To: All Governor Councils

From: MD4 CBL Committee

Date: September 25, 2025

The Constitution and Bylaws Committee recommended a change to the MD4 Policy and Procedures Manual regarding conflicts of interest. That section establishes a Conflict of Interest Policy for MD4. MD4 Council implemented the MD4 CBL Committee's recommendation which included a signed agreement from each sitting Council member.

The MD4 CBL Committee is passing this information on to the District Governors for their District, and, for their Clubs.

This is important since the IRS maintains that a failure to adopt and follow a Conflicts of Interest Policy may be grounds for revocation of 501(c)4 and 501(C)3 status as shown:

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Form 1023: purpose of conflict of interest policy

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What is the purpose of the conflict of interest policy?

Charitable organizations are frequently subject to intense public scrutiny, especially where they appear to have inappropriately benefited their officers, directors or trustees. The IRS also has an oversight role with respect to charitable organizations. An important part of this oversight is providing organizations with strategies that will help avoid the appearance or actuality of private benefit to individuals who are in a position of substantial authority. The recommended conflict of interest policy is a strategy we encourage organizations to adopt as a means to establish procedures that will offer protection against charges of impropriety involving officers, directors or trustees.

A conflict of interest occurs where individuals' obligation to further the organization's charitable purposes is at odds with their own financial interests. For example, a conflict of interest would occur where an officer, director or trustee votes on a contract between the organization and a business that is owned by the officer, director or trustee. Conflicts of interest frequently arise when setting compensation or benefits for officers, directors or trustees. A conflict of interest policy is intended to help ensure that when actual or potential conflicts of interest arise, the organization has a process in place under which the affected individual will advise the governing body about all the relevant facts concerning the situation. A conflict of interest policy is also intended to establish procedures under which individuals who have a conflict of interest will be excused from voting on such matters.

Apart from any appearance of impropriety, organizations will lose their tax-exempt status unless they operate in a manner consistent with their charitable purposes. Serving private interests more than insubstantially is inconsistent with accomplishing charitable purposes. For example, paying an individual who is in a position of substantial authority excessive compensation serves a private interest. Providing facilities, goods or services to an individual who is in a position of substantial authority also serves a private interest unless the benefits are part of a reasonable compensation arrangement or they are available to the public on equal terms and conditions.

Attached are templates you can use to create a policy if needed and a template for an agreement statement.

The MD4 CBL Committee will continue to provide information to assist you in compliance as laws and regulations change.