SUNSET BADMINTON FOUNDATION

DRAFT — PENDING BOARD ADOPTION
This is a draft published for transparency. It has not yet been adopted by the Board of Directors and may change before adoption. Bracketed values are proposed and subject to board approval.

Conflict of Interest Policy

Directors, officers and committee members of The Sunset Badminton Foundation must disclose any personal financial interest in a Foundation decision and step aside from it. Because the Foundation's founders own Sunset Badminton, LLC, this policy also sets specific rules for any dealings with that business.

Article I. Purpose and scope

1.1 This policy protects the interests of The Sunset Badminton Foundation (the "Foundation") when it considers a transaction or arrangement that might benefit the private interest of a director, officer or committee member. It helps the Foundation meet its obligations as a public charity exempt under section 501(c)(3) of the Internal Revenue Code, including the rules against private inurement, private benefit and excess benefit transactions (IRC section 4958).

1.2 The Foundation's founders also own and operate Sunset Badminton, LLC, a for-profit badminton business. Articles IV through VI set additional rules for that relationship so the Foundation's charitable assets are never used for the business's benefit.

1.3 This policy supplements, and does not replace, any state or federal law governing conflicts of interest for nonprofit and charitable organizations. Where the law is stricter, the law controls.

Article II. Definitions

2.1 **Interested Person.** Any director, officer, or member of a committee with board-delegated powers who has a direct or indirect Financial Interest. Each person who owns, works for or is paid by the Related Business is an Interested Person for every matter involving it.

2.2 **Family Member.** A person's spouse or domestic partner; parents and grandparents; siblings and their spouses; and children, grandchildren and great-grandchildren and their spouses.

2.3 **Financial Interest.** A person has a Financial Interest if they have, directly or through business, investment or a Family Member:

1. an ownership or investment interest in any entity with which the Foundation has a transaction or arrangement;

2. a compensation arrangement with the Foundation, or with any entity or individual with which the Foundation has a transaction or arrangement; or
3. a potential ownership, investment interest or compensation arrangement with any entity or individual with which the Foundation is negotiating a transaction or arrangement.

Compensation includes direct and indirect pay and gifts or favors that are not insubstantial. A Financial Interest is not necessarily a conflict of interest. Under Article III, a person with a Financial Interest has a conflict only if the disinterested directors decide one exists.

2.4 **Related Business.** Sunset Badminton, LLC, and any successor, affiliate, or other business that is at least 35% owned or controlled by Interested Persons or their Family Members.

2.5 **Disinterested Director.** A director who has no Financial Interest in the matter being considered, is not a Family Member of an Interested Person in that matter, and is not an employee, contractor or owner of the Related Business.

2.6 **Charitable Assistance.** Any training stipend, equipment grant, scholarship, fee waiver or other benefit the Foundation provides to an individual in furtherance of its charitable purposes.

Article III. Duty to disclose and procedures

3.1 **Duty to disclose.** An Interested Person must disclose the existence of a Financial Interest, and all material facts about it, to the directors considering the transaction or arrangement. Disclosure is due as soon as the person becomes aware of the interest, and in any case before the matter is discussed or decided.

3.2 **Determining whether a conflict exists.** After disclosure and any discussion with the Interested Person, the Interested Person leaves the meeting while the Disinterested Directors discuss and vote on whether a conflict of interest exists.

3.3 **Procedure for addressing a conflict.**

1. The Interested Person may make a presentation and answer questions, but must then leave the meeting during the discussion of, and vote on, the transaction or arrangement.
2. The chair, if appropriate, appoints a Disinterested Director or committee to investigate alternatives to the proposed transaction or arrangement.
3. After exercising due diligence, the Disinterested Directors decide whether the Foundation can obtain an equal or more advantageous transaction or arrangement, with reasonable effort, from a person or entity that would not give rise to a conflict.
4. If not, the Disinterested Directors decide by majority vote whether the transaction is in the Foundation's best interest, for its own benefit, and fair and reasonable. They then decide whether to enter into it.
5. The Interested Person may not vote on, or use personal influence over, the matter, and is not counted toward a quorum for that vote.

3.4 **Gifts.** Interested Persons may not accept gifts, entertainment or favors worth more than [$100] in a year from any person or business that has, or is seeking, a transaction with the Foundation.

3.5 **Confidential information.** Interested Persons may not use the Foundation's confidential information for any personal or business purpose, including the Related Business. This covers donor records, applicant and family financial information, and participant contact lists.

3.6 **Violations.** If the board has reasonable cause to believe someone failed to disclose an actual or possible conflict, it informs that person and gives them an opportunity to explain. If, after hearing the response and investigating as warranted, the board finds a failure to disclose, it takes appropriate corrective and disciplinary action, which may include removal from office.

Article IV. Sunset Badminton, LLC

4.1 **Standing conflict.** Sunset Badminton, LLC is owned or controlled by Interested Persons. Every matter involving the Related Business is a conflict of interest for those persons and their Family Members, without a separate determination under section 3.2.

4.2 **Permitted dealings.** The Foundation deals with the Related Business only as set out below. "Approved" means approved in advance under Article III by a majority of Disinterested Directors, with at least two Disinterested Directors voting.

Dealing	Rule	Conditions
Gifts from the Related Business to the Foundation (money, equipment, services at no charge)	Allowed	Recorded at fair market value. Acknowledged on the same terms as any other donor. No condition that the Foundation buy from or promote the business.
Foundation purchases from the Related Business (equipment, shuttles, stringing)	Restricted	Approved; price at or below fair market value, supported by at least two comparable quotes from unrelated vendors.
Foundation payments to the Related Business for coaching, clinics or court time, including Charitable Assistance paid to it	Restricted	Approved; at or below the business's standard published rates and fair market value; also subject to Article V.
Shared costs (events, insurance, software, booth space)	Restricted	Only under a written cost-sharing agreement that is approved and allocates actual cost, or donated by the business.
Mention of the Related Business in Foundation materials	Restricted	Donor acknowledgment only, on the same terms as other donors. No endorsement or advertising of its products or services.
Use of Foundation money, property, volunteers, data or name for the Related Business	Prohibited	None.
Loans, guarantees or advances between the Foundation and the Related Business or any Interested Person	Prohibited	None.

4.3 **Separation.** The Foundation keeps its own bank accounts, books, records and insurance. Foundation funds are never deposited into, or paid through, accounts of the Related Business or an Interested Person. Expense reimbursements to Interested Persons are made only at actual cost, against receipts.

4.4 **Rebuttable presumption.** Each approved transaction under section 4.2 must meet the procedure in Treasury Regulation section 53.4958-6. It must be approved in advance by Disinterested Directors only, based on appropriate comparability data. The decision and its basis must be documented in the minutes before the later of the next board meeting or 60 days after the decision.

4.5 **Annual report.** Each year, the Treasurer, or a Disinterested Director if the Treasurer is an Interested Person, reports to the board every transaction with the Related Business and its total value. The report also covers all Charitable Assistance paid to it, and is used for any IRS reporting required on the Foundation's annual return.

Article V. Charitable Assistance

5.1 **Written criteria.** The board adopts written eligibility and selection criteria for each Charitable Assistance program. The criteria are applied consistently, and each application and decision is documented.

5.2 **Free choice of provider.** Charitable Assistance is never conditioned on using the Related Business. Recipients choose their own coach, club, facility or vendor. Program materials and award letters must say so.

5.3 **Payment.** Where practical, Charitable Assistance is paid directly to the provider, vendor or school the recipient chooses, not to the recipient.

5.4 **Awards paid to the Related Business.** When a recipient chooses the Related Business, the award must be approved by Disinterested Directors. It is paid at or below the business's standard published rates and included in the annual report under section 4.5.

5.5 **Ineligible recipients.** Interested Persons and their Family Members may not receive Charitable Assistance. Employees and contractors of the Related Business, and their Family Members, may receive it only if they apply on the same terms as other applicants and Disinterested Directors approve the award.

5.6 **Coaching relationships.** An Interested Person who coaches an applicant, has coached them in the past [12] months, or whose business has the applicant or their family as a customer must disclose the relationship. They must not take part in deciding that application. They may provide a written reference that the decision-makers can weigh.

Article VI. Interim rules

6.1 These rules apply whenever fewer than two Disinterested Directors serve on the board. They end automatically when at least two do.

6.2 **No transactions with the Related Business or Interested Persons.** The Foundation does not buy from, pay, or share costs with the Related Business, and makes no Charitable Assistance award that

would be paid to it. The only exceptions are gifts to the Foundation and expense reimbursements at actual cost against receipts.

6.3 **Independent Review Committee.** The board appoints an Independent Review Committee of at least two volunteers. Members may not be Interested Persons, their Family Members, or owners, employees or contractors of the Related Business. The committee applies the board's written criteria and decides every Charitable Assistance award. The board sets program criteria and the annual budget, but does not decide individual awards.

6.4 **Recruiting.** The board will make recruiting at least two Disinterested Directors a standing priority and report on its progress at each regular meeting.

Article VII. Records of proceedings

The minutes of the board and of every committee with board-delegated powers record:

1. the names of persons who disclosed or were found to have a Financial Interest, its nature, any action taken to decide whether a conflict existed, and the decision;
2. the names of the persons present for discussions and votes on the matter, the content of the discussion (including any alternatives and comparability data considered), and a record of the vote.

Article VIII. Compensation

8.1 A director who receives compensation, directly or indirectly, from the Foundation for services may not vote on matters about that compensation.

8.2 A member of any committee with jurisdiction over compensation who receives compensation from the Foundation may not vote on matters about that compensation.

8.3 Neither rule prevents such a person from providing information to the board or committee about their compensation.

Article IX. Annual statements

Each director, principal officer, and member of a committee with board-delegated powers signs the statement in Appendix A when they join and every year after. The statement affirms that the person:

1. has received a copy of this policy;
2. has read and understands it;
3. has agreed to comply with it; and
4. understands that the Foundation is charitable and, to keep its federal tax exemption, must engage primarily in activities that accomplish its exempt purposes.

Article X. Periodic reviews

To ensure the Foundation operates consistently with its charitable purposes, the board reviews at least

once a year:

1. whether compensation arrangements and benefits are reasonable, based on competent survey information, and the result of arm's-length bargaining;
2. every transaction with the Related Business and every Charitable Assistance award involving a disclosed relationship, for compliance with Articles IV and V; and
3. whether partnerships, joint ventures and arrangements with management organizations conform to written policies and further charitable purposes without resulting in private inurement, impermissible private benefit or an excess benefit transaction.

Article XI. Use of outside experts

The board may use outside advisors, such as an accountant or attorney, in its reviews. Using them does not relieve the board of its responsibility for ensuring that periodic reviews are conducted.

Adoption and certification

This policy was adopted by resolution of the Board of Directors of The Sunset Badminton Foundation on [date], and takes effect on adoption.

Certified by: _____ [Name], [Title]

Date: _____

Appendix A. Annual disclosure statement

Name: _____ Position: _____ Year: _____

I affirm that I:

☐ have received a copy of the Conflict of Interest Policy;

☐ have read and understand it;

☐ agree to comply with it; and

☐ understand that the Foundation is charitable and, to keep its federal tax exemption, must engage primarily in activities that accomplish its exempt purposes.

I disclose the following interests that could give rise to a conflict (write "None" if none):

Interest	Details
Businesses I or my Family Members own, are employed by or are paid by, including Sunset Badminton, LLC	
Transactions in the past 12 months between the Foundation and me, a Family Member, or those businesses	
Applicants or recipients of Charitable Assistance I or my business coach or serve as customers	
Gifts or favors over [$100] from anyone doing business with the Foundation	
Other interests the board should know about	

Signature: _____ Date: _____