



## **Conflict-of-Interest and Disclosure Policy**

### **Introduction**

A general rule of thumb is that any time a board member, association officer, or key employee, or any of one of their family members, or business associates, stands to gain financially (either directly or indirectly) from a specific transaction involving the association, it is a potential conflict and should be treated as such by the affected individual(s)—and the board itself. Transactions that involve money or other tangible assets are the most serious but tend to be the easiest to resolve (or should be).

### **Scope**

The following statement of policy applies to each member of the board, officer, and key employee of the National Association of Independent Colleges and Universities (NAICU) (each, a “Covered Person”). It is intended to serve as guidance for all persons employed by the association in positions of significant responsibility and authority and all members serving on the board of directors.

### **Conflict of Interest Defined**

A potential conflict of interest is a situation that involves a personal, familial, or business relationship between a Covered Person and the institution that can cause the association to be legally (or otherwise) vulnerable to criticism, embarrassment, or litigation in the opinion of responsible stakeholders. Real and perceived conflicts of interest involve ethical or moral values, but they are distinguishable and much more visible because of two factors, one or both of which may be present.

1. They usually involve money or profit or otherwise bear on the fiduciary responsibility of the board to ensure no board members or association officers use (or are perceived to use) their institutional affiliations for personal financial gain, except as association policy may explicitly allow.
2. They usually involve one or more aspects of the association’s programs, real property, personnel, or auxiliary enterprises.

### **Fiduciary Responsibilities**

All Covered Persons of NAICU serve the public trust and have a clear obligation to fulfill their responsibilities in a manner consistent with this fact. All decisions of the board and officers of the association are to be made solely on the basis of a desire to advance the best interests of the association and the public good. The integrity of NAICU must be protected at all times.

Effective boards will include individuals who have relationships and affiliations that may raise questions about perceived conflicts of interest. Although many such potential conflicts are and will be deemed inconsequential, every individual board member and officer of the association has the responsibility to ensure the entire board is made aware of situations that involve personal, familial, or business relationships that could be troublesome. Thus, the board requires each Covered Person annually (a) to be familiar with the terms of this policy; (b) to disclose to the board chair any possible personal, familial, or business relationships that reasonably might give

rise to a conflict involving the association; and (c) to acknowledge by his or her signature that he or she is in accordance with the letter and spirit of this policy.

### **Disclosure**

All Covered Persons are requested to list on this form only those substantive relationships (a) they or members of their family maintain with organizations that do business with the association, or (b) that potentially could be construed to affect their independent, unbiased judgment in light of their decision-making authority and responsibility.

If a Covered Person is uncertain whether to list a particular relationship, the board chair and association legal counsel should be consulted. They may elect to seek the judgment of the executive committee before informing and consulting with the entire board with an executive session. Information shared or gathered as a result of such consultations (including information provided on this form) shall be confidential except when the association's best interests would be served by disclosure. Such disclosure will be made only after informing those concerned.

The following definitions are provided to help Covered Persons decide whether a relationship should be listed on the disclosure:

- **Business Relationship:**  
Business relationships between two persons include the following.
  1. One person is employed by the other in a sole proprietorship or by an organization with which the other is associated as a trustee, director, officer, or greater-than-35% owner.
  2. One person is transacting business with the other (other than in the ordinary course of either party's business on the same terms as are generally offered to the public), directly or indirectly, in one or more contracts of sale, lease, license, loan, performance of services, or other transaction involving transfers of cash or property valued in excess of \$10,000 in the aggregate during the organization's tax year. Indirect transactions are transactions with an organization with which the one person is associated as a trustee, director, officer, or greater-than-35% owner. Such transactions don't include charitable contributions to tax-exempt organizations.
  3. The two persons are each a director, trustee, officer, or greater-than-10% owner in the same business or investment entity (but not in the same tax-exempt organization).

Ownership is measured by stock ownership (either voting power or value) of a corporation, profits or capital interest in a partnership or limited liability company, membership interest in a nonprofit organization, or beneficial interest in a trust. Ownership includes indirect ownership (for example, ownership in an entity that has ownership in the entity in question); there can be ownership through multiple tiers of entities.

- **Family Member/Family Relationship:**  
Unless specified otherwise, the family of an individual includes only his or her spouse (*see Rev. Rul. 2013-17* regarding same-sex marriage), ancestors, brothers and sisters (whether whole or half-blood), children (whether natural or adopted), grandchildren, great-grandchildren, and spouses of brothers, sisters, children, grandchildren, and great-grandchildren
- **Substantial Benefit:**  
When a board member or a member of the board member's family (a) is the actual or beneficial owner of more than 5 percent of the voting stock or controlling interest of an organization that does substantial business with the association or (b) has other direct or indirect dealings with such an organization from which the board member or a member of the board member's family benefits directly, indirectly, or potentially from cash or property receipts totaling \$10,000 or more annually.
- **Gifts or Entertainment:**  
Acceptance of gifts or entertainment by a Board member, officer or employee of NAICU from persons and/or organizations seeking or doing business with NAICU shall be deemed significant if such gift or entertainment is intended to influence performance of association duties.

Restraint on Participation: Covered Persons who have declared a conflict of interest, or who have been found to have a conflict of interest, shall refrain from participating in consideration of proposed transactions unless the board or association requests information or interpretation for special reasons. Should a conflict of interest matter require an executive committee or board vote to resolve, those concerned shall not be present at the time of the vote.

**Approved:** NAICU Board of Directors Spring 2020 Meeting  
**Date:** Friday, April 24, 2020

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