

## Governance

### Be accountable: Review board code of conduct

The Internal Revenue Service continues to tighten its reigns on nonprofit governance, an area it clearly targeted in the newly redesigned Form 990. If your board has not responded by reviewing your governance policies, now is the time to do so. Take a moment to review "Part VI, Section B, Policies" of the Form 990 with your board. You may want to strengthen the language in your board's code of conduct/ethics. This will help ensure you've addressed IRS concerns and that they are reflected in your policies.

Some points to consider:

**1. Strengthen confidentiality language.** Confidentiality breaches can severely impact the perception of the

organization. Executive Director Jon Greene, Grand Forks, N.D. said, "Breaches in confidentiality are one of the most unforgivable actions by board members. A breach in donor confidentiality by a board member would certainly negatively affect the future potential for donor gifts."

**2. Emphasize conflict-free board service.** Board members should serve because they believe in an organization's mission, not for any sort of business advantage. "Public knowledge that board members received an advantage or privilege because of their service will reflect negatively and jeopardize the future potential of the organization," Greene said.

For more, see the sample policy below.

#### Resource: Code of Conduct for the Board of Directors

The members of the Board of Directors acknowledge and accept the scope and extent of our duties as directors. We have a responsibility to carry out our duties in an honest and businesslike manner and within the scope of our authority as set for in the General Corporation Laws of the State of \_\_\_\_\_ and in the Certificate of Incorporation and By-Laws. We are entrusted with and responsible for the oversight of the assets and business affairs of \_\_\_\_\_ in an honest, fair, diligent, and ethical manner. As Directors, we must act within the bounds of the authority conferred upon us and with the duty to make and enact informed decisions and policies in the best interests of \_\_\_\_\_ and its consumers. The Board of Directors has adopted the following Code of Conduct, and our Directors are expected to adhere to the standards of loyalty, good faith, and the avoidance of conflict of interest that follow.

Board Members will:

- Act in the best interests of, and fulfill their fiduciary obligations to, \_\_\_\_\_, its consumers, and the community;
- Act honestly, fairly, ethically, and with integrity;
- Conduct themselves in a professional, courteous, and respectful manner;
- Comply with all applicable laws, rules, and regulations;
- Act in good faith, responsibly, and with due care, competence, and diligence, without allowing their independent judgment to be subordinated;
- Act in a manner to enhance and maintain the reputation of \_\_\_\_\_;
- Disclose potential conflicts of interest that they may have regarding any matters that may come before the Board, and abstain from discussion of and voting on any matter in which the Director has or may have a conflict of interest;
- Make available to and share with fellow Directors information as may be appropriate to ensure proper conduct and sound operation of \_\_\_\_\_ and its Board of Directors;
- Respect the confidentiality of information relating to the affairs of \_\_\_\_\_ acquired in the course of their service as Directors, except when authorized or legally required to disclose such information; and
- Not use confidential information acquired in the course of their service as Directors for their personal advantage.

A director who has concerns regarding compliance with this Code should raise those concerns with the President of the Board, who will determine what action shall be taken to deal with the concern.

Directors will annually sign a confirmation that they have read and comply with this Code.

Signature \_\_\_\_\_

Date \_\_\_\_\_

Source: Executive Director Karen Sopronyi, Alton, Ill. ■