

**The Community Foundation
Harrisonburg & Rockingham County**

**Code of Conduct
For Directors, Committee and Staff Members**

The ability of The Community Foundation of Harrisonburg and Rockingham County (TCFHR) to carry out its mission in the community is enhanced by the involvement of the members of the Board of Directors, volunteers and Staff in the community and economic life of the Harrisonburg and Rockingham County area. Their collective knowledge is invaluable in guiding TCFHR in its service to donors and grantees. TCFHR, therefore, recruits Directors and volunteers who are actively involved in community service and business affairs in the area and also encourages its Staff to participate in appropriate activities.

As a result of the broad participation of Directors, volunteers and Staff in the community, from time to time, TCFHR will make grants to community service organizations with which its Directors, volunteers and Staff are involved and will obtain business and professional services from entities with which they are associated. No part of the assets or net earnings of TCFHR shall inure to the benefit of or be distributable to any Director or Officer thereof or to any private individual, other than in furtherance of TCFHR's purposes (except that reasonable compensation may be paid for services rendered to TCFHR in furtherance of the purposes set forth above). No Director, Officer or private individual shall be entitled to share in the distribution of TCFHR's assets upon dissolution of TCFHR.

I. Confidentiality

At all times, both during and after his or her term of service, every Director, Committee and Staff member of TCFHR shall hold confidential, and shall not copy, distribute or reveal, any non-public information, application or list of which he or she has knowledge or to which he or she has had access by reason of his or her position as a Director or Committee or Staff member unless specifically authorized by the President of the Board or in the case of Staff, the Executive Director of TCFHR.

Should any member of Staff or the Board have questions about the confidentiality requirements described herein, that member should refrain from any potentially inappropriate action until the Executive Committee of TCFHR conducts a review and provides determination.

II. Conflict of Interest

Purpose

The purpose of this policy is to strive to maintain the highest ethical standards and to protect this tax-exempt organization's interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an Officer or Director or staff member of TCFHR or might result in a possible excess benefit transaction. This policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to non-profit and charitable organizations.

Definitions

Interested Person: Any Director, Officer, Staff member or member of a Committee with governing Board delegated powers, who has a direct or indirect financial or volunteer interest, as defined below, is an interested person.

Immediate Family: Spouse/significant other or dependent child.

Financial Interest: A person has a financial interest if the person or member of his or her immediate family has, directly or indirectly, through business or investment:

1. An ownership or investment interest in any entity with which TCFHR has a transaction or arrangement,
2. A compensation arrangement with TCFHR or with any entity or individual with which the Organization has a transaction or arrangement, or
3. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Organization is negotiating a transaction or arrangement.

Volunteer Interest: A person has a volunteer interest if the person or a member of his or her immediate family has, directly or indirectly:

1. A service position with a not-for-profit organization.
2. A Directorship, Trusteeship, or Committee membership, for a not-for-profit organization.

Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.

Relationships That May Give Rise to a Conflict of Interest

Business Relationships: A conflict of interest arises in a situation in which (i) TCFHR has business or financial dealings with a Director, Committee or Staff member individually or with a corporation, partnership or other business enterprise of or in which a Director, Committee or Staff member of TCFHR or a member of his or her immediate family serves as an officer, director or general partner or has a material financial interest or (ii) the primary purpose of a grant from TCFHR's discretionary funds to a not-for-profit organization is made to support a transaction with such a business enterprise. A threshold of \$5,000 annually is applied before the foregoing relationship would be defined as a conflict of interest.

Relationships with Potential Grantees: A conflict of interest arises in a situation in which TCFHR makes a grant from TCFHR's discretionary funds to a not-for-profit organization of which a Director, Committee member or a member of his or her immediate family is an Officer, Director, Trustee or staff member. Such conflict also arises out of a similar relationship between a not-for-profit organization and a Staff member or a member of his or her immediate family.

All references to a conflict of interest in the Code of Conduct refer to the foregoing relationships.

Rules and Procedures

A. Duty to Disclose

In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the interest and all material facts to the Directors and members of Committees with governing Board delegated powers considering the proposed transaction or arrangement.

B. Determining Whether a Conflict of Interest Exists

After disclosure of the interest and all material facts, and after any discussion with the interested person, he or she shall leave the governing Board or Committee meeting while the determination of a conflict of interest is discussed or voted upon. The remaining Board or Committee members shall decide if a conflict of interest exists.

C. Addressing the Conflict of Interest

1. An interested person may make a presentation at the governing Board or Committee meeting, but after the presentation, he or she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.
2. The chairperson of the governing Board or Committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
3. After exercising due diligence, the governing Board or Committee shall determine whether TCFHR can obtain with reasonable efforts more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.

4. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the governing Board or Committee shall determine by a majority vote of the disinterested Directors whether the transaction or arrangement is in TCFHR best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination it shall make its decision as to whether to enter into the transaction or arrangement.

D. Violations of the Conflicts of Interest Policy

1. If the governing Board or Committee has reasonable cause to believe a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.

2. If, after hearing the member's response and after making further investigation as warranted by the circumstances, the governing Board or Committee determines the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate action.

E. Records of Proceedings

The minutes of the governing Board and all Committees with Board delegated powers shall contain:

1. The names of the persons who disclosed or otherwise were found to have an interest in connection with an actual or possible conflict of interest, the nature of the interest, any action taken to determine whether a conflict of interest was present, and the governing Board's or Committee's decision as to whether a conflict of interest in fact existed.

2. The names of the persons who were present for discussions and votes relating 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.

F. Compensation

1. A voting member of the governing Board who receives compensation, directly or indirectly, from TCFHR for services is precluded from voting on matters pertaining to that member's compensation.

2. A voting member of any Committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from TCFHR for services is precluded from voting on matters pertaining to that member's compensation.

3. Members of the Board of Directors shall serve without compensation. Board members may be reimbursed for reasonable expenses incurred in the course of conducting foundation business at the discretion of the President.

G. Annual Statements

Each Director, Officer, Staff member and member of a Committee with governing Board delegated powers shall provide annually to the Executive Director of TCFHR a signed Conflict of Interest Disclosure Statement which affirms such person:

1. Has received a copy of the conflicts of interest policy,
2. Has read and understands the policy,
3. Has agreed to comply with the policy, and
4. Understands TCFHR is charitable 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.
5. And, in addition, identifies any positions held by self or any immediate family member and affiliations with any organization, using the following criteria:
 - a. Any role (significant donor, volunteer, advocate or advisor) held by self or immediate family member with any charitable or community organization currently or within the past three (3) years.
 - b. Any ownership or investment interest held by self or immediate family member with any entity currently or within the past year with which TCFHR has or is negotiating a transaction or arrangement.
 - c. Any consulting work or other affiliation with organizations that may create an interest or bias with respect to TCFHR's action.

H. Periodic Reviews

To ensure TCFHR operates in a manner consistent with 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, include the following subjects:

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

I. Use of Outside Experts

When conducting the periodic reviews, TCFHR may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the governing board of its responsibility for ensuring periodic reviews are conducted.

Applicability

A. Application to Board of Directors and Committee Members

1. Disclosure

Each Director is under obligation to TCFHR and to his or her fellow Directors to inform them of any position he or she holds, and of any business or other activity, which is a conflict of interest at the time the grant, business relationship, action or policy which gives rise to the conflict of interest is under consideration by the Board of Directors.

Each Committee member is bound by the same obligation to TCFHR and to his or her fellow Committee members. Any possible conflicts of interest shall be disclosed before discussion begins.

2. Abstention

For any transaction involving a conflict of interest, a Director or Committee member may meet with the Board or his or her Committee to answer questions but may not be present for debate or voting on any action in which he or she or a business enterprise described in II, "Relationships That May Give Rise to a Conflict of Interest" of this policy with respect to him or her or with respect to a member of his or her immediate family, has a conflict of interest arising from a business relationship pursuant to II, "Relationships That May Give Rise to a Conflict of Interest" of this policy. Any Director or Committee member who is in an employment relationship subject to, or whose compensation is subject to approval by, any such Director or Committee member, immediate family member or business enterprise, or who was provided economic benefits in a transaction with TCFHR that was approved by any such Director or Committee member, also may not be present for debate or voting. The recusal and abstention shall be recorded in the minutes of the meeting at which the action is under consideration.

A Director or Committee member may be present for debate but shall abstain from voting on any action in which he or she has a conflict arising from a relationship with a potential grantee pursuant to II, "Relationships That May Give Rise to a Conflict of Interest" of this policy. Where grantee decisions involve conflicts of interest, each grant will be voted upon separately, recording the abstention in the minutes of the meeting at which the action is under consideration.

B. Application to Staff Members

1. Volunteer Service with Other Organizations

A Staff member is under obligation to TCFHR to inform them of any position he or she holds, and of any business or other activity, such as serving as a Board member or an Officer of a charitable organization. A Staff member may serve as a Board member of a national or regional council or other foundation membership organization, such as the Council on Foundations. Each Staff member (other than the Executive Director) shall inform the Executive Director of his or her intention to serve in such capacity, and the Executive Director shall similarly inform the President of the Board of Directors of his or her own activities.

2. Other Service to Other Organizations

A Staff member may not accept payments, royalties or honoraria for speaking engagements or articles based on his or her foundation employment. Compensation may be accepted when a speaking engagement or article is on a topic that is not within the scope of the Staff member's duties for TCFHR.

3. Disclosure

In all cases, each Staff member shall inform the Executive Director in writing of any known relationship that is a conflict of interest. In addition, each Staff member shall inform the Executive Director in writing of any situations where the Staff member acts as an independent contractor with any charitable organization, governmental body or provider of goods or services to TCFHR. Each Staff member shall also inform the Executive Director of any business or other activity which the Staff member or a member of his or her immediate family is engaged.

4. Abstention

A Staff member shall be precluded from acting as program officer on any grant application from an organization in such Staff member or a member of his or her immediate family has a conflict of interest.

5. Duties of the Executive Director

The Executive Director shall be responsible for the application and interpretation of the above principles relating to Staff members. At least annually, the Executive Director shall inform the Board of Directors of any information submitted by any Staff member in accordance with this policy that is a conflict of interest. The Executive Director shall also be bound by the restrictions applicable to other Staff members and to the Directors and shall in all cases advise the Chair of the Board just as other Staff members would have the duty to advise the Executive Director of a conflict of interest. At the time that a grant application is being considered by the Board of Directors, the Executive Director shall inform the Board of Directors of any conflict of interest of which the Executive Director is aware with respect to the proposed grantee and any Staff member.

C. Application to Selection Committees with No Governing Board Delegated Powers

Service limited to volunteering for a Selection Committee, which only makes recommendation of funding recipients, based upon criteria established by TCFHR, will not be required to provide annual written documentation of his or her interests. However, all other rules governing conflict of interest contained in this policy also apply to those committees.

D. General Application

1. No deviation from these procedures, and no special consideration by the Board of Directors or the Staff of TCFHR, shall be made for an organization with which any Director or Staff member, or any member of the immediate family of either, has a relationship giving rise to a conflict of interest.

2. No Director or Committee or Staff member of TCFHR shall accept any personal gift from any current or prospective grantee or provider of goods or services to TCFHR. This

provision shall not preclude an occasional acceptance of a meal, reception invitation or admission ticket so long as the practice is not a frequently recurring pattern with any given organization.

3. Any Director with knowledge of a possible violation of this Code of Conduct shall report it to the Executive Director or to the President of the Board of Directors. Any Staff member with knowledge of a possible violation of this Code of Conduct shall report it to the Executive Director. If the possible violation involves the Executive Director, the report shall be made to the President of the Board.

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Annual Statement – Code of Conduct

In accordance with the IRS Form 990 requirements, a Code of Conduct for Directors, Committee and Staff Members was adopted by the Board of Directors/Trustees of The Community Foundation Harrisonburg & Rockingham County (TCFHRC) on May 17, 2006. Each director/trustee, principal officer, committee and staff member with board-delegated powers shall annually sign this Statement regarding confidentiality and conflict of interest policies addressed in the Code of Conduct.

I, _____, hereby affirm that:
Printed Name

1. I have received a copy of the current Code of Conduct adopted by TCFHRC (hereinafter the “policy”);
2. I have read and understand the policy;
3. I have agreed to comply with the policy; and
4. I understand that TCFHRC is a charitable organization and that in order to maintain its federal tax exemption, it must engage primarily in activities, which accomplish one or more of its tax-exempt purposes.

Signed

Dated