



## Duties and Responsibilities of Nonprofit Directors and Officers

Nonprofit directors and officers are legally responsible for the day-to-day decision-making of their organization. These board members can be held personally liable for any breach of duty.

**The duties owed by directors and officers include the responsibility that is owed to the organization itself, its members, employees and the general public. The directors owe three specific duties: the duty of care, the duty of loyalty and the duty of obedience.**

- ▶ Duty of care – requires directors and officers to act prudently and reasonably in regard to the management of the organization’s affairs
- ▶ Duty of loyalty – prohibits directors and officers from using their position in the organization to further their own personal interest
- ▶ Duty of obedience – requires directors and officers to ensure that the organization is run in accordance with its charter and bylaws, and that the organization complies with applicable laws

**In addition to these duties, directors and officers have some basic responsibilities that include the following:**

- ▶ Establish a mission and purpose for the organization and articulate goals
- ▶ Select a chief executive and establish his or her responsibilities
- ▶ Ensure effective organizational planning, establish programs and services consistent with the organization’s mission and assist in implementing and monitoring the plan’s goals
- ▶ Ensure adequate resources so that the organization may fulfill its mission
- ▶ Provide financial oversight and assist in developing an annual budget and ensuring that proper financial controls are in place
- ▶ Ensure legal and ethical integrity and maintain accountability for adherence to legal standards and ethical practices
- ▶ Establish procedures to ensure that each board member understands and complies with his or her duties as a board member
- ▶ Serve as an advocate for the organization and enhance their public standing
- ▶ Support the chief executive and assess his or her performance and monitor the conduct of the staff to ensure the organization is being properly managed
- ▶ Recruit and orient new board members and assess board performance

Nonprofit directors and officers must always act for the benefit of their organization, avoid any conflicts of interest and exercise the utmost skill and care in decision-making. Any perceived breach of these duties can result in a suit that will, at the very least, incur defense costs. They could be sued by employees, members, volunteers and donors.

If the board does not carry directors and officers liability insurance, the personal assets of each individual board member may be at risk!