



## Military Order of the Purple Heart Department of Arizona



**Policy Number: 2025-008**

**Subject:** Department of Arizona Anti-Inurement Policy (Safeguarding the Department's Integrity and Tax-Exempt Status)

**Policy Statement:** No part of the income of the Department shall inure to the benefit of any member, trustee, director, Officer of the Organization, or any private individual except that reasonable compensation may be paid for services rendered to, or for, the Organization affecting one or more of its purposes, and no Member, trustee, Officer of the Department of Arizona, or any private individual shall be entitled to share in the distribution of the Department. If dissolved, all withstanding funds are to be turned over to the National Organization. No part of the net earnings, income, or assets of the non-profit shall inure to the benefit of any private individual, directly or indirectly. The organization's resources must be used exclusively to further its exempt purposes as defined in its mission and governing documents. Any transaction or arrangement that could result in an improper benefit to an insider or related party is strictly prohibited. (Reference: [Public Law 85-761, Section 9](#))

1. **Purpose:** This anti-inurement policy:
  - a. Protects the Department of Arizona's assets and income from improper use or distribution.
  - b. Ensures compliance with federal, state, and local regulations regarding tax-exempt organizations.
  - c. Preserves public trust and confidence in the Department of Arizona's activities and governance.
  - d. Promotes transparency and accountability in the Department's decision-making and resource allocation.



## Military Order of the Purple Heart Department of Arizona



2. **Scope:** This policy applies to:
  - a. All Chapters of the Department of Arizona.
  - b. All Members and all elected/appointed Officers.
  - c. All employees and volunteers.
  - d. A person or entity with significant interest in the Organization.
  - e. Contractors and consultants engaged by the Department of Arizona.
3. **Definitions:**
  - a. Insider: Any person with a significant relationship with the Department, including but not limited to board members, Officers, key employees, family members of those individuals, and major donors.
  - b. Inurement: The improper or unauthorized use of Department income or assets to directly or indirectly benefit an insider.
  - c. Private benefit: Any benefit, monetary or otherwise, that is accrued to a private individual or entity outside the scope of the Department's or exempt purposes.
4. **Prohibited Activities:**
  - a. Payment of excessive compensation, bonuses, or fringe benefits to insiders.
  - b. Sale of Department assets at less than fair market value to insiders.



## Military Order of the Purple Heart Department of Arizona



- c. Personal use of Department funds or resources by insiders.
- d. Preferential treatment of insiders in Department programs, grants, or contracts.
- e. Any other transaction or arrangement that results in disproportionate benefit to an insider.

5. **Conflict of Interest:** Because inurement frequently arises in the context of conflicts of interest, the Department of Arizona must maintain a robust conflict of interest policy. All insiders must:

- a. Disclose any financial or personal interest in transactions involving the organization.
- b. Recuse themselves from deliberations and decisions where such interests exist.
- c. Ensure that all transactions are conducted at arm's length and in the best interest of the Department of Arizona.

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Military Order of the Purple Heart  
Department of Arizona



6. **Procedures for Preventing Inurement:** The Department Executive Committee shall review and approve all transactions that may pose a risk of inurement.

Approved by the DEC:  
May 2, 2026

*Michael Smaydy*

Michael Smaydy  
Commander  
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