

Adopted by the Board of Directors July 13, 2023

**CONFIRM AS ADOPTED BY BOARD**

# **Code of Ethics and Conflict of Interest Statement**

## **Guidelines for Woodland Lake Improvement Association**

Nonprofits must observe the highest standards in order to retain the trust of the membership (also called “the public”) and the confidence of those they seek to help. The board provides the public face of the organization, and its behavior, and that of individual board members must be exemplary.

**Selflessness.** Board members should make decisions in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their families or their friends.

**Integrity.** Board members should not place themselves under any financial or other obligation to outside individuals

or organizations that might influence them in the performance of their official duties.

**Objectivity.** In carrying out business, including making appointments, awarding contracts, or recommending individuals for rewards and benefits, board members should make choices based only on merit.

**Accountability.** Board members are accountable to the public for their decisions and actions and must submit themselves to whatever scrutiny is appropriate to their office. Openness. Board members should be as open as possible about all the decisions and actions they make. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands it.

**Honesty.** Board members have a duty to declare any private interest relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

**Leadership.** Board members should promote and support these principles by leadership and example. A board member should not disclose confidential information outside of the board, mis-report or conceal facts about the association, or intimidate or harass any board member, homeowner, contractor or employee.

# Three Fiduciary Duties

When you agree to serve on a nonprofit organization's board, you assume a number of responsibilities to the organization and a series of fiduciary duties (legal obligations) on its behalf.

Specifically, a director is obligated to fulfill three primary fiduciary duties – loyalty, care and obedience.

## 01

### Duty of Loyalty

Directors must act in the organization's best interest. The duty of loyalty creates a relationship of trust between the director and the organization and with each other. As such, a director cannot use that relationship to benefit themselves, family members, friends or other interested parties. It is not uncommon for a director to have external business or professional connections that could be useful to the organization. Directors must ensure, however, that when their personal business or professional connections intersect with their director role, their loyalty to the nonprofit organization is prioritized.

### Potential Pitfall - Conflicts of Interest

- Issue - A conflict of interest may arise when a director receives an improper personal or financial benefit from a transaction involving the organization's assets. A director's conflict of interest, however, may not always be improper or constitute a violation of the duty of loyalty.
- Solution - An engaged board of directors can take steps to help ensure the organization's best interests are being served and help a director avoid breaching the duty of loyalty

by creating a “Conflict of Interest Policy,” which might require all directors to complete a conflict of interest disclosure form annually.

# 02

## Duty of Care

Directors are required to use due diligence, care and skill in fulfilling their board responsibilities and must exercise exemplary stewardship of the organization’s assets and resources. To properly exercise their duty of care, directors should:

- Understand the organization’s foundational documents (i.e., bylaws, articles of incorporation, trust agreements, indentures);
- Stay informed of its activities and programs;
- Attend board meetings regularly;
- Make informed decisions concerning the use of the organization’s assets; and
- Maintain a familiarity of its current policies and procedures.

Board directors should also be knowledgeable about the organization's required federal, state and local tax obligations and filings, insurance coverage for the board and the organization, and employer-employee obligations.

## Potential Pitfall - Failing to Seek Third-party Expertise

- Issue - In most states, nonprofit directors are held to the business judgment rule or an equivalent standard, which gives directors wide latitude in their decision making. One area where directors do not have any latitude is with respect to paying state and federal payroll taxes. Directors with corporate signatory authority may be held personally liable

for the organization's failure to collect these payroll taxes and some states also may extend liability for failing to collect and remit sales tax and unemployment insurance contributions.

- Solution - When directors encounter matters beyond their areas of expertise, they should seek outside experts to help the board make informed decisions. If a complex transaction goes awry and litigation ensues, directors may be held liable for failing to seek third-party expertise and advice.

# 03

## Duty of Obedience

Directors must ensure the organization adheres to its stated mission and purposes. A nonprofit that strays substantially from its mission and purposes will be required to modify its governing documents and notify the IRS of the changes in its exempt status. To safeguard the organization's mission and purposes, directors must be engaged enough to steer the organization away from potentially competing or tangential interests.

Serving as a nonprofit board member can be demanding and time-consuming. Fortunately, there are many benefits and satisfying aspects, and you likely will be amazed by the good will generated by your commitment. Once you have become familiar with your roles and responsibilities, you will be able to lead by example and feel confident that the organization and its constituents will benefit from your diligence.

# Conflict of Interest Statement

**For: Board Members  
Board Committee Members  
Association Members**

of Woodland Lake Improvement Association  
aka WLIA , a Mississippi non-profit 501(c)12 mutual benefit  
organization.

No board member or board committee member, or any member of his/her family or household should accept any gift, entertainment, service, loan, or promise of future benefits from any person who either personally or whose employees might benefit or appear to benefit from such board or committee member's connection with Woodland Lake Improvement Association, unless the facts of such benefit, gift, service, or loan are disclosed in good faith and are authorized by the board. Board and committee members are expected to work out for themselves the most gracious method of declining gifts, entertainment, and benefits that do not meet this standard.

No board or committee members should perform, for any personal gain, services to any third party, vendor, supplier of goods or services, as employee, consultant, or in any other capacity which promises compensation of any kind, unless the fact of such transaction or contracts are disclosed in good faith, and the board or committee authorizes such a transaction. Similar association by a family member of the board or committee member or by any other close relative may be inappropriate.

No board or committee member or any member of his/her family or household should have any beneficial interest in, or substantial

obligation to any of the Woodland Lake Improvement Association's suppliers of goods or services or any other organization that is engaged in doing business with or serving WLIA that has been determined by the board, on the basis of full disclosure of facts, that such interest does not give rise to a conflict of interest.

This policy statement is not intended to apply to gifts and/or similar entertainment of nominal value (not to exceed \$30) that clearly are in keeping with good business ethics and do not obligate the recipient.

#### Questions and Complaints:

Any matter of question, or interpretation, or complaint that arises relating to this policy should be referred to the the Board in writing for decision and/or for referral to an Ad Hoc ethics committee for decision, where appropriate. Any ad hoc ethics committee to be composed of three board members and two association members at large. Counter complaints to be filed in the same manner.

*I have received, read and fully understand the **Code of Ethics and Conflict of Interest Statement** and will comply with the statement by bringing any potential conflict of interest situations to the board for consideration.*

*The effective date of this Agreement is the date of the signature below and will remain in effect for the term of the board or committee member or until a time this COI is modified by Amendment by the Association.*

Printed Name

\_\_\_\_\_

Signature and Date

\_\_\_\_\_

Please indicate your position:

- Board Member
- Committee Member
- Contractor
- Association Member