

# CAMP STELLA MARIS OF LIVONIA, INC

## POLICY & PROCEDURES

<b>Policy Title</b>	Conflict of Interest and Related Party Transactions Policy
<b>Policy Number</b>	CC-012
<b>Policy Owner</b>	Chief Compliance Officer
<b>Administrative Approval By</b>	Executive Director
<b>Board Committee Approval By</b>	Audit & Compliance Committee
<b>Effective Date</b>	October 9, 2019
<b>References</b>	<ul style="list-style-type: none"> <li>• New York Not-for-Profit Corporation Law - NPC § 715-a. Conflict of Interest Policy (<a href="https://codes.findlaw.com/ny/notforprofit-corporation-law/npc-sect-715-a.html">https://codes.findlaw.com/ny/notforprofit-corporation-law/npc-sect-715-a.html</a>)</li> <li>• New York Consolidated Laws, Not-For-Profit Corporation Law - NPC § 712-a. Audit oversight (<a href="https://codes.findlaw.com/ny/notforprofit-corporation-law/npc-sect-712-a.html">https://codes.findlaw.com/ny/notforprofit-corporation-law/npc-sect-712-a.html</a>)</li> </ul>

Date Policy Reviewed								
Date Policy Revised								

**I. POLICY STATEMENT**

The directors, officers and key employees of Camp Stella Maris of Livonia, Inc. (“Camp Stella Maris”, “CSM” or “the corporation”) owe a duty of loyalty to CSM which requires that in serving the corporation they act, not in their personal interests or in the interests of others, but rather solely in the interests of CSM. Accordingly, no director, officer or key employee may use his or her position at CSM for personal gain or to benefit another at the expense of the corporation, its mission or its reputation.

This Policy cannot describe all potential conflicts of interest. For instance, there also may be situations where the interests of other persons, such as close friends, clients, customers or business acquaintances, create a conflict of interest or the perception of a conflict of interest. Directors, officers and key employees should exercise the highest standards of ethical judgment and err on the side of caution and make full disclosure of any possible financial interest or other material interest that might impair or appear to impair his or her independence or objectivity in the discharge of his or her responsibilities and duties to CSM. Possible damage to the reputation of the corporation should be considered at all times.

**II. SCOPE**

This policy applies to all of the following.

- A. Board Members/Directors, including voting members of the CSM Board of Directors..
- B. Officers of CSM, and senior and executive leaders
- C. Any CSM employee or agent who is directly involved in decisions relating to any of the following activities: (1) purchasing, (2) vendor selection and/or monitoring, and (3) negotiations related to mergers and acquisitions, contracts and agreements, insurance products and services, joint ventures, or contracted consultants.

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- D. Key Persons which is defined as any person, other than a Director or officer, whether or not an employee of CSM, who:
  1. Has responsibilities, or exercises powers or influence over CSM as a whole similar to the responsibilities, powers or influence of Directors and officers;
  2. Manages CSM or a segment of CSM that represents at least 10% of the activities, assets, income or expenses of CSM; or
  3. Alone or with others controls or determines at least 10% of CSM’s capital expenditures or operating budget.
- F. Any Relative of any individual listed above as defined in Definitions below.

### III. DEFINITIONS

- A. Conflict of Interest (“COI”) – Any situation (including personal and/or financial considerations) that could bias or be perceived or interpreted by a reasonable person to be in conflict with CSM’s interest, which potentially compromises the individual’s duty of loyalty to CSM and impacts:
  1. The individual's ability to make impartial decisions (business judgment) focused exclusively on the best interests of CSM;
  2. The individual’s judgment based upon an appearance that someone may be in a position to influence that judgment to achieve a personal gain for that individual or for a Relative as a result of business dealings; or
  3. Delivery of services by CSM.
- B. Compensation: All forms of cash and non-cash payments or benefits provided in exchange for services from CSM (e.g., salary & wages, bonuses, severance payments, deferred payments, retirement benefits, fringe benefits) and other financial arrangements/transactions (e.g., personal vehicles, meals, housing, personal and family educational benefits, below-market loans, payment of personal or family travel, entertainment, and personal use of CSM’s property), except for reimbursement for reasonable expenses incurred as a Director.
- C. Fiduciary Duties: Duties that are grounded in a special relationship of trust that CSM places in officers, Directors and others who have or could potentially have substantial influence within CSM. There are 3 key fiduciary duties:
  1. The duty of care is the responsibility to act in an informed, good faith manner with the level of thoroughness that an ordinarily prudent person would have in like circumstances;
  2. The duty of loyalty is the requirement that individuals carry out their responsibilities in the best interests of CSM, and not in their own interests or in the interests of another person or entity; and
  3. The duty of obedience is the obligation to protect and carry out the mission, vision, values and charitable purposes of CSM.
- D. Financial Interests: When a Covered Individual has, directly or indirectly, through business, investment or family relationship:
  1. An ownership or investment interest in any entity with which CSM has, or is considering to have, a transaction or arrangement, or;
  2. A compensation arrangement with CSM or with any entity or individual with which CSM has, or is considering to have, a transaction or arrangement, or;
  3. A potential ownership, investment interest, or compensation arrangement with any entity or individual with which CSM is negotiating, or considering to negotiate, a transaction or arrangement.
- E. Independent Director: A director who:

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1. is not and has not been within the last three years an employee of CSM, and does not have a Relative who is or has been within the last three years a key employee of CSM;
  2. has not received and does not have a Relative who received more than \$10,000 in direct compensation from CSM in any of the last three fiscal years (other than reimbursement of reasonable expenses incurred as a director or reasonable compensation for services as a director); and
  3. is not an employee of or does not have a substantial financial interest in any entity that has made payments to or received them from CSM for property or services which, in any of the last three fiscal years, exceeds the lesser of \$25,000 or two percent of such entity's consolidated gross revenues, and does not have a Relative who is an officer of or has a substantial financial interest in any such entity.  
Payments in this context do not include charitable contributions.
- F. Key Employee: A person who is, or at any time during the past five-year period was, in a position to exercise substantial influence over the affairs of CSM.
- G. Related Party: Any individual who currently serves as:
1. Any Director, officer or Key Person of the Corporation;
  2. Any Relative of any individual listed above; or
  3. Any entity in which any individual listed above has a 35% or greater ownership or beneficial interest or, in the case of a partnership or professional corporation, a direct or indirect ownership interest in excess of 5%.
- H. Related Party Transaction: Any transaction, agreement or any other arrangement in which a related party has a financial interest and in which CSM is a participant. The following shall not be considered a Related Party Transaction:
1. A De Minimis transaction which includes any transaction that does not exceed \$10,000 including a single transaction that exceeds this threshold or multiple transactions with a single third-party that exceed this threshold within a 3-month period.
  2. A transaction that is not subject to approval by the Board of Directors pursuant to CSM's Contract Approval policy and is available to others on the same or similar terms.
  3. A benefit provided to a Related Party solely as a member of a class of the beneficiaries that CSM serves as part of its charitable activities, and which benefit is available to all similarly situated members of the same class on the same terms.
- I. Relative: A director's, officer's or key employee's (i) spouse, siblings (whether whole or half-blood), ancestors, children (including adopted children), grandchildren, and great-grandchildren, and spouses of siblings, children, grandchildren and great-grandchildren or (ii) domestic partner (as defined in NY Public Health Law Section 2994A).

#### IV. PROCEDURE

- A. Related party transactions shall not be prohibited, but they shall be subject to scrutiny. Prior to CSM entering into a Related Party Transaction, the Related Party Transaction must be reviewed to determine that it is fair, reasonable and in the best interests of CSM at the time of such determination.
- B. **Duty to Disclose**
1. Each director, officer and key employee of CSM must promptly disclose any Interest which he or she or, to the best of his or her knowledge, any Relative or other Related

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2. Party related to him or her has or reasonably expects to have in any proposed Related Party Transaction prior to the start of any consideration of such matter by the Audit & Compliance Committee, which must be comprised solely of Independent Directors. Such disclosure shall include all material facts and supply any reasons why the proposed Related Party Transaction might or might not be fair, reasonable and in the best interest of CSM.

**C. Procedures for Addressing the Proposed Related Party Transaction**

1. The director, officer or key employee who disclosed the Interest in a proposed or existing Related Party Transaction may make a presentation to and respond to questions by the Audit & Compliance Committee but may not attempt to influence improperly the deliberation or voting on the matter.
2. After such presentation, the director, officer or key employee shall leave the meeting during the deliberation and voting on the Related Party Transaction.
3. If a Related Party has a substantial financial interest in the proposed or existing Related Party Transaction, the appropriate Committee shall consider alternatives to the Related Party Transaction to the extent available and, if appropriate, may appoint a disinterested person or committee to investigate alternatives to the proposed or existing Related Party Transaction. In such case, the Audit & Compliance Committee shall determine whether CSM can obtain a more advantageous transaction, agreement or arrangement with reasonable efforts that would not be a Related Party Transaction. A financial interest shall be considered substantial if it involves:
  - a. an ownership or investment interest representing more than 1% of the outstanding shares of a publicly traded company or 10% of the outstanding shares or comparable interest of a privately owned company with which CSM has or is negotiating a transaction, agreement or arrangement or which is otherwise involved in a transaction, agreement or arrangement with CSM; or
  - b. an ownership or investment interest which produces a significant amount of income for or constitutes a significant part of the net worth of the director, officer or key employee, or a Relative of the director, officer or key employee, in any entity with which CSM has or is negotiating a transaction, agreement or arrangement or which is otherwise involved in a transaction, agreement or arrangement with CSM; or
  - c. a compensation arrangement of any kind with any entity or individual with which CSM has or is negotiating a transaction, agreement or arrangement or with any entity or individual which is otherwise involved in a transaction, agreement or arrangement with CSM if the compensation of such person is contingent on such transaction, agreement or arrangement or is likely to be materially increased as a result of such transaction, agreement or arrangement.
4. The Audit & Compliance Committee may, after review, consider other financial interests to be substantial.
5. After exercising due diligence, and, if required, considering if a more advantageous transaction, agreement or arrangement that is not a Related Party Transaction is reasonably attainable, the Audit & Compliance Committee shall deliberate and shall determine by a majority vote of the directors present at the meeting, provided a quorum is present at the time of the vote, whether the Related Party Transaction is fair, reasonable and in CSM's best interest at the time of such determination, and, in conformity with the above determination, make its decision as to whether to enter into or continue the Related Party Transaction. **Only directors who are both disinterested and independent may participate in the deliberations and voting regarding the Related Party Transaction.**

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**D. Compensation**

1. No person who may benefit from compensation paid to members, directors, officers or key employees of CSM may be present at or otherwise participate in any Board, Audit & Compliance Committee or other Board committee deliberations or voting on such member's, director's officer's or key employee's compensation. However, a person who may benefit from such compensation may present information as background or answer questions at a Board or committee meeting prior to the commencement of deliberations or voting related to such compensation if so requested by the Board, Audit & Compliance Committee or other Board committee.
2. If the compensation under consideration is such as to arguably be subject to the IRS rules on excess benefit transactions and CSM wishes to satisfy the safe-harbor requirements of the excess benefit transaction rules, the Board of Directors, Audit & Compliance Committee or other Board committee shall:
  - a. ensure that the terms of a compensation arrangement (including benefits) are approved in advance of payment of compensation by the disinterested members of the Board, Audit & Compliance Committee or other Board committee;
  - b. obtain and rely on comparability data allowing a fair comparison to be made. Appropriate data as to comparability includes:
    - i. compensation paid by similarly situated organizations, both taxable and tax-exempt, for functionally comparable positions;
    - ii. the availability of similar services in the geographic area of CSM;
    - iii. current compensation surveys compiled by independent firms; and
    - iv. written offers from similar institutions competing for the services of the director, officer or key employee; and
    - v. adequately and contemporaneously document the basis for its decision. Such documentation shall note:
      - a) the terms of the compensation arrangement that was approved and the date approved;
      - b) the members of the Board of Directors, Audit & Compliance Committee or other Board committee who were present during deliberations on the compensation arrangement and those who voted for it;
      - c) the comparability data obtained and relied upon by the Board, Audit & Compliance Committee or other Board committee and how the data was obtained; and
      - d) any actions taken with respect to consideration of the compensation arrangement by a member of the Board of Directors, Audit & Compliance Committee or other Board committee who had a conflict of interest with respect to the compensation arrangement.

**E. Violations of the Conflict of Interest Policy**

1. If the Audit & Compliance Committee has reasonable cause to believe that a director, officer or key employee has failed to disclose an Interest or otherwise violated this Policy, it shall inform the director, officer or key employee of the basis for such belief and afford the director, officer or key employee an opportunity to explain the alleged failure to disclose.

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2. If, after hearing the response of such individual and after making further investigation as warranted by the circumstances, the Audit & Compliance Committee determines that the director, officer or key employee has failed to disclose an Interest or otherwise violated this Policy, it shall take appropriate disciplinary and corrective action.

**F. Records of Proceedings**

The minutes of meetings of the appropriate Committee at which a proposed or existing Related Party Transaction was discussed or voted on shall be prepared contemporaneously and shall contain:

1. The names of the directors, officers and key employees who disclosed or otherwise were found to have an Interest in a proposed or existing Related Party Transaction, the nature of the Interest, and the extent of the director's, officer's or key employee's participation in the meeting;
2. A record of any determination as to whether the Related Party Transaction was fair, reasonable and in the best interest of CSM, notwithstanding the Interest, and the specific reasons supporting the determination, including any alternatives to the proposed or existing Related Party Transaction which were considered; and
3. The names of the persons who were present for discussions and votes relating to the Related Party Transaction and a record of any votes taken in connection therewith.

**G. Annual Disclosure Statement**

1. Each prospective director, prior to his or her initial election, and each director, officer and key employee, annually and not later than the first day of March of each year, shall:
  - a. acknowledge his or her familiarity with this Policy, including that he or she has received a copy of the Policy and has read, understands and agrees to comply with the Policy; and
  - b. disclose in writing to the Board of Directors any existing Interest by completing the attached Conflict of Interest Disclosure Statement and submitting it to the secretary of the Board.
2. The Conflict of Interest Disclosure Statements shall be reviewed by the Board of Directors and retained in the confidential files of the secretary of the Board.

