

**Conflict of Interest and Private Inurement Policy**  
**Roman Catholic Bishop of Helena**  
**including: Chancery, Parishes, Schools and Other Institutions**  
**Staff and Committee/Board Members**

**Purpose:**

The purpose of this conflict of interest and private inurement policy is to protect the interest of the Roman Catholic Bishop of Helena (RCB) when it is contemplating entering into a transaction or arrangement that might benefit the interests of private individuals, including but not limited to employees and individuals performing work on behalf of the RCB and other persons in a position to influence the affairs of the RCB. This policy is intended to supplement but not replace any applicable State laws governing conflicts of interest applicable to non-profit and charitable corporations. This policy should be distributed to existing and future executives, officers, trustees, directors, employees and members of advisory boards and committees.

**Introduction:**

Non-profit charitable, religious, and educational organizations obtain their tax-exempt status under the theory that they perform valuable services for society and lessen the burdens of governance. If a tax-exempt organization allows its money or other property to be used for private rather than public gain (i.e., for "private inurement" or "private benefit"), then it risks losing its exemption. In addition, under recently adopted "intermediate sanctions" provisions of the Internal Revenue Code, "disqualified persons" such as CEOs, CFOs, board members, major donors doing work for the RCB, etc., who receive "excess benefits" are subject to an excise tax ranging from 25% to 200%, depending on the circumstances. Furthermore, any organizational manager who knowingly facilitates such an excess benefit is subject to a 10% tax. In light of these IRS restrictions and, more importantly, in order to assist the RCB in fulfilling its responsibilities to act as a competent and trustworthy steward of church goods, the RCB has developed this policy.

**Identifying a Private Inurement or Private Benefit Problem:**

In brief, "private inurement" is the *payment* or diversion of an exempt organization's assets to its officers, directors, employees, relatives, friends, major donors, or others in a special relationship to the organization who can influence or control the policy or the day-to-day activities of the organization *for less than full and adequate consideration*. It is a broad concept that can exist in a variety of transactions under a variety of circumstances. Private inurement also extends to the use of organizational assets for "private benefits" such as sales, leasing, construction contracts, service transactions, etc., at other than fair market value or the exploitation of the exempt organization *for the benefit of a private business* (e.g., "sweetheart deals," promotional schemes, and/or giveaways to private individuals or businesses). Thus, under IRS regulations, a private benefit is similar to, but broader than, private inurement.

To avoid the conferment of material private inurements or benefits in the types of transactions described above, the particular diocesan parish, school, other institution, or agency must enter into transactions for its benefit, rather than for a private party's benefit, and exercise due diligence to ensure that the proposed transaction is fair and reasonable such that under the circumstances the organization could not have obtained a more advantageous arrangement with reasonable effort. In addition to screening proposed transactions through the applicable

corporate boards, parish/school advisory boards, committees, etc., care should be taken to follow diocesan policies and procedures pertaining to the signing of contracts. For example, parish and school administrators may not execute contracts in excess of \$10,000 in amount and/or one year in duration. These must be submitted to the Chancery. They must be reviewed by diocesan legal counsel and approved by the applicable diocesan directors at the Chancery. Additional procedures apply in connection with contract bids for building construction, renovation, and repair projects.

**Conflicts of Interest:**

A conflict of interest can exist when persons employed by the RCB, those volunteers of the RCB holding trusteeships or other governance authority, or those serving on advisory or consultative boards or committees have a direct or indirect financial interest as defined below.

**Financial Interest:**

A person has a "financial interest" if the person has, directly or indirectly, through business, investment, or family (including spouses; brothers or sisters; spouses of brothers or sisters; ancestors; children, grandchildren, and great grandchildren; and spouses of children, grandchildren, and great grandchildren), anyone of the following:

- a. An ownership or investment interest in any entity with which the RCB or an affiliate or subsidiary of the RCB has a transaction or arrangement;
- b. A compensation arrangement with the RCB or with any entity or individual with whom the diocese has a transaction or arrangement;
- c. A potential ownership or investment interest with, or compensation arrangement with, any entity or individual with whom the diocese is negotiating a transaction or arrangement.

**Gifts:**

No executive, employee, officer, member, director or Trustee of the RCB shall furnish services to or seek or receive for personal or any other person's gain, any payment, loan (except from a lending institution), gift or discount of more than nominal value or entertainment which goes beyond common courtesies usually associated with accepted business practice, from any business enterprise which has current or known perspective dealings with the RCB as a supplier, customer, and after complete disclosure of the facts.

**Duty to Disclose:**

In connection with any actual or possible conflict of interest, an interested person must disclose the existence and nature of his or her financial interest and all material facts to the applicable board, committee, or diocesan director (i.e., vicar/attorney-in-fact).

**Determining Whether a Conflict of Interest Exists:**

After disclosure of the financial interest and all the material facts, and after any discussions with the interested person, that person shall leave the applicable meeting while the determination of a conflict of interest is discussed and voted upon.

**Procedures for Addressing the Conflict of Interest:**

1. An interested person may make a presentation at the applicable meeting; but after such presentation, he or she shall leave the meeting during the discussion of, and vote on, the transaction or arrangement that results in the conflict of interest.
2. The chairperson of the board or committee and/or diocesan director shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
3. After exercising due diligence, the board, committee, or diocesan director shall determine whether the organization can obtain a more advantageous transaction or arrangement with reasonable efforts from a person or entity that will not give rise to a conflict of interest.
4. If a more advantageous transaction or arrangement is not reasonably obtainable under circumstances that would not give rise to a conflict of interest, the board, committee, or diocesan director shall determine by a majority vote of the disinterested board or committee members whether the transaction or arrangement is in the organization's best interest and for its own benefit and whether the transaction is fair and reasonable to the organization, and it shall make its decision as to whether to enter into the transaction or arrangement in conformity with such determination.

**Violation of the Conflict of Interest Policy:**

1. If the board, committee, or diocesan director has reasonable cause to believe that an interested person has failed to disclose actual or possible conflicts of interest, it shall inform the individual of the basis for such belief and afford the person an opportunity to explain the alleged failure to disclose.
2. If, after hearing the response of the person and making such further investigation as may be warranted under the circumstances, the board, committee, or diocesan director determines that the individual has in fact failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

**Subsequent Conflicts and Disclosures:**

Notwithstanding previous disclosure of actual or potential conflicts of interest, an individual shall make a new disclosure of conflicts when any matter involving the conflict of interest arises for discussion or action. In the event that an individual is uncertain whether an actual or potential conflict of interest exists, the individual should make disclosure of the circumstances that may give rise to an actual or potential conflict.

**Confidential or Privileged Information:**

Information known to be confidential that is acquired by individuals in the course of employment or association with the diocese and its affiliated entities shall be used only for the benefit and purposes of the diocese. Individuals shall neither disclose confidential information outside the scope of their authorized duties nor utilize their position or association with the diocese for personal identification or advantage, although there may be instances, based on the use of careful discretion and judgment, where incidental use of the association with the RCB may be appropriate.

**Approval**

*At its meeting on January 13, 2011, the Finance Council of the Diocese of Helena reviewed the foregoing Policy and recommended that it become the Policy of the Diocese of Helena.*

*At its meeting on March 21, 2011, the College of Consultors/Presbyteral Council recommended that this become the Policy of the Diocese of Helena.*

*This Policy for the Diocese of Helena is hereby approved and becomes effective May 1, 2011 for all entities of the Diocese of Helena.*

March 25, 2011  
Date

/s/ †George Leo Thomas  
Most Reverend George Leo Thomas  
Bishop of Helena

/s/ John W. Robertson  
Reverend John W. Robertson, Chancellor

## Acknowledgment

I have received a copy of the Roman Catholic Bishop Conflict of Interest and Private Inurement Policy, which is applicable to the Staff and Committee members and consultants of the Chancery, Parishes, Schools and other Institutions of the Roman Catholic Bishop of Helena (Diocese of Helena).

I acknowledge that I have read and understand the policy and I agree to abide by it.

Further, if I become aware of any situations that in any way contradict the Policy, I will immediately notify the Diocese of Helena Human Resource Services Director and my Supervisor of any conflict, real or potential, and make full disclosure.

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Name (please print)

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Office/Committee

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Signature

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Date

*Chancery/Parish/School Staff and Finance Council personnel, are to sign every year.  
Members of all other Committees are to sign at the beginning of each term.*

*The original form is to be forwarded to the Human Resource Services Director  
at the Chancery (P O Box 1729, Helena, MT 59624).*

*A copy of the form is to be retained in the parish files.*