

Top 15 Nonprofit Board Governance Mistakes

Members of the corporate board of directors, whether they be a for-profit company or a non-profit organized as a public benefit, mutual benefit, or religious entity are the “fiduciaries” responsible for steering the organization towards a sustainable future. They do this by adopting sound, ethical, and legal governance policies, ensuring that financial management practices are consistent with the national and state accounting rules and standards that govern their organization, and by making sure the organization has adequate resources to advance its mission.

In accomplishing their task, the members of the board of directors are expected to act in a manner that is consistent with three primary legal duties, known as the “duty of care,” “duty of loyalty,” and “duty of obedience.”

- Duty of Care: Take care of the nonprofit by ensuring prudent use of all assets, including facility, people, and good will;
- Duty of Loyalty: Ensure that the nonprofit's activities and transactions are, first and foremost, advancing its mission; Recognize and disclose conflicts of interest; Make decisions that are in the best interest of the nonprofit corporation; *not in the best interest of the individual board member* (or any other individual or for-profit entity).
- Duty of Obedience: Ensure that the nonprofit obeys applicable laws and regulations; follows its own bylaws; and that the nonprofit adheres to its stated corporate purposes/mission.

I recently came across a previously published article on the internet that highlighted some of the biggest mistakes non-profit boards make while trying to fulfill their responsibilities and duties. I’ve sat on a number of boards over the years and am still active on several. So, I’ve learned a bit or two about what makes an effective board. But after reading the article, I found myself considering how several of the mistakes noted in this article had been present in one or more of the boards I sat on and my own culpability in allowing them to take place.

I encourage you to read of the article and consider sharing it with your ministry’s board of directors. Like me, you may find it helpful in avoiding some of the pitfalls that can trip up a board preventing them from being all they can be for your nonprofit.

<http://charitylawyerblog.com/2009/10/05/top-15-non-profit-board-governance-mistakes-from-a-legal-perspective/>

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