

Would You Sign a Contract You Have Not Read?



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Few days pass when I'm not asked to sign a contract. Whether it's a form granting permission to record a workshop, or a "click through agreement" I must complete to sit in the exit row on an outbound flight, pages of contract language appear before this lawyer on a regular basis. On many occasions when I'm rushing to find the signature line, I stop to remind myself of something I once heard my mother tell an anesthesiologist: "My daughter would NEVER sign a contract she hasn't read."

The following is an abbreviated list of contract "do's." An expanded list—with accompanying contract "don'ts"—appears in our book, [*EXPOSED: A Legal Field Guide for Nonprofit Executives*](#).

- Do ask for clarification about ANY contract terms you find confusing, inapplicable, vague, or incomprehensible.
- Do insist that inappropriate, irrelevant and nonsensical clauses be removed or fixed before you sign the contract.
- Do make certain you have the authority to enter into a contract before binding your nonprofit.
- Do use a contract every time you retain a consultant or contractor to provide services to your nonprofit. Make certain the independent contractor agreement specifies the contractor's status, and ineligibility for insurance coverage or any benefits provided to employees.
- Do read every contract presented to you for signature. Remember that the contract binds your nonprofit legally and the contract's provisions may apply for a number of years, even after the work specified in the contract has been completed. Also remember that you could be held accountable in court for the promises made in the contract.
- Do wait until contract negotiations have concluded and the ink on the contract (both parties' signatures) has dried before authorizing work to begin on any project that the contract governs.
- Do limit the risk of contracting policy violations by making sure that only those individuals who are authorized to enter into contracts on behalf of the nonprofit do so. Make clear who has authority to negotiate and execute contracts on the organization's behalf and who does not.
- Do include language in every contract that protects the nonprofit's assets. For example, indicate who owns what in your contracts with vendors and independent contractors. If an independent contractor is preparing a report for your nonprofit, that report should be the nonprofit's property.

Melanie Lockwood Herman is Executive Director of the Nonprofit Risk Management Center. She welcomes your ideas about any risk management topic, feedback on this article, and questions about the Center's resources at Melanie@nonprofitrisk.org or 703.777.3504. NRMC provides risk management tools and resources

at [www.https://nonprofitrisk.org/](https://nonprofitrisk.org/) and offers [consulting assistance](#) to organizations unwilling to leave their missions to chance.