For Directors and Officers and Members of a Committee with SMH Council Delegated Powers

Article I -- Purpose

1. The purpose of this SMH Council conflict of interest policy is to protect SMH’s interests when it is contemplating entering into a transaction or arrangement that might benefit the private interests of an officer or director of SMH or might result in a possible excess benefit transaction.

2. This policy is intended to supplement, but not replace, any applicable state and federal laws governing conflicts of interest applicable to nonprofit and charitable organizations.

3. This policy is also intended to identify “independent” directors in order to answer questions on IRS Form 990.

Article II -- Definitions

1. Interested person -- Any director, principal officer, or member of a committee with SMH Council-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 SMH has a transaction or arrangement;
   b. A compensation arrangement with SMH or with any entity or individual with which SMH has a transaction or arrangement; or
   c. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which SMH is negotiating a transaction or arrangement.

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

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1 This policy is based on the IRS model Conflict of Interest policy, which is an attachment to Form 1023. It adds information needed to allow SMH to assess director independence in order to answer questions on Form 990.
A financial interest is not necessarily a conflict of interest. A person who has a financial interest may have a conflict of interest only if the SMH Council or the Executive Committee determines that a conflict of interest exists, in accordance with this policy.

**Independent Director** -- A director (*an officer or member of the Council*) shall be considered “independent” for the purposes of this policy if the director is “independent” as defined in the instructions for the IRS 990 form or, until such definition is available, the director:

a. is not, and has not been for a period of at least three years, an employee of SMH or any entity in which SMH has a financial interest;

b. does not directly or indirectly have a significant business relationship with SMH, which might affect independence in decision making;

c. is not employed as an executive of another corporation where any of SMH’s executive officers or employees serve on that corporation’s compensation committee; and

d. does not have an immediate family member who is an executive officer or employee of SMH or who holds a position that has a significant financial relationship with SMH.

3. **Nonfinancial interest** -- A person has a nonfinancial interest if that person might influence an officer’s, director’s, or committee member’s participation or vote in an action of the officer’s, director’s, or committee member’s duties and:

a. The person’s relationship as an unpaid volunteer, officer, or director of an organization that may be affected, directly or indirectly, by action to be taken, or not taken, by SMH; or

b. The person’s personal, political, religious, friendship, or personal relationships may be affected by an action to be taken, or not taken, by SMH.

**Article III – Procedures**

**Duty to Disclose** -- In connection with any actual or possible conflict of interest, an interested person must disclose the existence of any financial interest and be given the opportunity to disclose all material facts to the SMH Council.

1. **Disclosure of nonfinancial interests** -- Directors shall disclose nonfinancial interests generally in their annual statement, and specifically as individual interests arise. Nonfinancial
interests are expected, and shall not be reviewed, unless a Council member (including the affected member) requests that the interest be reviewed under the Conflict of Interest Policy.

2. **Recusal of Self** – Any director may recuse themself at any time from involvement in any decision or discussion in which the director believes they have or may have a conflict of interest, without going through the process for determining whether a conflict of interest exists.

3. **Determining Whether a Conflict of Interest Exists** -- After disclosure of the financial interest, all material facts will be disclosed and reviewed, including discussion with the interested person. Upon request by the SMH Council member the material facts of a nonfinancial interest will be reviewed, including discussion with the interested party. Then the potentially conflicted Member shall leave the SMH Council or meeting while the determination of a conflict of interest is discussed and voted upon. The remaining SMH Council members shall decide if a conflict of interest exists.

5. **Procedures for Addressing the Conflict of Interest**

   a. An interested person may make a presentation at the SMH Council meeting, but after the presentation, the interested person shall leave the meeting during the discussion of, and the vote on, the transaction, arrangement, or other matter involving the possible conflict of interest.

   b. The 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 SMH Council shall determine whether SMH can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a financial conflict of interest.

   d. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a financial conflict of interest, the SMH Council shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in SMH's 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.

6. **Violations of the Conflicts of Interest Policy**

   a. If the SMH Council 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 SMH Council 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 SMH Council and all committees with SMH Council delegated powers 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 SMH Council’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 proceedings.

**Article V – Compensation**

a. A voting member of the SMH Council who receives compensation, directly or indirectly, from SMH for services is precluded from voting on matters pertaining to that member's compensation.

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

c. No voting member of the SMH Council or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from SMH, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

**Article VI – Annual Statements**

1. Each director, principal officer and member of a committee with SMH Council-delegated 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 SMH is a charitable organization 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.

2. Each voting member of the SMH Council shall annually sign a statement which declares whether such person is an independent director.

3. If at any time during the year, the information in the annual statement changes materially, the director shall disclose such changes and revise the annual disclosure form.

4. The Executive Director and Treasurer shall regularly and consistently monitor and enforce compliance with this policy by reviewing annual statements and taking such other actions as are necessary for effective oversight.

**Article VII – Periodic Reviews**

To ensure SMH 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:

a. Whether compensation arrangements and benefits are reasonable, based on competent survey information (if reasonably available), and the result of arm's length bargaining.

b. Whether partnerships, joint ventures, and arrangements with management organizations, if any, conform to SMH's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes and do not result in inurement or 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, SMH may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the SMH Council of its responsibility for ensuring periodic reviews are conducted.

Initial Conflict of Interest policy adopted: 21 October 2019 Approved 21 October 2019
Director and Officer
Conflict of Interest Statement

1. Name: ____________________________________ Date: ____________________

2. Are you a member in Good Standing?  Yes   No

3. What organization or other membership affiliation do you represent? _________________________

4. Position:
   Are you a voting Director?  Yes   No
   Are you an Officer?   Yes    No
   If you are an Officer, which Officer position do you hold: _____________________________________

5. I affirm the following:
   I have received a copy of the SMH Conflict of Interest Policy. _________ (initial)   I have read and understand the policy. _________ (initial)
   I agree to comply with the policy. _________ (initial)
   I have reviewed the SMH Council Member Job Description as described in the SMH Charter ________ (initial)
   I understand that SMH is charitable and in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of tax-exempt purposes. _________ (initial)

6. Disclosures:
   a. Do you have a financial interest (current or potential), including a compensation arrangement, as defined in the Conflict of Interest policy with SMH?  Yes   No
      i. If yes, please describe it: ____________________________________________
      ii. If yes, has the financial interest been disclosed, as provided in the Conflict of Interest policy?  Yes   No

   b. In the past, have you had a financial interest, including a compensation arrangement, as defined in the Conflict of Interest policy with SMH?  Yes   No
      i. If yes, please describe it, including when (approximately):
      ii. If yes, has the financial interest been disclosed, as provided in the Conflict of Interest policy?  Yes   No

7. Are you an independent director, as defined in the Conflict of Interest policy?  Yes   No
a. If you are not independent, why? ____________________________________________

_________________________________________ Date: ___________________
Signature of director or officer

Date of Review by Executive Director and Treasurer: _________________________