

## ***Does the budget require member approval? How binding is the budget on the board?***

A question was raised at the October 18 meeting of the Board of Directors as to whether the Bylaws require a members vote to approve the annual budget. The member who raised this issue suggested that it has been the historical practice of past boards to submit the annual budget to the members for approval and questioned why this Board has not done so. The following is the Board's response to this issue:

Article IV, Section 4, of the By Laws provides in part as follows: "Notification of the annual meeting *shall include a copy of the proposed budget for the following year*, a treasurer's report showing actual and anticipated expenditures and cash on hand for the current year, and an alphabetical list of candidates for election to the Board of Directors together with the candidates statement of their qualifications, as certified by the Chair of the Nominating Committee, and a mail in ballot(s)." This language clearly does not direct that the members will actually *vote* on the proposed budget. It simply directs that the members should receive a copy of the proposed budget along with the notice of the annual meeting.

This analysis is further supported by a review of the language in Article V, Sections 2 and 4. Section 2 states what constitutes a quorum for the purpose of: a) election of directors; b) action on proposed changes to, or revisions of, these Bylaws; c) action on proposed special assessments; d) any other business which has been submitted to the membership by mail-in ballot. New business, requiring a membership vote, may not be transacted unless at least ten percent (10%) of the members having voting powers are physically present.

This language contemplates several situations where a quorum is required to vote on the listed matters, but there is no mention at all of voting on the annual budget.

Likewise, Section 4 contemplates three issues that must be conducted by mail-in ballot: election of directors; action on proposed changes to, or revisions of the Bylaws; and action on special assessments. Again, no mention is made of any requirement that the members have to vote to approve the proposed budget.

Finally, Article XII, Section 1, provides that the Budget and Finance Committee shall... prepare a budget for the ensuing year and present it to the Board of Directors 30 days prior to the annual meeting. *The Board of Directors shall review and approve the proposed budget and furnish a copy to each member of the club with the notice of the annual meeting.*

All of the above mandates that while the members are entitled to receive a copy of the proposed budget along with notice of the annual meeting, the members are not required, nor or they entitled to, actually approve the budget. Approval of the budget is the sole prerogative of the Board. The fact that some Boards in the past may have acted differently does not in any way justify deviating from the clear and unambiguous requirements of the Bylaws with regard to this issue.

An additional issue has been raised at past meetings of whether the Board is required to rigidly follow any budget that has been provided to the membership. There is no support in the Bylaws for any such requirement, nor does such a position make any sense on a number of levels. A budget is a living document, an expression of *anticipated* revenues and expenses. Just as with any organization that has a proposed budget, including private households, contingencies and unexpected developments may arise on both the revenue and expense side which warrant deviations from the budget. Nothing in the Bylaws prohibits such deviations if, in the judgment of the Board, they are deemed necessary and appropriate for the good of the Club.