

## **CONFLICT OF INTEREST POLICY**

### **I. INTRODUCTION**

The Board of Trustees (“Board”) of Alliance Healthcare Foundation (“Alliance”), recognizing that we are entrusted with a large endowment devoted to charitable purposes, has adopted this Conflict of Interest Policy (“Policy”) to provide guidance on how to deal appropriately with situations that involve, or may appear to involve, conflicts of interest, and to comply with federal and state laws concerning conflicts of interest.

Conflicts of interest place personal interests at odds with the fundamental duty of loyalty owed by Trustees and Officers as fiduciaries of Alliance. A conflict of interest, or the appearance of conflict of interest, of a Trustee, Officer, Committee Member, Staff Member or Advisor<sup>1</sup> can damage institutional credibility and the ability to fulfill Alliance’s mission and programmatic goals. The Board expects that each of the Trustees, Officers, Committee Members, Staff Members and Advisors will respect his/her obligations to act in the best interest of Alliance in fulfilling its charitable mission.

A primary purpose of this Policy is to assist Trustees, Officers, Committee Members, Staff Members and Advisors in the performance of their duties. The Policy strives to state clear guidelines to be followed in identifying, disclosing, and resolving conflicts of interest and self-dealing issues. This Policy and the guidelines are intended to supplement but not replace the procedures set forth in Sections 5233 through 5237 of the California Nonprofit Corporation Law governing conflicts of interest applicable to directors of nonprofit public benefit corporations. This Policy and the guidelines are further intended to implement procedures to protect against entering prohibited self-dealing transactions under Section 4941 of the Internal Revenue Code. The Policy recognizes that Trustees, Officers, Committee Members, Staff Members and Advisors may have been selected in part for their strong involvement in the community, and therefore encourages broad disclosure of affiliations and establishes procedures by which the Board may make the determination whether a conflict of interest exists.

### **II. GENERAL POLICY STATEMENT**

To assure impartial decision making, the Alliance policy is that any conflicts of interest, or apparent or potential conflicts of interest, be fully disclosed before a decision is made on the matter involved, and that no Trustee, Officer, Committee Member, Staff Member or Advisor participate (other than by providing information) in any decision in which he or she has a conflict of interest. The Board will not approve, and Alliance will not participate in, any self-dealing transaction prohibited by law.

Trustees, Officers, Committee Members, Staff Members and Advisors have a continuing responsibility to review their outside business interests, philanthropic interests, personal interests, and family and other close relationships for actual, apparent, or potential conflicts of interest with respect to Alliance, and to promptly disclose the nature of the interest or relationship. No Trustee, Officer, Committee Member, Staff Member or Advisor with an actual or potential conflict of interest

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<sup>1</sup>COI Policy and Questionnaire documents modified to ensure consist reference to Trustees, Officers, Committee Members, Staff, and Advisors on 20201001 bf

shall vote on or otherwise take part in any decision of Alliance the directly or indirectly benefits such person (including by benefitting a member of his or her family).

### **III. CONFLICTS OF INTEREST**

#### **A. Definition**

A potential conflict of interest (“Conflict of Interest”) arises any time that a Trustee, Officer, Committee Member, Staff Member or Advisor is in a position to make or influence Alliance’s decision with respect to a proposed transaction with, or grant from, Alliance and (a) has an affiliation or familial relationship with a beneficiary, or potential beneficiary, of the grant or a party to the proposed transaction or (b) has a material financial interest, or a family member with a material financial interest, in the grant or transaction.

An affiliation includes, but is not limited to, service as an employee, trustee, director, committee member, consultant, or advisor of an organization; being a shareholder, beneficiary or partner of the organization; or having a family member who has an affiliation with the organization. The term “family member” and “familial relationship” means a spouse or equivalent, ancestors (parents, grandparents, etc.), direct descendants (children, grandchildren, and great grandchildren), siblings, and the spouses of direct descendants or siblings.

#### **B. Required Disclosure**

Trustees, Officers, Committee Members, Staff Members and Advisors are required to submit a conflict of interest disclosure form prior to their service with Alliance and annually thereafter that discloses all material facts relating to any potential Conflict of Interest. Disclosures should encompass current affiliations as well as affiliations for the prior two years. The conflict of interest disclosure forms shall be submitted annually and should update the form as soon as possible after a new affiliation begins. Alliance staff will provide a list of grantees and vendors of Alliance over the past two years, including existing contracts and vendors, to assist in completing the disclosure form.

In addition to submitting the annual disclosure form, if a Trustee, Officer, Committee Member, Staff Member or Advisor becomes aware of a current or proposed grant or transaction that involves a potential Conflict of Interest, he or shall immediately disclose all material facts concerning the existence and nature of the potential Conflict of Interest to the Chair of the Board or of the Audit Committee or, in the case of a Staff Member, to the Executive Director. The individual with the conflict, or potential conflict, shall abstain from voting or otherwise participating in the decision other than by providing information requested by the disinterested decisionmakers.

#### **C. Approval**

##### *1. Transactions*

Alliance may enter into a transaction involving a potential Conflict of Interest if the Board, without the participation of the interested person and following disclosure of the material facts of the potential conflict, approves the transaction after determining in good faith that the transaction is fair and reasonable and in the best interests of Alliance. In the case of a potential Conflict of Interest involving a material financial interest of a Trustee or Committee Member, the Board must also (a) determine in good faith after reasonable investigation that Alliance could not have obtained a more advantageous arrangement with reasonable effort under the circumstances and

(b) approve the transaction by vote of a majority of Trustees then in office (excluding the interested Trustees).

In the case of a potential Conflict of Interest involving a Staff Member or Advisor who is not a Trustee or Officer, Alliance may enter into the transaction if the Executive Director approves the transaction, provided the transaction is not one that would otherwise be approved by the Board<sup>2</sup>.

## 2. *Grants Generally*

Alliance may make a grant involving a potential Conflict of Interest following an objective review, without the participation of the interested person, that determines that the grant meets Alliance's stated eligibility and selection criteria and will further Alliance's programmatic goals and objectives. The review shall be conducted, and the recommendation arrived at without the involvement or input of the interested person. The interested person may not be involved in the presentation, review, awarding, monitoring, or evaluation of the grant, and shall recuse himself or herself from all meetings at which the grant recommendation is discussed.

In the case of a grant involving a potential Conflict of Interest of a Trustee or Officer, the grant must also be approved by the Board or an authorized Board Committee. In no event may a grant be made directly or indirectly to or for the benefit of a Trustee or Officer. A grant, except for matching gifts, to an organization from which a Trustee (or a Trustee's family member) receives compensation of more than \$1,000 must be reviewed by the Audit Committee. Any grant to an organization that employs a former (within the prior two years) Alliance Trustee, Officer, Committee Member, or Senior Staff Member, or otherwise compensates any such person more than \$1,000, must, if known, be approved by the Board.

The term "grants" include mission support, program support, innovation funding, program-related investments, and any other grants (including Board recommended grants) and direct charitable activity contracts and sponsorships. This section does not preclude staff members from initiating matching gifts.

## 3. *Community Support and Responsive Grants*

A responsive grant is a grant, not to exceed \$25,000 annually, that is time sensitive and will allow Alliance to participate in an important co-funding opportunity or provide Alliance a novel funding opportunity in furtherance of its charitable mission. A community support grant is a grant, not to exceed \$10,000 annually, that is to sponsor a community event in furtherance of Alliance's charitable mission.

Alliance may make a responsive or community support grant approved by the Executive Director pursuant to a Board authorized policy, if there is no potential Conflict of Interest involving the Executive Director or any other Officer, or a Trustee. Otherwise, such grant must follow the procedures for approval outlined above. Any responsive or community support grant made shall be reported at the first Board meeting following the making of such grant.

## 4. *Self-Dealing Transactions*

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<sup>2</sup> Added language "Director approves the transaction, provided the transaction is not one that would otherwise be approved by the Board." 20201003 bf

Notwithstanding anything else in this section, no grant or transaction of any kind may be approved that would result in an act of self-dealing under Section 4941 of the Internal Revenue Code (see Appendix A).

#### **IV. ADDITIONAL GUIDELINES FOR TRUSTEES, OFFICERS, COMMITTEE MEMBERS, STAFF AND ADVISORS**

1. Trustees, Officers, Committee Members, Staff Members and Advisors shall not use their position with Alliance to benefit the interests of a particular organization, constituency, or special interest group by any means, including but not limited to providing information not available to grantees or potential grantees, lobbying on behalf of or serving as spokesperson to Alliance for an organization, constituency, or special interest group with which he or she is affiliated, or attempting to effect a decision through his or her position within Alliance.

2. Trustees, Officers, Committee Members, Staff Members and Advisors will not enter into any affiliation (such as serving as a director, trustee, committee member, employee, shareholder or partner) with any organization which has obtained, is seeking, or is likely to seek, a grant from Alliance unless and until prior written approval is granted by the Board Chair. The approval will be based upon a determination by the Board Chair that such an exception will not be contrary to the interests of Alliance. Advisors shall be required to notify the Board Chair upon entering any such affiliation.

3. Trustees, Officers, Committee Members, Staff Members and Advisors will maintain the confidentiality of internal information about Alliance. Information about Alliance's activities should be disseminated widely once determined to be available for public use to promote equal opportunities for access. Conduct should not create preferential access nor create material benefit from any information regarding grant making, investment or other business actions or decisions by Alliance which has not been fully disclosed to the public by Alliance. Nothing herein shall prohibit Trustees, Officers, Committee Members, Staff Members and Advisors from sharing information about Alliance in the ordinary course of conducting their business. Trustees, officers, staff members and advisors may not derive personal financial benefit through the inappropriate use of investment information acquired through Alliance.

4. Nothing herein prevents a Trustee, Officer, Committee Member, Staff Member or Advisor from recommending to Alliance a potential grantee or from recommending that a potential grantee apply for a grant from Alliance.

#### **V. INVESTMENT ACTIVITIES**

Trustees, Officers, Committee Members, Staff Members and Advisors will not co-invest their personal assets with any investment manager, general partner or other entity that manages assets for Alliance, except in mutual funds or other products offered to the general public. Trustees, Officers, Committee Members, Staff Members and Advisors will not invest in private equity or venture capital partnerships which Alliance is considering for investment or in any non-publicly traded companies where Alliance has a beneficial interest through an investment in a private equity or venture capital partnership.

#### **VI. GIFTS, COMPLIMENTARY INVITATIONS AND HOSPITALITY**

Trustees, Officers, Committee Members, Staff Members and Advisors, or members of their families, shall not solicit or knowingly receive or accept any gifts or anything else of value

(including loans, honorarium and entertainment) from any recent, current or potential grantees, vendors, independent contractors, professional service agents or other parties who have existing or proposed business or grantor-grantee relationships with Alliance.

Gifts of nominal value, meals, refreshment or social invitations may be accepted if they are reasonable and are in keeping with good business ethics and do not influence or obligate the recipient to make any decision on behalf of Alliance. Gifts that would be awkward or socially unacceptable to decline may be accepted on behalf of Alliance and disclosed immediately to the Executive Director, who shall be responsible for the appropriate disposition of the gift.

## **VII. VIOLATIONS OF THIS CONFLICT OF INTEREST POLICY**

This Policy is administered by the Audit Committee. If the Audit Committee has reasonable cause to believe that a Trustee, Officer, Committee Member, Staff Member or Advisor has failed to disclose actual or possible Conflict of Interest, it shall inform the Trustee, Officer, Committee Member, Staff Member or Advisor of the basis for such belief and afford him/her the opportunity to explain the alleged failure to disclose. If after response and after making further investigation as warranted by the circumstances, the Audit Committee determines the Trustee, Officer, Committee Member, Staff Member or Advisor has failed to disclose an actual or possible Conflict of Interest, it shall refer the matter to the Board to take appropriate disciplinary and corrective action

## Appendix A

### Self-Dealing under Section 4941

Under the Internal Revenue Code, Alliance, as a private foundation, may not engage in self-dealing transaction with a Trustee, Officer or other “disqualified persons.” Other disqualified persons include individuals with powers or responsibilities similar to those of trustees or officers, employees with final authority over the act at issue, substantial contributors to Alliance, certain family members of any of these individuals, and certain business entities, trusts or estates of in which any of these individuals hold more than a 35% interest.

Self-dealing transactions are defined by the Internal Revenue Code, which also provides specific exceptions to such transactions. Exceptions should be determined on a case by case basis subject to advice of counsel to Alliance. Trustees and Officers should be familiar with the types of transactions that could be prohibited self-dealing transactions under Section 4941. The following provides a list of transactions between Alliance and a disqualified person that could result in prohibited self-dealing:

1. **Sale, exchange, or lease of property** between a private foundation and a disqualified person
2. **Loans** between private foundation and disqualified person (unless it is a loan from a disqualified person with no interest or other charges)
3. **Furnishing goods, services or facilities** between private foundation and disqualified person (unless provided for free to the foundation or provided to a disqualified person on same terms as to the public)
4. **Payment of excessive compensation** for services provided (or payment or reimbursement of expenses that is excessive)
5. **Transfer of the income or assets** of a private foundation to, **or their use by or for the benefit of**, a disqualified person (other than incidental and tenuous benefit, e.g., public recognition)
6. **Agreement to pay a government official**, other than for limited travel expenses within the United States, scholarship or fellowship grants, or costs to attend conferences sponsored by the private foundation