

**POLICY RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE KERNERSVILLE MUSEUM FOUNDATION  
REGARDING DECISION MAKING AND CONFLICTS OF INTEREST**

The Board of Directors of THE KERNERSVILLE MUSEUM FOUNDATION, also known as THE KERNERSVILLE MUSEUM and THE MUSEUM, hereby resolves that:

- The corporation will not engage in any act of self-dealing as defined in Section 4941(d) of the Internal Revenue Code, or the corresponding section of any future federal tax code;
- Board of Directors and any Advisory Board members (hereinafter referred to jointly as “Board Members” should endeavor to make policy decisions only after full discussion;
- Board Members should always share with other Board Members those facts obtained through any independent investigations;
- Board Members should always base opinions upon all available facts and independent judgment;
- Board Members should never surrender independent judgment to that of other individuals or special interest groups;
- Board Members should avoid being placed in positions of conflict of interest;
- Board Members should never use the position of Director or any Advisor for personal gain;
- Board Members should always respect the confidentiality of information that is imparted as confidential;
- Board Members should always disclose any actual or potentially perceived conflict of interest and request abstention from voting upon any matter/issue/policy in which there is an actual or potentially perceived conflict of interest;
- Board Members shall, annually, execute a declaration to the effect that there are no known conflicts of interest which have not been previously disclosed in writing.
- Board Members shall, in writing, notify the Chairman of the Board of Directors, or any Advisory Board, of any conflict of interest which arises; and, should notice in written form be impossible, then notify the Chairman of the Board verbally.
- Board Members should ask for guidance from other Board members as to potential or self-perceived conflicts of interest.

Pursuant thereto, the Board of Directors of THE KERNERSVILLE MUSEUM FOUNDATION, also known as THE KERNERSVILLE MUSEUM and THE MUSEUM, further resolves:

## ARTICLE I

### *PURPOSE*

The purpose of this conflicts of interest policy is to protect The Foundation's integrity and interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of The Foundation. This policy is intended to supplement but not replace any applicable state laws governing conflicts of interest applicable to nonprofit and charitable corporations.

## ARTICLE II

### *DEFINITIONS*

#### 1. INTERESTED PERSON

- (a) Any director, principal officer, or member of the Board of Directors who has a direct or indirect financial interest, as defined below, is an interested person.
- (b) The Foundation, as referenced to herein, is The Kernersville Museum Foundation, a North Carolina non-profit 501(c)(3) corporation.

#### 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, or
- 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 of, or investment interest in, or compensation arrangement with, any entity or individual with which The Foundation is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are substantial in nature.

A financial interest is not necessarily a conflict of interest. Under Article III, Section 2, 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.

## ARTICLE III

### *PROCEDURES*

#### 1. DUTY TO DISCLOSE

In connection with any actual or possible conflicts of interest, an interested person must disclose the existence of his or her financial interest, and all material facts, to the Board of Directors 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, he or she shall leave the Board of Directors while the determination of a conflict of interest is discussed and voted upon. The remaining Board of Directors shall decide if a conflict of interest exists.

#### 3. PROCEDURES FOR ADDRESSING THE CONFLICT OF INTEREST

- a. An interested person may make a presentation at the Board of Directors meeting, but after such presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement that results in the conflict of interest.
- b. The chairperson of the Board of Directors 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 shall determine whether The Foundation can obtain a more advantageous transaction or arrangement with reasonable efforts 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 attainable under circumstances that would not give rise to a conflict of interest, the Board of

Directors shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in The Foundation's best interest, and for its own benefit, and whether the transaction is fair and reasonable to The Foundation and shall make its decision as to whether to enter into the transaction or arrangement in conformity with such determination.

4. VIOLATIONS OF THE CONFLICTS OF INTEREST POLICY

- a. If the Board of Directors has reasonable cause to believe that 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 response of the member and making such further investigation as may be warranted in the circumstances, the Board of Directors determines that the member has in fact failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

ARTICLE IV

*RECORDS OF PROCEEDINGS*

The minutes of the Board of Directors shall contain

1. 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 Board's decision as to whether a conflict of interest in fact existed.
2. 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 therewith.

ARTICLE V

*ANNUAL STATEMENTS*

Each Director, Advisor, and principal officer shall annually sign a statement which affirms that 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 that The Foundation is a charitable organization and that in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

**ARTICLE VI**

***PERIODIC REVIEWS***

To ensure that The Foundation operates in a manner consistent with its charitable purposes and that it does not engage in activities that could jeopardize its status as an organization exempt from federal income tax, periodic reviews shall be conducted. The periodic reviews shall, at a minimum include the following subjects:

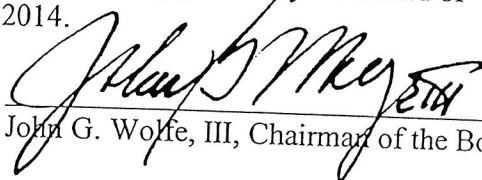
- a. Whether compensation arrangements and benefits are reasonable and are the result of arm's-length bargaining.
- b. Whether partnership and joint venture arrangements and arrangements conform to written policies, are properly recorded, reflect reasonable payments for goods and services, further The Foundation's charitable purposes and do not result in inurement or impermissible private benefit.

**ARTICLE VII**


***USE OF OUTSIDE EXPERTS***

In conducting the periodic reviews provided for in Article VI, The Foundation 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 that periodic reviews are conducted.

The foregoing Resolution being duly introduced and unanimously passed by the Board of Directors is hereby adopted this 12<sup>th</sup> day of August, 2014.

  
John G. Wolfe, III, Chairman of the Board

Attested to:

  
Mary P. Cook, Secretary

## SARBANES-OXLEY ACT - DOCUMENT RETENTION POLICY

The Kernersville Museum has established a policy on document retention and periodic destruction, including electronic files and voice mail messages. As prescribed by the Sarbanes-Oxley Act (The American Competitiveness and Corporate Accountability Act of 2002), it is a crime to alter, cover up, falsify, or destroy any document (or pressure someone else to do so), to prevent a document from being used in an official proceeding.

By the Kernersville Museum Document Retention Policy, the organization will eliminate accidental or innocent destruction, abiding by the recommendations below regarding how long documents should be kept. Further, the Kernersville Museum establishes that if an investigation is underway or even suspected, employees will stop all document purging.

All staff will be informed of this policy by including this statement in the Kernersville Museum Personnel Policies. This policy applies to reports, statements, correspondence, emails, voicemails and other information and is effective as of Kernersville Museum by approval of the Board of Directors.

Type of document	Length of time to maintain
Accounts payable ledgers and schedules	7 years
Audit reports	Permanently
Accounts receivable ledgers	7 years
Bank reconciliations	7 years
Bank statements	7 years
Cash receipts	7 years
Checks (for important payments and assets)	Permanently
Contracts, mortgages, notes, and leases (expired)	7 years
Contracts (still in effect)	Permanently
Correspondence (general) *	2 years
Correspondence (legal and important matters)	Permanently
Correspondence (with customers and vendors)*	2 years
Deeds, mortgages, bills of sale	Permanently
Depreciation schedules	Permanently
Deposit slips	7 years
Employment applications	3 years
Equipment records and warranties	5 years after disposition
Expense analyses / expense distribution schedules	7 years
Financial statements (year end)	Permanently
General ledgers	7 years
Insurance policies (expired)	3 years
Insurance records, current accident reports, claims, etc.	Permanently
Internal audit reports	7 years
Inventories of products, materials, supplies	7 years
Invoices (to our customers, from our vendors)	7 years
Minutes, bylaws, articles of incorporation	Permanently
Payroll records and summaries	7 years
Personnel files (terminated employees)	7 years
Property records (construction, improvements)	Permanently
Retirement and pension records	Permanently
Tax returns and worksheets	Permanently
Timesheets/Timecards	7 years
Withholding tax statements	7 years
Vouchers for payments to vendors	7 years