CONFLICT OF INTEREST POLICY

Adopted: 10th day of December, 2014 by the BronxWorks Board of Directors Finance and Audit Committee

Background

BronxWorks, Inc (the “Corporation”) is an organization subject to the New York Not-for-Profit Corporation Law with respect to its governance, including dealing with conflicts of interest. The Nonprofit Revitalization Act of 2013 imposes several new requirements with respect to conflicts of interest, in addition to the judge-made common law which deals with these concerns.

Additionally, the Corporation is an organization described in Sections 501(c)(3) and 509(a)(1), (2) or (3) of the Internal Revenue Code of 1986, as amended (the “Code”), and so is subject to the requirements of Code Section 4958 with respect to various dealings with disqualified persons.

The directors and officers of the Corporation are responsible for upholding a public trust. We are called to a higher standard of stewardship in order to meet the special privileges that our tax-exempt status allows. The action of the directors and officers should meet or exceed these higher standards rather than only minimally satisfy the requirements of tax-exempt status. Areas of behavior to be avoided include personal conflicts of interest by directors and officers, their families and business associates, questionable investments, improper treatment of consumers, improper use of funds raised (especially for personal remuneration), expensive and inefficient fundraising practices, failure to meet legal requirements and similar offenses.

The Corporation has adopted the following policy designed to avoid any possible conflict between the personal interests of directors and officers and the interest of the Corporation. The purpose of this policy is to insure that decisions about Corporation operations and the use and dispositions of Corporation assets are made solely in terms of benefits to the Corporation and are not influenced by any private profit or other personal benefit to the individuals affiliated with the Corporation who take part in the decision. In addition to actual conflicts of interest, directors and officers are also obliged to avoid actions that could be perceived or interpreted to be in conflict with the Corporation’s interest.

In addition to actual conflicts of interest (as defined by this policy), directors, officers and employees are also obliged to avoid actions that could be perceived or interpreted to be in conflict with the Corporation’s interest. While these situations are not specifically covered by this policy, such individuals should disclose these situations as they arise for consideration by the Board, committee or individuals reviewing the matter to determine whether the individual should be recused from deliberations and voting.

This Conflict of Interest Policy (the “Policy”) is intended to contain in a single policy the relevant legal rules and best practices which govern the Corporation and its handling of
conflicts of interest which include related party transactions as defined under the New York Not-for-Profit Corporation Law.

No policy can anticipate the fullest range of factual circumstances which may entail a conflict of interest. Accordingly, it is important to interpret and apply this Policy in a way which best assists the Corporation’s governing Board and others in meeting their obligations under the law. Questions arising under this Policy should be forwarded to Finance and Audit Committee for consideration and resolution.

Who is subject to this Policy?

Any person who is a Related Party is subject to this policy. Related Party is defined as the following:

(1) Any individual who currently serves or has served in the following capacities within the past five (5) years:

   (a) a voting member of the Board of Directors of the Corporation or any Affiliate of the Corporation;
   (b) an officer of the Corporation or any Affiliate of the Corporation, including, but not limited to (i) a President, Chief Executive Officer, Chief Operating Officer and any other individual who has ultimate responsibility (individually or shared) for implementing the decisions of the Board or for supervising the management, administration, or operation of the Corporation; and (ii) a Treasurer, Chief Financial Officer and any other individual who has ultimate responsibility (individually or shared) for managing the finances of the Corporation; or
   (c) a Key Employee of the Corporation or any Affiliate of the Corporation.

(2) Any Relative of those persons listed in (1) above. A “Relative” includes: spouse; domestic partner as defined in New York Public Health law Section 2954-A; ancestors; brothers and sisters (whether whole or half-blood); children (whether natural or adopted); grandchildren; great-grandchildren; and spouses of brothers, sisters, children, grandchildren, and great-grandchildren.

(3) Any entity in which an individual listed in (1) or (2) has a controlling interest. A controlling interest is defined as:

   - for corporations, ownership (directly or indirectly) of more than 35% of the combined voting power;
   - for partnerships or personal service corporations, ownership (directly or indirectly) of more than 5% of the profits interest; and
   - for trusts or estates, ownership (directly or indirectly) of more than 35% of the beneficial interest.

Key Employee includes any person who currently has or was, at any time during the past five (5) years, in a position to exercise substantial influence over the affairs of the
Corporation. Facts and circumstances indicating that a person in a position to exercise substantial influence include, but are not limited to the following:

- the person is a founder or creator of the Corporation;
- the person is a substantial contributor\(^1\) to the Corporation;
- the person’s compensation is based primarily on revenues from the Corporation’s activities that the person controls;
- the person has or shares authority to control or determine a substantial part of the Corporation’s capital expenditures, operating budget, or compensation for employees;
- the person manages a discrete segment or activity of the Corporation that is a substantial part of the Corporation’s activities, assets, income, or expenses;
- the person owns a controlling interest in a corporation, partnership, or trust that is considered a Related Party; and
- the person is a non-stock organization controlled directly or indirectly by one or more Related Party.

Facts and circumstances indicating that a person is not a Key Employee include, but are not limited to the following:

- the person has taken a bona fide vow of poverty as an employee, agent, or on behalf of a religious organization;
- the person is an independent contractor whose sole relationship to the Corporation is providing professional advice and who has no decision-making authority and will derive no direct or indirect benefit from the transaction except for the customary fees for professional advice;
- the person is the direct supervisor of an individual who is not a Key Employee;
- the person does not participate in any management decisions affecting the Corporation as a whole or affecting a discrete segment of the organization that represents a substantial portion of its activities, assets, income, or expenses of the Corporation, as compared to the Corporation as a whole;
- any preferential treatment a person receives based on the size of the person's donation is also offered to all other donors making comparable contributions and offered as a part of a solicitation intended to attract a substantial number of contributions.

Affiliate is any entity controlled by, in control of, or under common control with the Corporation.

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\(^1\) Substantial contributor is any individual who contributes more than $5,000 to the Corporation, provided that such amount is more than 2% of the total contributions and bequests received by the Corporation during the Corporation’s most recently completed fiscal year and four (4) preceding fiscal years. Contributions from spouses are aggregated for these purposes.
Who is NOT subject to this Policy?

Other organizations that are tax-exempt under Code Section 501(c)(3).

Any employee who is not highly compensated\(^2\) and is not otherwise considered a Related Party under this Policy.

What transactions or relationships are subject to this Policy?

Any transaction, agreement or other arrangement in which a Related Party has a financial interest and in which the Corporation or any Affiliate of the Corporation is a participant (“Related Party Transaction”).

What steps need be taken?

The Board\(^3\) shall approve a Related Party Transaction only where the Board determines that the transaction is fair, reasonable and in the Corporation’s best interests. The Board shall utilize the following process to approve transactions subject to this Policy:

1. The Board must approve in advance the Related Party Transaction. Any member of the Board who has a conflict of interest as defined in this Policy may not participate in the vote, nor may he or she be present during voting or deliberations.

2. The Board must make its decision in reliance on appropriate data as to comparable arrangements to the extent they are available.\(^4\)

3. The Board must adequately document its decision and deliberations in the corporate records.

Annual Disclosure Statements

Prior to initial election and annually thereafter, all Directors shall complete, sign, and submit to the Secretary a written statement identifying, to the best of the Director’s knowledge, any entity of which such director is an officer, director, trustee, member, owner, or employee, and with which the Corporation has a relationship, and whether

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\(^2\) Highly compensated employee is defined under Code Section 414(q)(1)(B)(i) and is adjusted annually for inflation. The amount for 2014 is $115,000. Organizations can choose to set this amount at a hard dollar threshold if they prefer as long as it is equal to or lower than the statutory amount.

\(^3\) Only independent directors may participate in the review and approval of such transactions. Review and approval may also be delegated to a committee comprised entirely of independent directors.

\(^4\) This is required for any Related Party Transaction in which a Related Party has a substantial financial interest (not defined by the Act).
there is a conflict of interest. The disclosure of a relationship shall not, by itself, constitute a conflict of interest. The governing Board may require the same submission to be made by officers and Key Employees. The Secretary shall provide a copy of all completed disclosure statements to the chairperson of the Audit Committee.

**Employee Conflicts of Interest**

An employee of the Corporation with a potential conflict of interest in a particular matter shall promptly and fully disclose the potential conflict to his supervisor. The employee shall thereafter refrain from participating in deliberations and discussion, as well as any decisions, relating to the matter and follow the direction of the supervisor as to how the Corporation decisions which are the subject of the conflict will be determined. The President shall be responsible for determining the proper way for the Corporation to handle Corporation decisions which involve unresolved employee conflicts of interest. In making such determinations, the President may consult with legal counsel.

The President shall report to the Board at least annually concerning employee conflicts of interest which have been disclosed and contracts and transactions involving employee conflicts which the President has approved.

**Oversight/Administration**

This policy shall be overseen and administered by the Board including the adoption of any amendments to this policy.

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5 This Section is optional. Individuals who are Key Employees are included in main part of the policy.

6 Policy may be overseen and administered by the Board (with only independent directors participating) or by a committee of the Board comprised solely of independent directors.