict exists;

(3) a requirement that the person with the conflict of interest not be present at or participate in board or committee deliberation or vote on the matter giving rise to such conflict, provided that nothing in this section shall prohibit the board or a committee from requesting that the person with the conflict of interest present information as background or answer questions at a committee or board meeting prior to the commencement of deliberations or voting relating thereto;

(4) a prohibition against any attempt by the person with the conflict to influence improperly the deliberation or voting on the matter giving rise to such conflict;

(5) a requirement that the existence and resolution of the conflict be documented in the corporation's records, including in the minutes of any meeting at which the conflict was discussed or voted upon; and

(6) procedures for disclosing, addressing, and documenting related party transactions in accordance with section seven hundred fifteen of this article.

(c) The conflict of interest policy shall require that prior to the initial election of any director, and annually thereafter, such director shall complete, sign and submit to the secretary of the corporation or a designated compliance officer a written statement identifying, to the best of the director's knowledge, any entity of which such director is an officer, director, trustee, member, owner (either as a sole proprietor or a partner), or employee and with which the corporation has a relationship, and any transaction in which the corporation is a participant and in which the director might have a conflicting interest. The policy shall require that each director annually resubmit such written statement. The secretary of the corporation or the designated compliance officer shall provide a copy of all completed statements to the chair of the audit committee or, if there is no audit committee, to the chair of the board.

(d) A corporation that has adopted and possesses a conflict of interest policy pursuant to federal, state or local laws that is substantially consistent with the provisions of paragraph (b) of this section shall be deemed in compliance with provisions of this section. In addition, any corporation that is a state authority or a local authority as defined in section two of the public authorities law, and that has complied substantially with section twenty-eight hundred twenty-four and subdivision three of section twenty-eight hundred twenty-five of such law, shall be deemed in compliance with this section.

(e) Nothing in this section shall be interpreted to require a corporation to adopt any specific conflict of interest policy not otherwise required by this section or any other law or rule, or to supersede or limit any requirement or duty governing conflicts of interest required by any other law or rule.