

# Fiduciary Responsibilities for Associations

August 5 - 6, 2014

# Fiduciary Responsibilities

One of the main responsibilities of board members is to maintain financial accountability of their organization. Board members act as trustees of the organization's assets and must exercise due diligence to oversee that the organization is well-managed and that its financial situation remains sound.

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The fiduciary responsibilities of a nonprofit's board members include:

Avoiding conflicts of interests

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Acting in the interest of the organization rather than in the interest of board members

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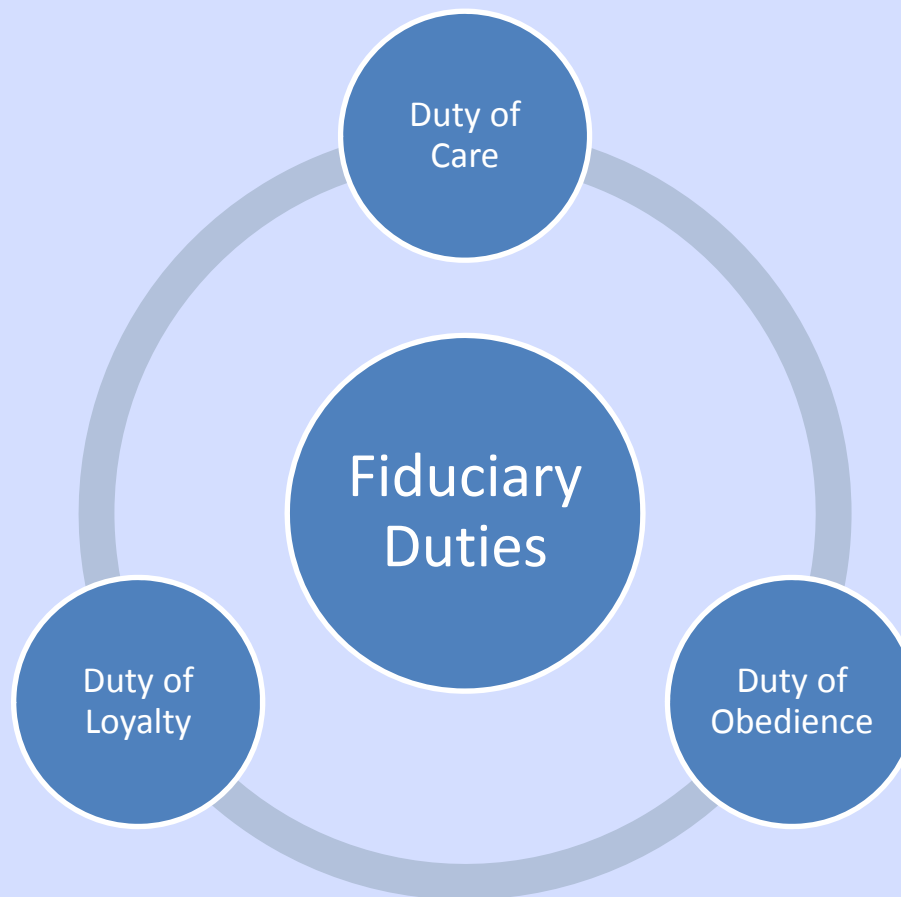
Providing oversight to assure that the organization's business is transacted legally

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Making decisions to protect the assets of the nonprofit organization

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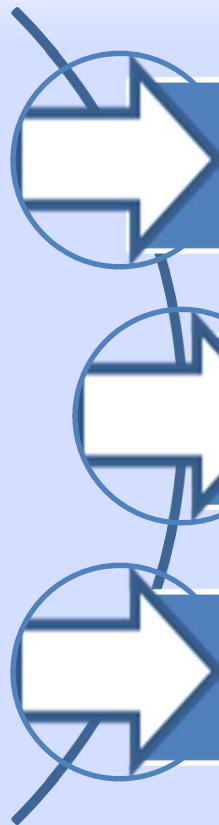
A board member's central purpose is to ensure that the organization's resources are used to achieve its purposes. This includes the duties of care, loyalty and obedience.



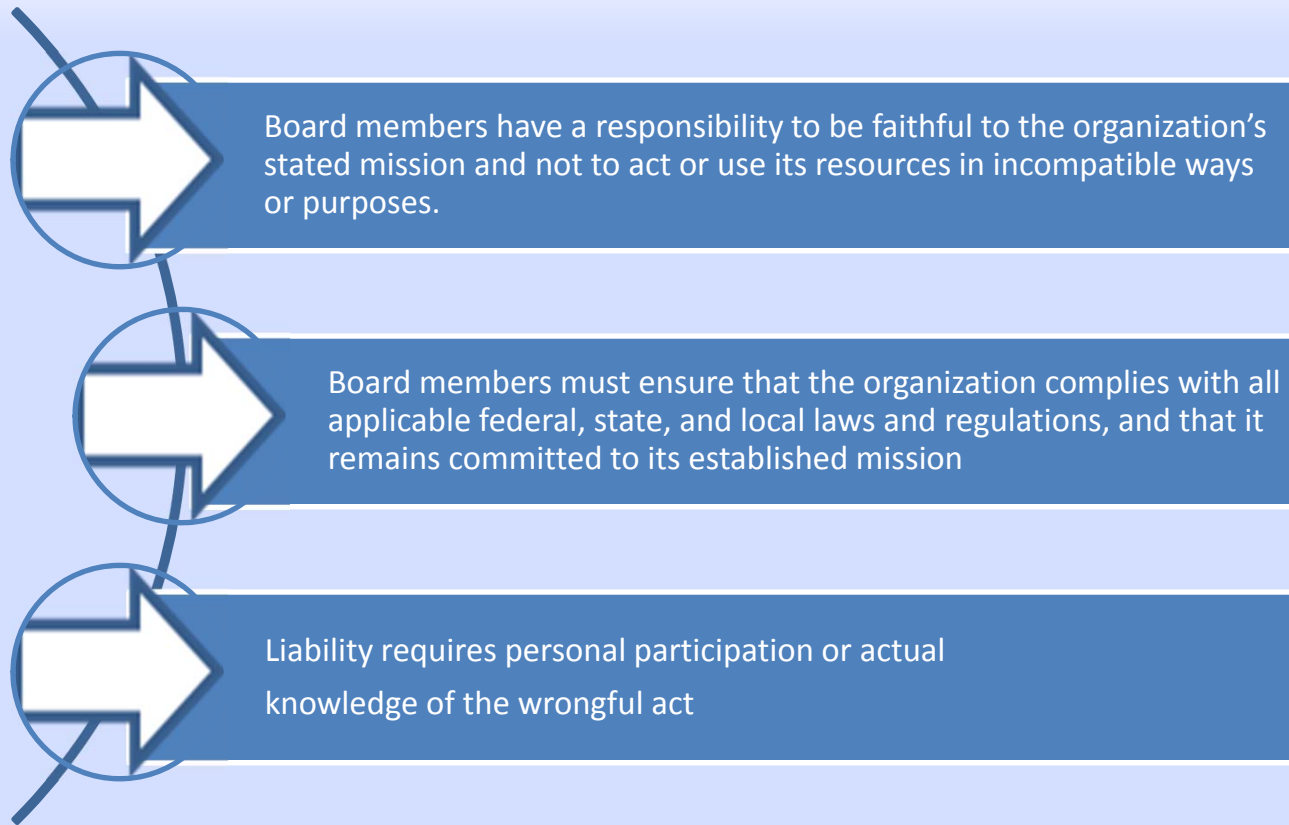
## Duty of care:

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- A trustee has a responsibility to participate in decision-making on behalf of the organization
  - These decisions must be informed, meaning that the board member should make efforts to become familiar with the relevant, available facts
  - Board members are expected to actively participate in organizational planning and decision-making and to make sound and informed judgments

## Duty of loyalty:

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- When acting on behalf of an organization, board members must set aside their own interests, whether professional or personal, or the interests of any other organization
  - Avoid potential conflicts of interest
  - A board member cannot seize an opportunity for his or her own gain

## Duty of obedience:

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- Board members have a responsibility to be faithful to the organization's stated mission and not to act or use its resources in incompatible ways or purposes.
  - Board members must ensure that the organization complies with all applicable federal, state, and local laws and regulations, and that it remains committed to its established mission
  - Liability requires personal participation or actual knowledge of the wrongful act



## The Consequences

If a board member breaches any of these duties or otherwise harms the nonprofit organization, he or she may be personally liable for failing to comply.

The government may bring actions against board members for violation of state or federal laws.

Such lawsuits may allege failure to fulfill the organization's charitable purpose.

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Avoiding  
Liability

Establish  
appropriate  
policies

Adopt and follow a  
written conflict-of-  
interest policy

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Develop a  
confidentiality policy

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Adopt a code of  
conduct

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Avoiding  
Liability

# Establish appropriate committees

Executive committee

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Audit committee

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Finance committee

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Nominating/board  
development/governance  
committee

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Avoiding  
Liability

Establish  
measures for  
effective  
board  
performance.

Schedule strategic  
planning and mission  
evaluation on a regular  
basis

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Conduct a self-  
evaluation

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Choose to survey the organization's  
staff or members about the metrics  
to measure success and the best use  
of resources

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Avoiding  
Liability

Review  
organizational  
and external  
resources.

The organization's  
mission statement

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Budget

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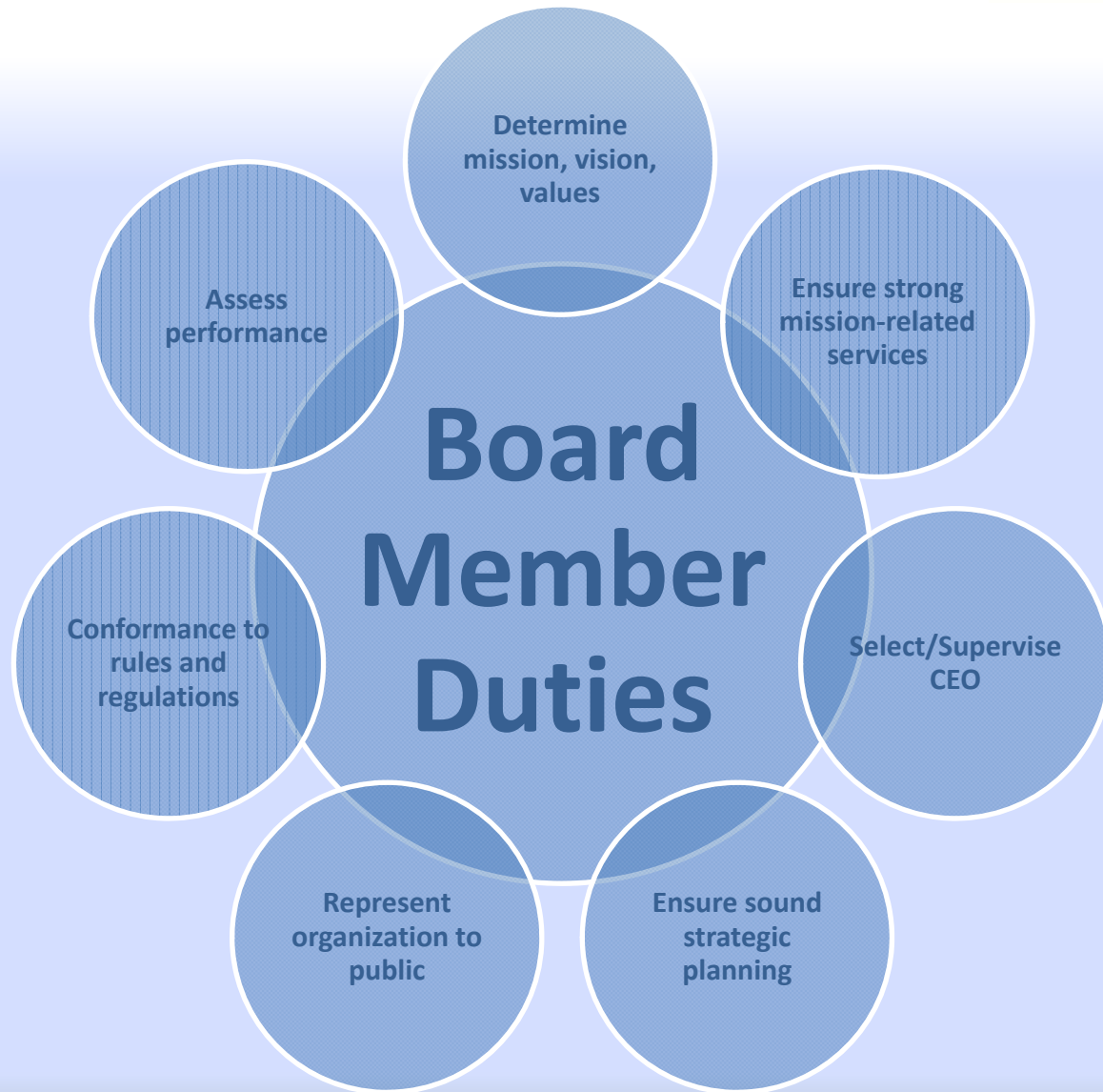
Strategic Plan

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Maintain  
copies of:

Overview of  
programs

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**Example  
of Board  
Decisions**

Hire/fire CEO

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Approve annual budget

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Approve Strategic Plan

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Approve program/project plans

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Add/remove Board member(s)

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Approve major expenditures

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In addition to its legal responsibilities, the board acts in a fiduciary role by maintaining oversight of the nonprofit's finances. Board members must evaluate financial policies, approve annual budgets, and review periodic financial reports to ensure that the organization has the necessary resources to carry out its mission and remains accountable to its donors and the general public.



## Contact Information

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