

## SAN DIEGO ASTRONOMY ASSOCIATION CONFLICT OF INTEREST POLICY

**1. Purpose of Policy.** This conflict of interest policy is designed to foster public confidence in the integrity of San Diego Astronomy Association (the “Association”) and to protect the Association’s interests when it is contemplating entering a transaction with (or that might benefit) a Disqualified Person.

**2. Disqualified Person.** “Disqualified Person” is a technical definition because certain federal tax rules apply to transactions between the Association and its Disqualified Persons to ensure that no Disqualified Person receives an “excess benefit”, with significant excise taxes imposed on individuals for violations of these rules. For that reason, it is crucial for the Association to (a) understand who its Disqualified Persons are and (b) apply this policy to any transactions with or benefitting those individuals or organizations.

There are several ways that an individual or organization can be a Disqualified Person. Persons in the following categories (or who have been in one of the following categories during the prior five years) are all Disqualified Persons: (1) directors, (2) officers<sup>1</sup>, or (3) persons with substantial influence over the Association.<sup>2</sup> The family members of the individuals in these roles are also Disqualified Persons.<sup>3</sup> Finally, an organization is a Disqualified Person if it is 35% or more owned<sup>4</sup> in aggregate by Disqualified Persons.

**3. Conflict of Interest.** A “conflict of interest” is present when (A) a Disqualified Person has a financial interest (direct or indirect) in a transaction that is under consideration by the Association, and (B) that interest is significant enough that a director, officer, or other person with substantial influence at the Association may not be able to vote or exercise their influence impartially in the Association’s best interests. For example, a senior staff member has a conflict of interest when their compensation is being considered for approval. A director likely has a conflict of interest if the Association is considering purchasing goods or services from a company owned by their family members.

**4. Duty to Disclose; Evaluation of Conflict.** It is the duty of all directors, officers, and key employees of this organization to disclose their financial interests (and the financial interests of any related individuals or organizations who are Disqualified Persons), with respect to any transaction that is under consideration by the Association. The disclosure needs to be made to the Board or a Board Committee empowered to approve the transaction (“Committee”) promptly upon the individual becoming aware of the proposed transaction and must include all

<sup>1</sup> The term ‘officers’ is defined to include a president, chief executive officer, chief operating officer, treasurer and chief financial officer, executive director, or any person with the responsibilities of any of these positions.

<sup>2</sup> Individuals with substantial influence may include an organization’s founder(s), substantial contributor(s), persons with managerial authority or control over a significant portion of an organization’s budget.

<sup>3</sup> For purposes of this policy, family includes the immediate family, parents, siblings, spouse or domestic partner, and children.

<sup>4</sup> For purposes of this rule, ownership is measured by voting stock for corporations, profits interests for partnerships, and beneficial interests for trusts or estates.

material facts regarding the financial interests posing a potential conflict.

**5. Procedures for Addressing a Conflict of Interest.** The Board or Committee receiving that information shall determine (1) if a conflict of interest exists and (2) if so, whether it is appropriate for the Association to proceed, notwithstanding that conflict. The Disqualified Person(s) (or the director related to them, if applicable) shall not be present during the Board or Committee's discussion or determination of whether a conflict of interest exists or the evaluation of the transaction, except to answer questions. The Board or Committee shall ascertain that all material facts regarding the transaction and the interested person's conflict of interest have been disclosed to the Board or Committee, and shall compile appropriate data to evaluate the potential conflict and the transaction.

After exercising due diligence, which may include investigating alternatives that present no conflict, the Board or Committee shall determine whether it is able to find, in good faith and applying their business judgment, that the transaction is in the Association's best interest, for its own benefit, and is fair and reasonable to San Diego Astronomy Association. If the Board or Committee is able to make those findings, the majority of members of the Board or Committee then in office may approve the transaction and document their findings pursuant to this policy.

**6. Special Rules for Transactions in Which a Director Has a Material Financial Interest.** Transactions in which a director has a material financial interest are held to a higher standard. Such transactions must not only be fair and reasonable, they generally should also be the *most advantageous arrangement* available. Whenever practicable, the Board should conduct, and document the findings of, a reasonable investigation as to whether the Association could obtain a more advantageous arrangement under the circumstances in which a director does not have an interest. A director with a material financial interest in a transaction should always recuse themselves from the vote on the transaction and the vote should generally happen at the Board level (not at Committee). Only if it is not reasonably practicable to obtain advance Board approval may a Committee make a decision regarding a transaction in which a director has a material financial interest and, even then, it must be ratified by the Board at the Board's next meeting.

**7. Record keeping.** The minutes of any meeting of the Board and any Committee pursuant to this policy shall contain:

(A) the name of each interested person who disclosed or was otherwise determined to have an interest in a transaction;

(B) the nature of the interest and whether it was determined to constitute a conflict of interest;

(C) any alternative transactions considered;

(D) the members of the Board or Committee who were present during the debate on the transaction, those who voted on it, and to what extent interested persons were excluded from the deliberations;

(E) any comparability data or other information obtained and relied upon by the Board or

Committee and how the information was obtained; and

(F) and the result of the vote, including, if applicable, the terms of the transaction that was approved and the date it was approved.

The records must be prepared by the later of the next meeting of the Board or Committee or 60 days after the final action of the Board or Committee with respect to the transaction, and must be approved by the Board or Committee within a reasonable time afterwards.

**8. Disclosure and Compliance Statements.** Each director, each corporate officer, the top management official, the top financial official, and each key employee of the Organization, and others that the Association may identify, shall sign the Statement of Compliance and Disclosure attached as Exhibit A. In the event that subsequent circumstances require further disclosure, the member shall file an updated version of Exhibit A. All such statements by directors and officers shall be filed with the minutes of the meetings of the Board or Committee; statements by others shall be retained in their personnel files.

**9. Violations.** If the Board has reasonable cause to believe that a Disqualified Person with a role at the organization has failed to disclose actual or possible conflicts of interest, including those arising from a transaction with a related Disqualified Person, it shall inform such individual of the basis for this belief and afford them an opportunity to explain the alleged failure to disclose. If, after hearing their response and making further investigation as warranted by the circumstances, the Board or Committee determines that the insider has failed to disclose an actual or possible conflict of interest, the Board or Committee shall take appropriate disciplinary and corrective action.

**10. Past Transactions.** In situations where a transaction involving a conflict of interest is discovered after it has already occurred or begun (because, for example, the interest was inadvertently not disclosed prior to the transaction, or the Association's leadership did not realize that a review was necessary or advantageous), the Board or Committee shall conduct a review as described above and determine whether disciplinary or corrective action is possible or warranted. In appropriate cases, the Board or Committee may determine, upon completion of the review, that ratification of the transaction is in the Association's best interest, for its own benefit, and is fair and reasonable to the Association.

**11. Annual Review of Policy.** To ensure that the Association operates in a manner consistent with its charitable purposes and its status as an organization exempt from federal income tax, the Board shall authorize and oversee an annual review of the administration of this conflict of interest policy. The review may be written or oral. The review shall consider the level of compliance with the policy, the continuing suitability of the policy, and whether the policy should be modified and improved.

**Exhibit A**

**SAN DIEGO ASTRONOMY ASSOCIATION  
CONFLICT OF INTEREST POLICY:**

**STATEMENT OF COMPLIANCE AND DISCLOSURE**

San Diego Astronomy Association follows a conflict of interest policy designed to foster public confidence in our integrity and to protect our interest when we are contemplating entering a transaction or arrangement that might benefit the private interest of a director, a corporate officer, our top management official and top financial official, any of our key employees, any person with substantial influence over San Diego Astronomy Association, or other Disqualified Persons. We have provided you with a copy of San Diego Astronomy Association's conflict of interest policy and are asking you to confirm your receipt and that you will comply with the policy.

In addition, we are providing you with a disclosure form. San Diego Astronomy Association must annually file Form 990 with the Internal Revenue Service. In order to complete Form 990 fully and accurately, we need each officer, director and key employee to disclose interests as when known, that may pose a potential conflict of interest for purposes of Form 990. A "conflict of interest," for purposes of Form 990, arises when a person in a position of authority over an organization, such as an officer, director, or key employee, may benefit financially from a decision he or she could make in such capacity, including indirect benefits such as to family members or businesses with which the person is closely associated. Only financial interests that are known or suspected to pertain to the business of the San Diego Astronomy Association must be listed on this disclosure form.

The purpose of this disclosure is to provide the Board of Directors or other governing body with a meaningful opportunity to determine whether a conflict of interest exists, by disclosing any interest that pertains to the business of the San Diego Astronomy Association, and could give rise to a conflict of interest. Complete, accurate disclosure gives the governing body the information it needs to fulfill its fiduciary obligations and to make decisions that are in the best interest of the organization.

By signing below, you hereby:

- Acknowledge that you have received a copy of the conflict of interest policy of San Diego Astronomy Association, have read and understood it, and agree to comply with its terms.
- Represent that you have no significant financial interests (including the financial interests of your immediate family members) that you are aware of that could reasonably lead to a conflict of interest in the context of your duties to San Diego Astronomy Association and that you have not previously disclosed in a prior annual statement. In lieu of this representation, you have updated the included disclosure statement.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name

<b>Disclosure of Family and Financial Interests</b>		
1*	Names of Immediate Family Members requiring disclosure	
2*	Specific transactions or arrangements with San Diego Astronomy Association of concern	
3*	Transactions or affiliations with other organizations doing business or receiving grants from the San Diego Astronomy Association	
4*	Substantial business or investment holdings related to items 2 & 3 above	

\* Please list all family members that either currently have a business relationship to San Diego Astronomy Association, are in a line of business or employment that intersect with San Diego Astronomy Association, or have other financial interests that result in a conflict of interest in the context of your duties.

\*\* Rows 2-4 are requesting information regarding both your financial interests and the interests of the family members listed at Row 1.