

L – Liability and Risk Management

Personal Liability as a Board Member

For more information on Board Liability please link to :

www.ncnb.org

www.genie.org

www.charityvillage.ca

How Board Members Can Avoid Personal Liability

Nonprofits are often ripe targets for embezzlement, fraud, and other financial improprieties. But what about the boards of directors - can they be held personally liable? The short answer is, in some cases, yes.

Board members can minimize their risk of personal liability by doing the following:
Keep an eye on organizational documents. The board should look over legal and financial documents and analyses prepared by staff members, outside auditors, and independent counsel.

Obtain and carefully review both audited and unaudited periodic financial reports of the organization.

Review from time to time all articles of incorporation, bylaws, and other governing documents.

Become actively involved in deliberations during board meetings. Comment as appropriate and ask questions where prudent. If you do not feel right about an action the board is taking, request that your dissent be recorded in the meeting minutes. Make decisions deliberately and without undue haste or pressure.

Keep written records of board preparation and deliberation. That way, if the need arises, these written records should be able to prove due diligence.

Request the assistance of an expert when appropriate. Hire independent accountants to assess and evaluate any matter that has significant financial ramifications. Request that legal opinion be obtained on any matter that has unclear legal ramifications.

Remain an active and open board member. Attend the organization's meetings, read the organization's publications, and keep fully apprised of important policies and activities.

Acknowledge potential conflicts of interest, disclose them to the board, and withdraw from making decisions when a potential conflict is involved.

