



Nonprofit Association  
of Washington

## Let's Go Legal State Law

Speakers: Jodi Nishioka and Judy Andrews

**00:00:00 Video description:** The text "Let's Go Legal! The right road to compliance and protection" appears at the top of the screen. An animated orange smart car drives down a country road on a sunny day. On the bottom of the screen are the Nonprofit Association of Washington logo, the shape of the state of Washington made of colorful shapes with the words "Nonprofit Association of Washington" under it, and the Communities Rise Logo, the word "Communities" arching over the word "Rise" with two curved yellow lines intersecting underneath.

**00:00:04 Video description:** The screen fades to white. The text "State Law" appears on the left side of the screen. A drawing of a license plate with the letters LGL and a registration sticker for the year 2022 appears in an orange circle on the right side of the screen.

**00:00:06 Jodi:** Before you can hit the road, your car needs to be registered and those driving it need to know the rules of the road. You need a license plate and a driver's license. For nonprofits, this means your organization needs to be registered with the state. This is your first step when you create a nonprofit corporation.

**00:00:26 Video description:** The Let's Go Legal color wheel appears on the screen. The color wheel is split into five sections with an orange smart car with a license plate that says "LGL" at the center. The five sections are labeled, state law (orange), federal law (red), fundraising (purple), employment (blue), and intellectual property (green). A line in the shape of a "T" comes off each section connecting icons and words related to each section.

**00:00:26 Jodi:** Once you create a nonprofit corporation, there are requirements you have to meet under Washington law. There are five main ideas to know when talking about state law.

**00:00:33 Video description:** *The video zooms into the state law section of the color wheel. At the top of the screen, text reads "Before you can hit the road, your car needs to be registered. Those driving need to know the rules of the road." Five icons are next to the color wheel: a document, a gavel, a dollar sign, a book, and a tax form. The text "Articles of incorporation" appears next to the document icon.*

**00:00:36 Jodi:** First, the articles of incorporation are the document that creates the corporation.

**00:00:40 Video description:** *The screen fades to white. The text "The document that creates the corporation" appears.*

**00:00:41 Jodi:** The articles describe the organization's purpose. It is the outward facing document that tells the world and the state what the organization hopes to accomplish. You are required to stay current with the Secretary of State.

**00:00:57 Video description:** *The previous text disappears, and "Annual report" appears with a drawing of a birthday cake with candles.*

**00:00:57 Jodi:** This happens through an annual report which must be filed every year on the birthday of your organization.

**00:01:02 Video description:** *The LGL color wheel zoomed in to the state law section appears on the screen again.*

**00:01:02 Jodi:** In the kit materials we have listed a few things you either have to include or should include in your articles. Some sample articles are available on our website.

**00:01:13 Video description:** *The text "Bylaws" appears next to the gavel icon.*

**00:01:13 Jodi:** While your articles are your outward facing document, your bylaws are your inward facing document describing how your organization functions. The bylaws are the rules the board of directors follow,

**00:01:27 Video description:** *The screen fades to white. The text "How decisions are made, Whether or not to have members, When and how to meet, What committees you have" appears on the screen.*

**00:01:27 Jodi:** like how decisions are made, whether or not to have members when and how you meet or what committees you have. Some sample bylaws are available on the website.

**00:01:38 Video description:** *The LGL color wheel zoomed in to the state law section appears on the screen again. The text "Fiduciary" appears next to the dollar sign icon.*

**00:01:38 Jodi:** Board members have four main duties, according to Washington law,

**00:01:42 Video description:** *The screen fades to white. The text "The duty of care, The duty of loyalty, The duty of obedience, The duty to share relevant information" appears.*

**00:01:42 Jodi:** the duty of care, the duty of loyalty, the duty of obedience. And with the new act as of January 1st, 2022, to the duty to share relevant information. Let's take them one by one. The duty of care means that the board member takes time and care when making decisions. The duty of loyalty means that a board member always acts in the best interest of the organization and not in their own interest. This gets into conflicts of interest. The duty of obedience means that the director will make sure that the organization follows the law. The new act added a fourth duty for directors and officers to share information to the board if they have

information that is important to the operations or relates to a violation of law involving the organization.

**00:02:34 Video description:** *The LGL color wheel zoomed in to the state law section appears on the screen again.*

**00:02:36 Jodi:** Board members have duties, but they are also protected. While the details are more complicated, there are limits to liability for nonprofit board members. The kit includes more details on this.

**00:02:48 Video description:** *The text "Recordkeeping" appears next to the book icon.*

**00:02:50 Jodi:** It is important to keep good records because people want to know what is going on, and in some cases need to know for legal evidence.

**00:02:59 Video description:** *The screen fades to white. The text "Form 990 & Articles of Incorporation are public documents" appears.*

**00:02:59 Jodi:** Your Form 990, which is your annual tax return, and your articles are public documents and should be available to be shared upon request.

**00:03:09 Video description:** *Minutes & other key documents should be shared with board members.*

**00:03:09 Jodi:** Your minutes and other key documents are not public, but should be shared with all board members.

**00:03:14 Video description:** *The LGL color wheel zoomed in to the state law section appears on the screen again.*

**00:03:14 Jodi:** We have included in the kit a list of financial records that we also recommend keeping.

**00:03:20 Video description:** *The text "State taxes" appears next to the tax document icon.*

**00:03:20 Jodi:** There are three state taxes that affect nonprofits in Washington.

**00:03:25 Video description:** *The screen fades to white. Text that reads "Business and occupation tax, Sales tax, Property tax" appears.*

**00:03:25 Jodi:** First, business and occupation tax **or the B and O tax**. Second, sales tax. And third, property tax. Let's take them one by one. A nonprofit has to get a master business license and may have to pay business and occupation taxes on proceeds. For example, if your organization charges for your services, you may have to pay taxes on that income to the state. Organizations that sell products must pay sales tax, and organizations that own property must pay property taxes unless they are exempt. Churches are exempt for example.

**00:04:02 Video description:** *The LGL color wheel zoomed in to the state law section appears on the screen again.*

**00:04:02 Jodi:** Let's hear from nonprofit lawyer Judy Andrews on what to pay close attention to about state law.

**00:04:09 Video description:** *A video of a person with shoulder length, wavy brown hair wearing a dark grey sweater and a blue scarf appears. Behind them is a light grey wall. The LGL color wheel appears with text of the speaker's name, Judy Andrews.*

**00:04:09 Judy:** I work with nonprofits every day, and there are two areas of state law that are tricky. The first is conflicts of interest. Conflicts of interest arise

commonly in nonprofits, and they aren't bad, but they need to be managed. A conflict of interest policy is a useful tool for managing conflicts. So let's give an example. Your nonprofit is looking for office space, and Wendy, the board president has offered space in her family's office building. She has a conflict. She's on both sides of the issue because she wants to help the nonprofit, but she also wants to rent space in her office building. The conflicts of interest policy makes it possible for the board to have a discussion without Wendy's presence or vote so that they can make a decision that's fair to the corporation.

The second issue is the annual registration. Nonprofits need to register an annual corporate report each year with the Secretary of State's office. If that report isn't filed, the Secretary of State will administratively dissolve your corporation.

**00:05:18 Video description:** *The LGL color wheel appears on screen with a list of key documents that appear in text one by one: "Articles of Incorporation, Bylaws, Annual Report File with the Secretary of State."*

**00:05:18 Jodi:** There are some key documents to review and keep up to date: The articles of incorporation, the bylaws, and you must file an annual report with the Secretary of State.

**00:05:32 Video description:** *A preview of the State Law Checklist appears on the screen with a large green check mark.*

**00:05:32 Jodi:** Your kit includes a checklist to help you move forward.

**00:05:35 Video description:** *The checklist moves off the screen to reveal a drawn picture of a road with three trees appears on screen with the LGL color wheel in the bottom left corner. The animated smart car drives down the road.*

**00:05:35 Jodi:** By meeting your state requirements you will be in good standing with Washington, and like a car, you'll be ready to drive and take on your mission.

**00:05:43 Video description:** The text “Let’s Go Legal! The right road to compliance and protection” appears at the top of the screen. An animated orange smart car drives down a country road on a sunny day.

**00:05:49 Video description:** The screen fades to white with a pencil drawing of a country road through some hills. Text that reads “Download the Let’s Go Legal guide: [nonprofitwa.org/learn](https://nonprofitwa.org/learn). Tell your board about Boards In Gear (BIG) & Finance Unlocked for Nonprofits (FUN) also available from Nonprofit Association of Washington” scrolls up the screen, pauses for a few seconds and then disappears.

**00:05:55** Text that reads “Let’s go Legal was guided by a team of legal advisors. We greatly appreciate their contribution: Brenda Tausch Lapora, Jodi Nishioka, Judy Andrews, Nancy Stephens, Taylor Ball. Their contribution should not be viewed as legal advice” scrolls up the screen, pauses for a few seconds, and then disappears.

**00:05:59 Video description:** Text that reads “Let’s Go Legal was created by Nonprofit Association of Washington and Communities Rise, and was sponsored by the Washington Office of the Secretary of State. ©2022 Nonprofit Association of Washington. All rights reserved. Music: Smiling Cars by David Szesztay” scrolls up the screen and pauses for a few seconds, and then disappears.

**6:02 Video description:** The screen fades to black. Text that reads “3 Choices Creative Communications” appears on the screen above a logo of an eye. Under the eye, text reads “[3greatchoices.com](https://3greatchoices.com).”