

1.005 RIVERSIDE LEADERSHIP ACADEMY CONFLICT OF INTEREST AND NEPOTISM

CONFLICT OF INTEREST POLICY

Riverside Leadership Academy (RLA) recognizes that conflicts of interest that exist in any organization can contribute to potential disruptions in the work environment. A person shall not be disqualified from serving as a member of a charter school's board of directors because of the existence of a conflict of interest, so long as the person's actions comply with the school's conflict of interest policy as provided in [G.S. 115C-218.15\(b\)\(3\)](#) and applicable law. Reference [§ 115C-218.15](#).

Definitions for the purposes of this policy:

1. Interested Person

Any director, principal officer, or member of a committee of the Board of Directors 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 RLA has a transaction or arrangement,
- b. A compensation arrangement with RLA or with any entity or individual with which RLA has a transaction or arrangement, or
- c. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which RLA is negotiating a transaction or arrangement.

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

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 Board of Directors decides that a conflict of interest exists.

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 Board of Directors or members of a committee with governing board delegated powers 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, s/he shall leave the Board of Directors or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining board or committee members shall decide if a conflict of interest exists.

NOTE: No voting member of the governing board shall be an employee of a for-profit company that provides substantial services to the charter school for a fee.

3. Procedures for Addressing the Conflict of Interest

- a. An interested person may make a presentation at the Board of Directors or committee meeting, but after the presentation, s/he shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.
- b. The chairperson of the Board of Directors or committee 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 of Directors or committee shall determine whether RLA 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 is not reasonably possible under circumstances not producing a conflict of interest, the Board of Directors or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in RLA'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.

NOTE: A person shall not be disqualified from serving as a member of a charter school's board of directors because of the existence of a conflict of interest, so long as the person's actions comply with RLA's conflict of interest policy established as provided in this subsection and applicable law.

4. Violations of the Conflicts of Interest Policy

- a. If the Board of Directors or committee 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 of Directors or committee determines the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

Records of Proceedings:

The minutes of the Board of Directors and all committees with board 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 governing board's or committee'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.

Compensation:

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

Annual Statements:

Each director, principal officer and member of a committee with Board of Directors delegated powers shall annually sign a statement, which affirms such person:

- a. Has received a copy of the conflicts of interest policy,
- b. Has read and understands the policy,
- c. Has agreed to comply with the policy, and
- d. Understands RLA is charitable 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.

Periodic Reviews:

To ensure RLA 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, and the result of arm's length bargaining,
- b. Whether partnerships, joint ventures, and arrangements with management organizations conform to RLA's written policies, are properly recorded, reflect

reasonable investment or payments for goods and services, further charitable purposes and do not result in inurement, impermissible private benefit or in an excess benefit transaction.

Use of Outside Experts:

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

NEPOTISM POLICY

The employment of immediate family can cause various problems including but not limited to charges of favoritism, conflicts of interest, family discord and scheduling conflicts that may work to the disadvantage of both RLA and its employees. It is the goal of RLA to avoid creating or maintaining circumstances in which the appearance or possibility of favoritism, conflicts or management disruptions exist. For the purposes of this policy the term "relative" shall include the following relationships: relationships established by blood, marriage or legal action.

For the purposes of this section, the term "immediate family member" is as set forth in [N.C.G.S. Section 115C-12.2](#) and means a spouse, parent, child, brother, sister, grandparent, or grandchild. The term includes the step, half, and in-law relationships. The term also includes domestic partners (a person with whom the employee's life is interdependent and who shares a common residence) and, a daughter or son of an employee's domestic partner.

RLA may allow existing personal relationships to be maintained or employ individuals with personal relationships to current employees under the following circumstances:

1. No voting members of the Board of Directors shall be an employee of a for-profit organization that provides substantial services to the school for a fee;
2. No employee of the charter school shall be a voting member of the Board of Directors;
3. No voting member of the Board of Directors may be an immediate family member of the Executive Director.
4. They may not create a supervisor/subordinate relationship with a family member;
5. They may not supervise or evaluate a family member;
6. The relationship will not create an adverse impact on work productivity or performance;
7. The relationship may not create an actual or perceived conflict-of-interest;
8. They may not audit or review in any manner the related individual's work;
9. They may not be employed if a member of the employee's immediate family (spouse, children, parents, grandparents, brothers, sisters, step family members, in-law family members) serves on the organization's Board or any Committee which has authority to review or order personnel actions or wage and salary adjustments which could affect his/her job.

10. No teacher or staff member that is immediate family of the Executive Director shall be hired without the Board evaluating their credentials, establishing a structure to prevent conflicts of interest, and notifying the Department of Public Instructions (NCDPI), with evidence that this process has occurred.
11. Before any immediate family of any member of the Board of Directors or RLA employee with supervisory authority shall be employed or engaged as an employee, independent contractor, or otherwise by the Board of Directors in any capacity, such proposed employment or engagement shall be:
 - a. Disclosed to the Board of Directors; and
 - b. The Board of Directors must approve the hiring or contract in a duly called open session meeting.

No personal employee relationship covered by this policy will be allowed to be maintained, regardless of the positions involved, if it creates a disruption or potential disruption in the work environment, creates an actual or perceived conflict of interest or is prohibited by any legal or regulatory mandate.

This policy must be considered when electing, hiring, promoting or transferring any employee. Should relationships addressed within this policy be identified with either candidates for employment or current employees, the matter should be immediately reported to the Executive Director and/or Board of Directors and the following policies and procedures will be followed:

- A determination will be made whether the relationship is subject to the organization's Nepotism policy based on the conditions described above.
- If the relationship is determined to fall within one or more of the conditions described in this policy the Executive Director, in consultation with the affected employees and the Board of Directors, will attempt will to resolve the situation through the transfer of one employee to a new position or identifying some other action (e.g., supervisory reassignment) which will correct the conflict or issue identified. If accommodations are not feasible then, with affected employee suggestions, the Executive Director in consultation with the organization's Board of Directors shall determine which employee must resign in order to resolve the situation.

RLA reserves the right to exercise appropriate managerial judgment to take such actions as may be necessary to achieve this intent of this policy.

The burden of disclosure of such personal relationships covered in this policy shall be on the applicable Board member, Executive Director, or employee with supervisory authority. If the requirements of this policy are complied with, RLA may employ the immediate family of any member of the Board or RLA employee with supervisory authority consistent with this policy and applicable law.

It is the responsibility of every employee to identify to the organization's Executive Director any potential or existing personal relationship, which falls under the definitions provided in this policy. Employees who fail to disclose personal relationships covered by this policy will be subject to disciplinary action up to and including the termination of employment.

Board Adopted: October 25, 2023
Revised and Board Approved: January 24, 2024