



NEIL F. HARTIGAN

ATTORNEY GENERAL

**YOU -- THE BOARD MEMBER
of an
Illinois Not-For-Profit Organization**

Welcome, and thank you for undertaking this vital public service. The not-for-profit organization is unique to the United States. Unlike the rest of the world, we rely heavily on private organizations to provide public service. Your gift of time and talent as a board member makes possible many important benefits to your fellow citizens. We have prepared this pamphlet as a guide; specific legal questions should be directed to your attorney.

YOU -- THE BOARD MEMBER

have the basic legal and policy responsibility for your not-for-profit organization. Even though you are an unpaid volunteer, you must:

1. Be active;
2. Receive no material profit;
3. Avoid conflicts of interests;
4. Exercise judgment in overseeing the organization's affairs;
5. Comply with applicable governmental regulations.

to HELP YOU

the following three pages briefly describe your responsibilities as a board member. For additional information contact your organization's lawyer or the Office of the Illinois Attorney General at 100 West Randolph Street, 12th Floor, Chicago, Illinois 60601, or 500 South Second Street, Springfield, Illinois 62701. All are anxious to help you serve the public effectively.

1. Be Active.

You should attend meetings of the Board and Board committees on which you serve. You must have general knowledge and understanding of how the organization is functioning, and you must have particular knowledge and understanding about the purpose of the organization and the specific responsibilities assigned to you.

Absence from meetings and inactivity do not excuse you from legal responsibility.

2. Receive no material profit.

Board members only can receive reimbursement for reasonable expenses and costs incurred in carrying out their board responsibilities. Illinois law prohibits loans by the organization to its directors and officers. If a board member is also an employee, compensation can be paid but the employee-board member should not participate in setting his or her compensation.

3. Avoid conflicts of interest.

As a board member you owe a duty of loyalty to the organization which takes precedence over your personal interests.

Self-dealing. You should avoid transactions with the organization where you have a personal or business interest beyond your interest as a board member. In the rare instance where it is in the best interests of the organization to deal with you, you should make a full disclosure to the board of all the circumstances involved in the transaction, be sure that the transaction is fair to the organization, refrain from voting on the transaction as a board member, and not be counted in determining the existence of a board quorum. This restriction applies also to your relatives, business associates and friends.

Organizational opportunities. In all matters of interest to the organization, you must put its interests ahead of your own. If an opportunity related to its purposes comes to you either as a board member or otherwise, you must make it available to the organization before you take it for yourself or another entity.

4. Exercise judgment in overseeing the organization's affairs.

As a board member you have a duty to care for the organization's affairs in good faith and with at least that degree of diligence, care, and skill which ordinarily prudent people would exercise under similar circumstances in like positions. Your good faith is not enough.