

# Conflict of Interest and Compensation Policy of First Congregational Church of La Grange Illinois ("the Church")

Adopted by the Church Council on March 22, 2023

## I. Overview

### 1. Purpose

The purpose of this Conflict of Interest and Compensation Policy (the "policy") is to protect the Church's interests when it is considering taking an action or entering into a transaction that might benefit the private interests of a council member, officer or **key person**<sup>1</sup>, result in the payment of excessive compensation to a council member, officer or key person; or otherwise violate state and federal laws governing conflicts of interest applicable to nonprofit, charitable organizations.

### 2. Why is a policy necessary?

As a nonprofit, charitable organization, the Church is accountable to both government agencies and members of the public for responsible and proper use of its resources. Council Members, officers and employees have a duty to act in the Church's best interests and may not use their positions for their own financial or personal benefit.

Conflicts of interest must be taken very seriously since they can damage the Church's reputation and expose both the Church and affiliated individuals to legal liability if not handled appropriately. Even the appearance of a conflict of interest should be avoided, as it could undermine public support for the Church.

### 3. To whom does the policy apply?

This policy applies to all Church Council members ("you").

## II. Identifying Conflicts of Interest

### 1. What is a conflict of interest?

A potential conflict of interest arises when a member of Council, officer or key person, or that person's **relative**<sup>2</sup> or business (a) stands to gain a financial benefit from an action the Church takes or a transaction into which the Church enters; or (b) has another interest that impairs, or could be seen to impair, the independence or objectivity of the council member, officer or key person in discharging their duties to the Church.

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<sup>1</sup> **Key person** means a person, other than a council member or officer, whether or not an employee of the Church, who:

- a) has responsibilities, or exercises powers or influence over the Church as a whole similar to the responsibilities, powers, or influence of members of Council and officers;
- b) manages the Church, or a segment of the Church that represents a substantial portion of the activities, assets, income, or expenses of the Church; or
- c) alone or with others controls or determines a substantial portion of the Church's capital expenditures or operating budget.

<sup>2</sup> **Relative** means a person's spouse or domestic partner, ancestors, brothers and sisters (whether whole or half-blood), children (whether natural or adopted), grandchildren, great-grandchildren, and spouses or domestic partners of brothers, sisters, children, grandchildren and great-grandchildren.

## 2. **What are some examples of potential conflicts of interest?**

It is impossible to list all the possible circumstances that could present conflicts of interest. Potential conflicts of interest include situations in which a council member, officer or key person or that person's relative or business:

- has an ownership or investment interest in any third party that the Church deals with or is considering dealing with;
  - serves on the Council of, participates in the management of, or is otherwise employed by or volunteers with any third party that the Church deals with or is considering dealing with;
  - receives or may receive compensation or other benefits in connection with a transaction into which the Church enters;
  - receives or may receive personal gifts or loans from third parties dealing with the Church;
  - serves on the members of the Church Council of another nonprofit organization that is competing with the Church for a grant or contract;
  - has a close personal or business relationship with a participant in a transaction being considered by the Church;
  - would like to pursue a transaction being considered by the Church for their personal benefit.
3. In situations where you are uncertain, err on the side of caution and disclose the potential conflict as set forth in Section III of this policy.
4. **A potential conflict is not necessarily a conflict of interest.** A person has a conflict of interest only if the Church Council decides, pursuant to Section IV of this policy, that a conflict of interest exists.

### **III. Disclosing Potential Conflicts of Interest**

1. You must disclose to the best of your knowledge all potential conflicts of interest as soon as you become aware of them and always before any actions involving the potential conflict are taken. Submit a signed, written statement disclosing all the material facts to the audit committee.
2. You must file an annual disclosure statement in the form attached to this policy. **If you are a council member**, you must also file this statement at your first meeting of the Council. Submit the form to the chair of the Church Administrator.

### **IV. Determining Whether a Conflict of Interest Exists**

1. After there has been disclosure of a potential conflict and after gathering any relevant information from the concerned council member, officer or key person, the audit committee shall determine whether there is a conflict of interest. The council member, officer or key person shall not be present for deliberation or vote on the matter and must not attempt to influence improperly the determination of whether a conflict of interest exists.
2. In determining whether a conflict of interest exists, the audit committee shall consider whether the potential conflict of interest would cause a transaction entered into by the

Church to raise questions of bias, inappropriate use of the Church's assets, or any other impropriety.

3. A conflict always exists in the case of a **related party transaction** – a transaction, agreement or other arrangement in which a **related party**<sup>3</sup> has a financial interest and in which the Church or any affiliate of the Church is a participant.<sup>4</sup>
4. If the audit committee determines that there is a conflict of interest, it shall refer the matter to the members of the Church Council ("Council").

## V. **Procedures for Addressing a Conflict of Interest**

1. When a matter involving a conflict of interest comes before the Council, the Council may seek information from the council member, officer or key person with the conflict prior to beginning deliberation and reaching a decision on the matter. However, a conflicted person shall not be present during the discussion or vote on the matter and must not attempt to influence improperly the deliberation or vote.
2. **Additional Procedures for Addressing Related Party Transactions**
  - a. The Church may not enter into a related party transaction unless, after good faith disclosure of the material facts by the council member, officer or key person, the Council or a committee authorized by the Council determines that the transaction is fair, reasonable and in the Church's best interest at the time of such determination.
  - b. If the related party has a substantial financial interest, the Council or authorized committee shall:
    - i. prior to entering into the transaction, consider alternative transactions to the extent available;
    - ii. approve the transaction by a vote of not less than a majority of the council members present at the meeting; and
    - iii. contemporaneously document in writing the basis for its approval, including its consideration of any alternative transactions.

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<sup>3</sup> A **related party** is:

1. a council member, officer or key person of the Church or any affiliate of the Church, or
2. a relative of any individual described in (1), or
3. an entity in which any individual described in (1) or (2) has an ownership or beneficial interest of 35% or more, or in the case of a partnership or professional Church, a direct or indirect ownership interest in excess of 5%.

<sup>4</sup> A transaction is not a related party transaction if:

1. the transaction, or the related party's financial interest in the transaction, is *de minimis*;
2. the transaction would not customarily be reviewed by the board or the boards of similar organizations in the ordinary course of business and is available to others on the same or similar terms;
3. the transaction constitutes a benefit provided to a related party solely as a member of a class of the beneficiaries that the Church intends to benefit as part of the accomplishment of its mission (and that benefit is available to all similarly situated members of the same class on the same terms).

**VI. Minutes and Documentation**

The minutes of any Council meeting at which a matter involving a conflict of interest or potential conflict of interest was discussed or voted upon shall include:

- a. the name of the interested party and the nature of the interest;
- b. the decision as to whether the interest presented a conflict of interest;
- c. any alternatives to a proposed contract or transaction considered by the Council; and
- d. if the transaction was approved, the basis for the approval.

**VII. Prohibited Acts**

The Church shall not make a loan to any council member or officer.

**VIII. Procedures for Determining Compensation**

1. No person shall be present for or participate in Council or committee discussion or vote pertaining to:

- a. their own compensation;
- b. the compensation of their relative;
- c. the compensation of any person who is in a position to direct or control them in an employment relationship;
- d. the compensation of any person who is in a position to directly affect their financial interests; or
- e. any other compensation decision from which the person stands to benefit.

**First Congregational Church of La Grange Illinois,  
United Church of Christ  
Conflict of Interest Disclosure Statement**

By signing below, I affirm that:

1. I have received and read a copy of the Conflict of Interest and Compensation Policy;
2. I agree to comply with the policy;
3. I have no actual or potential conflicts as defined by the policy or if I have, I have previously disclosed them as required by the policy or am disclosing them below.

Disclose here, to the best of your knowledge:

1. any entity in which you participate (as a council member, officer, employee, owner, or member) with which the Church has a relationship;
2. any transaction in which the Church is a participant as to which you might have a conflicting interest; and
3. any other situation which may pose a conflict of interest.

Name: \_\_\_\_\_

Position: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_