Date of adoption: May 19, 2021

Education Service Provider (ESP) as of the date above: Pearson Virtual Schools

CONFLICT OF INTEREST POLICY

Purpose

The Board is committed to high standards of ethical conduct. The purpose of the policy is to protect the School when it is contemplating entering into a transaction or arrangement that might impermissibly benefit the private Financial Interest of an Officer or Director of the Board, and to provide the Board with a procedure which, if observed, will allow a transaction or arrangement to be treated as valid and binding even though Board Director has, or may have, a Conflict of Interest with respect to the transaction.

Policy

The Board places great importance on making clear any existing or potential conflicts of interest. All such conflicts of interest shall be declared by the member concerned and noted in the minutes.

Definitions

"Board" means the members of the Board of Directors of the School or any Board committee with Board-delegated powers that are considering the proposed transaction or arrangement.

"Compensation" means direct and indirect remuneration as well as gifts or favors that are substantial in nature.

"Conflict of Interest" means an interest that is likely to impermissibly benefit the private interest of a Board Director. Examples of a conflict of interest include (but are not limited to):

- When a Board member or his/her Immediate Family or business interests stand to gain financially from any business dealings, programs, or services of the organization.
- When a Board member offers to perform a professional service for the organization
- When a Board member stands to gain personally or professionally from any insider knowledge if that knowledge is used to personal advantage.
- When a Board member has a role on the governing body of another organization, and the activities of the other body might directly conflict or compete with the activities of the School.

"Financial Interest" is an interest held by a person, either directly or indirectly, through business, investment, or family, that falls into one or more of the following categories:

- an ownership or investment interest in any entity with which the School has a transaction or arrangement, or
- a compensation arrangement with the School or with any entity or individual with which the School has a transaction or arrangement, or
- a potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the School is negotiating a transaction or arrangement.

A Financial Interest is not necessarily a conflict of interest. In general, a person with a Financial Interest has a Conflict of Interest only if the Board decides that a Conflict of Interest exists. However, under no circumstances may the School purchase anything from a Board Director or lease a facility from a Board Director.

"Immediate Family" means spouse, children, parents, grandparents and grandchildren of Board member.

"Interested Person" means any Director, Officer, or member of the Board who has a direct or indirect Financial Interest.

Procedure

Duty to Disclose

In connection with any transaction or arrangement that might give rise to a conflict of interest, an Interested Person must disclose the existence of his or her Financial Interest and must be given the opportunity to disclose all material facts to the Board. The Interested Person must make this disclosure at the start of the regularly scheduled Board meeting following discovery of the Financial Interest; provided, however, that no action can be taken on such disclosure unless the issue was identified in the posted agenda for the meeting where required by the Open Meetings Law.

Determining Whether a Conflict of Interest Exists

After disclosure of the Financial Interest and all material facts, and after any discussion with the Board, the interested Board member shall not participate in the discussions or vote on the matter. The remaining Board members shall determine whether a Conflict of Interest exists.

Procedures for Addressing the Conflict of Interest

1. If the Board determines that a Financial Interest of a Board member constitutes a Conflict of Interest, the Board Chair (or acting Board Chair if the sitting chair is the interested member) shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement giving rise to the conflict of interest.

2. After exercising due diligence, the Board shall determine whether it can obtain a more advantageous transaction or arrangement with reasonable efforts from a person or entity that would not give rise to a Conflict of Interest.

3. If a more advantageous transaction or arrangement is not reasonably attainable, and the State's Ethics Laws do not prohibit or invalidate the proposed transaction, the Board or committee shall determine by a majority vote whether the proposed transaction or arrangement is in the School's best interest, for its own benefit, and whether the transaction is fair and reasonable to the School. Based on this determination, the Board shall decide whether to enter into the proposed transaction or arrangement.

4. The Board shall make its determination using the Rebuttable Presumption Checklist (Property) as a guide.

Violations of the Conflict of Interest Policy

1. If the Board or committee has reasonable cause to believe that a member has failed to disclose an actual or possible Conflict 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 response of the member and making such further investigation as the Board deems warranted under the circumstances, the Board determines that the member has in fact failed to disclose an actual or possible Conflict of Interest, the Board shall take appropriate corrective action.

Records of Proceedings

The minutes of the Board shall document the Conflict of Interest and contain:

- the names of the persons who disclosed or otherwise were found to have a Financial Interest giving rise to 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.

- 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 on the subject.

Compensation

1. A voting member of the Board who receives direct or indirect compensation from the School for services that are necessary for carrying out the School's purposes (other than serving as a Board Director), where this is permitted by law or not otherwise prohibited, is precluded from participating in discussions or votes pertaining to that member's compensation.

2. A voting member of any committee whose jurisdiction includes compensation matters and who receives direct or indirect compensation from the School for services is precluded from participating in discussions or votes pertaining to that member's compensation.

3. When setting compensation for any individual, the Board committee with jurisdiction over compensation matters shall set such compensation using the Rebuttable Presumption Checklist (Compensation).

4. No Board member is precluded from providing information to the Board of Directors or any committee of the Board regarding member compensation.

Annual Statements

Each Director and member of the Board shall annually sign the Conflict-of-Interest Disclosure Statement, which affirms that the Board member:

- has received a copy of the Conflict-of-Interest Policy,
- has read and understands the Policy,
- has agreed to comply with the Policy, and
- understands that the School is a charitable organization and that in order to maintain its federal tax exemption it must engage primarily in activities that accomplish one or more of its tax-exempt purposes.

Periodic Review

The Board shall conduct periodic reviews to ensure that the School operates in a manner consistent with its charitable purposes and does not engage in activities that could jeopardize its status as an organization exempt from federal income tax.

The periodic reviews shall, at a minimum, address the following subjects:

- Whether compensation arrangements and benefits are reasonable and the result of arm's-length bargaining and do not result in inurement or impermissible private benefit.
- Whether partnership and joint venture arrangements and third-party transactions conform to written policies, are properly recorded, reflect reasonable payments for goods and services, further the School's charitable purposes, and do not result in inurement or impermissible private benefit.
- Whether agreements with employees and third-party payers further the School's charitable purposes and do not result in inurnment or impermissible private benefit.

In conducting the periodic reviews provided for above, the School may use outside advisors. The use of outside advisors does not relieve the Board of its responsibility for ensuring that periodic reviews are conducted.

Related Documents

Rebuttable Presumption Checklist (Property)
Rebuttable Presumption Checklist (Compensation)
Conflict of Interest
Disclosure Statement
Bylaws

Date of Previous Approval: February 18, 2020