



Legal Responsibilities of Nonprofit Trustees

“The Three D’s: The Duty of Care, the Duty of Loyalty and the Duty of Obedience”

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The Bloomberg Group and NonProfit Direct



The Bloomberg Group Coaching and Consulting and NonProfit Direct: The NonProfit National Resource Directory offer this material for nonprofit leadership interested in enhancing their understanding of the legal responsibilities of nonprofit trustees.

Resource: **Legal Responsibilities of Nonprofit Boards, Second Edition** By [Bruce R. Hopkins](http://www.boardsource.org/Bookstore.asp?Item=116), BoardSource, <http://www.boardsource.org/Bookstore.asp?Item=116>

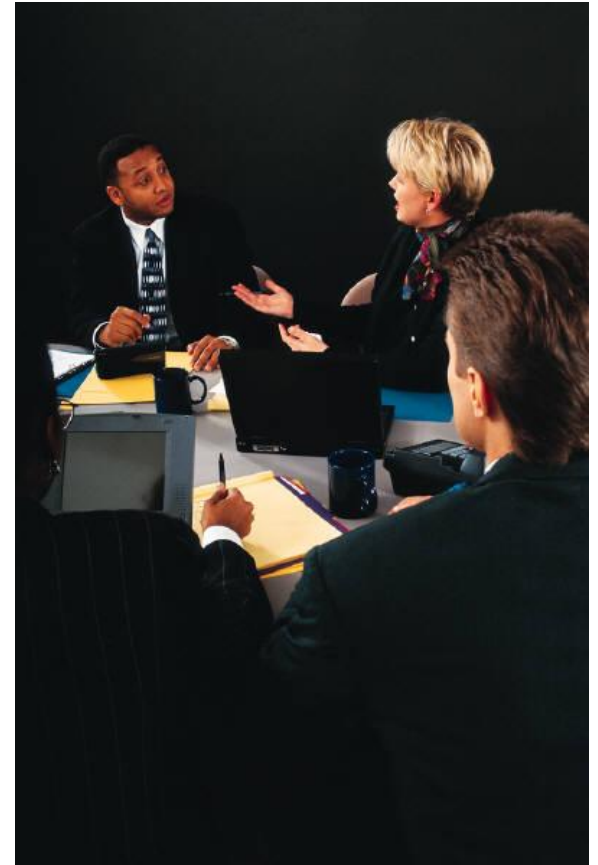
Ensure legal and ethical integrity

- Duties of:
 - Care
 - Loyalty
 - Obedience



Duty of Care

- Use diligence, care and skill which prudent people would use in similar circumstances.
- Be familiar with the organizations' finances & activities and participate in its governance.



Duty of Care (continued)

- **Attend** all board meetings, committee meetings, participate in decision-making and policy setting.
- **Read** materials and minutes, make sure your vote is recorded.



Duty of Care (continued)

Participate in the process of approval of major obligations, fundraising, compensation arrangements.



Duty of Care (continued)

Read agency literature.

Review financial accounts, review actual to budget comparison.



Duty of Care (continued)



Participate in risk
assessment and
strategic
planning.

Duty of Care (continued)



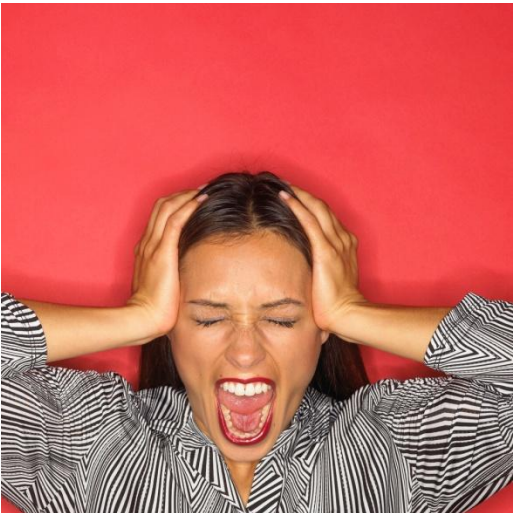
Make sure
organization has
written policies and
controls.

Types of Policies



Crisis Management

Employee Manual (hiring, firing, professional development, vacation, etc.)



Investment and Endowment

Facilities Management

Use of technology (email, social media)

Conflict of Interest

Duty of Care (continued)

Encourage board diversity.



Duty of Loyalty



- **Be aware** of conflict of interest policy.
- **Act** always in the interest of the organization and not for personal gain.

Duty of Loyalty (continued)



Avoid transactions in which you or a family member benefits or disclose such transactions fully to the board.

Examine transactions involving board members to ensure there is no conflict of interest.

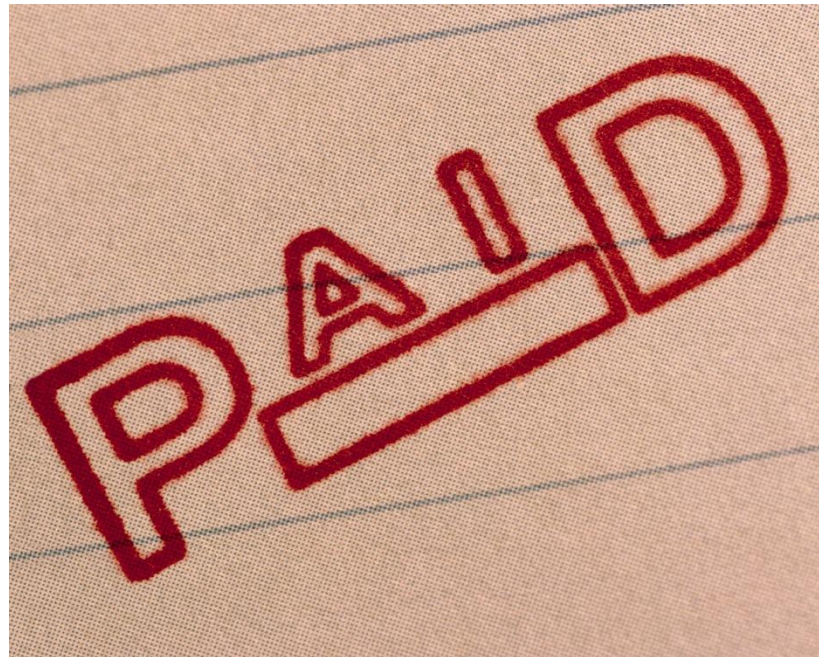
Duty of Obedience



- **Ensure** that the organization complies with all applicable laws and regulations and with its own internal documents and policies.
- **Make sure** that resources are dedicated to accomplishing the mission.

Duty of Obedience (continued)

Comply with all reporting laws, making sure that employees receive compensation and appropriate taxes are paid.



Duty of Obedience (continued)

Provide copies of tax-exempt forms, federal reports and financial reports as necessary to the public when requested.



Resources for Writing a Conflict of Interest Policy

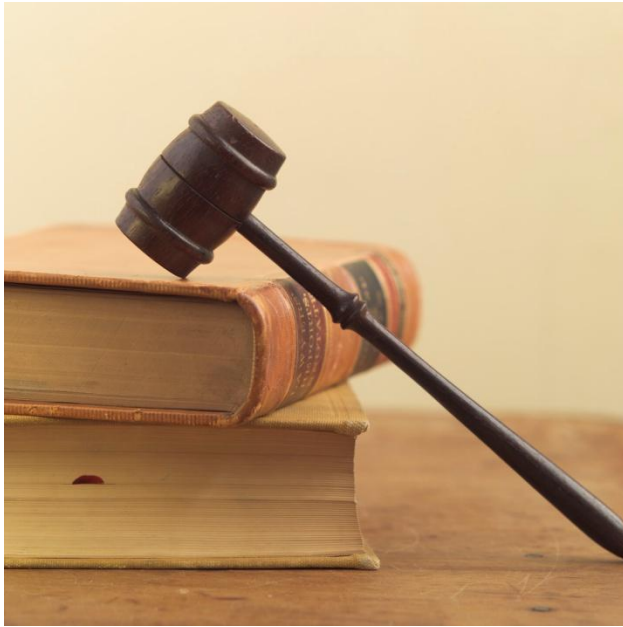


...find the answer here

Available from the NonProfit Risk

Management Center: <http://bit.ly/ohaSl4>

More Resources



Nonprofit Law Report: Legal Issues Affecting Nonprofit and Charitable Organizations

<http://www.nonprofitlawreport.com/guide/conflict-of-interest/>

National Council of Nonprofits

Sample Conflict of Interest Disclosure Form

<http://bit.ly/pvRcpp>



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Non Profit National Resource Directory

Connecting the nonprofit sector with the
RESOURCES you need to SUCCEED

