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A Lawyer's View of the Top 10 Best Practices for Effective Board Governance

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Effective board governance is a must for nonprofit organizations. Boards must be diligent in carrying out their fiduciary duties in good faith, exercising care, avoiding conflicts of interest and complying with laws and regulations, always acting in the best interest of the organization.

In our representation of many different types and sizes of nonprofit organizations, we have compiled our Top 10 Best Practices for Effective Board Governance as follows:

1. Identify the array of skills needed for effective board oversight; assess whether board composition is appropriate and adjust board composition as needed.
2. Clearly delineate and communicate the respective roles of the board, its committees and senior management.
3. Establish a system of internal controls that require senior management to inform the board of significant transactions and create a means for employees to report compliance concerns.
4. Empower the board to ask the hard questions by educating the directors about their fiduciary duty to be fully informed and make necessary inquiry.
5. Establish and implement an effective annual self-evaluation mechanism (including the opportunity for anonymous input) for the board to review its performance and the performance of its committees.
6. Establish a board audit committee comprised of independent directors to oversee financial reporting, risk assessment and management practices; select an independent auditor.
7. Adopt a substantive conflict of interest policy, which will establish a rebuttable presumption of reasonableness for all transactions with interested parties.
8. Keep appropriate corporate and financial records.
9. Know and follow the organization's governing documents, policies, procedures and audit recommendations.
10. When in doubt, seek, obtain and follow the advice of an expert.

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