

LEGAL RESOURCE GUIDE

What you should know about serving as a nonprofit board member

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Serving on the board of directors of a nonprofit can be extremely rewarding, but before committing, you should consider whether you are willing and able to meet expectations and fiduciary responsibilities.

Expectations. Here are the key questions to ask:

- Do you agree with the organization's mission and its goals?
- Do the expected time commitments fit your schedule?
- Do you understand how to read financial statements? If not, are you willing to learn?
- Are you prepared to meet the minimum contribution requirement, if one exists?
- If board members are expected to assist with fundraising or recruiting new volunteers, are you willing to participate?
- If asked to serve because of your professional or business expertise (e.g., marketing, finance or event-planning), are you willing to provide free services to the organization?

Fiduciary responsibilities. In making corporate decisions, the members of the board of directors act as fiduciaries. Their fiduciary responsibilities include:

1. The duty of care, which the Massachusetts Attorney General's Office describes in its charitable corporation board member guide



as the duty to act with the same level of care as an ordinarily prudent person would employ in the same situation and

2. The duty of loyalty, which is described in the guide as the obligation to act in good faith and in what the director believes to be in the best interest of the corporation.

Nonprofit board members must also ensure that conflicts of interest are avoided when transactions and compensation arrangements are approved.

Protection against liability. In Massachusetts, uncompensated board members of charitable cor-

porations are protected against liability for actions or omissions relating solely to the performance of their duties. The protections are limited, however, and so it is reasonable to ask whether the nonprofit's bylaws obligate it to indemnify its board members. It is also reasonable to ask whether the organization has directors' and officers' (D&O) insurance and whether you can review the policy.

A good D&O insurance policy not only provides coverage when there is no statutory protection, it also requires the insurance company to advance the cost of litigation. The latter is particularly important, because litigation may ensue even when statutory protection is available.

There are many reasons why you might consider serving on the board of a nonprofit corporation. Nonprofit board membership can enhance your life experiences and can also enhance your resume.

As long as you embark on board service with your eyes open, understanding your responsibilities and the steps that you can take to protect yourself, you should find nonprofit board service a rewarding experience.

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