Conflicts of Interest for Nonprofits: Counseling Nonprofit Boards on Avoiding Conflicts

Overview

You’ve probably heard that “Conflicts of Interests” are bad and that nonprofit boards need to avoid conflicts of interests. But, what exactly is a “conflict of interest”, and what should you do if your nonprofit has a “conflict of interest? Conflicts of interest are not necessarily bad. The important thing is being able to identify conflicts of interest and knowing how to manage conflicts of interests when they arise.

Webinar

Conflicts of Interest for Nonprofits: Counseling Nonprofit Boards on Avoiding Conflicts with Lorri Anne Dunsmore, Perkins Coie LLP
https://vimeo.com/237007424
Date: October 5, 2017

This 1-hour webinar on “Dealing with Conflicts of Interests” will:

- Cover “What is a conflict of interest?”
- Give specific examples of common types of conflicts of interests that arise for nonprofits;
- Explain the law on conflicts of interest as it applies to nonprofits;
- Discuss strategies on how to manage conflicts of interests.

Presenters: Lorri Anne Dunsmore, Perkins Coie LLP

Lorri Dunsmore graduated from the University of Nebraska Law School with high distinction. Lorri is a partner at the law firm of Perkins Coie LLP. She counsels individuals, businesses and tax-exempt organizations on an array of charitable, wealth transfer, business succession and federal tax matters. Lorri regularly works with individuals and tax-exempt organizations to address a wide variety of tax and state law issues impacting charitable giving, formation of nonprofits and addressing the specialized needs of tax-exempt organizations including private foundation excise taxes, excess benefit transactions, lobbying restrictions, fundraising law compliance, commercial co-ventures and joint ventures

Resources needed
1. Computer. We recommend you download the webinar onto the desktop so that you aren’t relying on the Internet.
2. Projector/screen or HD television.
3. Handouts - Discussion Guide, Conflicts of Interest for Nonprofits: Counseling Nonprofit Boards on Avoiding Conflicts

Washington Nonprofits
https://www.wanonprofitinstitute.org/nonprofit-conversations/
Conflict of Interest for Nonprofits: Counseling Nonprofit Boards on Avoiding Conflicts

Discussion Guide

Key questions
- What are the key fiduciary duties of Board members?
- What is a conflict of interest?
- Why is it important to be able to identify a conflict of interest?
- How should a conflict of interest be addressed?

Clips of video
03:26 – 06:15 – Duty of Obedience
The duty of obedience requires a director of a nonprofit corporation to understand and carry out the mission of the nonprofit corporation in a lawful manner.

What is your organization’s mission statement?
What does the duty of obedience encompass? List those key components.
  • The duty of care
  • The duty of loyalty

06:16-12:15 – What is a conflict of interest?
A conflict of interest exists when a director has a material personal interest in a proposed transaction to which the nonprofit corporation may be a party.
  • Is a conflict of interest inherently illegal or unethical?
  • What are some examples of conflicts of interest?

12:16-23:21 – Why is it important to be able to identify and properly address a conflict of interest?
Lori discusses the importance of identifying a conflict of interest in order to ensure they don’t break any state law obligations, duty of loyalty, and compliances with various good governance guidelines.
  • What are some state laws and tax-exempt rules to consider?
  • How might your constituencies view or perceive the conflict of interest?

23:21-26:30 – How should a conflict of interest be addressed?
The overall goal should be to clearly document that the potential conflict of interest was disclosed and the board made its decision based on the fairness of the transaction and the best interests of the nonprofit corporation.
  • What are some preemptive steps?
  • Do you review your conflict of interest policy with relevant parties?
• What changes need to be made to the conflict of interest policy?

26:31-36:09 – Anatomy of a Conflict of Interest Policy
The overall objective of the policy should be to protect the interests of the nonprofit corporation.
• Who should be covered by the policy?
• What are the procedures when there is a potential conflict?

36:10-56:04 - Tales from the Dark Side
Lori provides examples of stories of conflicts of interest.
• What were are some other examples of conflicts of interest?
• What did you learn from these tales from the dark side? What were some penalties?

Additional resources: Form of IRS Conflict of Interest Policy, Certification, Rebuttable presumption checklist, RCW 24.03.025, RCW 24.03.127

Actions to take the next step
☑ Make a list of what information in this video is important and begin a dialogue about the topic of conflict of interest and discuss with your organization. Talk about your understanding of conflict of interest and it’s impact with your leadership team.
☑ Review your conflict of interest policy with staff/board and make a list of what possible changes your organization will need to make. Consider reviewing compliances with various good governance guidelines.

Resources for further information
Website: [https://wayfindlegal.org/](https://wayfindlegal.org/)
Website: [http://www.guidestar.org/Home.aspx](http://www.guidestar.org/Home.aspx) (purchase a nonprofit compensation report)
Website: [https://www.uwkc.org/](https://www.uwkc.org/) (also releases a compensation survey report)
Website: [https://www.spl.org/](https://www.spl.org/) (selected libraries in Seattle also offer free access to the nonprofit compensation report.)