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MEMO

TO: All Association Contacts
All League Contacts
CC: Regional Administrators
FROM: Jon Butler
DATE: January, 2018
SUBJECT: IRS/Ethical Behavior and Personal Inurement

For a number of years, we've received an increasing number of questions and situations concerning personal inurement (personal benefit within a non-profit structure) and IRS regulations. Particularly since the passage of the Sarbanes-Oxley Act, the entire issue of personal inurement and ethical behavior is being scrutinized much more closely by the IRS; therefore, we're trying to inform all of you, so you can protect your Pop Warner organization and your local volunteers.

One of the primary tenets of non-profit law is that no benefits may inure to any individual within the organization. Any League or Association Officer in Pop Warner exerts a powerful influence over the actions of his or her Pop Warner organization. If, at the same time, that Officer is selling goods or services, or receiving personal benefits from businesses to whom that Officer contracts Pop Warner business, there is at least the appearance of a conflict of interest, if not the reality of one.

The below statement of Principles, Ethical Behavior and Conflict of Interest was distributed beginning in December, 1996 and updated January, 2014.

Additionally, in the last three years, the IRS has held hearings to issue new regulations against personal inurement. Those hearings have resulted in new, reinforced IRS regulations called "Intermediate Sanctions." For the first time, the IRS can penalize the non-profit organization and can now levy substantial personal tax penalties against the individual whom they rule has benefited. The tax penalties start at 25% of the amount of the benefit, and may increase to 200% of the benefit.

Personal inurement now has two separate effects:

- Possible loss of tax-exempt status, which may extend to other levels of Pop Warner.
- Possible tax penalties against the individual involved.

All non-profit organizations should now have a Conflict of Interest Policy passed by their Board and in effect. It is imperative that we all strive to eliminate even the perception of conflict of interest. We think that every Pop Warner League, and their member Associations, should immediately examine their volunteer members for any possible ramifications for tax-exempt status. Pop Warner exists to be a fun learning experience for the participating kids, not as a business opportunity, nor to provide personal benefits for the participating adults.

PWLS Statement of Principles, Ethical Behavior and Conflict of Interest

Those who choose to serve Pop Warner Little Scholars, Inc. (PWLS), whether as volunteers or paid professionals, are held to the highest standards of conduct. As guardians of the ideals and image of Pop Warner Little Scholars, Inc., they assume an obligation to subordinate individual interests to the interests of the organization. What may be considered acceptable conduct in some businesses may be inappropriate in service to PWLS.

Those who serve PWLS must do so without personal gain, to avoid any institutional loss or embarrassment and to behave in such a way that the organization's trust and public confidence are enhanced. It is important to avoid any real conflict of interest, as well as to avoid even the appearance or perception of a conflict of interest.

While no set of guidelines can guarantee acceptable behavior, the principles which guide behavior in this area are disclosure, physical absence from, and non-participation in, the decision-making process where personal or family gain is a possibility, and a commitment to honor the confidentiality of organizational information. All conduct is founded on the individual's own sense of integrity. Any individual accepting the honor of serving PWLS must also accept the burdens of public disclosure and public scrutiny.

In our complex society the intermix of volunteer work, business interests, governmental activity, and family relationships often create potentially conflicting interests. What is required is disclosure of conflicting interests when they arise, as well as physical absence from and strict non-participation in any evaluation process relating to the matter in question.

The following guidelines are not a precise road map to acceptable conduct. They are intended only to point out the right direction.

1. The business of PWLS is to be conducted in observance of both the spirit and letter of applicable federal and state laws.
2. PWLS properties, services, opportunities, authority, and influence are not to be used for private benefit.
3. All individuals who participate with PWLS are required to make full disclosure of the nature and extent of any actual or potential conflict of interest. In the consideration of an issue, where possible conflicts exist, such individuals will avoid evaluating, or in any other way influencing, directly or indirectly, or voting on the matter involved, and will be physically absent during the evaluation and vote. This includes, but is not limited to, the award of contracts, the purchase of goods and services, and the allocation of PWLS resources.
4. Gifts, cash, travel, hotel accommodations, entertainment, or favors are neither to be given nor received, except those of nominal value exchanged in the normal course of business. The trading of pins and mementos is acceptable conduct, and sports, media entertainment, and other organizations routinely invite PWLS personnel to attend sports and social events of more than nominal value. Such invitations may be accepted if they are open and generally accepted practices, serve to promote the best interests of PWLS, would not embarrass the individual or PWLS if publicly disclosed, and do not compromise the objectivity and integrity of the recipient or donor. Gifts and favors of more than one hundred dollars' value should not ordinarily be accepted. If circumstances render it awkward to refuse such a gift, the donor should be thanked and told that the gift is being accepted on behalf of and will be delivered to PWLS. The gift may be given as a Door Prize at a Scholastics Banquet or event, or may be used as an item in a silent auction so that the benefit received in turn benefits the Pop Warner organization of one of its young participants.

5. Expenses incurred in the furtherance of PWLS business are to be reasonable, necessary and (if twenty-five dollars' or more) substantiated.
6. All are expected to exhibit honesty, loyalty, candor and professional competence in their relationships with PWLS and with each other.
7. Each individual has the responsibility to maintain the confidentiality of the organization. This includes both proprietary and sensitive information.

November, 1996
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