

New New Committee and Board Chair Online Orientation

Week 2: Fiduciary Responsibilities



What is meant by “fiduciary responsibilities”?

A quick check of the term “fiduciary responsibilities” on the Internet revealed three pages of definitions! But, a common thread running through all of the definitions is that fiduciaries *“have discretionary authority over another’s money, property, or other assets, and a legal duty to act in a manner that benefits the other person, or organization.”*

Of particular importance are the fiduciary duties of care, loyalty, and fidelity to purpose.

What is the duty of care?

The [duty of care](#) [p. 4 of the [Committee Toolkit](#)] focuses on the level of diligence exercised by a committee member in carrying out their duties. It states that a board [committee] member shall discharge their duties as a board [committee] member, (1) in good faith, (2) with the care an ordinary prudent person in like position would exercise under similar circumstances, and (3) in a manner they reasonably believe to be in the best interest of the Association.

How can I satisfy the duty of care?

You can help to satisfy the Duty of Care by promoting open debate, recording dissent, and creating a record of decision-making processes.

What is the duty of loyalty?

The [duty of loyalty](#) [scroll to p. 4] states that committee members are obligated to act in the association’s best interests and not to use their authority to advance personal interests, or the interests of related third parties. These self-interests could be financial, or related to enhancing prestige and professional reputation of oneself or one’s employer. The phrases “conflict of interest” and “self-dealing” describe potential breaches of the Duty of Loyalty.

How can I satisfy the duty of loyalty?

You can satisfy the duty of loyalty by being aware of potential conflicts between one’s personal interests and those of the Association; requiring committee members to disclose any possible conflict of interest; and asking committee members to refrain from participating in discussion and/or vote if a conflict of interest could influence their judgement.

What is the duty of fidelity to purpose?

The [duty of fidelity to purpose](#) [scroll to p. 4] states that the Board of a nonprofit association must follow the association's purposes and goals as set out in the association's articles, bylaws, purpose, and mission statements. An association's articles of incorporation equal a legal contract between a state and the association. An association's bylaws equal a contract between the members and the association. This duty is particularly important when an association obtains public funding based on representations of its goals and purposes.

How can I satisfy the duty of fidelity to purpose?

You can comply with the duty of fidelity to purpose by reviewing the stated purpose of the association and examining whether proposed actions [i.e., committee charge] are consistent with the association's purposes.