Board adopted by vote 5.28.26.

Tier I Advisory Board Practice Proposal: Related Party Transactions

Overview

Per Countywide policy 1031, the Tier I Advisory Board has the discretion to consider allowing or disallowing Related Party Transactions (RPT). A RPT means a business deal or arrangement between two parties that are joined by a special relationship prior to the deal. For example, a business transaction between a board member and the corporation, such as a contract for the board member's company to perform services for the corporation, would be deemed a related party transaction (1031, 2.12). Most recent application cycle year approved RPT: Tanner Dance, USUO & UFC.

ZAP Countywide Policy (1031, 2.12 and 2.14.17)

- **Definition:** A RPT involves a business deal between the organization and someone with a close connection (e.g., board or staff member, or their family).
- **Threshold:** Transactions over $5,000 may be disallowed.
- **Board Discretion:** The board may allow such transactions if:
  - The organization follows the Utah Nonprofit Association's ethics standards.
  - The transaction was properly approved.
  - Board meeting minutes document the disclosure and analysis.
- **Reminder:** Organizations must monitor RPT and avoid those that are unfair. If such transactions occur, they must be fully disclosed, and a conflict of interest policy should be included with the application.

Change Request

Typically, in the past, the Advisory Board has reviewed the RPT in full at the All-Day Review meeting. In 2025, the Advisory Board requested they hold a vote in 2026, to delegate to ZAP administrative staff the preparation of a RPT summary report that provides them recommendations to consider allowing or disallowing RPTs during the 2027 TI grant application cycle. ZAP staff could prepare a report after the following steps:

- Consultation with ZAP's independent CPA
  - The CPA's review of an organization's financials related to the specific RPT(s),
- The above four factors are satisfied, and
- The Executive Committee has been briefed in detail.
- The advisory board will vote on staff's recommendations unless there are concerns the advisory board should become engaged in.

After the 2027 TI grant application cycle is completed, the advisory board's intent is to have RPT remain at staff level unless there are concerns the advisory board should become engaged in. Remaining at staff level could be a practice by the board to vote annually at Orientation and/or a 1031 policy change.

Draft Motion Language

The Tier I Advisory Board motions to delegate the review and understanding of related party transactions to the ZAP administrative staff. ZAP staff are expected to report on RPTs to the advisory board: recommendations to allow or disallow transactions and any noteworthy information from the CPA consultation.