

*In the name of God, the Compassionate, the Merciful*

**CONSTITUTION AND BYLAWS  
OF  
APPNA (NAME OF LOCAL COMMUNITY) HEALTH CENTER, INC.**

Adopted on (DATE)

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**CONSTITUTION  
OF  
APPNA (NAME OF LOCAL COMMUNITY) HEALTH CENTER, INC.**

**ARTICLE I  
GENERAL PROVISIONS**

**Section 1.1: Name:** The name of the corporation is APPNA (NAME OF LOCAL COMMUNITY) Health Center, Inc., hereinafter referred to as the “Corporation” or the “Health Center”.

**Section 1.2: Public Benefit Corporation:** Pursuant to the provisions of Section (REFERENCE TO THE STATE LAW) of the (NAME OF STATE) Nonprofit Corporation Act, the Corporation is a public benefit corporation.

**Section 1.3: Registered Office and Agent:** The street address and zip code of the Corporation's current registered office is (STREET ADDRESS). The current registered office of the Corporation is located in (NAME OF COUNTY) County, (NAME OF STATE), and its current registered agent at that office is (NAME).

**Section 1.4: Incorporator:** The name, street address, and zip code of the incorporator are as appear beneath the signature of the incorporator, affixed hereto.

**Section 1.5: Principal Office:** The street address and zip code of the principal office of the Corporation is (STREET ADDRESS).

**Section 1.6: Not for Profit:** The Corporation is not for profit.

**Section 1.7: Members:** The Corporation has no members. Except as may be otherwise provided by the (NAME OF STATE) Nonprofit Corporation Act, all corporate powers shall be exercised by or under the authority of, and the affairs of the corporation managed under the direction of, its Board of Directors.

**ARTICLE II  
PURPOSES, POWERS, LIMITATIONS AND DISSOLUTION**

**Section 2.1: Purposes:** The purposes for which the Corporation is organized are:

- (a) to provide healthcare, educational and social services to individuals, families and communities, including, but not limited to, medically underserved populations;
- (b) to establish facilities for delivery of healthcare, educational and social services; and
- (c) to study, promote and implement improved methods and means of healthcare, acting in conjunction with other governmental and non-governmental organizations, individuals and other entities, in the USA and abroad.

The foregoing enumeration of purposes is intended to specify purposes characterized as charitable, scientific, or educational within the meaning of § 501(c)(3) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States internal revenue statute), as now exists or as may hereafter be amended (hereinafter referred to as the "Code"). The Corporation is organized and shall be operated exclusively for such charitable, scientific, or educational purposes, and all provisions of this Charter shall be limited by and construed to be consistent with such purposes.

**Section 2.2: Powers:** The Corporation shall have all powers attributed to public benefit corporations under the (*NAME OF STATE*) Nonprofit Corporation Act and, consistent therewith, shall be empowered to engage in any and all lawful activities which may be incidental or reasonably necessary to any of its enumerated purposes, including but not limited to:

(a) the power to purchase, receive, lease, or otherwise acquire, and own, hold, improve, use, and otherwise deal with, real or personal property, or any legal or equitable interest in real or personal property, wherever located; and

(b) the power to sell, convey, mortgage, pledge, lease, exchange, and otherwise dispose of, or grant a security interest in, all or any part of the real or personal property of the Corporation; *provided*, however, that the Corporation shall not conduct or carry on any activity not permitted to be conducted or carried on by any organization recognized as exempt from federal income taxation under § 501(c)(3) of the Code.

**Section 2.3: Limitations:** No part of the net earnings of the Corporation shall inure to the benefit of, or be distributable to, its directors, officers, or other private persons, except that the Corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in these Articles. No substantial part of the activities of the Corporation shall be the carrying on of propaganda or otherwise attempting to influence legislation, except that, if the Corporation so elects, it may make such expenditures in conformity with §501(h) of the Code, and the Corporation shall not participate in or intervene in, including publishing or distribution of statements, any political campaign on behalf of, or in opposition to, any candidate for public office. Notwithstanding any other provision of these Articles, the Corporation shall not carry on any other activities not permitted to be carried on: (i) by a corporation exempt from Federal Income Tax under §501(c)(3) of the Code, or the corresponding provision of any future United States Internal Revenue Law, or (ii) by a corporation, contributions to which are deductible under §170(c)(2) of the Code, or the corresponding provisions of any future United States Internal Revenue Law.

**Section 2.4: Distribution of Assets on Dissolution:** Upon the dissolution of the Corporation, the Board of Directors shall, after paying or making provision for the payment of all the liabilities of the Corporation, dispose of all the assets of the Corporation in such manner or to such organization or organizations organized and operated exclusively for charitable, religious,

scientific, educational, or such other exempt purposes as shall at the time qualify as an exempt organization or organizations under §501(c)(3) of the Code, or corresponding provision of any future United States Internal Revenue Law, or to a federal, state, or local government body to be used for exclusively public purposes as the Board of Directors shall determine.

### **ARTICLE III ORGANIZATION AND GOVERNANCE**

**Section 3.1: Organization:** This Corporation is organized pursuant to a certain Memorandum of Understanding by and among the incorporators of this Corporation, the Association of Physicians of Pakistani-Descent of North America, an Illinois not for profit corporation herein after referred to as “APPNA”, and the (NAME OF LOCAL CHAPTER) of APPNA, herein after referred to as the “Chapter”.

**Section 3.2: Board of Directors:** The business and affairs of the Corporation shall be governed by a Board of Directors. The Board of Directors shall be selected in the manner prescribed by the Bylaws of the Corporation. The bylaws shall specify the qualifications and number of directors, *provided* that there shall be at all times at least five (5) directors. The Bylaws shall also specify the term each director shall serve, procedures for removal of directors and filling of vacancies, and the time and manner of meetings of the Board of Directors.

**Section 3.3: Bylaws:** The Board of Directors of the Corporation shall adopt Bylaws for the management, regulation, and control of the affairs, property, and operation of the Corporation, *provided* that such Bylaws shall not be inconsistent with this Constitution or with the law of the State of (NAME OF STATE). The Bylaws of the Corporation may be altered, amended, or repealed at any time by the procedure described in the Bylaws.

**Section 3.4: Immunity of Directors:** To the extent allowed by the (NAME OF STATE) Nonprofit Corporation Act, the directors of the Corporation shall be immune from personal liability to the Corporation or its members for monetary damages for breach of fiduciary duty as a director.

### **ARTICLE IV AMENDMENTS TO THE CONSTITUTION**

**Section 4.1:** The procedure for any future amendment/s to the Constitution is described in Article XI of the Bylaws of the Corporation.

**BYLAWS  
OF  
APPNA (NAME OF LOCAL COMMUNITY) HEALTH CENTER, INC.**

**ARTICLE V  
GENERAL PROVISIONS**

**Section 5.1: Name:** The name of the corporation is APPNA (NAME OF LOCAL COMMUNITY) Health Center, Inc., hereinafter referred to as the “Corporation” or the “Health Center”.

**Section 5.2: Principal Office:** The street address and zip code of the principal office of the Corporation is (STREET ADDRESS).

**ARTICLE VI  
BOARD OF DIRECTORS**

**Section 6.1: Composition and Qualifications of Members:** The business and affairs of the Corporation shall be conducted by a Board of Directors consisting of five (5) persons, each of whom must be at least twenty-one (21) years of age, legally present in the United States, and committed to the mission and purposes of the Corporation. The individual members of the Board of Directors may or may not be members of Association of Physicians of Pakistani-Descent of North America (herein after referred to as “APPNA”), however at any given time, the majority of the Board members shall be members of APPNA.

**Section 6.2: Term of Directors:** The term of the Board members will be three (3) years, after which they can be appointed for another three (3) year term. Once a board member has served two consecutive terms of three years each, that member can not qualify to be re-appointed for one year. After sitting out for one year, that member will again be eligible for consideration and re-appointment for two new consecutive terms. There will be special rules for the initial three year Transition period after formation of this Corporation, to maintain staggered pattern, and the first appointed Board members serving transitional term of less than three (3) years shall still be eligible for consideration and re-appointment for two new consecutive regular terms, as described in Section 6.4.

**Section 6.3: Method of Appointment:** The Board members will be appointed by the President of the local Chapter of APPNA, (herein after referred to as the “Chapter”), in consultation with the Council members of the Chapter, in accordance with the Bylaws of the Chapter detailing the appointment of other Committees. The Board members will be appointed in a staggered pattern. Approximately one third of the Board members will go through a consideration and appointment/re-appointment process in a given year. There will be special rules for the initial three year Transition period after formation of this Corporation, to maintain staggered pattern, and the first appointed members serving transitional term of less than three (3) years shall still be eligible for consideration and re-appointment for two new consecutive regular terms, as described in Section 6.4.

**Section 6.4: Transition period:** There will be special rules for the initial three year Transition period after formation of this Corporation, to maintain staggered pattern of appointment of the Board members. The initial five Board members will be divided into groups A (containing one member), B (containing two members) and C (containing two members) by a draw, at the time of their appointment. Group A's transition will end after one year of formation of Corporation and the member of the Group A shall still be eligible for consideration and re-appointment for two new consecutive regular terms, before sitting out for one year.. Group B's transition term will end after two years of formation of the Corporation and the members of the Group B shall still be eligible for consideration and re-appointment for two new consecutive regular terms, before sitting out for one year. Group C's transition term will end after three years of formation of Corporation and the members of the Group C shall be eligible for consideration and re-appointment for one new consecutive regular term, before sitting out for one year.

**Section 6.5: Resignation:** Any director may resign at any time by written notice delivered to the Chairman or Board of Directors of the Corporation at the principal office of the Corporation. Any such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and the acceptance of such resignation shall not be necessary to make it effective.

**Section 6.6: Removal:** The removal proceedings of any individual Board member or the entire Board of Directors will be according to following rules:

a) The Board may recommend to remove any director for missing three (3) consecutive meetings of the Board of Directors without reasonable excuse and notice, gross misconduct, legal conviction or failing to comply with the requirements of their position. The recommendation for removal will require two-thirds majority vote of the directors then in office, provided that such recommendation shall not be valid unless each director is given at least fifteen (15) days' prior written notice that the matter will be voted on at the meeting, or unless notice is duly waived. The Board shall exercise its discretion in determining whether or not any such absences or actions may be excused. The removal will require confirmation by a majority vote of the Council of the Chapter, which may send the matter to its Ethics Committee, if applicable, before voting.

b) The Chapter may remove an individual Board member of this Corporation or the entire Board for missing three (3) consecutive meetings of the Board of Directors without reasonable excuse and notice, gross misconduct, legal conviction or failing to comply with the requirements of their position. The removal will require two-thirds majority vote of the Council of the Chapter, provided that such removal shall not be valid unless the Council is given at least fifteen (15) days' prior written notice that the matter will be voted on at the meeting, or unless notice is duly waived. The Council shall exercise its discretion in determining whether or not any such absences or actions may be excused. The Council may send the matter to its Ethics Committee, if applicable, before voting.

**Section 6.7: Vacancy:** In the event of a vacancy on the Board of Directors, the vacancy may be filled by the President of the Chapter, in consultation with the Council members, for the remainder of the unexpired term of the vacancy.

**Section 6.8: Annual and Regular Meetings:** The Board of Directors shall hold an annual meeting in (SPECIFY MONTH) of each year at the principal office of the Corporation, or at such other time and place as may be determined by the Board of Directors. Regular meetings shall be held at least quarterly at such time and place as shall be determined by the Board of Directors.

**Section 6.9: Special Meetings:** Special meetings of the Board of Directors may be called for any purpose at any time by the Chairman or by a majority of directors then in office. Notice of the day, time, and place of any special meeting shall be communicated by any reasonable means to the directors at least forty-eight (48) hours prior to the meeting. All special meetings shall take place at the principal office of the Corporation unless another location is approved by a majority vote of all directors then in office. Notice of a special meeting may be waived by either filing with the minutes of the meeting a written waiver signed by the director(s) entitled to notice, or by such director(s) attendance at and participation in such meeting without objection.

**Section 6.10: Meeting by Telephone or Other Electronic Medium:** Any or all directors may participate in any regular or special meeting by telephone, e-mail, or other electronic medium, provided that all participating directors can simultaneously hear or chat with each other at all times during the meeting. A director participating by telephone shall be deemed for all purposes, including but not limited to determination of a quorum, to be present in person at the meeting at all times during which such director is in simultaneous contact with every other director participating in the meeting. Any action under these bylaws that is required or permitted to be in writing shall be sufficient if communicated by email or otherwise in compliance with the Electronic Signatures in Global Commerce Act.

**Section 6.11: Action without Meeting:** Any action required or permitted to be taken by the Board of Directors may be taken without a meeting if all of the directors consent in writing or via e-mail and if such action is approved by the affirmative vote of a majority of the directors. The action must be evidenced by a written consent, executed in one (1) or more counterparts by each director, describing the action to be taken and indicating the vote of each director for or against such action, filed with the records of the Corporation. Such action is effective when the last director signs the consent, or at such other date as specified in the consent.

**Section 6.12: Quorum and Voting:** The attendance of a two-third majority of the directors in office shall constitute a quorum for the transaction of business. The decisions of the Board shall be made in general by consensus or simple majority of the existing board members. However certain critical issues, identified in the Constitution, Bylaws or by a resolution of the Board, will require a two-third majority of the existing board members. The Chairman of the board shall also be a voting member.

## **ARTICLE VII OFFICERS**

**Section 7.1: Board Officers:** The Corporation shall have the following officers elected by and

from among the members of its Board of Directors: a Chairman, a Secretary, and a Treasurer. Any one (1) person may simultaneously hold more than one (1) office in the Corporation, except that the offices of Chairman and Secretary shall not be simultaneously held by the same person. The officers of the Corporation shall conduct themselves at all times in accordance with the mission and purposes of the Corporation.

**Section 7.2: Election and Term Limits:** The officers shall be chosen annually by the affirmative vote of a majority of the members of the Board of Directors, and shall serve for one(1) year terms, or until they are reelected or their successors are duly elected and qualified. The officers shall be permitted to serve up to three consecutive one (1) year terms, after which they cannot be reelected to the same office for a period of one (1) year.

**Section 7.3: Resignation and Removal:** Any board officer may resign at any time by giving written notice to the Board of Directors or to the Chairman or Secretary of the Corporation. Any such resignation shall take effect on the date of the receipt of such notice or at any later time specified therein. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. Any board officer may be removed from office at any time, with or without cause, by a two-thirds majority vote of the directors then in office.

**Section 7.4: Vacancy:** In the event of a vacancy in any office, the vacancy may be filled by the affirmative vote of a majority of the directors remaining in office.

**Section 7.5: Chairman:** The Chairman shall serve as the President and Spokesperson of the Corporation, shall preside at all meetings of the Board of Directors, shall have the general powers and duties usually vested in the office of the Chairman, and shall have such other powers and duties as may be prescribed by the Board of Directors. The Chairman shall, subject to the control of the directors, have general supervision, direction, and control of the affairs of the Corporation, within the limitations described in the Constitution.

**Section 7.6: Secretary:** The Secretary shall keep, or cause to be kept, a record of the proceedings of the meetings of the Board of Directors, be responsible for regulatory compliance and reporting, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors. In the case of duly notified absence or disability of the Chairman, the Secretary shall, for the period of such absence or disability, perform all the duties of the Chairman, and shall when so acting have all of the powers of and be subject to all the restrictions upon the Chairman.

**Section 7.7: Treasurer:** The Treasurer shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and financial transactions of the Corporation. The Treasurer shall also have such other powers and perform such other duties as may be prescribed by the Board of Directors. Authority to sign checks, notes, drafts, and other instruments shall be within the limitations of these Bylaws and Constitution, and as determined from time to time by a majority vote of the Board of Directors, and as reflected in the minutes of the meetings of the Board or on any such corporate resolutions as may be required by depository institutions.

**Section 7.8: Administrator:** The Board of Directors may create the position of an Administrator, from time to time, by a majority vote of the Board of Directors, and as reflected in the minutes of the meetings of the Board. The Administrator, if designated by the Board of Directors, shall be the chief administrative officer of the Health Center. The Administrator shall conduct official correspondence, preserve all documents, books and communications, keep books of accounts and maintain accurate records of the proceedings of the Board of Directors, and all committees and task forces. The Administrator shall engage, discharge and supervise all employees, including fixing their duties and compensation within budgetary limits with the approval of the Board of Directors. The Administrator shall act as one of the co-signers on authorized checks. The Administrator may be bonded if designated by the Board of Directors and the fee or fees shall be paid by the Health Center. Compensation of the Administrator shall be determined by the Board of Directors and reviewed from time to time. The Administrator shall be subject to such policies and procedures as may be set forth by the Board of Directors from time to time. Upon termination of the Administrator's duties, the Administrator shall deliver to the Board of Directors all books, papers and property of the Health Center.

## **ARTICLE VIII COMMITTEES OF THE BOARD OF DIRECTORS**

**Section 8.1:** The Board of Directors may establish such committees as it deems necessary and appropriate for the conduct of the business and affairs of the Corporation. The members of such committees may be members of the Board of Directors or other persons as determined by the Board of Directors or these Bylaws, who shall serve at the discretion of the Board of Directors. The Chairman shall designate a Coordinator to serve as the chair of each such committee, and shall consult with the Coordinator in making recommendations to the Board for appointment of the remaining members, *provided* that the Bylaws of the committee (including purposes, duration, number of members, structure of the committee, removal procedures, limitation of authority, reporting mechanism, meetings, recordings of proceedings etc.) and appointment of members to it must be approved by a majority of the directors in office at the time the action is taken.

## **ARTICLE IX INDEMNITY AND INSURANCE**

**Section 9.1:** The Corporation may, at its discretion, to the maximum extent permitted by the law, indemnify each of its agents against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any proceeding arising by reason of the fact that such person is or was an agent of the Corporation. For the purposes of this section, an "Agent" of the Corporation includes a person who is or was a Director, Officer, Committee member, employee or other agent of this Corporation, or any other organization, partnership, joint venture, trust or other enterprise working with this Corporation, or was a Director, Officer, Committee member, employee or other agent of an entity which was a predecessor of this Corporation, at the request of such predecessor individual or entity.

**Section 9.2:** The Corporation may purchase and maintain insurance on behalf of any person who is or was a Director, Officer, Committee member, employee or other agent of this Corporation, or any other organization, partnership, joint venture, trust or other enterprise working with this Corporation, against any liability asserted against such person and incurred by such person in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of these Bylaws.

## **ARTICLE X MISCELLANEOUS**

**Section 10.1: Limitation of Financial Transactional Authority:**

(a) *Board.* The Board shall not be authorized to incur any debt or other obligation, nor to otherwise make any expenditure, in excess of \$10,000.00, unless such debt, obligation, or other expenditure is expressly approved by the majority vote of the Council of the Chapter.

(b) *Officers.* No officer of the Corporation shall be authorized to incur any debt or other obligation, nor to otherwise make any expenditure, in excess of \$ 2,500.00, unless such debt, obligation, or other expenditure is either: (i) expressly stated in the current annual budget of the Corporation approved by the Board of Directors; or (ii) expressly approved by the Board of Directors of the Corporation.

(c) *Committees.* No Committee of the Corporation shall be authorized to incur any debt or other obligation, nor to otherwise make any expenditure, in excess of \$1,000.00, unless such debt, obligation, or other expenditure is either: (i) expressly stated in the current annual budget of the Corporation approved by the Board of Directors; or (ii) expressly approved by the Board of Directors of the Corporation.

(d) *Related Transactions.* The limitations set forth in this Section 10.1 shall apply to both single transactions and related transactions that individually or in the aggregate exceed \$10,000.00 for the Board, \$2,500.00 for an Officer and \$1,000.00 for a Committee of the Corporation. A “transaction,” for purposes of this Section, is any event by which the Corporation incurs any debt or other obligation. Transactions shall be deemed “related” under this Section if and only if the benefits obtained as a result of the transaction would more often than not be obtained through a single transaction in the ordinary course of business.

**Section 10.2: Limitation of Property Transactional Authority:** The Board shall not be authorized to incur any debt or other obligation, nor to otherwise make any commitment or agreement for the sale, rent or acquisition of any real state property, unless such debt, obligation, commitment or agreement is expressly approved by the majority vote of the Council of the Chapter.

**Section 10.3: Annual Financial Report:** The books and records of the Corporation shall be

examined at least once a year by a Certified Public Accountant approved by a majority vote of the directors in office at the time the action is taken. The results of said examination shall be presented to the Board of Directors by the Treasurer within one hundred eighty (180) days after the close of the Corporation's fiscal year, which shall be from January 1st to December 31st of each year.

**Section 10.4: Other reporting requirements:** The Corporation shall provide standardized bi-annual reports to the Chapter and a standardized annual report to the APPNA headquarter.

**Section 10.5: Records of Meetings:** Summaries of the proceedings of all regular and other meetings of the Board of Directors and its committees shall be maintained and made available to any member of the Board of Directors, the Chapter and APPNA headquarter, upon request.

**Section 10.6: Inspection of Bylaws:** The Corporation shall keep in its principal office for the transaction of business the original or a copy of these Bylaws as amended or otherwise altered to date, which shall be open to inspection by any member of the Board of Directors, the Chapter and APPNA headquarter, at all reasonable times during office hours.

**Section 10.7: Parliamentary Procedure:** *Robert's Rules of Order* shall be the parliamentary reference.

**Section 10.8: Conflicts of Interest:** In order to protect the Corporation when it contemplates entering into any transaction or arrangement that might benefit the private interest of an Officer or a Director, including the payment of compensation, the Corporation has adopted the Conflict of Interest Policy included in these Bylaws as Appendix A.

## **ARTICLE XI AMENDMENTS TO THE CONSITUTION AND BYLAWS**

**Section 11.1:** The Board may recommend to amend, repeal, alter (in whole or in part) the Constitution or Bylaws of the Health Center or adopt additional Constitution or Bylaws, upon the affirmative vote of two-thirds of the directors in office at the time the recommendation is adopted. The Corporation shall provide at least fifteen (15) days prior written notice to each director of any meeting of directors at which a recommendation for amendment is to be approved that the matter will be voted upon at a directors' meeting, unless notice is duly waived. The notice must also state that the purpose or one (1) of the purposes, of the meeting is to consider a proposed recommendation of amendment to the Constitution or Bylaws and must contain or be accompanied by a copy or summary of the amendment or state the general nature of the amendment. Such approved recommendation will not be effective, unless:

a) approved by a two-thirds majority vote of the Council of the Chapter, provided that such action shall not be valid unless the Council is given at least fifteen (15) days' prior written notice that the matter will be voted on at the meeting and must contain or be accompanied by a

copy or summary of the amendment or state the general nature of the amendment; *and*  
b) finally approved by the APPNA.

**Section 11.2:** The Council of the Chapter may vote to amend, repeal, alter (in whole or in part) the Constitution or Bylaws of the Health Center or adopt additional Constitution or Bylaws, upon the affirmative vote of two-thirds of the Council, provided that such action shall not be valid unless the Council is given at least fifteen (15) days' prior written notice that the matter will be voted on at the meeting and must contain or be accompanied by a copy or summary of the amendment or state the general nature of the amendment. Such an action will not be valid until finally approved by the APPNA.

IN WITNESS WHEREOF, I hereby certify that this Constitution and Bylaws were duly adopted by the Board of Directors for the Corporation on (date).

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(Name & Signature)

*Secretary*

APPNA (NAME OF LOCAL COMMUNITY) Health Center, Inc.

## **APPENDIX A**

### **APPNA (NAME OF LOCAL COMMUNITY) HEALTH CENTER, INC.**

#### **CONFLICT OF INTEREST POLICY**

##### **Article I. Purpose**

The purpose of this Conflict of Interest policy is to protect the interests of the APPNA (NAME OF LOCAL COMMUNITY) Health Center, Inc. (the “Health Center”) when it is contemplating entering into any transaction or arrangement that might benefit the private interest of an officer or director of the Health Center, or might result in a possible excess benefit transaction. This policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to nonprofit and charitable organizations.

##### **Article II. Definitions**

###### **Section 1. Interested Person**

Any Director, Officer or member of a Board Committee with Board-delegated powers, who has a direct or indirect financial interest, as defined below, is an Interested Person.

###### **Section 2. Financial Interest**

A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:

- A. An ownership or investment interest in any entity with which the Health Center has a transaction or arrangement,
- B. A compensation arrangement with the Health Center or with any entity or individual with which the Health Center has a transaction or arrangement, or
- C. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Health Center is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.

A financial interest is not necessarily a conflict of interest. Under Article III, Section 2, a person who has a financial interest may have a conflict of interest only if the appropriate governing board or committee decides that a conflict of interest exists.

##### **Article III. Procedures**

###### **Section 1. Duty to Disclose**

In connection with any actual or possible conflict of interest, an interested person must disclose the

existence of the financial interest and be given the opportunity to disclose all material facts to the Directors and members of committees with Board-delegated powers considering the proposed transaction or arrangement.

### **Section 2. Determining Whether a Conflict of Interest Exists**

After disclosure of the financial interest and all material facts, and after any discussion with the interested person, he/she shall leave the Board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining Board or committee members shall decide if a conflict of interest exists.

### **Section 3. Procedures of Addressing the Conflict of Interest**

- A. An interested person may make a presentation at a Board or committee meeting, but after the presentation, he or she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.
- B. The Chairman, or the chairperson of the committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
- C. After exercising due diligence, the Board or committee shall determine whether the Health Center can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.
- D. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the Board or committee shall determine by a majority vote of the disinterested Directors or committee members whether the transaction or arrangement is in the Health Center's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination it shall make its decision as to whether to enter into the transaction or arrangement.

### **Section 4. Violations of the Conflicts of Interest Policy**

- A. If the Board or a committee has reasonable cause to believe a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.
- B. If, after hearing the member's response and after making further investigation as warranted by the circumstances, the Board or committee determines the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

## **Article IV. Records of Proceedings**

The minutes of the meetings of the Board and all committees with Board-delegated powers shall contain:

- A. The names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the Board's or committee's decision as to whether a conflict of interest in fact existed.

- B. The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection with the proceedings.

### **Article V. Compensation**

- A. A voting member of the Board who receives compensation, directly or indirectly, from the Health Center for services is precluded from voting on matters pertaining to that member's compensation.
- B. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Health Center for services is precluded from voting on matters pertaining to that member's compensation.
- C. No voting member of the Board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Health Center, either individually or collectively, is prohibited from providing information to the Board or to any committee regarding compensation.

### **Article VI. Annual Statements**

Each Director, Officer, and member of a committee with Board-delegated powers shall annually sign a statement which affirms such person:

- A. Has received a copy of the conflicts of interest policy,
- B. Has read and understands the policy,
- C. Has agreed to comply with the policy, and
- D. Understands the Health Center is charitable and in order to maintain its federal tax exemption it must engage primarily in activities that accomplish one or more of its tax-exempt purposes.

### **Article VII. Periodic Reviews**

To ensure the Health Center operates in a manner consistent with charitable purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

- A. Whether compensation arrangements and benefits are reasonable, based on competent survey information, and the result of arm's length bargaining.
- B. Whether partnerships, joint ventures, and arrangements with management organizations conform to the Health Center's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes and do not result in inurement, impermissible private benefit or in an excess benefit transaction.

### **Article VIII. Use of Outside Experts**

When conducting the periodic reviews provided for in Article VII, the Health Center may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the board of its responsibility for ensuring periodic reviews are conducted.

**APPNA (NAME OF LOCAL COMMUNITY) HEALTH CENTER, INC. (*Health center*)**

Annual Statement on Conflicts of Interest

I, \_\_\_\_\_ a director, officer or committee member of the Health Center, hereby affirm that I:

1. Have received a copy of the Health Center's Conflict of Interest Policy,
2. Have read and understood the Policy,
3. Agree to comply with the Policy, and
4. Understand that the Health Center is charitable in nature and in order to maintain its federal tax exemption it must engage primarily in activities that accomplish one or more of its tax-exempt purposes.
5. Understand and acknowledge that my individual participation in or contribution to any other organization, including any organization that may from time to time contract with the Health Center, is a separate and distinct relationship and I may not bind or otherwise involve the Health Center in matters related to outside organizations.

\_\_\_\_\_  
(name)

\_\_\_\_\_  
(office or position held)

\_\_\_\_\_  
(date)