

# Hierarchy of Governing Documents

A guide to the origin, purpose and application of seven governing documents for exempt organizations in the USA; listed in order of hierarchy. [Be sure to rely on authorities for counsel, including the IRS, the state Division of Corporations, legal, accounting and insurance professionals.]

Document	Connection to:	Source and Purpose
<b>1. Mission Statement</b>	Federal Government	A brief statement of the purpose of an organization. The mission statement guides the actions of the organization, spells out its overall purpose, provides a sense of direction and guides decision making. Mission statements often answer three questions. (1) Who are we, (2) whom do we serve, (3) what do we offer? The IRS requires submission of the <b>statement of purpose</b> for all <b>exempt organizations</b> on <b>Form 1023</b> or <b>1024</b> . Thereafter, it is submitted annually on IRS <b>Form 990</b> . If the mission is vague or lost, review Form 990 to determine what was submitted or find the original application for exemption. The preamble to the bylaws and articles of incorporation may identify the mission. Enhancements to the mission may occur at the strategic planning retreat. [Activities outside the mission statement may cause <b>unrelated business income tax (UBIT)</b> .]
<b>2. Articles of Incorp.</b>	State Government	A legal document filed with state government setting forth the purposes and regulations of the organization. At the time of founding, most exempt organizations register as a <b>not-for-profit corporation</b> . States have varied regulations. Many states post the articles or supporting information on their official government website. Annual filing is usually required.
<b>3. Bylaws</b>	Board and Members	The rules adopted to govern and regulate internal affairs. Bylaws generally include, for instance, procedures for meetings, committees, elections, amendments, board duties and member categories. Most organizations require amendments to be ratified by the membership. The bylaws should remain broad in scope with more detailed information adopted as <b>policies</b> .
<b>4. Policies</b>	Board and Staff	Policies express the wisdom of the board of directors for current and future leaders to follow the preferred methods for achieving the mission and decision making. They must be consistent with the bylaws and articles. All policies are adopted or amended as motions and recorded in board minutes. At least annually, policies should be transcribed from the board minutes into a policy manual. Policies should distinct from the staff's day-to-day operating <b>procedures</b> .
<b>5. Strategic Plan</b>	Board, Committees, Staff and Members	A document developed to identify long-term (often 3 to 5 years) goals, strategies and tactics. The plan should align objectives with resources and organizational capacity. A strategic plan generally includes an affirmation of the mission (and supporting statements such as <b>vision</b> and <b>values</b> ), a description of long-term goals, fresh strategies or means to achieve the goals, and may include tactics and performance indicators. It is the guide for successive leaders. It should be reviewed for progress at least annually.
<b>6. Annual Budget</b>	Board, Committees and Staff	The statement of estimated income and expenses for the year. It is drafted annual by a budget committee, elected treasurer and staff, and approved and monitored by the board of directors. A <b>chart of accounts</b> is a supporting document explaining the purpose and source of budget line items.
<b>7. Business or Action Plan</b>	Board, Committees and Staff	The break down of the strategic plan to identify current year <b>tactics</b> , assignments, deadlines and interim <b>performance measures</b> . Often aligned with the organization's committees and staff members or departments. Development of a business or action plan is a staff responsibility, often taking the form of a template or spreadsheet to monitor progress.
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