

ADOPT-A-CLASSROOM INC.

CONFLICT OF INTEREST POLICY (*updated 8/1/2019*)

Article I: Purpose

This conflict of interest policy is designed to foster public confidence in the integrity of Adopt-A-Classroom Inc. (the "Organization") and to protect the Organization's interest when it is contemplating entering a Transaction (defined below) that might benefit the private interest of a director, officer, or other Key Person (defined below) or member of a committee with board-delegated powers of the Organization, or conflict with such a person's Fiduciary Responsibility to any other organization. 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

A. Insiders

The following are considered *Insiders* for the purposes of this policy:

1. Each member of the Board of Directors, any committee with board-delegated powers of the Organization or other governing body.
2. Each officer of the Organization, including but not limited to the president, chief executive officer, chief operating officer, treasurer and chief financial officer, executive director, any vice president or any other person with the authority, duties or responsibilities of any of these positions (whether or not the person is an officer of the Organization under the Organization's Bylaws).
3. Each *Key Person*, meaning (a) any employee whose total annual compensation (including benefits) from the organization and its affiliates is more than \$150,000 **and** who (i) has responsibilities or influence over the organization similar to that of officers, directors, or trustees; **or** (ii) manages a program that represents 10% or more of the activities, assets, income, or expenses of the organization; **or** (iii) has or shares authority to control 10% or more of the organization's capital expenditures, operating budget, or compensation for employees; or (b) any other person, whether or not an employee, who (i) has powers or responsibilities that influence the corporation or its directors or officers, (ii) has responsibility to manage the corporation, or (iii) controls or determines a substantial part of the finances or operating budget.

B. Interests & Conflicts of Interest.

Interest means any commitment, investment, relationship, obligation, or involvement, financial or otherwise, direct or indirect, that may influence a person's judgment, including receipt of compensation from the Organization or from or arising out of a Transaction involving the Organization. A person shall be deemed to have an indirect Interest if such person owns, controls, is employed by or has Fiduciary Responsibility to an organization that has such an Interest or is the spouse, domestic partner, parent, child, sibling or other close family member of a person with such an Interest.

Such interests may include, but shall not be limited to:

1. an ownership or investment interest in any entity with which the Organization has a transaction or arrangement (including but not limited to grants); or
2. a compensation arrangement with the Organization or with any entity or individual with which the Organization has a transaction or arrangement (including but not limited to grants);
3. a potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Organization is negotiating a transaction or arrangement (including but not limited to grants); or
4. A relationship other than an arm's-length relationship with prospective or actual grantees relative to the design of specific projects, preparation of specific proposals and review and oversight of funded projects, and Organization related activities.

Compensation includes direct and indirect remuneration as well as gifts or favors that are substantial in nature. Gifts and favors include any gratuitous service, loan, discount, money or article of value, but does not include loans from financial institutional on customary terms, articles of nominal value ordinarily used for sales promotion, ordinary "business lunches" or reasonable entertainment consistent with local social or business customs.

An Interest is not necessarily a conflict of interest. A *Conflict of Interest* is present when, in the judgment of the Board under Article III, Section B, an Insider's Interest in a Transaction is such that it reduces the likelihood that an Insider's influence can be exercised impartially and in the best interests of the Organization.

C. Transaction.

Transaction means any transaction, agreement, or arrangement with the Organization.

D. Fiduciary Responsibility.

A person has a *Fiduciary Responsibility* towards an organization or individual if he or she:

- a. occupies a position of special confidence towards such organization or individual;
- b. holds in trust property in which another person has the beneficial title of interest, or who receives and controls the income of another; or
- c. has a duty of loyalty or duty of care to an organization (by virtue of serving as an officer or director of an organization or other position with similar responsibilities). A duty of loyalty requires the person to refrain from dealing with the organization on behalf of a party having an interest adverse to the organization and refrain from competing with the organization. A duty of care requires the person to discharge his or her duties in good faith and in a manner he or she reasonably believes to be in the best interests of the organization.

A Fiduciary Responsibility does not necessarily result in a Conflict of Interest. Under Article III, Section B, a person who has a Fiduciary Responsibility, has a conflict of interest only if the Board or appropriate committee determines that a Conflict of Interest exists.

Article III: Procedures

A. Duty to Disclose

Each Insider shall disclose to the Board all material facts regarding his or her Interest in any Transaction, promptly upon learning of the proposed Transaction or learning of such Insider's interest in a proposed, current or other recent Transaction.

B. Determining Whether a Conflict of Interest Exists

With regard to an Insider, the Board shall determine if a Conflict of Interest exists. The Insider(s) and any other interested person(s) involved with the Transaction shall not be present during the Board's discussion or determination of whether a Conflict of Interest exists, except as provided in Article IV below.

C. Procedures for Addressing a Conflict of Interest

The Board shall follow the procedures set forth in Article IV in order to decide what measures are needed to protect the Organization's interests in light of the nature and seriousness of the Conflict of Interest, to decide whether to enter into the Transaction or amend or terminate any existing Transaction and to ensure that the terms of any proposed or continuing Transaction are appropriate.

Article IV: Review by the Board

The Board may ask questions of and receive presentation(s) from the Insider(s) and any other interested person(s), but shall deliberate and vote on the Transaction in their absence. The Board shall ascertain that all material facts regarding the Transaction and the Insider's conflict of interest have been disclosed to the Board and shall compile appropriate data, such as comparability studies, to determine fair market value for the Transaction.

After exercising due diligence, which may include investigating alternatives that present no conflict, the Board shall determine whether the Transaction is in the Organization's best interest, for its own benefit, and whether it is fair and reasonable to the Organization; the majority of disinterested members of the Board then in office may approve the Transaction.

Article V: Records of Proceedings

The minutes of any meeting of the Board pursuant to this policy shall contain the name of each Insider who disclosed or was otherwise determined to have an Interest in a Transaction; the nature of the Interest and whether it was determined to constitute a Conflict of Interest; any alternative transactions considered; the members of the Board who were present during the deliberations on the Transaction, those who voted on it, and to what extent interested persons were excluded from the deliberations; any comparability data or other information obtained and relied upon by the Board and how the information was obtained; and the result of the vote, including, if applicable, the terms of the Transaction that was approved and the date it was approved.

Article VI: Annual Disclosure and Compliance Statements

Each Insider shall annually sign a statement on the form attached, that:

- affirms that the person has received a copy of this Conflict of Interest Policy, has read and understood the policy, and has agreed to comply with the policy; and

- discloses the person's financial interests and family relationships that could give rise to Conflicts of Interest.

Article VII: Violations

If the Board has reasonable cause to believe that an Insider of the Organization has failed to disclose actual or possible Conflicts of Interest it shall inform such Insider of the basis for this belief and afford the Insider an opportunity to explain the alleged failure to disclose. If, after hearing the Insider's response and making further investigation as warranted by the circumstances, the Board determines that the Insider has failed to disclose an actual or possible Conflict of Interest, the Board shall take appropriate disciplinary and corrective action.

Article VIII: Annual Reviews

To ensure that the Organization operates in a manner consistent with its status as an organization exempt from federal income tax, the Board shall authorize and oversee an annual review of the administration of this Conflict of Interest Policy. The review may be written or oral. The review shall consider the level of compliance with the policy, the continuing suitability of the policy, and whether the policy should be modified and improved.