

# CONFLICT OF INTEREST POLICY

## Arts and Dreams Foundation

A Florida Nonprofit Corporation

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### ARTICLE I: PURPOSE

The purpose of this Conflict of Interest Policy is to protect the interests of Arts and Dreams Foundation (the "Foundation") when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer, director, or key employee of the Foundation or might result in a possible excess benefit transaction. This policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to nonprofit and charitable organizations, including but not limited to the Florida Nonprofit Corporation Act and Section 4958 of the Internal Revenue Code (intermediate sanctions).

This policy is designed to:

- Ensure that decisions are made in the best interest of the Foundation and those it serves
  - Protect the tax-exempt status of the Foundation
  - Maintain public confidence in the Foundation's integrity
  - Comply with IRS requirements for 501(c)(3) organizations
  - Prevent even the appearance of impropriety in Foundation operations
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### ARTICLE II: DEFINITIONS

#### Section 2.1 Interested Person

Any director, principal officer, member of a committee with governing board-delegated powers, or key employee who has a direct or indirect financial interest, as defined below, is an "Interested Person."

**For purposes of this policy:**

**Directors** include all members of the Board of Directors.

**Principal Officers** include the Board Chair, Vice Chair, Secretary, Treasurer, and Chief Executive Officer.

**Key Employees** include any employee or independent contractor who:

- Has responsibilities or influence over the Foundation similar to officers or directors;
- Manages a discrete segment or activity of the Foundation that represents 10% or more of the activities, assets, income, or expenses of the Foundation; or
- Has or shares authority to control or determine 10% or more of the Foundation's capital expenditures, operating budget, or compensation for employees.

## **Section 2.2 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 the Foundation has a transaction or arrangement;
- (b) A compensation arrangement with the Foundation or with any entity or individual with which the Foundation has a transaction or arrangement; or
- (c) A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Foundation is negotiating a transaction or arrangement.

**"Family"** includes a person's spouse, domestic partner, ancestors, siblings, children, grandchildren, great-grandchildren, and the spouses or domestic partners of siblings, children, grandchildren, and great-grandchildren.

**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 or appropriate committee decides that a conflict of interest exists, in accordance with this policy.

## **Section 2.3 Related Party Transaction**

A Related Party Transaction is any transaction, agreement, or arrangement in which an Interested Person or a Family Member of an Interested Person has a financial interest and in which the Foundation is a participant.

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# **ARTICLE III: PROCEDURES**

## **Section 3.1 Duty to Disclose**

In connection with any actual or potential 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 committee considering the proposed transaction or arrangement.

**Disclosure must include:**

- The nature and extent of the financial interest
- All material facts regarding the transaction or arrangement
- The names of all parties involved
- The financial terms and benefits
- Any other information that might influence the Board's decision

**Timing of Disclosure:** Disclosure must be made:

- Before the Foundation enters into the transaction or arrangement
- As soon as the Interested Person becomes aware of a potential conflict
- Promptly upon any change in circumstances that creates a new or different conflict

### **Section 3.2 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, the Interested Person shall leave the Board 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 by majority vote.

**Factors to Consider:**

- Whether the transaction provides a benefit to the Interested Person
- Whether the benefit is more than incidental to the Foundation's benefit
- Whether the transaction is fair and reasonable to the Foundation
- Whether the Foundation could obtain equivalent or better terms elsewhere
- Whether the transaction serves the Foundation's best interests and exempt purposes

### **Section 3.3 Procedures for Addressing the Conflict of Interest**

**(a) Investigation and Information Gathering**

Once a conflict of interest has been determined to exist, the Board or committee shall take the following steps:

1. An Interested Person may be invited to present information about the transaction or arrangement at a Board or committee meeting, but shall leave the meeting during the discussion and vote on the transaction or arrangement involving the potential conflict.
2. The Board or committee 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 or committee shall determine whether the Foundation 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.

**(b) Action by the Board or Committee**

If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the Board or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is:

- In the Foundation's best interest;
- For the Foundation's own benefit; and
- Fair and reasonable to the Foundation.

The Board or committee shall make its decision as to whether to enter into the transaction or arrangement in conformity with this determination.

**(c) Required Vote**

The transaction or arrangement may be approved only by a majority vote of disinterested directors or committee members present at the meeting, provided a quorum of disinterested directors or members is present.

**The Interested Person shall not:**

- Participate in the discussion or deliberations regarding the transaction (except to provide information as requested)
- Vote on the transaction
- Be counted in determining whether a quorum is present
- Attempt to influence improperly the deliberation or voting on the matter

**Section 3.4 Violations of the Conflict of Interest Policy**

**(a) Initial Review**

If the Board or committee has reasonable cause to believe an Interested Person has failed to disclose actual or potential conflicts of interest, it shall inform the person of the basis for such belief and afford the person an opportunity to explain the alleged failure to disclose.

**(b) Determination and Action**

If, after hearing the person's response and after making further investigation as warranted by the circumstances, the Board or committee determines the Interested Person has failed to disclose an actual or potential conflict of interest, it shall take appropriate disciplinary and corrective action.

**Corrective actions may include:**

- Requiring the Interested Person to disclose the conflict and recuse from future related matters
- Voiding or rescinding the transaction if possible

- Requiring restitution or repayment of benefits received
  - Removal from committee assignments
  - Removal from officer positions
  - Removal from the Board (in accordance with Bylaws procedures)
  - Legal action if laws have been violated
  - Reporting to appropriate regulatory authorities if required
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## **ARTICLE IV: RECORDS OF PROCEEDINGS**

### **Section 4.1 Minutes**

The minutes of the Board and all committees with board-delegated powers shall contain:

(a) The names of the persons who disclosed or were otherwise found to have a financial interest in connection with an actual or potential 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 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;

(c) Whether the Interested Person left the meeting during discussion and vote;

(d) The basis for the Board's or committee's approval of the transaction despite the conflict of interest, including:

- Specific findings that the transaction is fair, reasonable, and in the Foundation's best interest
- Comparable data or other evidence reviewed
- Efforts made to obtain alternative proposals
- Rationale for approving despite conflict

### **Section 4.2 Documentation Retention**

All documentation related to conflict of interest determinations shall be maintained with the official minutes and retained in accordance with the Foundation's document retention policy, but in no event for less than seven (7) years.

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## **ARTICLE V: COMPENSATION DECISIONS**

### **Section 5.1 Compensation Committee**

The Board of Directors may establish a Compensation Committee or designate the Finance Committee or Executive Committee to review and approve compensation arrangements for the Chief Executive Officer and other key employees.

## **Section 5.2 Compensation Approval Procedures**

To ensure compliance with IRS intermediate sanctions rules (Section 4958), the Board or designated committee shall approve compensation arrangements using the following procedures:

(a) **Composition:** The compensation decision shall be made by individuals who do not have a conflict of interest with respect to the compensation arrangement, specifically:

- No board member or committee member with a family or business relationship with the person whose compensation is being determined shall participate
- The person whose compensation is being determined shall not be present during deliberations or voting

(b) **Comparability Data:** Prior to making a compensation determination, the Board or committee shall obtain and rely upon appropriate comparability data, which may include:

- Compensation levels paid by similarly situated organizations (both taxable and tax-exempt) for functionally comparable positions
- Independent compensation surveys compiled by independent firms
- Actual written offers from similar organizations competing for the services of the person whose compensation is being determined
- For positions at or near minimum wage, federal or state minimum wage laws

(c) **Contemporaneous Documentation:** The Board or committee shall contemporaneously document in writing:

- The terms of the compensation arrangement that was approved and the date it was approved
- The members of the Board or committee who were present during the debate and those who voted on the arrangement
- The comparability data obtained and relied upon and how the data was obtained
- Any actions taken with respect to consideration of the compensation arrangement by anyone who is otherwise a member of the Board or committee but who had a conflict of interest with respect to the arrangement
- The basis for the determination that the compensation arrangement was reasonable, including specific findings regarding comparability

(d) **Rebuttable Presumption:** Following these procedures creates a rebuttable presumption under IRS rules that the compensation arrangement is reasonable and not an excess benefit transaction.

## **Section 5.3 Annual Review**

The Board or Compensation Committee shall review the compensation of the Chief Executive Officer and all key employees annually to ensure continued reasonableness and compliance with this policy and applicable law.

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# **ARTICLE VI: ANNUAL DISCLOSURES**

## **Section 6.1 Annual Disclosure Statements**

Each director, principal officer, and key employee shall annually complete, sign, and submit to the Board Secretary a disclosure statement that:

- (a) Identifies any entity of which the person is an officer, director, trustee, member, owner (either as a sole proprietor or a partner), or employee and with which the Foundation has a relationship;
- (b) Identifies any transaction in which the Foundation is a participant and in which the person or a family member might have a conflicting interest;
- (c) Describes the nature and extent of any financial interest the person or family member has in any entity with which the Foundation has a relationship or is negotiating a transaction;
- (d) Acknowledges that the person has received a copy of this Conflict of Interest Policy, has read and understands the policy, and agrees to comply with the policy;
- (e) Acknowledges that the Foundation is a charitable organization and that in order to maintain its federal and state tax exemptions it must engage primarily in activities that accomplish one or more of its tax-exempt purposes.

## **Section 6.2 New Board Members and Officers**

Each new director, principal officer, or key employee shall complete and submit a disclosure statement within thirty (30) days of election, appointment, or hire.

## **Section 6.3 Ongoing Duty to Update**

If at any time during the year circumstances change such that any information previously disclosed is no longer accurate, or a new disclosure should be made, the Interested Person shall promptly submit an updated disclosure statement to the Board Secretary.

## **Section 6.4 Review and Filing**

The Board Secretary shall:

- Collect all annual disclosure statements

- Review statements for completeness
  - Maintain statements in a confidential file
  - Provide copies to the Board Chair and CEO
  - Alert the Board to any matters requiring attention
  - Ensure statements are available for review during IRS audits
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## ARTICLE VII: SPECIFIC TRANSACTIONS AND RELATIONSHIPS

### Section 7.1 Prohibited Transactions

The following transactions are prohibited regardless of disclosure or Board approval:

(a) **Loans to Directors or Officers:** The Foundation shall not make loans to any director or officer. Any lending or borrowing must be with unrelated third-party financial institutions at market rates.

(b) **Excess Benefit Transactions:** The Foundation shall not engage in any transaction that would constitute an excess benefit transaction under Section 4958 of the Internal Revenue Code.

(c) **Private Inurement:** No part of the net earnings of the Foundation shall inure to the benefit of, or be distributable to, any director, officer, or other private person, except that the Foundation shall be authorized to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of its exempt purposes.

(d) **Self-Dealing:** Directors and officers shall not engage in self-dealing transactions or use their positions for personal gain.

### Section 7.2 Transactions Requiring Special Scrutiny

The following types of transactions shall receive heightened scrutiny and require specific findings by the Board:

(a) **Transactions with Board Members or Officers:**

- Employment arrangements
- Consulting or independent contractor agreements
- Purchase or lease of goods, services, or property
- Any other business dealings

(b) **Transactions with Family Members:**

- Any transaction with a family member of a director, officer, or key employee
- Requires disclosure and same procedures as if with the Interested Person directly

**(c) Transactions with Related Entities:**

- Any transaction with an entity in which a director, officer, or key employee has a significant financial interest (ownership >10%, officer/director role, or compensation relationship)

**(d) Gifts, Gratuities, and Entertainment:**

- Directors, officers, and employees may not accept gifts, gratuities, favors, or entertainment from any individual or entity that does business or seeks to do business with the Foundation if such gifts could reasonably be interpreted as an attempt to influence or could create the appearance of a conflict of interest
- Exceptions: Promotional items of nominal value (<\$25), meals or events where business is discussed, or gifts clearly unrelated to Foundation business

## **Section 7.3 Service Provider Relationships**

When the Foundation engages service providers (attorneys, accountants, consultants, contractors, vendors), the following procedures apply:

**(a) Competitive Process:** The Foundation shall, when practicable, obtain proposals or bids from multiple qualified providers to ensure competitive pricing and quality.

**(b) Relationships with Board Members:** If a board member or family member provides professional services to the Foundation:

- The board member must disclose the relationship
- The board member may not participate in discussions or votes regarding the engagement, compensation, or evaluation of those services
- The Board must determine that the arrangement is fair, reasonable, and in the Foundation's best interest
- Comparability data must be obtained
- The arrangement must be documented in writing

**(c) Ongoing Evaluation:** All service provider relationships shall be evaluated periodically to ensure continued fair pricing and quality of services.

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# **ARTICLE VIII: PROGRAM PARTICIPANTS AND BENEFICIARIES**

## **Section 8.1 Serving Family Members**

If a director, officer, or key employee has a family member who wishes to receive services from the Foundation's programs (rescue, healing, education, reintegration), the following procedures apply:

(a) **Disclosure Required:** The Interested Person must disclose the relationship to the Board immediately.

(b) **Eligibility Determination:** The family member must meet all standard eligibility criteria for program participation. No preferential treatment may be given.

(c) **Recusal from Decisions:** The Interested Person must recuse from any decisions regarding:

- Acceptance or denial of the family member to the program
- Services provided to the family member
- Evaluation or discipline of the family member
- Financial assistance or fee waivers for the family member

(d) **Alternative Decision-Maker:** Another staff member or committee without a conflict must make all decisions regarding the family member's participation.

(e) **Documentation:** The relationship and recusal procedures must be documented in the individual's file and Board minutes.

(f) **Proportionality Review:** If multiple family members of board members or staff are served, the Board shall review annually to ensure the Foundation is serving its charitable class broadly and not primarily benefiting private individuals.

## **Section 8.2 No Preferential Treatment**

The Foundation serves individuals in distress who meet eligibility criteria without regard to personal or business relationships with board members, officers, employees, or donors. Services shall be provided equitably based on need and program capacity, not based on relationships.

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# **ARTICLE IX: FUNDRAISING AND DONOR RELATIONSHIPS**

## **Section 9.1 Vendor Relationships**

Directors, officers, and employees who have financial interests in vendors, suppliers, or service providers who donate to the Foundation or seek to do business with the Foundation shall:

(a) Disclose the relationship in writing (b) Recuse from decisions regarding selection of the vendor or acceptance of donations from the vendor (c) Not use their position to influence procurement decisions in favor of the related entity

## **Section 9.2 Quid Pro Quo Arrangements**

The Foundation shall not enter into arrangements where donations are explicitly or implicitly conditioned upon the Foundation conducting business with the donor or a related entity. All business decisions shall be made independently based on the Foundation's best interests.

### **Section 9.3 Donor Influence**

While the Foundation values donor input and may establish donor advisory opportunities, donors (including board members who are also donors) may not exercise control over Foundation operations, programs, or financial decisions beyond their role as board members.

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## **ARTICLE X: CONFIDENTIALITY**

### **Section 10.1 Confidential Information**

Directors, officers, and key employees shall maintain the confidentiality of information regarding:

- Client and program participant information (subject to HIPAA, FERPA, and other privacy laws)
- Donor information and giving records
- Financial and strategic information
- Personnel matters
- Board deliberations on sensitive matters

### **Section 10.2 Use of Confidential Information**

No director, officer, or employee shall use confidential information obtained through their position with the Foundation for personal gain or to benefit any other person or entity.

### **Section 10.3 Public Disclosure**

Conflict of interest disclosures and related Board discussions are confidential except:

- As required to be disclosed on IRS Form 990
  - As required by law or court order
  - As necessary for audit or legal proceedings
  - With consent of all parties involved
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# ARTICLE XI: ENFORCEMENT AND COMPLIANCE

## Section 11.1 Board Responsibility

The Board of Directors has ultimate responsibility for ensuring compliance with this policy and shall:

- Review this policy annually and update as needed
- Ensure all Interested Persons complete annual disclosure statements
- Investigate potential violations promptly and thoroughly
- Take appropriate corrective action when violations occur
- Document all conflict of interest determinations

## Section 11.2 Staff Responsibility

The Chief Executive Officer is responsible for:

- Ensuring all employees and key contractors are aware of and comply with this policy
- Identifying potential conflicts that may arise in daily operations
- Bringing conflicts to the Board's attention promptly
- Implementing conflict of interest procedures approved by the Board
- Maintaining documentation of conflict disclosures and resolutions

## Section 11.3 Training

The Foundation shall provide training on this Conflict of Interest Policy:

- To all new board members as part of orientation
- To all new officers and key employees upon hire or appointment
- To all board members, officers, and key employees annually
- Whenever the policy is substantially revised

## Section 11.4 Review and Revision

This policy shall be reviewed annually by the Board of Directors and revised as necessary to ensure continued compliance with applicable laws and IRS requirements.

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# ARTICLE XII: DEFINITIONS OF TERMS

**Disinterested Director/Member:** A director or committee member who does not have a conflict of interest with respect to the transaction or arrangement under consideration.

**Fair Market Value:** The price at which property or services would change hands between a willing buyer and willing seller, neither being under compulsion to buy or sell and both having reasonable knowledge of relevant facts.

**Family Member:** See Section 2.2 (includes spouse, domestic partner, ancestors, siblings, children, grandchildren, great-grandchildren, and spouses/partners thereof).

**Quorum:** The minimum number of directors or committee members required to be present to conduct business, as defined in the Bylaws (typically a majority).

**Reasonable Compensation:** Compensation that would ordinarily be paid for like services by like enterprises under like circumstances. Determined using comparability data and contemporaneous documentation.

**Transaction or Arrangement:** Any agreement, contract, purchase, sale, lease, relationship, or other dealing between the Foundation and another party.

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## **ARTICLE XIII: RELATIONSHIP TO OTHER POLICIES**

This Conflict of Interest Policy supplements and does not replace:

- The Foundation's Bylaws
- The Foundation's Code of Ethics (if adopted)
- Applicable federal and Florida state laws
- IRS regulations and guidance
- Professional codes of conduct applicable to licensed staff (therapists, medical professionals, etc.)

In the event of any conflict between this policy and applicable law, the law shall prevail.

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## **ARTICLE XIV: EFFECTIVE DATE AND AMENDMENTS**

### **Section 14.1 Effective Date**

This Conflict of Interest Policy was adopted by the Board of Directors of Arts and Dreams Foundation on the 10th day of March, **2026**, and shall be effective immediately.

### **Section 14.2 Amendments**

This policy may be amended by a two-thirds (2/3) vote of the Board of Directors at any meeting at which a quorum is present, provided that notice of the proposed amendment has been given to all directors at least fifteen (15) days prior to the meeting.

### **Section 14.3 Annual Acknowledgment**

This policy shall be reviewed annually, and all directors, principal officers, and key employees shall sign an acknowledgment that they have received, read, understand, and agree to comply with this policy.

## CERTIFICATE OF ADOPTION

I, Sonya Smith, Secretary of Arts and Dreams Foundation, hereby certify that the foregoing Conflict of Interest Policy was duly adopted by the Board of Directors at a meeting held on March 10th, **2026**, at which a quorum was present.

IN WITNESS WHEREOF, I have hereunto set my hand this 10th day of March, **2026**.

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Secretary



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## APPENDIX A: ANNUAL DISCLOSURE STATEMENT

*(To be completed annually by all directors, officers, and key employees)*

[See following page for Annual Disclosure Statement Form]

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## ANNUAL DISCLOSURE STATEMENT

**Arts and Dreams Foundation**

**Conflict of Interest Policy**

**Name:** Reinaldo R Lopez

**Position:** Chair

**Date:** March 10th, 2026

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## **PART I: ACKNOWLEDGMENT**

I acknowledge that:

- I have received a copy of the Conflict of Interest Policy of Arts and Dreams Foundation.
  - I have read and understand the policy.
  - I agree to comply with the policy.
  - I understand that Arts and Dreams Foundation is a charitable organization and that in order to maintain its federal and state tax exemptions it must engage primarily in activities that accomplish one or more of its tax-exempt purposes.
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## **PART II: DISCLOSURE OF INTERESTS**

**Please answer each question. If "Yes," provide details in the space provided or on a separate attachment.**

**1. Are you an officer, director, trustee, member, owner, or employee of any entity with which Arts and Dreams Foundation has a financial or other business relationship?**

Yes  No

If yes, please describe:

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**2. Do you or any family member have a financial interest (ownership, investment, compensation, or other) in any entity with which Arts and Dreams Foundation has or is negotiating a transaction or relationship?**

Yes  No

If yes, please describe:

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**3. Do you or any family member provide goods or services to Arts and Dreams Foundation, or work for an entity that does?**

Yes  No

If yes, please describe:

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**4. Have you or any family member received any gifts, gratuities, favors, or entertainment valued at more than \$25 from any individual or entity that does business or seeks to do business with Arts and Dreams Foundation?**

Yes  No

If yes, please describe:

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**5. Are you or any family member receiving services from Arts and Dreams Foundation's programs?**

Yes  No

If yes, please describe:

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**6. Do you have any other interest or relationship that could create an actual or potential conflict of interest with your duties to Arts and Dreams Foundation?**

Yes  No

If yes, please describe:

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### **PART III: FAMILY MEMBERS**

**For purposes of this disclosure, "family members" include your spouse, domestic partner, ancestors, siblings, children, grandchildren, great-grandchildren, and the spouses or domestic partners of siblings, children, grandchildren, and great-grandchildren.**

**Please list family members who have relationships with entities that do business with or seek to do business with Arts and Dreams Foundation:**

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**PART IV: CERTIFICATION**

I certify that the information provided in this disclosure statement is true, accurate, and complete to the best of my knowledge. I understand that I have a continuing obligation to update this disclosure if circumstances change during the year.

I understand that if I have disclosed an actual or potential conflict of interest, it is not necessarily a violation of the Conflict of Interest Policy. The Board of Directors will determine whether a conflict exists and, if so, whether the Foundation may proceed with the transaction under appropriate safeguards.

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Print Name: Reinaldo R Lopez

Signature



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**FOR BOARD USE ONLY**

Date Received: March 10th, 2026

Reviewed by Board Secretary:  Yes

Matters requiring Board attention:  Yes  No

If yes, referred to: \_\_\_\_\_

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