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## So you've been asked to serve on the Board of a not-for-profit... Now What?

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Service on the board of a not-for-profit organization is often a rewarding experience for both the organization and directors. Because of the responsibilities that come along with this service, board members should enter into the role understanding the suggested requirements set forth to the governing body of not-for-profit organizations. Knowing where to go for guidance can be helpful.

The Form 990 guides organizations through a series of governance yes/no questions, which imply what the IRS feels are "best practices" in this area. Your Secretary of State's website and sites like [principlesforgood.com](http://principlesforgood.com) can provide guidance as well. Being informed, engaged and independent can enrich the time spent as a board member of a nonprofit organization. The following provides some general suggestions that can lead to a positive and rewarding experience during your time of service.

### Be Informed

Understanding the responsibilities as a board member is vital to a successful experience. Under federal and state laws and regulations, board members become fiduciaries for the organization in which they serve. As such, they are governed

by fiduciary responsibilities. While the definition may slightly vary between different states, fiduciary responsibility is generally defined as both the Duty of Loyalty and the Duty of Care. So what exactly do these terms mean?

Generally, the Duty of Loyalty requires board members to act with undivided loyalty that is in the best interests of their not-for-profit organization and that they not seek to benefit personally from the business activities of the not-for-profit they serve. Actions that benefit board members at the expense of the not-for-profit organization are a breach of fiduciary duty. Also, generally, under the Duty of Care, board members are required to act reasonably, as a prudent person in similar circumstances would; know the not-for-profit's activities and financial condition; and agree to participate regularly in board meetings.

Many organizations create policies and procedures to help board members succeed in meeting their fiduciary responsibilities. Board members should be aware of the formal policies of the organization and adhere to those policies. When board members evaluate their service with an exempt organization, it is important for them to ask the following questions: What policies exist in the organization? What policies should exist within the organization? Is the governing body adhering to the policies on an ongoing basis?

- The following provides a list of common policies that organizations may use to create their governance structure:
- A written code of ethics;
- A conflict of interest policy which requires board members to manage conflicts of interest or the appearance thereof through disclosure, recusal or other means;
- A whistleblower policy which enables individuals to come forth with information on illegal practices or violations of organizational policies without retaliation;
- Adequate policies and procedures to protect the organization's assets and information.

### Be Engaged

Board members should be engaged in and know the primary functions and goals of the organization. This does not necessarily mean that the board member is involved in the day-to-day operations but rather is informed about the organization's activities and the connection with the mission and goals of the organization. Additionally, it is important for board members to be passionate about the work of the organization. This passion is a key component to staying engaged in the activities and governance of the organization. The board of any charitable organization should meet regularly in order to conduct its business and fulfill its duties. Attending these board meetings is the one of the easiest ways to remain an engaged board member. At these board meetings, board members should feel empowered to ask questions and make suggestions relating to their role as part of the governing body of the organization.

### Be Independent

To effectively serve a not-for-profit organization, board members should have limited, and preferably no, conflicts of interest. The Duty of Loyalty forbids board members from seeking to benefit personally from their not-for-profit's business activities. Commonly, conflicts arise from compensation arrangements, payments received and loan arrangements where a benefit is received by key influencers of the organization. However, it is not uncommon for board members to receive reimbursements or reasonable compensation for services performed. An organization can create structure and safeguards with policies such as a conflict of interest policy that will provide board members with structure in how to manage both real and perceived conflicts. Such a policy should require board members to disclose any personal or business relationships that are directly or indirectly in conflict with the Duty of Loyalty, whether the conflict of interest is actual or potential. Board members should always disclose any potential conflicts of interest that may arise. Adhering to a solid conflict of interest policy can improve independence and help board members comply with the Duty of Loyalty.

As board members begin their service, it is easy for them to become overwhelmed by the amount of information that comes their way. Remembering the principles of being informed, engaged and independent can provide a framework to help work through such issues as they arise and help fulfill the fiduciary responsibilities required by board members.

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