



**CONFLICT OF INTEREST POLICY  
FOR  
THE CENTER FOR THE ARTS**

**Article 1. PURPOSE.** The purpose of this Conflict of Interest Policy is to protect the Center's interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of one or more of its directors, officers, management employees, or members might result in a possible excess benefit transaction, and to guard against impropriety. This policy is intended to supplement any applicable state or federal laws governing conflict of interest applicable to non-profit and charitable organizations. Additionally, this policy is meant to provide in greater detail the process by which The Center addresses conflicts of interest as set forth in the Bylaws.

**Article II. DEFINITIONS.**

2.1 General. A conflict of interest occurs when an individual's obligation, by virtue of his or her position on the Board, a Board delegated committee, or as an officer or management employee, to further The Center's charitable purpose, is at odds with his or her own financial interest. Specifically, a conflict of interest occurs when an interested person, as defined below, is voting or making a decision on behalf of The Center on a matter in which he or she has a personal financial interest.

2.2 Interested Person. Any director, officer, management employee, or member of a committee with Board delegated powers if any, who has direct or indirect financial interest, as defined below, is an interested person. An interested person also includes a spouse, sibling, ancestor, descendent, the spouse or descendent of a sibling of a director, officer, management employee, or member serving on a Board committee, and other parties as set forth in Colorado Revised Statutes 7-128-501 (5) (2006).

.3 Financial Interest.

- a. 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 with which The Center has a transaction or arrangement;
  - ii. A compensation arrangement with The Center or with any entity or individual with which The Center has a transaction or arrangement; or

- iii. A potential ownership or investment in, or compensation arrangement with, any entity or individual with which The Center is negotiating a transaction or arrangement.
- b. Compensation includes direct or indirect remuneration as well as gifts or favors to the interested person that are not insubstantial.
- c. A financial interest is not necessarily a conflict of interest. See Article III below.

### **Article III. PROCEDURES.**

3.1 Duty to Disclose. In connection with any actual or possible conflict of interest, an interested person must disclose the existence and nature of the financial interest and all material facts known to him or her concerning the transaction to the directors and members of committees with Board delegated powers, if any, considering the proposed transaction or arrangement.

#### .2 Procedures for Addressing the Conflict of Interest.

- a. Pursuant to section 3.1 above, an interested person shall make a presentation in person, by telephonic means or in writing at the Board or committee meeting, but after the presentation, he or she shall leave the meeting during the discussion thereof and the vote on the transaction or arrangement involving the possible conflict of interest.
- b. The Chairperson of the Board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
- c. After exercising due diligence and reasonable investigation, the Board or committee shall determine whether The Center can obtain within reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest under the circumstances. Such determinations must be made in good faith, and with knowledge of material facts concerning the transaction and the interested person's interest in the transaction.
- d. If a more advantageous transaction or arrangement, which does not produce a conflict of interest, is not reasonably possible under the circumstances, the Board or committee shall determine by majority vote of the disinterested directors whether the transaction or arrangement is in The Center's best interests, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination and section 3.3 below, it shall make its decision as to whether to enter into the transaction or arrangement.

3.3 Criteria for Approval. In addition to those standards set forth in section 3.2 above, the Board or committee shall not approve a transaction with an interested person unless the proposed transaction furthers The Center's tax-exempt purpose and is subject to an arm's length transaction priced at fair market value.

.3 Violations of the Conflicts of Interest Policy for Failure to Disclose.

- a. If the Board or committee has reasonable cause to believe a director, officer, management employee, or member of a committee has failed to disclose actual or possible conflicts of interest, it shall inform the subject director, officer, management employee or member of the basis for such belief and afford the director, officer, management employee or member an opportunity to explain the alleged failure to disclose.
- b. If, after hearing the director, officer, management employee, or member's response, and after making further investigation as warranted by the circumstances, the Board or committee determines that the director, officer, management employee or member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.
- c. The nature of the disciplinary action shall be determined by the Board or committee based upon the circumstances of the infraction, and could include sanctions and termination.

**Article IV. RECORDS OF PROCEEDINGS.** The minutes of the Board and all committees with Board delegated powers shall contain:

- a. The names of persons who disclosed or where otherwise 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 Board's or committee's decision as to whether a conflict of interest in fact existed.
- b. The names of the persons present for discussions and votes related 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.** If The Center approves and authorizes compensation for the Board or committee members or officers, the following shall apply:

- a. A voting member of the Board who receives compensation, directly or indirectly, from The Center for his or her services is precluded from voting on matters pertaining to that member's compensation or compensation arrangement.

- b. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from The Center either individually or collectively, is prohibited from voting on matters pertaining to that member's compensation or compensation arrangement.

**Article VI. STATEMENTS.**

.1 Affirmation. Each director, officer, management employee, or member of a Board committee shall sign a statement annually which affirms that such person:

- a. Has received a copy of this policy;
- b. Has read and understands this policy;
- c. Has agreed to comply with this policy; and
- d. Understands that The Center has tax exempt status under Section 501(c) (3) of the Internal Revenue Code 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.

**Article VII. PERIODIC REVIEWS.** Periodic reviews shall be conducted annually to ensure:

- a. That the within Conflict of Interest Policy has been and is being followed, that appropriate disclosures have been and are made, and in addition that The Center does not engage in any improprieties, the result of which could jeopardize its tax exempt status.
- b. Whether compensation arrangements and benefits, if any, are reasonable, and the result of arm's length bargaining. Individuals responsible for compensation shall refer to competent survey information if needed.
- c. If applicable, whether partnerships, joint ventures and arrangements with management organizations conform to The Centers written policies, are recorded properly, reflect reasonable investment or payments for goods and services, further The Center's tax exempt purposes, and do not result in inurement, impermissible private benefit or in an excess benefit transaction.

The Center may engage outside experts to assist in the periodic review as the Board deems appropriate.

I hereby certify that the above Conflict of Interest Policy was duly adopted by the Board of Directors on the \_\_\_ day of \_\_\_\_\_, 2010.

\_\_\_\_\_  
Secretary