

**AMENDED AND RESTATED BYLAWS OF  
ARIZONA'S CHILDREN ASSOCIATION**

**ARTICLE I  
NAME; CORPORATION ARTICLES**

**Section 1.1 Name.** The name of the organization is Arizona's Children Association (the "**Corporation**"). The Corporation also may do business under one or more trade names approved by the Corporation's Board of Directors.

**Section 1.2 References to Articles.** Any reference herein made to the Corporation's articles of incorporation will be deemed to refer to its articles of incorporation and all amendments thereto as at any given time on file with the Arizona Corporation Commission, together with any and all certificates filed by the Corporation with the Arizona Corporation Commission (or any successor to its functions) pursuant to applicable law.

**Section 1.3 Seniority.** The Corporation's articles of incorporation and the Arizona Nonprofit Corporation Act will, in all respects, be considered senior and superior to these bylaws, with any inconsistency to be resolved in favor of such articles and such law, and with these bylaws to be deemed automatically amended from time to time to eliminate any such inconsistency which may then exist.

**ARTICLE II  
CORPORATION OFFICES**

**Section 2.1 Known Place of Business.** The known place of business of the Corporation shall be 3716 E. Columbia St., Tucson, AZ 85714, unless otherwise designated in the articles or in a written statement or document duly executed and filed with the Arizona Corporation Commission. The Corporation may have such other offices, either within or without the State of Arizona, as the Board of Directors of the Corporation (the "**Board**") may designate or as the business of the Corporation may require from time to time, and the Corporation may transact its business at such other offices with the same effect as that conducted at the principal office.

**Section 2.2 Change Thereof.** The Board may change the Corporation's known place of business or its statutory agent from time to time by filing a statement with the Arizona Corporation Commission pursuant to applicable law.

**ARTICLE III  
THE PURPOSE AND MISSION**

**Section 3.1 Mission.** The mission of the Corporation is to protect children, empower youth and strengthen families. The Corporation carries out its mission to children, adults and families, and implements its purpose through the following means:

(i) The development and delivery of quality services designed to meet identified needs of children.

(ii) Contributing to the knowledge and expertise needed to provide quality services to children, adults and families by affiliating with local, state and national organizations, accrediting bodies and through participation in symposiums, conferences and workshops for that purpose.

(iii) Public education efforts to increase community awareness of the needs of children, adults and families and by advocating for the establishment of services to meet those needs.

## **ARTICLE IV MEMBERS**

**Section 4.1** **No Members.** The Corporation shall have no members. The affairs of the Corporation shall be administered by the Board.

## **ARTICLE V MEMBERSHIP OF THE BOARD OF DIRECTORS**

**Section 5.1** **Powers and Number.** Subject to any limitations set forth in the articles of incorporation, these bylaws, or applicable laws, all corporate powers shall be exercised by or under the authority of and the affairs of the Corporation shall be managed under the direction of the Board. The number of directors shall be at least twenty (20) but no more than fifty (50). Within the specified limits, the numbers of directors can be increased or decreased from time to time, by resolution of the Board, but such action by the Board shall require a vote of a majority of the Entire Board. As used in these bylaws, the term “**Entire Board**” shall mean the total number of directors entitled to vote on matters presented to the Board.

**Section 5.2** **Election and Term of Office.** To become a director, a person shall be elected to the Board by a majority of the Entire Board. Each director shall hold office for the term as specified by the Board in its resolution electing such director and each shall serve for such term and until the election and qualification of a successor, or until such director’s death, resignation or removal; provided that each director shall hold office for a term of three (3) years.

**Section 5.3** **Removal.** Any director may be removed at any time with or without cause at a regular or special meeting called for that purpose by the affirmative vote of a majority of the Entire Board.

**Section 5.4** **Attendance.** Without limiting the application of this Article V, upon recommendation of the Board Governance Committee, and the discretion of the Board, a director may be removed from the Board if that director has unexcused absences for fifty percent (50%) of Board meetings in any 12-month period.

**Section 5.5** **Resignation.** Any director may resign from the Board at any time by giving written notice to the Board or the Board Chair of the Corporation. Any such resignation will be effective upon its receipt by the Corporation unless some later time is

therein fixed, and then from that time; the acceptance of a resignation will not be required to make it effective.

**Section 5.6 Vacancies.** Vacancies on the Board that occur for any reason, including any vacancy occurring by reason of the death, resignation, or removal of a director, may be filled at any meeting of the Board by the vote of the majority of the Entire Board in accordance with Section 8 herein. Each director so elected shall serve until the next annual meeting and until such director's successor is elected or appointed and qualified.

**Section 5.7 Qualifications.** Any person is eligible to become a member of the Board by demonstrating an interest in the purposes of the Corporation and by subsequent election to the Board herein.

**Section 5.8 Election Nomination Procedure.** The Board Governance Committee shall provide to the Board its recommendations for nominees to be elected to the Board on an annual basis and at such other time as determined by the Board or Board Governance Committee. The nominee list and nominee consents shall be presented to the Board no later than at the Board meeting immediately preceding the annual meeting of the Board.

**Section 5.9 Emeritus Members.** Any person who has made a significant contribution to the welfare and success of the Board and to the mission of the Corporation may be designated an Emeritus Board Member through the recommendation of the Board Governance Committee and the approval of the Board. Emeritus Board Members shall be non-voting members and shall not be counted for purposes of Quorum Requirements.

**Section 5.10 Member Leaves of Absence.** Any person who has made a significant contribution to the welfare and success of the Board and to the mission of the Corporation may be granted a leave of absence from the Board through the recommendation of Board Governance Committee and the approval of the Board. Leaves of absence may be granted in case of significant events involving Board members including, but not limited to, a call to active military duty; major personal illness of the member or a dependent family member; temporary employer assignment out of state. Leaves of absence generally will not exceed eighteen months. Board members on leave of absence shall not be entitled to vote on matters brought before the Board and shall not be counted for purposes of Quorum Requirements.

**Section 5.11 Meetings.** The annual and regular meetings of the Board shall be held at such times and places as may from time to time be fixed by the Board or may be specified in a notice of meeting provided that the Board shall meet no less than three (3) times in each twelve (12) month period. Special meetings of the Board may be held at any time upon the call of the Board Chair or any director upon the written demand of five (5) directors, in each case at such time and place as shall be fixed by the person or persons calling the meeting, as specified in the notice thereof. Annual meetings shall be held in November of each year unless otherwise determined by the Board.

**Section 5.12 Notices.** Written notice of the date, time and place of any special meeting will be given to each director in person or via mail, facsimile, or electronic communication addressed to each director at his or her latest contact information appearing on the Corporation's records. Notice to any director of any such special meeting will be deemed given sufficiently in advance when (i) if given by the United States Postal Service, the same is deposited in the mail, with first class or airmail postage prepaid, at least five (5) days before the meeting date, (ii) if personally delivered or delivered by electronic mail, the same is transmitted at least two (2) days before the meeting date, or (iii) if given by facsimile or email, the same is transmitted and electronic confirmation of successful transmission is received at least two (2) days prior to the convening of the meeting. Any director may waive call or notice of any meeting (and any adjournment thereof) at any time before, during which or after it is held. Attendance of a director at any meeting will automatically evidence his or her waiver of call and notice of such meeting (and any adjournment thereof) unless he or she is attending the meeting for the express purpose of objecting to the transaction of business because the meeting has not been properly called or noticed. Any meeting once properly called and noticed (or as to which call and notice have been waived as aforesaid) and at which the Quorum Requirement is attained, may be adjourned to another time and place by a majority of those in attendance. Any business may be transacted at any Board meeting.

**Section 5.13 Quorum.** At each meeting of the Board, the presence of at least fifty percent (50%) of the Entire Board shall constitute a quorum for the transaction of business or any specified item of business ("**Quorum Requirement**"). If a quorum is not present at any meeting of the Board, a majority of the directors present may adjourn the meeting to another time with notice of the adjournment provided in accordance with Section 12 herein.

**Section 5.14 Voting.** Except as expressly set forth herein, the vote of a majority of the directors present at the time of a vote, if a quorum is present at such time, shall be the act of the Board. All directors shall have equal voting rights on all matters to come before the Board. In the event that a director is unable to attend a meeting, the director may vote by proxy. A vote by proxy does not relieve a director of his or her responsibilities and duties as a director with respect to actions taken by the Board at any meeting for which such director has given a proxy.

**Section 5.15 Action by Directors Without a Meeting.** Any action required or permitted to be taken by the Board or any committee authorized to take such action thereof may be taken without a meeting by a consent resolution evidencing approval in writing by a majority of the Entire Board, or otherwise the required greater percentage for directors' approval that is required for a specific matter, and the consent resolutions shall be filed with the minutes of the proceedings of the Board. Such consent shall have the same effect as a vote of the directors of the Corporation at a meeting duly called and noticed. Directors may provide for approval of a consent resolution by use of electronic communication and the internet in such manner as approved by the Board.

**Section 5.16 Meetings by Remote Communication.** Any one or more members of the Board or any committee thereof may participate in any meeting of the Board or such

committee by means of a conference telephone, video conference or similar communications equipment. Participation by such means shall constitute presence in person at a meeting provided that all persons participating in the meeting can hear each other at the same time and each director can participate in all matters before the Board, including, without limitation, the ability to propose, object to, and vote upon a specific action to be taken by the Board or committee.

**Section 5.17 Compensation.** No director shall receive or be entitled to receive any compensation from the Corporation or reimbursement of expenses by reason of serving on the Board.

## **ARTICLE VI OFFICERS**

**Section 6.1 Number.** The officers of the Corporation shall consist of Chair (“Chair” or “Board Chair”), Chair-Elect, Treasurer and Secretary. They shall serve for a period of one (1) year. The Chair may serve two (2) consecutive one year terms. No officer shall hold any single office for more than three one year terms. Exceptions can be made by a vote of the majority of the Entire Board approving such exceptions.

**Section 6.2 Election.** From time to time, at its discretion, the Board may elect or appoint such other officers as may be deemed necessary, with such authority to perform such duties as may be prescribed from time to time by the Board. The officers of the Board shall be appointed at the first Board meeting following the Annual Meeting.

**Section 6.3 Removal.** Any officer elected or appointed by the Board may be removed at any time, with or without cause, by a vote of a majority of the Entire Board.

**Section 6.4 Resignations.** Any officer may resign at any time by giving 30 days written notice to the Board. Unless otherwise specified in the notice, the resignation shall take effect at the time of receipt by the Board. The acceptance of such resignation shall not be necessary to make it effective. The Board Governance Committee shall present to the Board replacement officer nominees for election by the Board.

**Section 6.5 Duties of Officers.** The Chair, subject to the direction of the Board, shall have responsibility for managing and conducting the business of the Board for a term of one (1) year. The Chair may serve two (2) consecutive one year terms. The Chair shall preside at all meetings of the Board and the Executive Committee. The Chair shall be a member ex-officio of all committees with the exception of the Board Governance Committee. ~~At all these attending committee meetings, which~~ the Chair shall have voting rights. The Chair shall appoint the members to the Standing Committees of the Corporation, including the chairs of those committees.

The Chair shall confer with the President and Chief Executive Officer on a regular basis to coordinate the governance and management functions of the Corporation, and is responsible for initiating and overseeing the annual evaluation of the President and Chief Executive Officer.

**Section 6.6 Chair-Elect.** In the absence of the Chair, the Chair-Elect shall assume all duties of that office. The Chair-Elect shall be an ex-officio member of all committees with the exception of the Board Governance Committee. At all these attending committee meetings, the Chair-Elect shall have voting rights. The Chair-Elect shall serve for a term of one (1) year. The Chair-Elect may serve two (2) consecutive one year terms. The Chair-Elect shall become familiar with the Bylaws of the Corporation and will serve as Parliamentarian to provide advice to the Board. The Chair-Elect, Chair and the President and Chief Executive Officer will work together to create and implement a plan for the training and mentorship for the Chair-Elect that is appropriate to the person serving as Chair-Elect. Training and mentorship shall continue throughout the term of office of the sitting Chair. All meetings and trainings will be documented by the Chair-Elect in a regular quarterly report to the Board Governance Committee.

**Section 6.7 Treasurer.** The Treasurer shall perform all duties incidental to the office, and shall serve as Chair of the Finance Committee. The Treasurer shall receive and present monthly financial statements to the Board, and shall receive and present regular reports on the management and performance of the Corporation's investments. The Treasurer will serve ex-officio as a member of the Arizona's Children Foundation ("Foundation") Board of Trustees, attending meetings and presenting reports on the Foundation's investments and related financial matters.

**Section 6.8 Secretary.** The Secretary shall keep, or cause the Corporation to keep, in a paper or digital format, the minutes of meetings of the Board, the Annual Meeting and all Executive Committee meetings. The Secretary shall sign the minutes of meetings he or she attends and otherwise ensure that all minutes of meetings of the Board and committees are signed by a participant.

## **ARTICLE VII EXECUTIVE AND ADMINISTRATIVE EMPLOYEES**

**Section 7.1 President and CEO.** The Board shall appoint the President and Chief Executive Officer of the Corporation. The President and Chief Executive Officer shall have appropriate professional and managerial qualifications as determined by the Board in keeping with the needs and requirements of the Corporation and shall serve at the discretion of the Board.

**Section 7.2 Authority and Responsibility of the President and Chief Executive Officer.** The President and Chief Executive Officer shall be responsible for managing and administering all functions and aspects of the Corporation in accordance with the policies and directives formulated and adopted by the Board from time to time and shall report to the Board.

The responsibilities of the President and Chief Executive Officer include, but are not limited to, overseeing the employment of all staff including the privileging of clinical staff, establishing all administrative and organizational procedures and structures necessary for the orderly and effective operations of the Corporation, implementing policies and procedures adopted by the Board, and monitoring the quality and effectiveness of all

Corporation programs and functions. The President and Chief Executive Officer shall negotiate, execute and administer contracts as directed and approved by the Board, and shall be the liaison between the Board and staff.

**Section 7.3 Reporting.** The President and Chief Executive Officer shall be responsible for submitting regular reports to Board committees and to the Board on all phases of the Corporation's operations designed to enable the Board to assess the quality of the Corporation's programs and effectiveness of the President and Chief Executive Officer.

**Section 7.4 Management Staff.** The President and Chief Executive Officer is granted authority to establish those management positions that are necessary to ensure effective management of the Corporation, and may delegate any of the powers granted to him/her under this Article as deemed necessary provided that the President and Chief Executive Officer cannot delegate the responsibility that is inherent with the position.

## **ARTICLE VIII COMMITTEES**

**Section 8.1 Standing Committees.** The Executive, Finance, Program, Board Governance, Human Resources, Fundraising and Marketing and Audit Committees are the standing committees of the Corporation. The Board from time to time may authorize the creation of additional committees as determined necessary for the operation of the Corporation. Appointment to all standing committees and special committees, including the chairs of each committee shall be made by the Board Chair. The chair of each committee shall serve no more than two (2) consecutive one year terms. Each standing committee shall include at least three (3) members of the Board. Additional members of the standing and special committees need not be members of the Board. A committee shall not have the authority of the Board in reference to the following matters: (1) the filling of vacancies on the Board; and (2) the amendment or repeal of the bylaws, or the adoption of new bylaws. A member of any committee may be removed, with or without cause, by the Board.

**Section 8.2 Executive Committee.** The Executive Committee shall consist of the officers of the Corporation, the immediate past Chair, the Chair of the Audit Committee and two (2) Board members at large approved by the Board Chair. It shall have responsibility to manage and oversee the business of the Board; to act on behalf of the Board in emergency situations; to review personnel policies and salary and employee benefits on a regular basis; to annually evaluate the President and Chief Executive Officer; and to receive reports on all employee grievances both internally and externally. All Executive Committee actions must be fully reported at the next regular meeting of the Board for their ratification.

The Executive Committee shall meet on the call of the Board Chair or upon the request of two (2) members of the Executive committee. Three (3) members shall constitute a quorum.

**Section 8.3 Finance Committee.** The Finance Committee shall have the responsibility to oversee all financial aspects of the Corporation's operations; to recommend an annual budget to the Board; to oversee the management of Corporation investments and funds; to review monthly financial statements; to educate the Board regarding fiscal and legal accountability for oversight of all programs; to monitor the insurance needs of the organization and review currently held policies on an annual basis; to receive regular financial reports from staff; to oversee all physical facilities and other properties held by the Corporation; and to periodically review the need for new or renovated facilities.

The Finance Committee will be chaired by the Treasurer. If at any time the committee determines there is a potential financial risk to the Corporation, the Finance Committee Chairperson is to immediately report the potential risk to the President and Chief Executive Officer, at which time, it will be determined how to investigate the risk and when to notify the full Board.

The Finance Committee Chair is responsible for reporting at the Board and Executive Committee meetings on the financial status of the organization.

**Section 8.4 Program Committee.** The Program Committee shall have the responsibility to oversee the program services of the Corporation; to receive reports pertaining to the quantity and quality of services delivered; to review needs for services for children, adults and families in the communities the Corporation serves and to consider proposals for new and/or expanded services from staff. The Program Committee will participate and receive reports on reaccrediting and licensing studies to ensure that the services meet or exceed the standards as set forth by the relevant accrediting bodies.

**Section 8.5 Board Governance Committee.** The Board Governance Committee shall be comprised of no less than six (6) members who are all members of the Board. The committee shall have overall responsibility for the following:

(i) The recruitment and vetting of candidates who may be suitable to (a) serve on the Board ("**Board Candidates**") and (b) serve as an officer of the Corporation ("**Officer Candidates**")

(ii) The presentation to the Board of a slate of recommended Board Candidates and Officer Candidates for consideration to be elected or appointed, as the case may be, at the Annual meeting. Such slates shall be presented to the Board for review at the Board meeting immediately preceding the Annual meeting.

(iii) The presentation to the Board of Board Candidates and Officer Candidates to fill vacated positions from time to time as they occur.

(iv) The annual review of the Bylaws of the Corporation and its Foundation with recommendation for amendments presented to the Board. The Bylaws of the Corporation and its Foundation may be amended by an affirmative vote of two-thirds (2/3) of the Entire Board present at the regular or special meeting of the Board called for the purpose provided that written notice of the proposed amendments shall have been given

two weeks prior to the meeting and otherwise in accordance with Section 5.12 at which the amendments are to be considered.

(v) An annual analysis of Board composition from the perspective of diversity and a recommendation to the Board of a recruitment plan to meet those needs contained within a rolling, three-year plan presented to the Board at the Corporation's annual meeting.

(vi) The orientation of new Board members and the continuing education of directors.

(vii) The bi-annual self-evaluation of the Board including the development of the evaluation tools, implementation of the evaluation, and reporting of the results to the Board.

(viii) The bi-annual evaluation of each Board committee as to its effective functioning in fulfilling its responsibilities according to the Committee's charter or responsibilities statement, as appropriate, and reporting the evaluation results to the Board.

(ix) The quarterly review of each Board meeting with input from all directors in attendance.

(x) Establish the criteria and qualifications of Board membership and maintaining that membership.

(xi) Annually, review the Code of Ethics, Conflict of Interest Policy and make recommendations for enhancements, as appropriate, to the Board.

(xii) Other duties as assigned by the Board Chair from time to time.

**Section 8.6 Human Resources Committee.** It is the responsibility of the Human Resources Committee to oversee and regularly review the personnel policies and standards of conduct for program staff, consultants and volunteers, including, but not limited to, the approval of modifications or addendums to such policies; and to oversee the training, risk management, and human resources management functions within the Corporation, and to report status to the Board on a quarterly basis.

The Committee will review with management the policies and procedures with respect to officers, key employees (president and chief executive officer, chief financial officer, chief operating officer) disqualified persons as defined by the Internal Revenue Service (IRS) under Internal Revenue Service Code Section 4958, as well as expense accounts, and perks, including excess benefit transactions, and consider the results of any review of by the Executive Committee.

**Section 8.7 Fundraising and Marketing Committee.** It is the responsibility of the Fundraising and Marketing Committee to work with appropriate staff to ensure that the activities of the Development and Marketing and Communications departments are congruent with the Corporation's strategic plan and are optimal in terms of continuing

efforts to brand the Corporation; and to assist in identifying and securing leveraged resources.

In addition, the Fundraising and Marketing Committee shall have the responsibility of ensuring that the strategies and plans for increasing private revenues to the Corporation are fulfilled and adhered to according to the Corporation's strategic plan. The Committee will assist staff by finding new supporters of the Corporation and will facilitate approaches by staff to corporate, individual and foundation leaders for resources that will enhance the Corporation's ability to provide services. Members of the Fundraising and Marketing Committee may be elected or recommended by the Board to serve three-year, renewable terms on the Foundation's Board of Trustees.

**Section 8.8 Audit Committee.** It is the responsibility of the Audit Committee to assist the Board in fulfilling its governance and fiduciary responsibilities. The committee will review the external audit process and results, the organization's process for monitoring compliance with laws and regulations and with the Code of Conduct, and the effectiveness of internal controls.

## **ARTICLE IX FISCAL YEAR**

The fiscal year of the Corporation shall be from October 1 to September 30.

## **ARTICLE X CONFLICT OF INTEREST**

**Section 10.1 Adoption of Conflict of Interest Policy and Statement.** The Board shall adopt the Conflict of Interest Policy and the Annual Conflict of Interest Questionnaire and Disclosure Statement in form and substance similar to that attached hereto as Schedule A and Schedule A1, respectively. The Board Governance Committee shall review the Conflict of Interest Policy and the form of the Conflict of Interest Questionnaire and Disclosure Statement on at least an annual basis and make recommendations to the Board for approval of amendments or restatements, as applicable, from time to time.

**Section 10.2 Annual Execution of Conflict of Interest Acknowledgment Statement.** In accordance with Article V of the Conflict of Interest Policy, each director, officer and member of a committee with powers delegated by the Board shall comply with and execute, on an annual basis, the Conflict of Interest Acknowledgment Statement.

**Section 10.3 Conflict of Interest Procedure.** The Corporation's Conflict of Interest Policy must be consulted and satisfied prior to entering into any transaction or arrangement covered by such policy. Each director, officer and committee member shall conduct himself or herself in a manner consistent with the Conflict of Interest Policy including, without limitation, any provisions thereof relating to self-dealing generally, and certain prohibited transactions and compensation.

**ARTICLE XI  
EXCULPATION; INDEMNIFICATION**

**Section 11.1 Exculpation.** Notwithstanding any other provision of these bylaws, whether express or implied, or any obligation or duty at law or in equity (including fiduciary duties), no director or officer or former director or officer of the Corporation shall be liable to the Corporation or any other person for any act or omission of such person in good faith reliance on the provisions of these bylaws or the articles of incorporation, or for any other act or omission taken in connection with the Corporation's purpose unless such act or omission was not undertaken in good faith.

**Section 11.2 Indemnification.**

(i) No director or officer of the Corporation shall be personally liable for monetary damages for any action taken or any failure to take any action as a director or officer, except as limited by Arizona Revised Statutes, Section 10-3202(B)(1).

(ii) The Corporation shall indemnify any and all of its existing and former directors and officers to the fullest extent permitted by Arizona Revised Statutes, Section 10-3202(B)(2). If Arizona law is amended to authorize corporate action broadening the Corporation's ability to indemnify its directors and officers, the Corporation shall indemnify its existing and former directors and officers to the fullest extent permitted by Arizona law, as amended.

(iii) Any repeal or modification of this Article XI shall not adversely affect any right or protection of any existing or former director or officer of the Corporation with respect to any act or omission occurring prior to or at the time of such repeal or modification.

**Section 11.3 Insurance.** The Corporation shall purchase and maintain insurance on behalf of any person who is or was a director or officer of the Corporation against any liability asserted against him or her and incurred by him or her, in such capacity or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against such liability under this Article XI of these bylaws.

A certified true and correct copy of these Amended and Restated Bylaws of Arizona's Children Association was adopted this \_\_\_\_ day of \_\_\_\_\_, 20\_\_, by the Board of Directors of the Corporation.

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Denise Ensdorff, President and Chief  
Executive Officer

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\_\_\_\_\_, Secretary

SCHEDULE A  
**CONFLICT OF INTEREST POLICY**

**CONFLICT OF INTEREST POLICY  
OF  
ARIZONA'S CHILDREN ASSOCIATION  
an Arizona nonprofit corporation**

**ARTICLE 1  
PURPOSE**

The purpose of this Conflict of Interest Policy (this "Policy") is to protect the interests of Arizona's Children Association, an Arizona nonprofit corporation (the "Organization"), when it is contemplating entering into a transaction or arrangement that might benefit the private interests of an *Interested Person*, including a transaction or arrangement that is covered by the excess benefit transaction rules in Section 4958 of the Internal Revenue Code of 1986, as amended.<sup>1</sup> This Policy is intended to supplement, but not replace, any applicable state laws governing conflicts of interest applicable to nonprofit organizations, and it shall be interpreted in a manner consistent with the limitations and restrictions imposed under applicable tax laws.

**ARTICLE 2  
DEFINITIONS**

All italicized terms used in this Policy are defined in the attached Appendix A.

**ARTICLE 3  
PROCEDURES**

**3.1 SCOPE**

(a) If a proposed transaction or arrangement being considered by the Organization involves an *Interested Person*, such proposed transaction or arrangement is covered by this Policy.

(b) If a member of the *Authorized Body* is an *Ineligible Voter* with respect to the proposed transaction or arrangement being considered by the Organization, such proposed transaction or arrangement is covered by this Policy.

**3.2 DILIGENCE; DUTY TO DISCLOSE; ELIGIBILITY TO VOTE**

(a) Before approving any proposed transaction or arrangement, the *Authorized Body* shall evaluate whether any party to the proposed transaction or arrangement is an *Interested Person* with respect to the Organization. A list of persons who are *Interested Persons* may be compiled from the completed *Questionnaires* provided to the Organization during the past five years. In the event that the *Authorized Body*

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<sup>1</sup> The Internal Revenue Code of 1986, as amended, is contained in Title 26 of the United States Code.

believes that further diligence is warranted, such further diligence shall be conducted to the extent reasonable under the circumstances.

(b) The *Authorized Body* shall collectively review the definition of *Ineligible Voter*. Each member of the *Authorized Body* must then disclose whether he or she is an *Ineligible Voter*.

(c) Neither an *Interested Person* who is a party to the proposed transaction or arrangement, nor any *Ineligible Voter* may vote on the proposed transaction or arrangement.

### 3.3 PROCEDURES FOR ADDRESSING THE CONFLICT OF INTEREST

(a) At the *Authorized Body's* discretion, the *Interested Person* who is a party to the proposed transaction or arrangement may make a presentation at the *Authorized Body's* meeting. In any event, such *Interested Person* and any *Ineligible Voters* shall leave the meeting before the discussion of, and the vote on, the proposed transaction or arrangement.

(b) The *Non-Conflicted Members* shall, if appropriate, appoint one or more *Non-Conflicted Members* to investigate alternatives to the proposed transaction or arrangement. Such investigation may be conducted directly or through the use of others, none of whom would be deemed to be an *Ineligible Voter* if any such person were a member of the *Authorized Body*

(c) The *Non-Conflicted Members* shall determine, in their reasonable judgment, whether the Organization could obtain a more advantageous transaction or arrangement from a person that would not give rise to a conflict of interest.

(d) If a more advantageous transaction or arrangement is not reasonably attainable under circumstances that would not give rise to a conflict of interest, the *Non-Conflicted Members* shall determine by a majority vote (unless the Organization's bylaws specify a higher approval threshold) whether the transaction or arrangement is in the Organization's best interest, is for its own benefit, and is fair and reasonable to the Organization. In addition to other considerations that may be used in making such determination, the *Non-Conflicted Members* shall follow the procedure necessary to create a rebuttable presumption of reasonableness pursuant to Treasury Regulations Section 53.4958-6, unless the *Non-Conflicted Members* determine that such procedure is not practical, feasible or necessary under the circumstances, in which case the Organization shall keep a record of such determination and the reason for such determination.

### 3.4 VIOLATIONS OF THE CONFLICT OF INTEREST POLICY

(a) If any member of the *Authorized Body* has reasonable cause to believe that another member of the *Authorized Body* is a *Perceived Violator*, the *Perceived Violator* shall be informed of the basis for such belief and afforded an opportunity to explain the alleged failure to disclose.

(b) If, after hearing the response of the *Perceived Violator* and making any further investigation as may be warranted under the circumstances, the *Authorized Body* determines that the *Perceived Violator* has, in fact, violated this Policy, the *Authorized Body* shall take appropriate disciplinary and corrective action.

#### **ARTICLE 4 RECORDS OF PROCEEDINGS**

The minutes of the *Authorized Body's* meetings shall contain:

(a) if the proposed transaction or arrangement was approved, the terms of such transaction or arrangement and the date it was approved;

(b) the names of all persons who were present during debate and discussions of the proposed transaction or arrangement;

(c) the names of all persons who voted on the proposed transaction or arrangement;

(d) if applicable, a description of any alternatives to the proposed transaction or arrangement that were considered, or any data regarding comparable transactions or arrangements; and

(e) any actions taken with respect to consideration of the proposed transaction or arrangement by anyone who is otherwise a member of the *Authorized Body* but who was determined to be an *Ineligible Voter*.

#### **ARTICLE 5 COMPLIANCE AND ANNUAL QUESTIONNAIRES**

**5.1** In order to facilitate the administration of this Policy, each *officer, director, trustee, key employee, highest compensated employee* and member of a *Committee* must annually complete and provide to the Organization a *Questionnaire* that includes a current list of *disqualified persons* who are *disqualified persons* by virtue of their relationship to the party completing the list. In addition, to facilitate compliance with this Policy, the Organization shall keep all such lists received during the current fiscal year and for the five most recently completed fiscal years so that the Organization will have at all times a list of *disqualified persons*, transactions and arrangements with whom the excess benefit transaction rules apply.

**5.2** Each current *officer, director, trustee, key employee, highest compensated employee* and member of a *Committee* shall annually sign a statement as part of the *Questionnaire* that affirms that such person:

(a) has received a copy of the Organization's Conflict of Interest Policy;

(b) has read and understands the Organization's Conflict of Interest Policy;

(c) has agreed to comply and has complied with the Organization's Conflict of Interest Policy;

(d) understands that the Organization is a charitable organization and that, in order to maintain the Organization's federal tax exemption, the Organization must engage primarily in activities that accomplish one or more of the Organization's tax-exempt purposes; and

(e) has not knowingly participated in a transaction or arrangement in which the value of the economic benefit provided by the Organization exceeds the value of consideration received by the Organization.

## **ARTICLE 6 PERIODIC REVIEWS**

To help ensure that the Organization operates in a manner consistent with the Organization's charitable purposes and that the Organization does not engage in activities that could jeopardize the Organization's status as an organization exempt from federal income tax, periodic reviews shall be conducted by an *Authorized Body*. The periodic reviews may include the following subjects:

(a) Whether any transaction or arrangement, including compensation arrangements, involving an *Interested Person* were approved by following the rebuttable presumption of reasonableness procedures described in Section 3.3(d) and, if such procedures were not followed, the basis for determining why such procedures were deemed not to be practical, feasible, or necessary.

(b) Whether each partnership, joint venture and contractor services arrangement between the Organization and any non-charitable organization (i) conforms to the Organization's written policies, (ii) is properly recorded, (iii) reflects reasonable payments for goods and services, (iv) furthers the Organization's charitable purposes, and (v) does not result in private inurement, an impermissible private benefit, or an excess benefit transaction.

(c) Whether this Policy should be updated.

If a periodic review results in a determination that a transaction or arrangement to which the Organization is a party is not in compliance with this Policy, the *Board* shall then determine the appropriate remedial action to be taken under the circumstances.

## **ARTICLE 7 USE OF OUTSIDE EXPERTS**

In conducting the periodic reviews provided for in Article 6 and in making any determination of whether compensation and any transaction or arrangement is reasonable, the Organization may use outside advisors and may rely on the advice of legal counsel.

## Appendix A Definitions

**Authorized body:** With respect to a proposed transaction or arrangement, means the *Board*, unless such authority or decision-making power has been delegated to a *Committee*.

**Board:** Means the Board of Directors or Board of Trustees, as the case may be, of the Organization.

**Committee:** Means any group of individuals with *Board*-delegated decision-making powers.

**Director or trustee:** Unless otherwise provided, a member of the Organization's governing body at any time during the tax year, but only if the member has any voting rights. A member of an advisory board that does not exercise any governance authority over the Organization is not considered a director or trustee.

**Disqualified person:** The term *disqualified person* includes:

A. A person (including an individual, corporation, or other entity) who was in a position to exercise substantial influence over the affairs of the Organization at any time during a 5-year period ending on the date of the transaction, which generally includes, but is not limited to:

1. The Directors;
2. The President/CEO or equivalent position;
3. The CFO or equivalent position;
4. The COO or equivalent position;
5. A founder;
6. A person who has given more than 2% of the Organization's contributions and bequests as of the end of the five-year period ending on the last day of the current year;
7. Any person whose compensation is primarily based on revenues derived from activities of the Organization, or of a particular department or function of the Organization, that the person controls;
8. Any person who has or shares authority to control or determine a substantial portion of the Organization's capital expenditures, operating budget, or compensation for employees; and

9. Any person who manages a discrete segment or activity of the Organization that represents a substantial portion of the activities, assets, income, or expenses of the Organization as compared to the Organization as a whole;
- B. Members of the *family* of a person described in paragraph A, above;
- C. A corporation, partnership, limited liability company, trust, estate or any other legal entity for which 35% or more of the ownership or control (or, in the case of a trust or estate, the beneficial interest) is held by any combination of individuals identified in paragraphs A and B, above; and
- D. A person described in paragraphs A, B or C, above, with respect to a Code § 509(a)(3) “supporting organization” that was organized and is operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of the Organization.

**Family:** A person’s spouse; ancestors; children; grandchildren; great-grandchildren; siblings; and spouses of such children, grandchildren, great-grandchildren and siblings.

**Highest compensated employee:** An employee of the Organization or a disregarded entity of the Organization (other than a current *officer, director, trustee or key employee*) whose aggregate reportable compensation from the Organization and related organizations<sup>2</sup> is (i) greater than \$100,000 for the calendar year ending with or within the Organization’s tax year and (ii) among the five highest aggregate reportable compensation amounts received by any such employee of the Organization.

**Ineligible voter:** A member of the *Board* or a member of a *Committee* considering the proposed transaction or arrangement who fails to meet any one of the following criteria:

- A. Such member is not participating in or economically benefitting from the transaction or arrangement, and is not a member of the *family* of any *disqualified person* participating in or economically benefitting from the transaction or arrangement;
- B. Such member is not in an employment relationship subject to the direction or control of any *disqualified person* participating in or economically benefitting from the transaction or arrangement;
- C. Such member does not receive any compensation or other payments subject to approval by any *disqualified person* participating in or economically benefitting from the transaction or arrangement;
- D. Such member has no material financial interest affected by the transaction or arrangement; or
- E. Such member has not received and will not receive a direct or indirect economic benefit from another transaction or arrangement that has been approved or will be

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<sup>2</sup> If you are unsure whether an organization is a “related organization,” please consult the Organization’s tax professional.

approved, in turn, by a person participating in or economically benefitting from the transaction or arrangement at issue.

**Interested person:** With respect to a transaction or arrangement being considered by the Organization, a person who is a *disqualified person*, a *key employee*, a *highest compensated employee*, an *organization manager*, or a member of a *Committee*.

**Key employee:** For purposes of Form 990, an employee of the Organization (other than an *officer*, *director* or *trustee*) who meets all three of the following tests applied in the following order:

A. \$150,000 Test. The employee receives reportable compensation from the Organization and all related organizations in excess of \$150,000 for the calendar year ending with or within the Organization's tax year.

B. Responsibility Test. The employee:

1. Has responsibility, power or influence over the Organization as a whole similar to those of officers, directors or trustees;
2. Manages a discrete segment or activity of the Organization that represents 10% or more of the activities, assets, income, or expenses of the Organization, as compared to the Organization as a whole; or
3. Has or shares authority to control or determine 10% or more of the Organization's capital expenditures, operating budget, or compensation for employees.

C. Top 20 Test. The employee is one of the 20 employees satisfying both the \$150,000 Test and the Responsibility Test having the highest reportable compensation from the Organization and related organizations for the calendar year ending with or within the Organization's tax year.

**Non-conflicted member:** With respect to a proposed transaction or arrangement, means a member of the *Authorized Body* who has been determined not to be an *Ineligible Voter*.

**Officer:** Unless otherwise provided, a person elected or appointed to manage the Organization's daily operations at any time during the tax year, such as a president, vice-president, secretary, treasurer, and, in some cases, Board Chair. The officers of the Organization are determined by reference to articles of incorporation, bylaws, or resolutions of its governing body, or as otherwise designated consistent with state law, but at a minimum include those officers required by applicable state law. For purposes of Form 990, the Organization's top management official and top financial official are deemed to be officers.

**Organization manager:** Any *officer*, *director* or *trustee* of the Organization, or any individual having powers or responsibilities similar to *officers*, *directors*, or *trustees* of the Organization, regardless of title.

**Perceived violator:** With respect to a proposed transaction or arrangement, means a member of the *Authorized Body* whom an *Interested Person* has reasonable cause to believe that such member is an *Ineligible Voter* and such member has not disclosed him/herself as an *Ineligible Voter*.

**Questionnaire:** Questionnaire means the Organization's Annual Conflict of Interest Questionnaire and Disclosure Statement, which has been designed to elicit information necessary for the accurate completion of the Organization's Form 990.

SCHEDULE A1

**ANNUAL CONFLICT OF INTEREST QUESTIONNAIRE AND  
DISCLOSURE STATEMENT**

Please answer the following questions related to your service to Arizona’s Children Association (the “Corporation”) as a *director*,<sup>3</sup> *officer*, *trustee*, *key employee*, *highest compensated employee* and/or member of a committee with Board-delegated powers (a “Committee Member”). You may add additional pages as needed to fully answer any of the questions. For purposes of this *Questionnaire*, any reference to the “Fiscal Year” should be interpreted as applying to the \_\_\_\_\_ fiscal year.

1. Are you or any family member<sup>4</sup> engaged or reasonably anticipated to be engaged, directly or indirectly (other than as a *director*, *officer*, *trustee*, employee or Committee Member), in any business transaction with the Corporation?

\_\_\_\_\_ Yes \_\_\_\_\_ No \_\_\_\_\_ Not Sure

(If yes, please (i) describe the nature of the transaction, and (ii) provide the amount of the transaction. If not sure, please explain.)

2. Do you or any combination of you and your family members hold, directly or indirectly, more than a ten percent (10%) ownership interest<sup>5</sup> in an entity that is currently or reasonably anticipated to engage in a business transaction with the Corporation?

\_\_\_\_\_ Yes \_\_\_\_\_ No \_\_\_\_\_ Not Sure

(If yes, please provide: (i) The name of the entity; (ii) the percentage ownership interest; (iii) the amount of the transaction; and (iv) a description of the nature of the transaction. If not sure, please explain.)

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<sup>3</sup> All italicized terms used in this *Questionnaire* are defined in Appendix A to the Corporation’s Conflict of Interest Policy.

<sup>4</sup> Family members include a spouse, ancestors, brothers, sisters, children, grandchildren, and great-grandchildren; and the spouse of any such person.

<sup>5</sup> An ownership interest is measured by the voting power or value (whichever is greater) of the stock of a corporation, the profits or capital (whichever is greater) of an interest in a partnership or limited liability company, control of a nonprofit entity, or the beneficial interest in a trust.



contract with the Corporation; or (ii) a supplier or vendor providing goods or services to the Corporation)?

\_\_\_\_\_ Yes \_\_\_\_\_ No \_\_\_\_\_ Not Sure  
(If yes, please provide details below. If not sure, please explain.)

7. Have you deprived the Corporation of any beneficial opportunity, which might be construed as related to any existing or reasonably anticipated activity of the Corporation?

\_\_\_\_\_ Yes \_\_\_\_\_ No \_\_\_\_\_ Not Sure  
(If yes, please provide details below. If not sure, please explain.)

8. Have you, or any family member, made use of or disclosed confidential information acquired in connection with your, or his/her, service with the Corporation?

\_\_\_\_\_ Yes \_\_\_\_\_ No \_\_\_\_\_ Not Sure  
(If yes, please provide details below. If not sure, please explain.)

9. Are you personally employed by, or do you personally employ, any *director, officer, trustee, key employee, or highest compensated employee* of the Corporation?

\_\_\_\_\_ Yes \_\_\_\_\_ No \_\_\_\_\_ Not Sure  
(If yes, please (i) provide such person's name, and (ii) describe the nature of the employment. If not sure, please explain.)





**Please submit your completed Annual Conflict of Interest Questionnaire and Disclosure Statement to [INSERT NAME] (the Corporation’s Secretary) for distribution and review in accordance with the Conflict of Interest Policy.**

**ACKNOWLEDGMENT**

I have received, read and understand Arizona’s Children Association (the “Corporation’s”) Conflict of Interest Policy (the “Policy”), and hereby agree to comply with the Policy in all matters dealing with my responsibilities toward the Corporation.

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

I have not knowingly participated in a transaction or arrangement in which the value of the economic benefit provided by the Corporation exceeds the value of the consideration received by it.

My answers on this Annual Conflict of Interest Questionnaire and Disclosure Statement are correctly stated to the best of my knowledge and belief.

I hereby agree to cooperate and comply with any further inquiry that is deemed reasonably necessary with respect to any, and all, of the responses I have provided on this Annual Conflict of Interest Questionnaire and Disclosure Statement.

I understand that if any material changes to the responses provided on this Annual Conflict of Interest Questionnaire and Disclosure Statement occur before the next statement is due, I am required to update the information and submit this statement to <sup>6</sup>[INSERT NAME] for distribution and review in accordance with the Policy.

\_\_\_\_\_

*Name (please print)*

\_\_\_\_\_

*Title*

\_\_\_\_\_

*Signature*

\_\_\_\_\_

*Date*

Statement reviewed by:

Date of review:

Remedial Action(s) to be taken:

\_\_\_\_\_

<sup>6</sup> Complete person or Committee that has jurisdiction for reviews.