

Fiduciary Duties of Board Members of Corporate Organizations

A “fiduciary” is defined in the law as a person having a duty, created by his or her undertaking, to act primarily for another’s benefit in matters connected with the undertaking.

The common law recognizes that a Board Member’s fiduciary duties include:

- Duty of Good Faith –a decision by a Board Member may be actionable (that is, the Board Member may be sued) if the decision is motivated by “bad faith.” “Bad faith” encompasses fraud, deception, gross neglect, or acting from sinister motives.
- Duty of Care – a Board Member is legally bound to use that degree of care in governing the Organization which an ordinarily prudent and diligent person would exercise under similar circumstances. If a Board Member is careless, imprudent, wasteful, or negligent in governing the Organization, the Duty of Care is breached, and the Board Member may be held liable.
 - Duty to Attend Board Meetings – If poor health or other factors require that a Board Member regularly miss Board meetings, he or she should resign rather than incur the risk of liability for Board decisions to which he or she was not a party.
 - Duty to Examine Financial Statements – A Board Member should receive the Organization’s financial reports directly from the responsible financial officer, not secondhand. If Organization officials are pursuing improper fiscal policies and practices, a Board Member cannot avoid responsibility on grounds of ignorance.
 - Duty to Inspect Books and Records – A Board Member is obligated to inspect the Organization’s books and records, and should know the provisions of the Organization’s bylaws, rules, and regulations.
- Duty of Loyalty – A Board Member owes a duty of loyalty and allegiance to the Organization and its goals. The duty of loyalty prevents a Board Member from profiting or taking personal advantage of a transaction or undertaking based upon his or her position as a Board Member of the Organization.

