

**NEW YORK STATE READING ASSOCIATION, INC.**  
**CONFLICT OF INTEREST POLICY**  
*For Directors, Officers, and Key Persons*

**STATEMENT OF POLICY**

The goal of the New York State Reading Association, Inc. (the “**Corporation**”) is to maintain the highest integrity in all actions. Members of the Corporation’s governing Board (“**Directors**”), along with the officers and Key Persons of the Corporation, have a clear obligation to make decisions and conduct the affairs of the Corporation in a manner that promotes the best interests of the Corporation. To that end, the Corporation shall strive to avoid transactions or arrangements that involve actual, potential or perceived Conflicts of Interest, unless such transactions or arrangements are fair, reasonable and in the best interests of the Corporation. In furtherance of this goal, the Corporation has adopted the procedures set forth in this Policy which address certain circumstances which may give rise to an actual or potential Conflict of Interest.

Given that Directors may also be responsibly involved with other institutions and organizations, it would be difficult to establish an effective Board consisting of people entirely free from any potential Conflicts of Interest. In addition, the procedures set forth in the remainder of this Policy cannot address every scenario or situation in which a Conflict of Interest may arise, and do not address perceived Conflicts of Interest. A perceived Conflict of Interest exists when any interest of an individual has the appearance of affecting that individual’s professional judgment in exercising any Corporation duty or responsibility. Therefore, to further the Corporation’s goal as it relates to perceived Conflicts of Interest, it is incumbent on all individuals to disclose situations that may not be otherwise covered by the procedures set forth in this Policy or that may seem inconsequential so that the Board, or an authorized committee of the Board, may make a determination regarding how to appropriately handle any such situation. Often the appearance of a Conflict of Interest which is not disclosed and vetted may be as serious as an actual Conflict of Interest.

**PURPOSE**

The purpose of this Policy is to (1) protect the interests of the Corporation, a tax-exempt organization, when it is contemplating entering into a transaction or arrangement that might benefit the private interest of a Director, Officer or Key Person or might result in a possible violation of federal tax law; and (2) protect the integrity of the Corporation from the influence of actual, potential or perceived Conflicts of Interests by providing a procedure for disclosure, review and consideration of such situations. This Policy is intended to supplement, but not replace, any state and federal laws governing conflicts of interest applicable to not-for-profit, charitable organizations in New York State.

## FIDUCIARY RESPONSIBILITIES

Directors, officers and Key Persons serve the public trust and thus have a clear obligation to conduct all affairs of the Corporation in a manner consistent with this fact. All decisions of Directors, officers and Key Persons should be made solely on the basis of a desire to promote the best interests of the Corporation and the public good. Each individual, loyal first and foremost to the Corporation as a whole, clearly must place as secondary any possible Relative, Related Party, Financial Interests or other outside interests. Using the position of Director, officer or Key Person of the Corporation for personal gain or advantage or to obtain favored status for or from a special interest group or business, Related Party, or Relative over the best interests of the Corporation and the public good, must be avoided.

## DEFINITIONS

The following terms are defined for purposes of this Policy:

**Affiliate:** An entity controlled by, or in control of, the Corporation.

**Conflict of Interest:** A conflict of interest arises if there is actual divergence or potential inconsistency between an individual's personal or private interests and the interests of the Corporation, or whenever an individual owes a duty to more than one person or organization.

**Financial Interest:** A person has a Financial Interest if the person has, directly or indirectly, through business, investment, or a Relative:

- a. An ownership or beneficial interest in any entity of thirty-five percent (35%) or greater (more than five percent (5%) in a partnership or professional corporation) with which the Corporation has, or may have, a transaction or arrangement, or
- b. Any compensation arrangement from which a person receives a financial benefit or other form of remuneration or incentive based upon a transaction or arrangement involving the Corporation. Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.

**Interested Person:** Any Director, officer, or Key Person who has a direct or indirect Financial Interest or other personal interest in any transaction or other arrangement involving the Corporation is an Interested Person.

**Key Person:** Any person, other than a Director or officer, whether or not an employee, who:

- a. Has responsibilities, or exercises powers or influence over the affairs of the Corporation as a whole similar to the responsibilities, powers, or influence of Directors and officers, or
- b. Manages the Corporation, or a segment of the Corporation that represents a substantial portion of the activities, assets, income or expenses of the Corporation, or
- c. Alone or with others controls or determines a substantial portion of the Corporation's capital expenditures or operating budget.

**Relative:** An individual's spouse, domestic partner, natural or adopted child, grandchild, great-grandchild, sibling, half-sibling, ancestor, or the spouse or domestic partner of the individual's child, grandchild, great-grandchild, or sibling.

**Related Party:** A Related Party includes:

- Any Director, officer, or Key Person of the Corporation or any Affiliate of the Corporation;
- Any Relative of any Director, officer, or Key Person of the Corporation or any Affiliate of the Corporation; or
- Any entity in which any individual described in this definition has a 35% or greater ownership or beneficial interest in or, in the case of a partnership or professional corporation, a direct or indirect ownership interest in excess of 5%.

**Related Party Transaction:** Any transaction, agreement or any other arrangement in which a Related Party has a Financial Interest and in which the Corporation or an Affiliate of the Corporation is a participant is a Related Party Transaction, except that a transaction shall not be a Related Party Transaction if: (i) the transaction or the Related Party's Financial Interest in the transaction is de minimis, (ii) the transaction would not customarily be reviewed by the board or boards of similar organizations in the ordinary course of business and is available to others on the same or similar terms, or (iii) the transaction constitutes a benefit provided to a Related Party solely as a member of a class of the beneficiaries that the Corporation intends to benefit as part of the accomplishment of its mission which benefit is available to all similarly situated members of the same class on the same terms. A transaction, agreement or other arrangement otherwise meeting the requirements for a Related Party Transaction is a Related Party Transaction even if the Board determines that a conflict of interest does not exist.

## **PROCEDURES FOR THE DISCLOSURE, REVIEW AND RESOLUTION OF CONFLICTS OF INTEREST**

Any Director, officer or Key Person with an actual, potential or perceived Conflict of Interest shall make a good faith disclosure of all material facts related to such interest in writing to the Corporation's Secretary and the Chair of the Board, who shall, in turn, provide such information to the Board or to an authorized committee of the Board.

An Interested Person may be counted in determining the presence of a quorum at the Board or committee meetings at which a reported Conflict of Interest is considered; provided that at the time of any deliberation or decision by the Board or committee, the Interested Person shall not be present at the meeting. Such Interested Person shall not attempt to improperly influence any deliberations or voting; however the Board or committee may request the Interested Person to provide information regarding the potential Conflict of Interest prior to the commencement of deliberations or voting thereon.

After exercising due diligence, the Board or committee shall determine by a majority vote of the disinterested members present whether a Conflict of Interest exists and whether the transaction or arrangement involving a possible Conflict of Interest is in the Corporation's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above

determination, it shall make its decision as to whether to enter into the transaction or arrangement.

If the transaction or arrangement involving a possible Conflict of Interest constitutes a Related Party Transaction, then such transaction shall be subject to the Board's, or an authorized committee of the Board's, determination, by majority in attendance, that such transaction is fair, reasonable and in the Corporation's best interest. If a Related Party has a substantial financial interest in Related Party Transaction, then the Board, or an authorized committee of the Board, shall also consider alternative transactions, to the extent any alternative transactions are available.

The minutes of the meeting shall reflect the disclosure of the potential Conflict of Interest and the fact that the Interested Person was not present during deliberations and did not vote. If the Board or an authorized committee of the Board authorizes a Related Party Transaction in which a Related Party has a substantial financial interest, the minutes shall also include details on the basis for the Board's or committee's determination, including its consideration of alternative transactions.

In the event the Corporation enters into a transaction or arrangement that constitutes a Related Party Transaction that did not receive the Board's or authorized committee's determination that it was fair, reasonable and in the Corporation's best interest at the time it was entered into, the Board or authorized committee shall, upon learning of the transaction or arrangement, follow the above procedures and consider whether the transaction or arrangement was fair, reasonable and in the Corporation's best interest at that time, and if so (A) ratify the transaction or arrangement in good faith that it was fair, reasonable and in the Corporation's best interest at that time, and that, if appropriate, that alternative transactions were considered; (B) document the Board's or committee's basis for the ratification; and (C) put in place additional procedures to help to ensure that Board or committee consideration and approval is obtained in the future.

## **COMPENSATION**

With respect to Directors or any committee members receiving compensation, directly or indirectly, from the Corporation for services

- (a) Such person shall not participate in any deliberations or voting related to such person's compensation; and
- (b) Such person shall not be prohibited from participating in any Board or committee activities regarding the compensation of other individuals.

## ANNUAL CONFLICT OF INTEREST DISCLOSURE STATEMENT

All Directors, officers, and Key Persons are required to sign and submit an Annual Conflict of Interest Disclosure Statement to the Corporation's Secretary or designated compliance officer. New Directors must complete and sign this form prior to joining the Board.

The Annual Conflict of Interest Disclosure Statement shall provide that:

(a) Directors, officers, and Key Persons must identify, to the best of his or her knowledge, any entity of which such person is an officer, Director, member, owner, or employee and with which the Corporation has a relationship, as well as any transaction in which the Corporation is a participant and in which the person might have a conflicting interest

(b) Directors, officers and Key Persons must affirm they:

- Received a copy of this Policy,
- Read and understand this Policy,
- Agree to comply with this Policy
- Understand the Corporation is charitable and in order to maintain its federal tax exemption must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

**NEW YORK STATE READING ASSOCIATION, INC.**

Director's Initial/Annual Conflict of Interest Disclosure Statement

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In accordance with **New York State Reading Association, Inc.’s** Conflict of Interest Policy (the “**Policy**”), the undersigned Director hereby:

(1) Identifies that I am an officer, director, member, trustee, owner, or employee of the following entities with which the Corporation has a relationship:

(2) Identifies that I may have a conflicting interest with and/or a financial interest in the following transactions in which the Corporation is a participant:

(3) Affirms:

- a. I have received a copy of the Policy;
- b. I have read and understand the Policy;
- c. I agree to comply with the Policy; and

d. I understand the Corporation is a charitable entity, and, in order to maintain its federal tax exemption, it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

\_\_\_\_\_  
Name (print)

\_\_\_\_\_  
Signature

Date: \_\_\_\_\_