

THE CULTURALLY CONSCIOUS BOARD

BOARD DEPTH SERIES

The Compliance Review

A Tool to Help Boards
Fulfill Their Three
Fundamental Duties.

CulturallyConsciousBoard.com

The Three Fiduciary Duties of Nonprofit Boards

All nonprofit board members are bound by **three core fiduciary duties**—**Duty of Care**, **Duty of Loyalty**, and **Duty of Obedience**. These duties form the legal and ethical foundation of board service, adapted from corporate and trust law to ensure nonprofit organizations are **accountable, mission-aligned, and ethically governed**.

- The **Duty of Care** requires board members to act in good faith, stay informed, and make decisions with the same care an ordinarily prudent person would exercise.
- The **Duty of Loyalty** requires board members to put the interests of the organization ahead of personal or professional gain, avoiding conflicts of interest.
- The **Duty of Obedience** requires boards to ensure the organization complies with all laws, honors donor intent, and stays true to its mission and founding documents.

Failure to meet these duties can expose the organization to reputational harm, legal sanctions, and even loss of tax-exempt status—and can leave individual directors personally liable.

Fiduciary Duty Checklist for Nonprofit Boards

Below is a structured checklist of areas where each duty must be actively fulfilled by the board and executive leadership. This helps identify potential vulnerabilities and clarify board-level oversight responsibilities.

Duty of Care | *Acting prudently, staying informed, and engaging responsibly.*

Area	Core Actions	Board Questions
Meeting Attendance & Preparation	Read materials, ask questions, attend consistently	<input type="checkbox"/> <i>Are we making informed decisions based on data and context?</i>
Financial Oversight	Review budgets, financial reports, and audits	<input type="checkbox"/> <i>Do we understand and approve the financials before taking action?</i>
Risk Management	Anticipate and address potential threats to mission or viability	<input type="checkbox"/> <i>What emerging risks have we discussed this year?</i>
Board Self-Evaluation	Assess effectiveness and governance practices annually	<input type="checkbox"/> <i>How are we growing in our own board performance?</i>
Hiring & Supervision of the ED/CEO	Set clear goals, provide feedback, conduct evaluations	<input type="checkbox"/> <i>Have we reviewed the executive's performance this year?</i>

Duty of Loyalty | *Acting in the best interest of the organization, not self or outside interests.*

Area	Core Actions	Board Questions
Conflict of Interest Disclosure	Sign and update annual forms	<input type="checkbox"/> <i>Have we openly addressed potential or actual conflicts?</i>
Recusal from Conflicted Votes	Abstain when personally or professionally involved	<input type="checkbox"/> <i>Do we document recusals and discussions around conflicts?</i>
Confidentiality & Integrity	Protect sensitive info; no unauthorized representation	<input type="checkbox"/> <i>Are board members clear on what stays in the boardroom?</i>
Avoiding Self-Dealing	Do not benefit personally from contracts or decisions	<input type="checkbox"/> <i>Are vendor, donor, or consultant relationships arms-length and disclosed?</i>
Mission-Focused Decision Making	Avoid decisions that serve personal agendas	<input type="checkbox"/> <i>Do our decisions reflect our commitment to mission first?</i>

Duty of Obedience | *Ensuring compliance with laws, policies, and the organization's mission.*

Area	Core Actions	Board Questions
Mission Alignment	Review programs, strategy, and decisions for fit with purpose	<input type="checkbox"/> <i>Are we staying true to our founding mission?</i>
Legal Compliance	File Form 990s, maintain good standing with the state, renew registrations	<input type="checkbox"/> <i>Are we meeting all IRS, state, and local obligations?</i>
Fundraising Ethics & Donor Intent	Honor restrictions and use donations appropriately	<input type="checkbox"/> <i>Are restricted funds tracked and used as promised?</i>
Program Oversight	Monitor outcomes, risks, and legal obligations tied to services	<input type="checkbox"/> <i>Are our programs properly licensed and evaluated?</i>
Policy Adherence	Follow bylaws, board policies, and required practices	<input type="checkbox"/> <i>Are we following the rules we've adopted as a board?</i>

Board Compliance Posture | **Vigilance (Not Negligence)**

A checklist list like this can be overwhelming, even alarming when a board may be new or in its first stages of professionalizing its practices and policies. This checklist is provided to deepen the existing capacity of boards, not to discourage progress. An attitude and practice of vigilance is the starting place. Boards avoid creating a culture of avoidance and negligence by creating responses, policies and guidance to the executive team and staff on its shared fiduciary expectations.

Board members are not expected to be experts in everything—but they *are* expected to ask good questions, stay informed, and ensure the organization fulfills its purpose ethically and lawfully, if not morally when required. These three duties—**care**, **loyalty**, and **obedience**—are the anchor of trust that nonprofits offer to the public, their beneficiaries and their supporters.

