

# Legal Obligations of Board Members

## The Reasonably Prudent Person Test and The Principle of Good Faith

**The Reasonably Prudent Person** avoids:

- **Mismanagement**

Failure to follow fundamental management principles, e.g. failure to ensure that planning occurs; failure to review reports for problems.

- **Non-management**

Failure to use existing opportunities for good management, e.g. failure to use available accounting control systems to ensure proper management of funds.

- **Self-dealing**

Involvement in activities or voting on decisions in which there exists the potential for personal gain.

**The Principle of Good Faith** states that board members should:

- Attend all board and committee meetings regularly.
- Have a thorough knowledge of the organization's charter and by-laws.
- Heed corporate affairs and keep informed of general organizational activities.
- Ensure that minimum legal/technical requirements are met.
- Record personal conduct and register dissents officially.
- Avoid the semblance of self-dealing or conflict of interest.
- Make no financial profit from association with organization.