

Fiduciary Duties: Care, Loyalty, Obedience

While the board is not usually involved in the day-to-day activities of the organization, it is responsible for managing the organization and making important decisions, such as adding or removing board members, hiring and firing key officers and employees (more specifically, the executive director), engaging auditors and other professionals, as well as authorizing significant financial transactions and new program initiatives. In carrying out those responsibilities, members of a board of directors are fulfilling their fiduciary duties to the organization and the public it serves.

Nonprofit board members have three fundamental areas of legal and fiduciary responsibility, often referred to as the duty of care, loyalty, and obedience.

Duty of Care

The duty of care requires that a nonprofit board member participate actively in governance and oversight of an organization's activities. This includes attending board and committee meetings, reviewing and understanding the organization's financial documents, helping to frame strategic plans, identifying and managing risks as well as opportunities, and taking prudent steps to advance the organization's mission and goals.

Duty of Loyalty

The duty of loyalty requires that a nonprofit board member act in the best interest of the organization at all times. This includes identifying and disclosing potential conflicts of interest before joining the board, and when they arise. When a potential conflict exists, board members must follow conflict of interest management steps as mandated by law and recommended in good governance guidelines. (Note: New York State law requires that all nonprofits have a written Conflict of Interest Policy.)

Duty of Obedience

The duty of obedience requires that a nonprofit board member work to ensure that the organization complies with applicable laws and regulations, acts in accordance with its own policies, and carries out its mission appropriately. Board members should ensure that the organization carries out its purpose and does not engage in unauthorized activities.