

# **Fiduciary Responsibilities of Officers and Directors**

The fiduciary responsibilities (legal duties) of nonprofit association directors have been established by case law, liability insurance practices, as well as state corporation law. The duties are threefold:

1. The duty of care.
2. The duty of loyalty.
3. The duty of obedience.

## **The Duty of Care**

The duty of care requires the director to do what would be expected of any prudent person in the same position. It requires the director to read relevant documents, prepare carefully for board meetings, pay attention to what is going on, and ask questions to clarify actions that are being taken. The duty of care permits the delegation of certain responsibilities to experts, staff, committees and task forces, but requires the director to stay informed of their activities and take appropriate action when indicated.

## **The Duty of Loyalty**

The duty of loyalty requires the director to give undivided allegiance to the organization of which he or she is a director, without regard to personal interest, business interest, or the interest of any other region or organization. Furthermore, it is a breach of the duty of loyalty for a director to use inside information gained in the performance of his or her responsibilities for personal benefit, or to benefit his region, business or any other organization. This constitutes conflict of interest.

## **The Duty of Obedience**

The duty of obedience requires the director to act within the scope of legal authority, including the organization's articles of incorporation, bylaws and mission.

[ASSOCIATION] is able to hold its directors harmless from lawsuits as long as they operate within the legal bounds of their fiduciary responsibilities, e.g., the duty of care, the duty of loyalty, and the duty of obedience.

*(The above information on Board Fiduciary Responsibilities was originally published by The Forbes Group and is reprinted with permission.)*