



## NonProfit Directors and Officers Policy

### Claim Examples

- ▼ A club secretary sued the country club's governing board, alleging that the directors and officers were negligent for failing to supervise the club manager, who she claimed **sexually harassed her**.

The trustees of a charitable organization decided to expand their activities into areas that were not explicitly envisioned by the founders. Soon after, their state's attorney general brought an action against them **alleging misuse of funds and property for operating outside their charter**, even though no third party raised a complaint.

- ▼ A YMCA advertised an open position for a camp counselor. The organization received seven applications. Of the seven applicants, one man was not chosen to be interviewed. This applicant alleged he was not interviewed because of his age, and he filed suit against the non profit organization for **age discrimination**. The organization denied any wrongdoing but settled the case for \$15,000 to avoid full litigation costs.
- ▼ A lawsuit was brought against a non profit board of trustees for **failing to supervise the executive director**. When they submitted their legal bill to their D&O carrier, they learned for the first time that no payments would be made until a settlement had been reached. Legal costs piled up until a settlement was reached, five years later. The prohibitive costs caused the organization to close its doors forever.
- ▼ A donor made a large contribution to a non profit. The funds were to be used primarily to aid impoverished children with educational and health care needs. Instead, the non profit, through its executive director and board of trustees, decided that they needed to expand the building and committed a portion of the donation to the building fund. The donor filed suit, **alleging misappropriation of funds**. The damages included return of the full contribution plus interest. As some of the money was already spent, the non profit would be financially unable to return the entire donation.
- ▼ The **personal assets of the directors and officers** of a non profit organization were exposed when the organization ran out of funds to pay for a suit brought against it.
- ▼ Representatives of a non profit organization become involved in **attempts to influence legislation beneficial to the institution**. Claims were presented challenging the organization's tax-exempt status under S501 (c) 3. An injunction was sought to prevent the organization from engaging in such legislative activity.
- ▼ An officer served a term on the board of directors of her church. Eighteen months after completing her service, she was named in a suit alleging mismanagement of church funds for the last five years. The ex-officer discovered that the current board had **failed to renew its insurance policy**, so even though she had diligently maintained insurance coverage throughout her term of service, the former officer was left with no coverage for this suit.