

# **Nonprofit Governance and Management, Third Edition**

## **APPENDIX 1**

### **SAMPLE BYLAW PROVISION SETTING FORTH FUNDAMENTAL DIRECTOR DUTIES**

*Practical Advice Note:* Not all organizations specifically list director duties in their bylaws. However, including such a provision can be a helpful reminder to directors as well as a way for the organization to highlight in an important governance document the legal standard of conduct expected of directors.

#### **Article \_\_\_\_ -- Directors**

##### **Section \_\_\_\_ – Standards of Conduct for Directors**

- a. Each member of the Board of Directors, when discharging the duties of a director, shall act in good faith, and in a manner the director reasonably believes to be in the best interests of the nonprofit corporation.
- b. The members of the Board of Directors or a committee of the board, when becoming informed in connection with their decision-making function or devoting attention to their oversight function, must discharge their duties with the care that a person in a like position would reasonably believe appropriate under similar circumstances.
- c. In discharging his or her duties as a board member, a director may rely on the following persons, unless the director has knowledge that makes such reliance unwarranted:
  1. One or more officers or employees of the nonprofit corporation whom the director reasonably believes to be reliable and competent in the functions performed or information, opinions, reports, or statements provided;
  2. Legal counsel, public accountants, or other persons retained by the corporation as to matters involving skills or expertise the director reasonably believes are matters: (i) within the particular person's professional or expert competence or (ii) as to which the particular person merits confidence; and
  3. A committee of the board of which the director is not a member if the director reasonably believes the committee's determinations merit confidence.