

Virginia Correctional Association: Conflict of Interest Policy

Organization Name: Virginia Correctional Association

Adopted by Board of Directors on: September 28, 2026

Most Recent Review/Revision Date: N/A

ARTICLE I — PURPOSE

The purpose of this Conflict of Interest Policy ("Policy") is to protect the Virginia Correctional Association ("Organization") and its tax-exempt status by ensuring that its directors, officers, and volunteers act in the best interests of the Organization rather than in their own personal financial interests. This Policy is intended to:

1. Identify situations in which a conflict of interest may exist;
2. Create a process for disclosure and management of conflicts;
3. Protect the Organization from liability under the intermediate sanctions provisions of IRC § 4958;
4. Satisfy IRS Form 990 governance disclosure requirements (Part VI, Section B);
5. Comply with applicable state nonprofit corporation laws; and
6. Maintain the trust of donors, grantors, beneficiaries, and the public.

This Policy supplements, but does not replace, applicable state and federal laws governing conflicts of interest for nonprofit and charitable organizations.

ARTICLE II — DEFINITIONS

2.1 "Conflict of Interest" means a situation in which a Covered Person's personal financial interest or duty of loyalty to another entity could impair, or appear to impair, the person's ability to act in the best interests of the Organization.

2.2 "Covered Person" means any director, officer, member of a committee with board-delegated authority, or any person who has substantial influence over the Organization's affairs.

2.3 "Disinterested Directors" means directors who do not have a Financial Interest in the transaction under consideration and are not otherwise disqualified from voting.

2.4 "Disqualified Person" means any person who was in a position to exercise substantial influence over the affairs of the Organization at any time during the five-year period ending on the date of the transaction. This includes:

- All board members;
- All officers;

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- Family members and related entities of any of the above.

2.5 "Excess Benefit Transaction" means a transaction under IRC § 4958 in which the Organization provides an economic benefit to a Disqualified Person that exceeds the fair market value of the consideration received by the Organization. Excess benefit transactions are subject to excise taxes of 25% (on the Disqualified Person) and potentially 200% (if not corrected within the taxable period), plus a 10% tax on organizational managers who knowingly participated (up to \$20,000 per transaction).

2.6 "Family Member" means an individual's spouse, ancestors (including parents, grandparents, and great-grandparents), lineal descendants (including children, grandchildren, and great-grandchildren), and the spouses of lineal descendants (such as sons-in-law and daughters-in-law) in accordance with Internal Revenue Service Code Section 4946(d).

2.7 "Financial Interest" means a direct or indirect financial stake in the outcome of a decision. A person has a Financial Interest if, directly or indirectly, through business, investment, or family relationships, the person:

- Has an ownership or investment interest (including as a creditor) in any entity with which the Organization has or is considering a transaction;
- Has a compensation arrangement (including consulting or deferred compensation) with any entity with which the Organization has or is considering a transaction; or
- Has a potential ownership or investment interest in, or compensation arrangement with, any entity the Organization is considering partnering with or investing in.

A financial interest is not necessarily a conflict. The Board or a committee with delegated authority must determine whether a conflict exists in each case.

2.8 "Interested Person" means any Covered Person who has a Financial Interest in a proposed transaction or who has a duty of loyalty to another entity involved in a proposed transaction.

ARTICLE III — DISCLOSURE OBLIGATIONS

3.1 Annual Disclosure

Each Covered Person must complete and sign an **Annual Disclosure Statement** at the beginning of each fiscal year and within 30 days of assuming any covered position. The Annual Disclosure Statement requires disclosure of:

- All entities in which the Covered Person has a Financial Interest that do or may do business with the Organization;
- All compensation arrangements the Covered Person has with entities that do or may do business with the Organization;

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- All family members who have positions with entities that do or may do business with the Organization; and
- Any other relationship that could reasonably be perceived as a conflict of interest.

3.2 Transactional Disclosure

In addition to the annual disclosure, each Covered Person must promptly disclose any Financial Interest or potential conflict that arises in connection with any specific transaction or arrangement under consideration by the Board or any committee. Such disclosure must be made before any discussion of the matter and must be recorded in the minutes.

3.3 Disclosure to New Covered Persons

Each newly appointed director, officer, or volunteer must receive and review this Policy within 30 days of appointment, sign an acknowledgment of receipt, and complete an initial Annual Disclosure Statement.

ARTICLE IV — PROCEDURES FOR MANAGING CONFLICTS

4.1 Duty to Disclose and Recuse

When a Covered Person becomes aware of a potential conflict (whether identified through the annual disclosure process or arising in a specific transaction), the Covered Person must:

- Disclose the nature and extent of the Financial Interest or potential conflict to the Board or relevant committee before any discussion of the matter;
- Abstain from all discussion and deliberation on the matter; and
- Leave the meeting room during the discussion and vote (unless the Board requests a brief presentation of information before deliberation begins).

4.2 Determination of Conflict

After the Interested Person has disclosed the interest and, if applicable, provided factual information and left the room:

- The remaining Disinterested Directors shall determine whether a conflict of interest exists.
- If a majority of the Disinterested Directors determine that a conflict exists, the procedures in Article IV, Section 4.3 shall apply.
- If no conflict is found, the matter may proceed normally, and the finding must be documented in the minutes.

4.3 Approval Procedures for Interested Transactions

If the Board determines that a conflict of interest exists, the following procedures apply before any transaction may be approved:

- **Investigation of Alternatives:** The Disinterested Directors shall investigate whether the Organization can obtain a more advantageous arrangement with a party that has no conflict.
- **Documentation of Fair Market Value:** The Disinterested Directors shall obtain sufficient information to determine the fair market value of the transaction (comparable data, independent appraisals, or competitive bids as appropriate).

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- **Deliberation Without Interested Person:** All deliberation on the transaction shall take place in the absence of the Interested Person.
- **Approval Standard:** The transaction may be approved only if the Disinterested Directors determine by majority vote that:
 - The Organization cannot obtain a more advantageous arrangement; OR
 - The transaction is at or below fair market value and is in the Organization's best interest;AND
 - The transaction does not constitute an excess benefit transaction under IRC § 4958.
- **Documentation:** The minutes must record the name(s) of Interested Person(s) and the nature of the financial interest; the deliberations and alternatives considered; the basis for the determination that the transaction is fair and reasonable; and the vote, including the names of voting members and how each voted.

4.4 Rebuttable Presumption of Reasonableness (IRC § 4958 Safe Harbor)

To qualify for the rebuttable presumption of reasonableness under Treas. Reg. § 53.4958-6 for compensation arrangements with Disqualified Persons, the Organization must:

- Have the compensation arrangement approved in advance by an authorized body composed entirely of Disinterested Directors;
- Obtain and rely upon appropriate comparability data (e.g., compensation surveys for similar positions at similar organizations); and
- Document the basis for the determination concurrently with making it.

Meeting these three conditions creates a rebuttable presumption that the compensation is reasonable, shifting the burden to the IRS to rebut the presumption.

ARTICLE V — COMPENSATION DECISIONS

5.1 No Vote on Own Compensation. No Covered Person may participate in any discussion, deliberation, or vote regarding his or her own compensation.

5.2 Compensation Committee. When practicable, the Organization shall utilize a compensation committee composed entirely of Disinterested Directors to review and approve compensation for the Executive Director and other key members.

5.3 Comparability Data. The Board or compensation committee shall document the comparability data reviewed in approving compensation, including: compensation levels for similarly situated organizations; independent compensation surveys; written offers from similar organizations; or the availability of similar services in the market.

ARTICLE VI — ANNUAL REVIEW AND PERIODIC COMPLIANCE CHECK

6.1 Annual Review. The Board shall review this Policy at least annually to ensure it remains current with applicable laws and best practices.

6.2 Periodic Compliance Review. To ensure compliance with this Policy and the Organization's tax-exempt status, the Board or its designee shall periodically review the following to determine whether they comply with IRC § 501(c)(3), § 4958, and applicable state law:

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- All compensation arrangements and benefits provided to Covered Persons;
- All transactions between the Organization and entities in which Covered Persons have a Financial Interest;
- All joint ventures or partnerships with other entities; and
- All grants to individuals or organizations with connections to Covered Persons.

6.3 Use of Outside Experts. When appropriate, the Organization may use independent legal counsel, accountants, or compensation consultants. Use of outside experts does not relieve the Board of its ultimate responsibility for compliance with this Policy.

ARTICLE VII — VIOLATIONS AND ENFORCEMENT

7.1 Investigation of Potential Violations. If the Board has reasonable cause to believe that a Covered Person failed to disclose a conflict of interest or engaged in a transaction that benefited the Covered Person at the Organization's expense, the Board shall:

1. Inform the Covered Person of the basis for the concern and allow the Covered Person to explain the situation; and
2. If the Board determines that a violation occurred, take appropriate corrective and disciplinary action, which may include: requiring repayment of amounts received in excess of fair market value; suspension or removal from position; and/or referral to legal authorities if appropriate.

7.2 Whistleblower Protection. No Covered Person shall retaliate against any volunteer or officer who in good faith reports a suspected conflict of interest or violation of this Policy. Retaliation is prohibited under Sarbanes-Oxley §§ 806 and 1107 (applicable to nonprofit organizations) and may also violate state law.

ARTICLE VIII — RECORDS RETENTION

Records of all conflict of interest disclosures, deliberations, and approvals shall be retained in accordance with the Organization's Document Retention and Destruction Policy and applicable law, but in no event for fewer than seven (7) years.

ARTICLE IX — EFFECTIVE DATE AND ACKNOWLEDGMENT

This Policy is effective as of September 28, 2026, and supersedes any prior conflict of interest policy.