

## Board Tips – Fiduciary Responsibilities – Part Two

In the April issue of the ABC's of Church Management e-newsletter, the issues of defining fiduciary and the responsibility of duty of care were addressed. That discussion can be summarized simply as a board member (fiduciary) must:

- Show up,
- Complete assigned duties, and
- Ask tough questions.

In this issue the responsibility of duty of loyalty will be addressed. From the title, duty of loyalty, one might assume that this duty means you stay “loyal” to the church you currently attend. This would suggest that one remains loyal by being faithful in attendance and giving.

Actually duty of loyalty means something totally different. Duty of loyalty can be defined as:

*“Requires the individual, when making a decision or acting on behalf of the foundation, to set aside personal or conflicting interests and act solely in the best interest of the foundation.”*

[http://www.mcf.org/publictrust/wegsk\\_fiduciary.htm](http://www.mcf.org/publictrust/wegsk_fiduciary.htm)

Basically the duty of loyalty means a board member will not use their position on the board for personal gain for themselves or their family members.

Where this can come into play for a church is in the area of new construction or renovation. Say the church is wishing to add a family life center to their current facility. Board member Smith owns a construction company. He can bid on the project but he cannot be involved in the ultimate selection of the builder because that creates “conflict of interest” on his part because he would personally profit from the project.

To reduce the risk of conflict of interest, the church board should have a conflict of interest policy in place that each board member signs annually. The IRS has developed a conflict of interest policy which it recommends to nonprofit organization, including churches. The example of their policy can be found in IRS *Instructions for Form 1023* on page 25. You can download this document at [www.irs.gov](http://www.irs.gov).

It is recommended that you have an attorney review your conflict of interest policy to assure none of the language used violates state or local laws or statutes.