

Duty of Care, Loyalty, Obedience Board Oversight – A Guide

Disclaimer: This document is intended only as a guide. Your organizational goals, purpose, bylaws, and values should drive the creation of this document.

Every board has three duties as the underpinning of all other roles and responsibilities Foraker has added the addition of “oversight” to further clarify the board’s ultimate responsibilities. This document seeks to clarify the definitions of each duty. These duties should be reflected in the board job description and in the active engagement and accountability of each member and the board as a whole.

Duty of Care

- **Be informed.** Be familiar with the mission, the organization’s strategic priorities, its activities, its financial profile, and its bylaws.
 - Participate actively. Attend meetings in person or remotely. Participate meaningfully on at least one committee. Come prepared for meetings.
- **Stay informed.** Review background materials provided for all board and committee meetings. Be conversant about the overall operations – the benefits provided, and the challenges faced. Participate in educational opportunities offered to board members.

Duty of Loyalty

- **Act in good faith.** Exercise independent judgment. Support decisions made by the board. Give undivided allegiance to the organization when making decisions affecting the organization.
 - Abide within the law and mission
 - Act as a deliberative body – “One voice”
 - Avoid usurping corporate opportunities (no insider information for personal benefit)
- **Avoid and disclose all conflicts of interest.** Recognize that a director’s duty of loyalty lies with the interests of the corporation, not with any constituency group or your personal interests.
- **Maintain confidentiality.** Financial (including resource development), programmatic, personnel related, and all other confidential information belongs to the organization and not to the individual board member and should not be disclosed other than for purposes that are in the best interest of the organization or as required by law.

Duty of Obedience

- **Internal oversight.** Ensure that the organization obeys and remains true to its central purposes as shown in its articles of incorporation, mission statement, bylaws, and other internal documents.
 - Minutes are legally binding and auditable.
- **External compliance.** Ensure the organization complies with federal and state laws concerning transparency (e.g., making tax returns and other nonprofit filings available for inspection), solicitations (e.g., making required disclosures), and normal employment laws (such as tax withholdings).
 - See www.guidestar.org for more information.

Oversight Tips

- Ensure that the organization has the resources necessary to fulfill its mission.
 - **Personal contribution.** Provide annual financial support to the organization according to your ability to do so.
 - **Personal involvement.** Actively assist with garnering financial resources for the mission.
- Regularly review financial reports and understand the budget, asking questions needed to help your understanding.
 - Ensure the annual review of the finances is conducted by independent auditors.
 - Ensure the financial policies designed to protect and grow the organization's assets are administered.
- Adopt policies for the prudent expenditure and investment of funds.
- Conduct performance evaluations.
 - **Organizational.** Evaluate the mission, vision, strategic direction, and operations of the organization.
 - **Board level.** Regularly evaluate the performance of the board as a whole and participate in self-evaluations of your role as a board member.
 - **Executive level.** Ensure an annual review is conducted of the performance, compensation, and benefits of the CEO.