

## **Director and Officer Exposures: Protecting Your Organization**

Your board of directors is critical to your nonprofit's operation and finances. Accusations of misconduct, abuse of funds, wrongful termination, and employee discrimination can put the personal assets of your directors and officers at risk.

But just like any other exposure, you can put controls in place to prevent and manage these risks. These control activities will act in the best interest of services to your clients, which is ultimately the goal of your organization.

Listed below are wrongful acts your organization should be aware of:

### *Wrongful Financial Acts*

- Unreasonable accumulation of funds beyond what is needed
- Unauthorized loans or investments
- Negligence in handling funds, or maintaining financial records
- Misleading statements of financial conditions of the organization
- Co-mingling of funds with those of an individual or another organization
- Use of deceptive practices to solicit contributions
- Use of charitable contributions for other than the stated purpose
- Excessive benefits given to directors or officers
- Conflicts of interest

### *Wrongful Operational Acts*

- Acting with undue authority
- Failure to regularly attend board meetings
- Irresponsible administration or management
- Invasion of privacy
- Plagiarism
- Unfair hiring and termination procedures
- Unacceptable treatment of volunteers, staff or beneficiaries
- Misleading or false statements on solicitation materials
- Failure to conduct services according to volunteer standards

Nonprofit organizations can purchase Directors and Officers coverage on behalf of their board to indemnify them against these types of claims. And sometimes, NPOs need the coverage to obtain certain directors and board members. Directors and Officers insurance can provide added protection against those liabilities that organizations can't indemnify under state laws.