

Conflict of Interest and Disclosure Policy of



Period: FY' 2018 – FY'2019

ARTICLE I

INTRODUCTION

The directors, officers and key employees of the Avenues For Justice/Andrew Glover Youth Program (the "Organization") owe a duty of loyalty to the Organization which requires that in serving the Organization they act, not in their personal interests or in the interests of others, but rather solely in the interests of the Organization. Directors, officers and key employees must have an undivided allegiance to the Organization's mission and may not use their position as directors, officers or key employees, information they have about the Organization, or the Organization's property, in a manner that allows them to secure a pecuniary benefit for themselves or their Relatives. Accordingly, no director, officer or key employee may use his or her position at the Organization for personal gain or to benefit another at the expense of the Organization, its mission or its reputation.

As a public charity, the Organization is subject to the "intermediate sanctions" provisions of the Internal Revenue Code. Intermediate sanctions impose penalty taxes on any director, officer or key employee, among others, who engages in an "excess benefit transaction" with the Organization. An excess benefit transaction is a transaction with the Organization in which a director, officer or key employee, among others, receives an economic benefit that exceeds the value of the services, property or payment the Organization receives in return. While additional procedures may be necessary in certain circumstances to prevent any excess benefit transaction, the procedures set forth in this Policy should help guard against the occurrence of an excess benefit transaction.

A conflict of interest may arise when a person has an existing or potential financial interest or other material interest that impairs, or might appear to impair his or her independence or objectivity in the discharge of his or her responsibilities and duties to the Organization. As the Organization seeks to attract individuals who have knowledge, contacts or interests in fields of relevance to the Organization to serve as its directors, officers and key employees, it is to be expected that such individuals may on occasion have business or personal interests which may give rise to conflicts of interest.

Conflicts of interest are not inherently illegal, nor are they a reflection upon the integrity of the individual involved. The manner in which the conflicted individual and the Board of Directors, officers and key employees deal with a possible conflict of interest will determine whether they have fulfilled their duties to the Organization. Therefore, the crucial steps in handling conflicts of

interest are disclosure of potential or actual conflicts, discussion and decisions by disinterested directors with respect to whether to enter into the transaction, agreement or other arrangement that involves a conflict, consideration of alternatives to the transaction, agreement or arrangement where appropriate, and decisions regarding the transaction, agreement or arrangement being made by disinterested directors on the basis of what is fair, reasonable and in the best interests of the Organization. Where a conflict of interest has been identified, a director, officer or key employee must also cooperate with any plan adopted by the Organization to manage, reduce or eliminate the conflict of interest.

This Policy cannot describe all potential conflicts of interest. For instance, there also may be situations where the interests of other persons, such as close friends, clients, customers or business acquaintances, create a conflict of interest or the perception of a conflict of interest. Directors, officers and key employees should exercise the highest standards of ethical judgment and err on the side of caution and make full disclosure of any possible financial interest or other material interest that might impair or appear to impair his or her independence or objectivity in the discharge of his or her responsibilities and duties to the Organization. Possible damage to the reputation of the Organization should be considered at all times.

ARTICLE II

PURPOSE

The purpose of this Conflict of Interest and Disclosure Policy (the "Policy") is to protect the interests of the Organization when it is contemplating entering into a transaction, agreement or other arrangement that might benefit the private interest of a director, officer or key employee of the Organization or other Related Party, 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 conflicts of interest applicable to charitable organizations.

ARTICLE III

DEFINITIONS

1. Related Party

- (a) a director or officer of the Organization;
- (b) a key employee of the Organization;
- (c) a director, officer or key employee of an affiliate of the Organization;
- (d) a Relative of any director, officer, or key employee of the Organization or an affiliate of the Organization;
- (e) an entity in which a director, officer, or key employee of the Organization or an affiliate of the Organization or a Relative of any such individual has a thirty-five percent (35%) or greater ownership or beneficial interest or, in the case of a

partnership or professional corporation, a direct or indirect ownership interest in excess of five percent (5%).

2. Related Party Transaction

Any transaction, agreement or other arrangement in which a director, officer, key employee or other Related Party has an Interest and in which the Organization or any affiliate of the Organization is a participant.

3. Affiliate

Any entity controlled by, in control of, or under common control with the Organization.

4. Key employee

A person who is, or at any time during the past five-year period was, in a position to exercise substantial influence over the affairs of the Organization, whether or not legally an employee.

5. Relative

A director's, officer's or key employee's (i) spouse, siblings (whether whole or half-blood), ancestors, children (including adopted children), grandchildren, and great-grandchildren, and spouses of siblings, children, grandchildren and great-grandchildren or (ii) domestic partner (as defined in NY Public Health Law Section 2994A).

6. Financial interest

A Related Party has a financial interest if the Related Party directly has or is negotiating a transaction, agreement or other arrangement with the Organization from which the Related Party receives or will receive an economic benefit, or such person has, directly or indirectly:

- a.** An ownership or investment interest in any entity with which the Organization has a transaction, agreement or other arrangement,
- b.** A compensation arrangement with any entity or individual with which the Organization has a transaction, agreement or other arrangement, or
- c.** A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Organization is negotiating a transaction, agreement or other arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.

7. Interest

A financial interest or other material interest. "Other material interest" includes any interest, other than a financial interest, that impairs or might impair a director's, officer's or key employee's independence or objectivity in the discharge of his or her duties to the Organization.

Examples of a material interest, other than a financial interest, that a director, officer or key employee of the Organization may have in a Related Party Transaction include, but are not limited to,: (i) a participant in the proposed Related Party Transaction is an individual, or an entity owned by an individual, with whom the director, officer or key employee has a close personal or business relationship; (ii) the director, officer or key employee, or one of his or her Relatives, serves on the board of directors of another nonprofit organization that is a participant in, or competing with the Organization in connection with, the proposed Related Party Transaction; or (iii) the transaction or arrangement that is the subject of the proposed Related Party Transaction is one that the director, officer or key employee would like to pursue for his or her personal benefit or that of one of his or her Relatives.

8. Independent director

A director who (i) is not and has not been within the last three years an employee of the Organization or any affiliate, and does not have a Relative who is or has been within the last three years a key employee of the Organization or any affiliate; (ii) has not received and does not have a Relative who received more than \$10,000 in direct compensation from the Organization or any affiliate in any of the last three fiscal years (other than reimbursement of reasonable expenses incurred as a director or reasonable compensation for services as a director); and (iii) is not an employee of or does not have a substantial financial interest in any entity that has made payments to or received them from the Organization or an affiliate for property or services which, in any of the last three fiscal years, exceeds the lesser of \$25,000 or two percent of such entity's consolidated gross revenues, and does not have a Relative who is an officer of or has a substantial financial interest in any such entity. Payments in this context do not include charitable contributions.

ARTICLE IV

RELATED PARTY TRANSACTIONS

Related party transactions shall not be prohibited, but they shall be subject to scrutiny. Prior to the Organization entering into a Related Party Transaction, the Related Party Transaction must be reviewed in accordance with the procedures set forth below to determine that it is fair, reasonable and in the best interests of the Organization at the time of such determination.

ARTICLE V

PROCEDURES

1. Duty to Disclose

Each director, officer and key employee of the Organization must promptly disclose any Interest which he or she or, to the best of his or her knowledge, any Relative or other Related Party related to him or her has or reasonably expects to have in any proposed Related Party Transaction prior to the start of any consideration of such matter by the independent directors of the Executive Committee. Such Interest shall be disclosed in writing to the Chair of the Board of Directors. Such disclosure shall include all material facts and supply any reasons why the

proposed Related Party Transaction might or might not be fair, reasonable and in the best interest of the Organization.

2. Procedures for Addressing the Proposed Related Party Transaction

a. The director, officer or key employee who disclosed the Interest in a proposed or existing Related Party Transaction may make a presentation to and respond to questions by the independent directors of the Executive Committee but may not attempt to influence improperly the deliberation or voting on the matter. After such presentation, the director, officer or key employee shall leave the meeting during the deliberation and voting on the Related Party Transaction.

b. If a Related Party has a substantial financial interest in the proposed or existing Related Party Transaction, the independent directors of the Executive Committee shall consider alternatives to the Related Party Transaction to the extent available and, if appropriate, may appoint a disinterested person or committee to investigate alternatives to the proposed or existing Related Party Transaction. In such case, the independent directors of the Executive Committee shall determine whether the Organization can obtain a more advantageous transaction, agreement or arrangement with reasonable efforts that would not be a Related Party Transaction. A financial interest shall be considered substantial if it involves:

- (i) an ownership or investment interest representing more than 1% of the outstanding shares of a publicly traded company or 10% of the outstanding shares or comparable interest of a privately owned company with which the Organization has or is negotiating a transaction, agreement or arrangement or which is otherwise involved in a transaction, agreement or arrangement with the Organization; or
- (ii) an ownership or investment interest which produces a significant amount of income for or constitutes a significant part of the net worth of the director, officer or key employee, or a Relative of the director, officer or key employee, in any entity with which the Organization has or is negotiating a transaction, agreement or arrangement or which is otherwise involved in a transaction, agreement or arrangement with the Organization; or
- (iii) a compensation arrangement of any kind with any entity or individual with which the Organization has or is negotiating a transaction, agreement or arrangement or with any entity or individual which is otherwise involved in a transaction, agreement or arrangement with the Organization if the compensation of such person is contingent on such transaction, agreement or arrangement or is likely to be materially increased as a result of such transaction, agreement or arrangement.

The independent directors of the Executive Committee may, after review, consider other financial interests to be substantial.

c. After exercising due diligence, and, if required, considering if a more advantageous transaction, agreement or arrangement that is not a Related Party Transaction is reasonably attainable, the independent directors of the Executive Committee shall deliberate and shall

determine by a majority vote of the directors present at the meeting whether the Related Party Transaction is fair, reasonable and in the Organization's best interest at the time of such determination, and, in conformity with the above determination, make its decision as to whether to enter into or continue the Related Party Transaction. Only directors who are both disinterested and independent may participate in the deliberations and voting regarding the Related Party Transaction.

3. Violations of the Conflict of Interest Policy

- a.** If the independent directors of the Executive Committee have reasonable cause to believe that a director, officer or key employee has failed to disclose an Interest or otherwise violated this Policy, it shall inform the director, officer or key employee of the basis for such belief and afford the director, officer or key employee an opportunity to explain the alleged failure to disclose.
- b.** If, after hearing the response of such individual and after making further investigation as warranted by the circumstances, the independent directors of the Executive Committee determine that the director, officer or key employee has failed to disclose an Interest or otherwise violated this Policy, it shall take appropriate disciplinary and corrective action.

ARTICLE VI

RECORDS OF PROCEEDINGS

The minutes of meetings of the independent directors of the Executive Committee at which a proposed or existing Related Party Transaction was discussed or voted on shall be prepared contemporaneously and shall contain:

- a.** The names of the directors, officers and key employees who disclosed or otherwise were found to have an Interest in a proposed or existing Related Party Transaction, the nature of the Interest, and the extent of the director's, officer's or key employee's participation in the meeting;
- b.** A record of any determination as to whether the Related Party Transaction was fair, reasonable and in the best interest of the Organization, notwithstanding the Interest, and the specific reasons supporting the determination, including any alternatives to the proposed or existing Related Party Transaction which were considered; and
- c.** The names of the persons who were present for discussions and votes relating to the Related Party Transaction and a record of any votes taken in connection therewith.

ARTICLE VII

COMPENSATION

- a.** No person who may benefit from compensation paid to members, directors, officers or key employees of the Organization may be present at or otherwise participate in any Board, Personnel Committee or other Board committee deliberations or voting on such member's, director's officer's or key employee's compensation. However, a person who may benefit from

such compensation may present information as background or answer questions at a Board or committee meeting prior to the commencement of deliberations or voting related to such compensation if so requested by the Board, Personnel Committee or other Board committee.

b. If the compensation under consideration is such as to arguably be subject to the IRS rules on excess benefit transactions and the Organization wishes to satisfy the safe-harbor requirements of the excess benefit transaction rules, the Board of Directors, Personnel Committee or other Board committee shall:

- (i) ensure that the terms of a compensation arrangement (including benefits) are approved in advance of payment of compensation by the disinterested members of the Board, Personnel Committee or other Board committee;
- (ii) obtain and rely on comparability data allowing a fair comparison to be made. Appropriate data as to comparability includes: (a) compensation paid by similarly situated organizations, both taxable and tax-exempt, for functionally comparable positions; (b) the availability of similar services in the geographic area of the Organization; (c) current compensation surveys compiled by independent firms; and (d) written offers from similar institutions competing for the services of the director, officer or key employee; and
- (iii) adequately and contemporaneously document the basis for its decision. Such documentation shall note: (a) the terms of the compensation arrangement that was approved and the date approved; (b) the members of the Board of Directors, Personnel Committee or other Board committee who were present during deliberations on the compensation arrangement and those who voted for it; (c) the comparability data obtained and relied upon by the Board, Personnel Committee or other Board committee and how the data was obtained; and (d) any actions taken with respect to consideration of the compensation arrangement by a member of the Board of Directors, Personnel Committee or other Board committee who had a conflict of interest with respect to the compensation arrangement.

ARTICLE VIII

ANNUAL DISCLOSURE STATEMENT

a. Each director, officer and key employee has a duty to place the interest of the Organization foremost in any dealing with the Organization and has a continuing responsibility to comply with the requirements of this Policy.

b. Each prospective director, prior to his or her initial election, and each director, officer and key employee, annually shall:

- (i) acknowledge his or her familiarity with this Policy, including that he or she has received a copy of the Policy and has read, understands and agrees to comply with the Policy; and

- (ii) disclose in writing to the Chair of the Board of Directors any existing Interest by completing the attached Conflict of Interest Disclosure Statement and submitting it to the Chair of the Board of Directors.

c. The Conflict of Interest Disclosure Statements shall be reviewed by the independent directors of the Executive Committee. The Conflict of Interest Disclosure Statements shall be retained in the confidential files of the Chair of the Board of Directors.

ARTICLE IX

PERIODIC REVIEWS AND USE OF OUTSIDE EXPERTS

a. To ensure the Organization operates in a manner consistent with charitable purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

- (i) whether compensation arrangements and benefits are reasonable, based on competent survey information, and the result of arm's length bargaining; and

- (ii) whether partnerships, joint ventures, and arrangements with management organizations conform to the Organization's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes, and do not result in inurement, impermissible private benefit, or in an excess benefit transaction.

b. When conducting such periodic reviews, the Organization 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.

ARTICLE X

ADOPTION AND AMENDMENT

This Policy may be adopted or amended by majority vote of the directors present at any meeting of the Board of Directors, provided that a quorum is present at the time of the vote. Only independent directors may participate in deliberations or voting on the adoption or amendment of this Policy.

Avenues For Justice / Andrew Glover Youth Program, Inc.

Annual Acknowledgment and Disclosure Statement

The attached Conflict of Interest and Disclosure Policy of the Avenues For Justice/Andrew Glover Youth Program, Inc. (the "Organization") is designed to assist directors, officers and key employees of the Organization in meeting their ongoing responsibility to disclose any direct or indirect Interest (as defined in the Policy) that may create a conflict of interest.

Please complete the Acknowledgement and Disclosure Statement, and return the signed statements to the Chair of the Board of Directors.

Acknowledgment

I hereby acknowledge that I have received a copy of the Organization's Conflict of Interest and Disclosure Policy and that I have read it and understand it. I hereby agree to abide by and comply with the procedures contained in the Conflict of Interest and Disclosure Policy. I understand that the Organization is charitable and to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes. The information set forth in the Disclosure Statement below is correct and complete to the best of my knowledge. During the time I am a director, officer or key employee of the Organization, I agree to promptly report any future Interest that is required to be disclosed under the Policy.

Disclosure Statement

(1) All entities in which I or, to the best of my knowledge, a Relative or any other Related Party (as defined in the Policy) related to me holds a position as director, trustee, officer, owner (either as a sole proprietor or partner), member, or employee and with which the Organization has a relationship:

(list name of Relative or other Related Party (if relevant), name of entity and position held)

(2) All entities that have entered or, to the best of my knowledge, may enter into a transaction, agreement or other arrangement with the Organization and in which I or, to the best of my knowledge, a Relative or any other Related Party related to me has an Interest and whether such Interest is a substantial financial interest (as defined in the Policy):

(list name of Relative or other Related Party (if relevant), name of entity and nature of interest)

- (3) Any transaction in which the Organization is a participant and in which I have a conflicting interest:

Name of Board Member:

Signature of Board Member: