

# Nonprofit Board Members: Role and Responsibilities

The value of a well-informed board of directors at nonprofit organizations cannot be taken for granted. Because board members are usually selected for multiple-year terms, clarifying the function of a board of directors and the responsibilities of its individual members is essential.

The basic legal responsibility of a board member is to exercise reasonable business judgment and do what is in the best interests of the nonprofit. The board has voting and decision-making authority and other responsibilities that are clearly separate from management's authority and duties. Board members should have knowledge of finance, accounting and business, be willing to have hands-on involvement in audits and use sound judgment in decision-making.



## What is the job description of a board member?

Board members do not always realize the varied duties they may be expected to fulfill for the nonprofit. While serving on the board, members may find themselves making policy, planning strategies, forming or leading committees, enforcing regulations and mediating disputes.

Take steps to ensure that your board is functioning the way it should and that nonprofit board members are meeting their legal responsibilities. Board membership obligates members to be diligent in their pursuit of an appropriate amount of understanding of the issues before they pass judgment on any request by management.





In other words, they must do their due diligence. Board members should be conscientious and diligent and stay informed. They should be knowledgeable about federal, state and local laws that may affect the nonprofit organization.

Nonprofits concerned about possible conflict of interest of board members should have a conflict of interest policy or statement that their board members are required to sign. Board directors have a duty of loyalty to the nonprofit and should not profit at the nonprofit's expense.

### What are the responsibilities of board members?

The basic legal responsibility of a board member is to exercise reasonable business judgment and do what is in the best interests of the nonprofit and its stakeholders or donors.

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This responsibility requires board members to put aside their personal interests and opinions when performing board duties and participating in decision-making. In addition, board members should

consider the impact of their decisions on the interests of other parties, including the nonprofit's beneficiaries and employees.

Board members should insist that materials and board minutes of the previous meeting are sent to them before the scheduled meeting so that they can carefully review the materials. The preparatory work is a great time to formulate questions, ask for clarifications and perhaps determine other potential agenda items.

Reviewing the nonprofit's bylaws, rules and regulations for inconsistencies or inaccuracies is important. It is also necessary to attend all board meetings, committee meetings and specialized committee meetings – in particular, audit committee meetings. The board approves annual budgets and is responsible for ensuring that adequate financial resources are available to the nonprofit organization.



The board of directors is ultimately responsible for a nonprofit's system of internal control. It should set appropriate policies on internal control and seek regular assurance that the system is functioning effectively. Audit committee members must make sure that proper internal controls are established and that committee members are informed of all critical accounting choices adopted by the nonprofit.

Board members should insist on reviewing all documentation that supports the risk assessment review of all of the tough choices between auditor and management.

Potential board members should inquire about the firm's indemnity policy and its "D&O" (directors and officers) insurance coverage. Failing to have this insurance is not a good sign.

### Why is a nonprofit's tone of interest to the board?

The mission of board members is to encourage a tone within the nonprofit that fosters a better financial disclosure and reporting environment. Board members should be careful to monitor the "tone at the top" within the existing culture.

