Please note: This is a transcription so there may be slight grammatical errors.

Veronica Willoughby: Nonprofit leaders and committee members have a responsibility to their organization and its stakeholders to manage money well. But understanding just how to do that can feel overwhelming. Here are a few best practices to help.

A fiduciary is a person or organization that has a legal or ethical relationship of trust with another party. Nonprofits are often considered fiduciaries, meaning they have a responsibility to act in the best interest of the populations they serve and to manage funds, assets, and other resources in a responsible, trustworthy, and transparent manner.

Understanding fiduciary responsibilities can help nonprofit leaders and committee members mitigate legal risk, improve processes, and perhaps even create better outcomes for people and communities. A federal act called UPMIFA provides a uniform framework of fiduciary obligations for nonprofits regarding the management and investment of endowment funds. Specifically, UPMIFA says that fiduciaries at the nonprofits have both a duty of care and a duty of loyalty to the organization and its stakeholders. Duty of care means fiduciaries must exercise the same level of care, skill, and diligence in managing the organization's funds that a prudent person would use under similar circumstances. On the other hand, duty of loyalty means acting in the best interest of the organization and its stakeholders.

Here are seven ways nonprofits can fulfill these duties. One, make sure to comply with all relevant laws and regulations, including tax laws and accounting standards. Two, avoid and disclose any existing potential conflicts of interest. Individual conflicts of interest statements should be updated at least annually. Three, document all financial transactions, investment decisions, and the reasoning behind them. Ensure transparency of financial reporting and provide regular updates to stakeholders. Four, regularly review and evaluate the organization's finances and investment strategy to ensure funds are managed and invested in accordance with the organization's charitable purposes. Five, consider fiduciary liability coverage. This is a specialized type of management liability insurance that protects fiduciaries against claims of asset mismanagement. Six, engage in ongoing training to deepen understanding of fiduciary issues and stay attuned to evolving legislation. Regular training can also help educate new board members about their fiduciary duties. And seven, seek objective, professional guidance from independent advisors. If you need assistance, call CAPTRUST. Our team of experts can help you navigate good financial governance.