

## Chapter 12

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# The Legal Environment of the Nonprofit Corporation

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*Directors need to understand the corporation's legal environment in order to ensure the corporation acts within the bounds of the law and maximizes its performance for its constituency of service.*

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## The Board's Responsibility

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### Understanding the Corporation's Legal Environment

To fully understand the scope of their duties, directors should have a clear picture of the corporation's legal environment, that is, the substantive law governing all the things the corporation is organized to do. *The directors must understand that this environment of laws and regulations surrounds the corporation at all times*, regardless of whether the corporation employs a lawyer, whether or not it is involved in a lawsuit, or whether some license or permit is required for the corporation's operations. Parts of this same legal landscape surround each of us individually; for the most part, we adjust to it unconsciously, without any need for professional help or guidance. The corporate director, however, must be more conscious of the corporation's legal environment, since it affects what the corporation can or cannot do.

For an analogy, think of driving a car. It is sitting in the garage; someone enters it to drive it. The law defines who that driver may be, on what side of the street the driver will drive, when the car must stop, when and where it