

**Pleasant Hill Baseball Association**  
**Conflict of Interest Policy**  
**08SEP2020**

**Article I**

**Purpose**

The purpose of Pleasant Hill Baseball Association's (hereinafter referred to as the "Association") conflict of interest policy is to protect the Association's interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of any member of the Association's Officers of the Association (hereinafter referred to as the "Board") 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 nonprofit and charitable organizations.

**Article II**

**Definitions**

**1. Interested Person**

Any principal Officer, Director, or member of a committee with the Association's Board-delegated powers, who has a direct or indirect financial interest, as defined below, is an interested person.

**2. Financial Interest**

A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:

- a. An ownership or investment interest in any entity with which the Association has a transaction or arrangement,
- b. A compensation arrangement with the Association or with any entity or individual with which the Association has a transaction or arrangement, or
- c. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Association is negotiating a transaction or arrangement.
- d. Compensation includes direct and indirect remuneration as well as gifts or favors that aren't insubstantial. A financial interest isn't necessarily a conflict of interest. Under Article III, Section 2, a person who has a financial interest may have a conflict of interest only if the Board decides that a conflict of interest exists.

**Article III**

**Procedures**

**1. Duty to Disclose**

In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the Association's Board considering the proposed transaction or arrangement.

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

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

## **3. Procedures for Addressing the Conflict of Interest**

- a. An interested person may make a presentation at the Board meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.
- b. The Board President shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
- c. After exercising due diligence, the Board shall determine whether the Association can obtain, with reasonable efforts, a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.
- d. If a more advantageous transaction or arrangement isn't reasonably possible under circumstances not producing a conflict of interest, the Board shall determine by a majority vote of the disinterested Board members whether the transaction or arrangement is in the Association's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination, the Board shall make its decision as to whether to enter into the transaction or arrangement.

## **4. Violations of the Conflict of Interest Policy**

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

## **Article IV**

### **Records of Proceedings**

The minutes of the Board shall contain:

- a. The names of the persons who disclosed or otherwise were 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 decision as to whether a conflict of interest in fact existed.
- b. 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 Board's proceedings.

## **Article V**

### **Compensation**

- a. A member of the Board who receives compensation, directly or indirectly, from the Association for services is precluded from voting on matters pertaining to that member's compensation.
- b. A member of any Board-authorized committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Association for services is precluded from voting on matters pertaining to that member's compensation.
- c. No member of the Board or any Board-authorized committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Association, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

## **Article VI**

### **Annual Statements**

Each principal Officer, Director, or member of a committee with Board-authorized powers shall annually sign a statement which affirms such person:

- a. Has received a copy of the conflict of interest policy,
- b. Has read and understands the policy,
- c. Has agreed to comply with the policy, and
- d. Understands the Association is non-profit/charitable and in order to maintain its federal tax exemption it must engage primarily in activities that accomplish one or more of its tax-exempt purposes.

## **Article VII**

### **Periodic Reviews**

To ensure the Association operates in a manner consistent with non-profit/charitable purposes, and doesn't 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:

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

## **Article VIII**

### **Use of Outside Experts**

When conducting the periodic reviews, as provided for in Article VII, the Association may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the Board of its responsibility for ensuring periodic reviews are conducted.

### **Appendix A: States With Statutory Provisions Satisfying the Requirements of Internal Revenue Code Section 508(e)**

The following states have adopted legislation satisfying the requirements of Section 508(e) relating to private foundation governing instruments. Information derived from Revenue Ruling 75-38, 1975-1 C.B. 1

CALIFORNIA — except where otherwise provided by a court of competent jurisdiction.

## Appendix B: Glossary of Terms

<b>Adjusted net income (for Schedule D)</b>	<hr/> <p>Adjusted net income includes: gross income from any unrelated trade or business; gross income from functionally related businesses; interest payments received on loans; amounts received or accrued as repayments of amounts taken as qualifying distributions for any tax year; amounts received or accrued from the sale or other disposition of property to the extent acquisition of the property was treated as a qualifying distribution for any tax year; any amounts set aside for a specific project to the extent the full set-aside was not necessary for the project; interest on government obligations normally excluded under section 103; net short-term capital gains on sale or other disposition of property; and income received from an estate if the estate is considered terminated for income tax purposes because of a prolonged administration period.</p> <p>It doesn't include: gifts, grants, and contributions received; long-term capital gains or losses; net section 1231 gains; capital gain dividends; the excess of fair market value over adjusted basis of property distributed to the U.S. or a possession or political subdivision, a state or its political subdivision, a charitable trust, or corporation for public purposes; or income received from an estate during the administration period.</p> <p>In computing adjusted net income, deduct the following: ordinary and necessary expenses paid or incurred for the production or collection of gross income, or for the management, conservation, or collection of gross income (includes operating expenses such as compensation of officers, employee wages and salaries, interest, rent, and taxes); straight-line depreciation and depletion (not percentage depletion); and expenses and interest paid or incurred to carry tax-exempt obligations. Don't deduct net short-term capital losses for the year in which they occur (these losses cannot be carried back or carried over to earlier or later tax years); the excess of expenses for property used for exempt purposes over the income received from the property; charitable contributions made by you; net operating losses; and special deductions for corporations.</p>
<b>Arm's length</b>	<hr/> <p>A transaction between parties having adverse (or opposing) interests where none of the participants are in a position to exercise substantial influence over the transaction because of business or family relationship(s) with more than one of the parties.</p>

**Authorized representative**

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An individual eligible to practice before the IRS who holds a power of attorney (Form 2848 or other similar documents) that authorizes him or her to represent the Association in tax matters, including the application for tax-exempt status.

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**Business relationship**

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Employment and contractual relationships, and common ownership of a business where any officers, directors, or trustees, individually or together, possess more than a 35% ownership interest in common. Ownership means voting power in a corporation, profits interest in a partnership, or beneficial interest in a trust.

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**Bylaws**

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The internal rules and regulations of the Association.

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**Certification of filing**

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Evidence that, on a specific date, articles of incorporation (for a corporation) or articles of organization (for a limited liability company) were accepted for filing by appropriate state authority resulting in the creation of a state-law entity.

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**Community**

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The local or regional geographic area to be served by the Association.

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**Compensation**

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All forms of income from working, including salary or wages; deferred compensation; retirement benefits, whether in the form of a qualified or non-qualified employee plan (for example, pensions or annuities); fringe benefits (for example, personal vehicle, meals, lodging, personal and family educational benefits, low interest-loans, payment of personal travel, entertainment, or other expenses, athletic or country club membership, and personal use of your property); and bonuses.

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**Conflict of interest policy**

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A set of procedures to identify potential conflicts of interest and to reduce the likelihood that persons in a position of authority over an organization may use that authority to receive an inappropriate benefit. A conflict of interest may arise when a person in a position of authority over an organization, such as a director, officer, or manager, may benefit personally from a decision he or she could make.

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**Controlled by disqualified persons**

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See the definition of a **disqualified person** below. A section 509(a)(3) supporting organization, may not be controlled directly or indirectly by disqualified persons (other than the organization's officers, directors or trustees). An organization is controlled by disqualified persons if disqualified persons can exercise 50% or more of the total voting power held by the organization's governing body. For this purpose, controlled includes the authority to affect significant decisions, such as power over investment decisions, or charitable disbursement decisions, as well as the power to veto such decision. Control may be direct or indirect.

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**Corporation**

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An entity organized under a federal or state corporation law (including the statutes of a federally recognized Indian tribal or Alaskan native government).

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**Develop**

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The planning, financing, construction, or provision of similar services involved in the acquisition of real property, such as land or a building.

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<b>Disqualified person</b>	<p>Any individual or organization that is any of the following relationships.</p> <ul style="list-style-type: none"> <li>a. A substantial contributor to you (see <i>Substantial contributor</i>).</li> <li>b. An officer, director, trustee, or any other individual who has similar powers or responsibilities.</li> <li>c. An individual who owns more than 20% of the total combined voting power of a corporation that is a substantial contributor to you.</li> <li>d. An individual who owns more than 20% of the profits interest of a partnership that is a substantial contributor to you.</li> <li>e. An individual who owns more than 20% of the beneficial interest of a trust or estate that is a substantial contributor to you.</li> <li>f. A member of the family of any individual described in a, b, c, d, or e above.</li> <li>g. A corporation in which any individuals described in a, b, c, d, e, or f above hold more than 35% of the total combined voting power.</li> <li>h. A trust or estate in which any individuals described in a, b, c, d, e, or f above hold more than 35% of the beneficial interests.</li> <li>i. A partnership in which any individuals described a, b, c, d, e, or f above hold more than 35% of the profits interest.</li> </ul>
<b>Earmark</b>	<p>Donations or other contributions given to an organization on the condition or understanding that they will be used to assist particular individuals or specific identified groups.</p>
<b>Expenses</b>	<p>Financial burdens or outlays, costs (of doing business), and business outlays chargeable against revenues. For purposes of this form, expenses mean direct and indirect expenses.</p>
<b>Fair market value</b>	<p>The price at which property, or the right to use property, would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy, sell, or transfer property or the right to use property, and both having reasonable knowledge of relevant facts.</p>
<b>Family</b>	<p>Includes an individual's spouse, ancestors, children, grandchildren, great-grandchildren, siblings (whether by whole or half-blood), and the spouses of children, grandchildren, great-grandchildren, and siblings.</p>
<b>Foreign country</b>	<p>A country other than the United States, its territories and possessions, and the District of Columbia.</p>
<b>For-profit</b>	<p>A business entity whose activities are conducted or maintained to make a profit (for example, revenues greater than expenses) for its private shareholders or owners.</p>
<b>Foundation manager</b>	<p>Officers, directors, or trustees, or an individual having powers or responsibilities similar to those of a foundation's officers, directors, or trustees.</p>

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**Fundraising**

The organized activity of raising funds, whether by volunteers, employees, or paid independent contractors.

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**Gaming**

The term gaming includes activities such as Bingo, Beano, lotteries, pull-tabs, pari-mutuel betting, Calcutta wagering, pickle jars, punch boards, tip boards, tip jars, certain video games, 21, raffles, keno, split-the-pot, and other games of chance.

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**Gross investment income**

As defined in section 509, gross investment income means the gross amount of income from interest, dividends, payments with respect to securities loans, rents, and royalties; but not including any such income to the extent included in computing the tax imposed by section 511.

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**Gross receipts**

For purposes of Part VI-A. Statement of Revenues and Expenses, gross receipts include monies earned from activities related to an organization's charitable or other section 501(c)(3) activities, such as selling admissions or merchandise, performing services, or furnishing facilities.

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**Influence legislation**

The act of directly contacting or urging the public to contact members of a legislative body for the purpose of proposing, supporting, or opposing legislation. Attempting to influence legislation includes advocating the adoption or rejection of legislation.

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**Intellectual property**

A type of property (distinct from real or personal property) including the following.

- a. Patents (for inventions).
  - b. Copyrights (for literary and artistic works such as novels, poems, plays, films, musical works, drawings, paintings, photographs, sculptures, architectural designs, performances, recordings, film, and radio or television programs).
  - c. Trade names, trademarks, and service marks (for symbols, names, images, and designs).
  - d. Formulas, know-how, and trade secrets.
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**Joint venture**

A legal agreement in which the parties jointly undertake a transaction for mutual profit. Generally, each person contributes assets and shares risks. Like a partnership, joint ventures can involve any type of business transaction and the "persons" involved can be individuals, groups of individuals, companies, or corporations.

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**Limited liability company**

A limited liability company (LLC) is a business entity organized in the United States under state law. Generally, an LLC may be classified for federal income tax purposes as a partnership, corporation, or an entity disregarded as separate from its owner by applying the rules in Regulation section 301.7701-3. However, an LLC that has been determined to be, or claims to be, exempt from taxation under section 501(a) is treated as having made an election to be classified as a corporation under Regulation section 301.7701-3(c)(1)(v).

<b>Mailing address</b>	Address where correspondence is received.
<b>Manage</b>	Manage means to direct or administer.
<b>Net income (for Schedule D)</b>	See <i>Adjusted net income</i> .
<b>Non-fixed payment</b>	A non-fixed payment means a payment that depends on discretion. For example, a bonus of up to \$100,000 that is based on an evaluation of performance by the governing board is a non-fixed payment because the governing body has discretion over whether the bonus is paid and the amount of the bonus.
<b>Organizing document</b>	The organizing document depends on the form of the organization. For a corporation, the document is the articles of incorporation. For an LLC, the document is the articles of organization. For an unincorporated association, the document is the articles of association or constitution. The organizing document of a trust is the trust agreement.
<b>Political campaign intervention</b>	An organization participates in a political campaign, if it promotes or opposes, through political literature, brochures, pamphlets, hosting or participating in events, etc., the candidacy of an individual for public office. Debates and nonpartisan voter education aren't considered political.
<b>Predecessor</b>	An organization whose activities or assets were taken over by another organization.
<b>Private foundation</b>	An organization that is exempt under section 501(c)(3) is a private foundation unless it is a church, school, hospital, governmental unit, entity that undertakes testing for public safety, organization that has broad financial support from the general public, or organization that supports one or more other organizations that are themselves classified as public charities.
<b>Private operating foundation</b>	A type of private foundation that makes qualifying distributions directly for the active conduct of its educational, charitable, and religious purposes. "Directly for the active conduct" means that the distributions are used by the foundation itself to carry out the programs for which it is organized and operated. Grants made to assist other organizations or individuals are normally considered indirect.
<b>Public charity</b>	An organization that is exempt under section 501(c)(3) is excepted from private foundation status because it is described in section 509(a)(1) (which cross references sections 170(b)(1)(i) through (vi), and (ix)), 509(a)(2), 509(a)(3), or 509(a)(4).
<b>Reasonable compensation</b>	Reasonable compensation is the amount that would ordinarily be paid for like services by like organizations under like circumstances as of the date the compensation arrangement is made. Reasonable compensation is important because excessive benefits in the form of compensation to disqualified persons may result in the imposition of excise taxes and jeopardize the organization's tax-exempt status.



<b>Related</b>	The family or business relationships between persons.
	<p>A relationship may exist between one organization and another in the following situations.</p> <ul style="list-style-type: none"> <li>a. One organization controls the other through common officers, directors, or trustees, or through authority to approve budgets or expenditures.</li> </ul>
<b>Relationship</b>	<ul style="list-style-type: none"> <li>b. Both organizations were created at approximately the same time and by the same persons.</li> <li>c. The organizations operate in a coordinated manner with respect to facilities, programs, employees, or other activities.</li> <li>d. The same persons exercise substantial influence over both organizations.</li> </ul>
<b>Revenue</b>	Revenue means gross revenue amounts.
<b>Revenue Procedure</b>	An official statement of a procedure published in the IRS Internal Revenue Bulletin (previously the Cumulative Bulletin) that either affects the rights or duties of taxpayers or other members of the public under the Internal Revenue Code and related statutes, treaties, and regulations or, although not necessarily affecting the rights and duties of the public, should be a matter of public knowledge.
<b>Revenue Ruling</b>	An official interpretation by the IRS of the Internal Revenue laws and related statutes, treaties, and regulations that has been published in the IRS Internal Revenue Bulletin (previously the Cumulative Bulletin). Revenue Rulings are issued only by the Office of Associate Chief Counsel and are published for the information and guidance of taxpayers, IRS officials, and others concerned.
<b>School</b>	<p>A school is an educational organization whose primary function is the presentation of formal instruction and that normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of pupils or students in attendance at the place where its educational activities are regularly carried on. A school may include the following:</p> <ul style="list-style-type: none"> <li>a. Primary, secondary, preparatory, or high school.</li> <li>b. College or university.</li> <li>c. Trade or technical school.</li> <li>d. Nursery or preschool.</li> <li>e. School that you operate as an activity, such as school that is operated as an activity of a museum, historical society, or church.</li> </ul>
<b>Similarly situated</b>	Similarly situated organizations means tax-exempt or taxable organizations of a comparable size, purpose, and resources.
<b>Substantial contributor</b>	An individual or organization that contributed more than \$5,000 to an organization from the date it was formed or other date that its exemption would be effective, to the end of the year in which the contributions were

received. This total amount contributed must also be more than 2% of all the contributions the organization received. A creator of a trust is treated as a substantial contributor regardless of the amount contributed.

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An organization that took over:

**Successor**

- a.** More than a negligible amount of the activities that were previously conducted by another organization,
  - b.** 25% or more of the fair market value of the net assets of another organization, or
  - c.** Was established upon the conversion of an organization from for-profit to non-profit status.
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**Trust**

A trust is an entity that may be formed by a trust agreement or declaration of trust. A trust may also be formed through a will.

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**Unincorporated association**

An unincorporated association formed under state law must have at least two members who have signed a written document for a specifically defined purpose.

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**Unrelated business income**

Income from a trade or business regularly conducted by an exempt organization and not substantially related to the performance by the organization of its exempt purpose or function. See Pub. 598.

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**Unusual grant**

Substantial contribution or bequest from a disinterested person that, by its size, adversely affects classification as a public charity. It is:

- a.** Unusual,
  - b.** Unexpected, and
  - c.** Received from an unrelated party.
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