



# Legal Responsibilities

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In the United States, the board of directors of a nonprofit corporation has the ultimate responsibility and accountability for the conduct and performance of the organization. Boards regularly delegate the work of the organization to executives, staff, and volunteers, yet they cannot delegate or reassign their responsibility for that work. Nonprofit corporations are entities authorized by a state to be formed for the purpose of engaging in public service, and each such corporation must have a governing body that oversees and ultimately is legally accountable for the organization.

Nonprofit boards have roles that go much beyond the legally required, yet there is no question that boards must be very attentive to the performance of their legal responsibilities. The nonprofit board and its members, individually, have three legal fundamental duties.

## **Duty of Care**

Taking the care and exercising the judgment that any reasonable and prudent person would exhibit in the process of making informed decisions, including acting in good faith consistent with what you as a member of the board truly believe is in the best interest of the organization. The law recognizes and accepts that board members may not always be correct in their choices or decisions, but holds them accountable for being attentive, diligent, and thoughtful in considering and acting on a policy, course of action, or other decision. Active preparation for and participation in board meetings where important decisions are to be made is an integral element of the duty of care.

## **Duty of Loyalty**

Calls upon the board and its members to consider and act in good faith to advance the interests of the organization. In other words, board members will not authorize or engage in transactions except those in which the best possible outcomes or terms for the organization can be achieved. This standard constrains a board member from participating in board discussions and decisions when they as an individual have a conflict of interest.

## **Duty of Obedience**

Requires obedience to the requirements of applicable laws, rules, and regulations, as well as honoring the terms and conditions of the organization's mission, bylaws, policies and other standards of appropriate behavior.