THE PRESBYTERIAN FOUNDATION OF BOULDER dba

FAITHBRIDGE
· FOUNDATION ·

CONFLICT-OF-INTEREST OVERVIEW

The Model Nonprofit Corporation Act requires that the directors of a nonprofit corporation abide by a Duty of Loyalty. Directors must act in the best interest of the organization, not in their own interest. Federal tax law specifically requires that no profits or assets of an exempt organization inure to the benefit of officers and directors or other private individuals.

A fiscally prudent nonprofit organization will adopt a conflict-of-interest policy to ensure that personal benefit is not given to insiders as financial decisions are made. The policy expresses the nonprofit's ethical obligation to use resources solely for the benefit of constituents. Transactions involving insiders are not necessarily prohibited, but they must be fully disclosed and subjected to scrutiny. All relationships and possible self-interest must be revealed and objectively examined.

Conflict of interest is difficult to define, yet many people think they know it when they see it. The legal definition of conflict of interest, usually set out in state laws governing nonprofit corporations, is very specific and covers relatively few situations. Most conflicts fall into a gray area where ethics and public perception are more relevant than statutes or precedence.

Conflict of interest arises whenever the personal or professional interests of a board member are potentially at odds with the best interests of the nonprofit. Such conflicts are common: A board member performs professional services for an organization, or proposes that a relative or friend be considered for a staff position. Such transactions are perfectly acceptable if they benefit the organization and if the board makes the decisions in an objective and informed manner. Even if they do not meet these standards, such transactions are usually not illegal. They are, however, vulnerable to legal challenges and public misunderstanding.

Loss of public confidence and a damaged reputation are the most likely results of a poorly managed conflict of interest. Public confidence is of utmost importance to FaithBridge's ability to raise funds and to accomplish its mission. Furthermore, the current potential for increased regulatory and legal scrutiny makes it imperative that the board take steps to, as far as possible, avoid even the appearance of impropriety.