

Directors vs. Officers

Nonprofits run more effectively with a well-functioning board of directors and clearly defined officer roles. Yet there can be confusion between the two different roles, especially when a person serves as both a director and an officer. Understanding the difference between the two can help eliminate confusion and avoid conflicts of interest.

NONPROFIT DIRECTORS

A nonprofit organization is typically run by a board of directors, also called the Board. The Board's primary role is to oversee the high-level legal and financial management of the organization. They establish the nonprofit's mission, goals, and policies and oversee critical activities such as approving the budget, management-level hiring, and strategic planning. These individuals also have a vote on significant matters that come before the board per the organization's bylaws. As an individual, a director's power is limited. Yet, as a whole, the directors are responsible for making key decisions such as:

- Approving the budget

- Ensuring sufficient resources

- Establishing the nonprofit's strategic plan towards its mission

- Setting governance policies

Board members can be elected by the nonprofit's voting members, appointed by a designator, or elected by other members of the Board. These positions are most often volunteer.

NONPROFIT OFFICERS

Nonprofit officers are elected or appointed by the board of directors to actively carry out the nonprofit's day-to-day business within the scope of their delegated authority. The nonprofit's bylaws typically define their role. Officers most often serve in a volunteer capacity, but are sometimes paid staff members.

Common elected or appointed nonprofit officer positions include president, treasurer, and secretary.

The nonprofit's bylaws should indicate whether an officer must be a member of the board of directors. Larger organizations often elect or appoint staff members as the secretary or treasurer, so volunteer directors aren't involved

in maintaining corporate records and managing the day to day finances. Alternatively, some organizations give board members those titles and then appoint staff as assistants to those officers so that the board members are merely tasks with oversight of those tasks.

When a nonprofit grows, the board of directors may decide to hire people for some executive roles, such as:

Chief Executive Officer or Executive Director

Chief Financial Officer

Chief Operating Officer

Individuals in these roles are also typically referred to as officers of the nonprofit organization.

DIRECTORS V. OFFICERS: WHAT'S THE DIFFERENCE?

The board of directors is not focused on running the day-to-day operations of the nonprofit. Rather they delegate a specific scope of authority to the organization's officers, who actively carry on the nonprofit's day-to-day operations.

For example, the Treasurer can open a bank account for the nonprofit. The President or CEO is authorized to sign contracts on behalf of the group up to a specific dollar amount. This type of arrangement is critical for a nonprofit to run smoothly. If they didn't appoint and delegate authority to one or more officers, every corporate action would require a vote by the board of directors. In contrast, a director, acting alone, can't do anything. Directors must vote as a group according to the organization's articles, bylaws, and governing law. Without officers, directors would have to have a meeting to vote on each task or decision that needed to be made on behalf of the organization.

DUAL ROLE: WHEN YOU'RE A DIRECTOR AND AN OFFICER

Many nonprofit organizations have directors that wear multiple hats as directors and officers, which can cause confusion. As an officer, the individual will play a more active role in the nonprofit's daily operations, such as signing contracts or hiring employees. Yet, when acting as a director, the same individual will be looking at the larger issues related to the nonprofit's mission, policies, strategic goals, and financial obligations.

Serving in a dual role can often lead to a potential [conflict of interest](#). For example, if the same person is the treasurer and also a director on the Board, how does the Board oversee the treasurer since the treasurer also serves on the Board?

In this example, when the person is performing as the treasurer, their actions will be evaluated by the other board members. As treasurer, they will directly

prepare the budget. Yet, as a director, they will also have a vote on whether to adopt the budget. In this example, the Treasurer can vote on whether to adopt the budget as that does not conflict with the Treasurer's personal or professional interests; however, the Treasurer would have a direct conflict and need to recuse themselves if the Board were considering hiring the Treasurer's company as that directly impacts the Treasurer's interests. Confusion can also arise when employed officers, such as a CFO, may have functions and duties that overlap with Board officers, such as the treasurer. In this case, the roles and authorities of both hired and volunteer officers should be clearly defined in your bylaws, board meeting minutes, or approved job description to avoid confusion from overlapping roles and responsibilities.

UNDERSTANDING THE DIFFERENCE BETWEEN NONPROFIT DIRECTORS AND OFFICERS HELPS YOUR NONPROFIT RUN SMOOTHLY

To ensure a well-functioning nonprofit organization, the board of directors and officers need to understand their roles and how the positions complement each other. It's especially critical for individuals serving as both directors and officers to understand the scope and responsibilities attendant to each role. Having clearly defined roles will help minimize the risk of conflicts of interest and ensure the smooth functioning of your nonprofit.