

## **As a director of a nonprofit, can I be held personally liable?**

### **QUESTION:**

I was recently asked to be on the board of directors of a nonprofit organization. The business is in financial trouble, which appears to be largely due to mismanagement by the current staff -- and the board at present seems to be around solely to rubber-stamp the decisions of the staff. If the board decides to maintain its current complacency and the business continues to fail, may the board be legally responsible for the debt of the nonprofit?

### **ANSWER:**

Generally, a board will not be saddled with a failing nonprofit's debt. But that's no reason to look the other way. A board member may be held personally liable for unpaid taxes and penalties for failure to file returns or see that payroll taxes are withheld and paid.

Also, if a board decision or lack of a decision is grossly negligent, board members are sometimes held personally responsible.

The bottom line is that it is best to resign from a loosely run board unless you are covered by an adequate D & O liability policy (directors and officers liability policy).