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bob@rchcae.com

Board Reading List

Bob Harris, CAE

Good counsel for an incoming board chair is, “read to lead.” While the advice is sound it deserves explanation.

Every organization has a “governance reading list.” Without exception board members should have access. The chair especially should become fully versed with the bylaws and budget.

The Bylaws

Bylaws are the rules adopted to guide governance. They may include sections about membership categories, committee appointments, term limits, officer duties, election processes, amendments and dissolution.

The bylaws clarify a relationship between the board and members. Members may enforce the bylaws through a legal case if they are disregarded by the leadership.

Bylaws should be broad. Policies are adopted to be more detailed, interpreting aspects of the bylaws. To amend the bylaws most organizations require ratification by the membership, although more are giving that authority to the board.

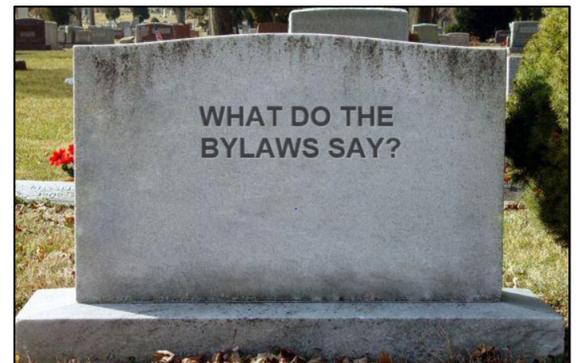
As governance questions arise the first source to check for authoritative answers is the bylaws.

The Budget

It has been said that if you can read the budget you will know the priorities of an organization. The largest income and expense line items will reflect priorities and major programs.

The budget projects income and expenses. It is developed and adopted by the board. Financial reports compare and contrast budget projections to actual fiscal activities.

Tips to understanding the budget:



The best reply to governance questions,
“What do the bylaws say?”

- Look at the largest line items – they reflect priorities and major programs.
- Look for differences or discrepancies between budget and actual income and expenses.
- Maintain a big-picture perspective; do not fret over a \$75 line item when the budget might be a million dollars.
- Combine the amount of assets with amount of annual budget to realize total resources.

Reading List

The bylaws and budget will answer most director questions. Other documents on the board's reading listed in hierarchical order:

Mission Statement – The statement of purpose is submitted to the federal IRS annually. The mission is the basis for receiving exempt status from paying federal income tax. Nearly every discussion and decision will be framed by the mission.

Articles of Incorporation – The board receives its authority to govern from the state's office of corporations. The majority of exempt organizations are not-for-profit corporations.

Bylaws – Document describing the relationship between governing body and membership.

Policies – Policies are the wisdom of prior boards that prescribe future actions. For example, how to address financial audits or how to respond to conflicts of interest. Policies are the domain of the board regarding internal aspects of the organization while procedures are relevant to the management staff.

Strategic Plan – The road map for the organization, generally covering a span of three to five years. The plan is developed and adopted by the board. It should be monitored for progress at meetings of the leadership. The staff may develop a plan of action or program of work that is more detailed than the board's strategic plan.

The governance reading list should be accessible in a leadership manual or an online board portal. Be sure to rely on legal and accounting counsel for governance and finance issues.

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Note: Bob Harris, CAE, provides free tips and templates at www.nonprofitcenter.com.