



**ERADICATING THE SCHOOL-TO-PRISON PIPELINE
FOUNDATION, INC. (E-SToPP)**

Conflict of Interest Policy

**ARTICLE I:
PURPOSE**

The purpose of the Conflict of Interest Policy is to protect E-SToPP's interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an E-SToPP Officer or Director 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 conflict of interest applicable to nonprofit and charitable organizations. This policy was adopted by resolution of the Board of Directors.

**ARTICLE II:
DEFINITIONS**

1. **Arm's Length.** Arm's length standard exists where the parties have an adverse or opposing interest (e.g., buyer versus seller).
2. **Board of Directors.** The Board of Directors is also referred to as the Governing Board of Directors, interchangeably.
3. **Compensation.** Compensation is all forms of income from working, including salary or wages; deferred compensation; retirement benefits, whether in the form of a qualified or non-qualified employee plan (e.g., annuities, pensions); fringe benefits (e.g., personal vehicle, meals, lodging, personal and family education benefits, low interest loans, payments of personal travel, entertainment, or other expenses, association membership, personal use of your property); bonuses; and any other direct and indirect remuneration as well as gifts or favors that are not insubstantial.
4. **Conflict of Interest.** A conflict of interest arises when a person in a position of authority over an organization, such as a director, officer, or manager, may benefit personally from a decision he or she could make.
5. **Conflict of Interest Policy.** A conflict of interest policy consists of a set of procedures to follow to avoid the possibility that those in positions of authority over an organization may receive an inappropriate benefit.



6. Duty to Disclose. Duty to disclose is defined as an interested person’s responsibility to make known his or her connection with any actual or possible conflict of interest as in the existence of the financial interest and the opportunity to disclose all material facts to the Directors and members of committees with governing board-delegated powers considering the proposed transaction or arrangement.

7. Financial Interest. A financial interest is not necessarily a conflict of interest, but a financial interest arises when a person has, directly or indirectly, through business, investment, or family:

a. An ownership or investment interest in any entity with which E-SToPP has a transaction or arrangement,

b. A compensation arrangement with E-SToPP or with any entity or individual with which the E-SToPP has a transaction or arrangement, or

c. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which E-SToPP is negotiating a transaction or arrangement.

8. Founding Board of Directors. The Founding Board of Directors (henceforth referred to as the Founding Board) joins the Founder of E-SToPP as allies to pursue the mission and vision of E-SToPP as a legitimate 501(c)(3) not-for-profit charitable organization. Each member of the Founding Board is essentially a member of the first Governing Board of Directors and is eligible for yearly reelection.

9. Governing Board of Directors. The Governing Board of Directors (henceforth referred to as the Governing Board) is responsible for overall supervision, guidance, and formal pursuit of the mission and vision of E-SToPP as a legitimate 501(c)(3) not-for-profit charitable organization, including all endeavors and initiatives, such as schools, out-of-school programs, and after-school programs (henceforth referred to as the school). The Governing Board defines, determines, outlines, and delegates the school’s hierarchy of authority, responsibilities, rules, and regulations related to staff job performance, benefits, evaluation, and mentoring procedures. The Governing Board also provides the school with fiscal compliance, support, and sound management; legal guidance; insurance compliance; human resource support and management; fiscal plant acquisition, maintenance and support; and guidance in federal, state, and local (charter) school regulations and requirements. When applicable, the Governing Board is required by (charter) school statutes to attend governance training provided by the sponsor after elected to the Governing Board and periodically thereafter.

10. Interested Person. An interested person is defined as any member or officer on the Founding Board, any member or officer on the Governing Board, or a member of a committee



with Founding or Governing Board-delegated powers who has a direct or indirect financial interest. An interested person is also defined as any person being compensated by E-SToPP for services rendered to it within the previous twelve (12) months or prospectively, whether as a full-time or part-time employee, independent contractor or owner, officer or director of any corporation that acts as a contractor, or otherwise. An interested person is also defined as any brother, sister, ancestor, dependent, spouse, domestic partner, brother-in-law, sister-in-law, father-in-law, or mother-in-law of any such person.

a. Except for the Executive Director, no person who serves on the Founding Board or the Governing Board at any time may be an interested person, unless approved by the respective Board of Directors. However, any violation of the provisions of this section shall not affect the validity or enforceability of any transaction entered into by E-SToPP.

b. A person who has a financial interest may have a conflict of interest only if the appropriate Governing Board or committee decides that a conflict of interest exists.

c. If there ever appears to be a conflict of interest in a discussion item at a Board meeting because a particular Board Member is engaged in business with the organization then that Board Member shall exempt him or herself from the discussion and/or vote to end any possible conflict of interest.

11. **Inurement.** To come into legal operation or effect.

12. **President of the Board.** The President of the Board by virtue of the office shall be Chairperson of the Board of Directors.

13. **Voting Members.** Voting members are defined as all Founding Board and/or Governing Board members.

ARTICLE III: PROCEDURES

1. Disclosure of a Financial Interest.

a. Upon realization that a possible conflict of interest exists, the interested person shall have two weeks to disclose the financial interest, including all material facts. The interested person shall include in a written document the following: when he or she realized the possible financial interest, why he or she believes it may be a financial interest, in what ways he or she benefits from the financial interest, and in what ways it may harm E-SToPP or any Board or committee



member. The interested person shall deliver the written document to the President, Vice-President, or Secretary/Treasurer within the two-week period.

b. The President, Vice-President, or Secretary/Treasurer, who received the document shall call a special meeting of the Founding Board, Governing Board, and committee members that served during the period of the possible financial interest. The special meeting is called according to the bylaws of E-SToPP in order to determine whether a conflict of interest exists.

2. Determining Whether a Conflict of Interest Exists.

a. After the special meeting has been called to order, the interested person orally discloses the possible financial interest in the same manner and with the same material facts as the written document, which disclosed the financial interest. The Board and committee members are allowed a question and answer period to gain a full understanding of the disclosure and all material facts.

b. After disclosure of the financial interest and all material facts at the special meeting, and after any discussion with the interested person, he or she shall leave the special meeting. The remaining board or committee members will discuss the possible financial interest and vote upon the matter to determine with a quorum whether a conflict of interest exists.

3. Procedures for Addressing an Unresolved Conflict of Interest.

a. If no resolution occurs as to whether a financial interest exists, the President of the Governing Board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.

b. After exercising due diligence for no longer than one month, the Governing Board or committee shall call another special meeting to determine with a quorum whether E-SToPP can obtain with reasonable efforts a more advantageous transaction or arrangement 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 possible under circumstances not producing a conflict of interest, the Governing Board or committee shall determine by a quorum vote of the disinterested Board members whether the transaction or arrangement is in the best interest of E-SToPP, 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.



4. Violations of the Conflicts of Interest Policy.

a. If the Founding Board, Governing Board, or committee member has reasonable cause to believe 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 at the next Board meeting if within two weeks. If not within the allotted time, the member submits a written document with the material facts as he or she believes them to be true to the President, Vice-President, or Secretary/Treasurer, who calls a special meeting according to the bylaws.

b. At the special meeting, the member who has possibly failed to disclose actual or possible conflicts of interest will be afforded an opportunity to explain the alleged failure to disclose to the Board and committee members who were serving during the time of the possible conflict of interest. If, after hearing the member's response and after making further investigation as warranted by the circumstances, the respective Board or committee determines by quorum that the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

ARTICLE IV: RECORDS OF PROCEEDINGS

1. Minutes. The minutes of the Founding Board, Governing Board, and all committees with board-delegated powers shall contain:

a. 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 Founding or Governing Board's or committee's decision as to whether a conflict of interest in fact existed.

b. 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 with the proceedings.



ARTICLE V: COMPENSATION

1. Voting Members.

- a.** A voting member of the Founding or Governing Board who receives compensation, directly or indirectly, from E-SToPP for services is precluded from voting on matters pertaining to that member's compensation.

- b.** A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from E-SToPP for services is precluded from voting on matters pertaining to that member's compensation.

- c.** No voting member of the Founding or Governing Board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from E-SToPP, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

ARTICLE VI: ANNUAL STATEMENTS

1. Sign Annual Statement. Each Founding or Governing Board member, Founding or Governing Board Officer, and committee member with governing board-delegated powers shall annually sign a statement which affirms 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 E-SToPP is a 501(c)(3) charitable organization 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.

ARTICLE VII: PERIODIC REVIEWS

1. Ensure Charitable Purposes and Activities. To ensure that E-SToPP 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:

- a. Whether compensation arrangements and benefits are reasonable, based on competent survey information, and the result of arm's length bargaining.
- b. Whether partnerships, joint ventures, and arrangements with management organizations conform to E-STOPP'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.

ARTICLE VIII: USE OF OUTSIDE EXPERTS

1. **Outside Advisors.** When conducting the periodic reviews as provided for in Article VII, E-STOPP may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the Governing Board of its responsibility for ensuring that periodic reviews are conducted.