



Alert Bulletin

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Certified Public Accountants & Business Advisors



Serving on a Charitable Board: Risk Management Considerations

Participating as volunteer on the board of a charitable or not-for-profit entity can be a satisfying but potentially perilous experience.

Any director can be held personally liable for their actions or failures to act, as well as jointly and severally liable with the other members of the board of directors.

Directors with specialized knowledge and expertise, such as CPA's, are held to a higher standard of care. Many professional liability policies provide limited coverage and often contain an exclusion pertaining to outside directorships.



Richard
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Before you accept an invitation to join the board of a charitable or not-for-profit entity there are certain questions that should be answered:

1. How much do you know about the organization? What is the primary purpose of the organization and is any of the activities particularly high risk?
2. What are your reasons for joining the board - business, community service, or personal interest?
3. How much time and energy will you be able to devote to meet the obligations required?
4. Am I fully aware of the responsibilities and risks that arise from any directorship position? Do I know of the common law and statutory liability to which I am exposed?
5. Does my company have a specific risk management policy concerning staff serving on the boards of charitable or not-for-profit corporations?
6. Does the charitable or not-for-profit entity have an indemnification agreement in place for Directors for liability arising from your role as a director?
7. Does the specific charitable or not-for-profit entity maintain Directors' and Officers' (D&O) insurance to protect you from personal liability arising from your Directorship?

Establishing an awareness of the specific risks presented by any outside position can help you decide whether or not to accept a position. It may also assist you to avoid a potential claim against you and/or your firm.

Please contact us if you have any questions.

Contact Us With Questions
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afford to make a
mistake, good advice is
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