

EXPERTS' CORNER

Q How much of the board's work should be shared with the membership?

A In an era of transparency, the question of how much of the board's work should be shared with the membership becomes increasingly important. The board must carefully weigh the quest for transparency, the need for confidentiality and the demands of members. Balancing what may be competing demands is further complicated by the instant communication world that we live in today, which is shaped by e-mail, texting, tweeting, Facebook, LinkedIn and more.

Confidentiality

First and foremost, the board must consider confidentiality. In order for a board to work effectively, it is imperative for board members to feel that their views and opinions shared during board discussions will be held in confidence. Only when there is a free exchange of ideas can a board arrive at the best decisions on the issues at hand. Club board members are typically reminded annually, usually at the first meeting of the newly elected board after the annual meeting, that all discussions at the board are to remain confidential.

Items typically shared with membership:

- **Audited Financial Statements** – In our experience, approximately 98 percent of member-owned clubs have their annual financial statements audited by an independent certified public accountant, whether due to requirements of a lending institution, the club's by-laws or the board's desire to ensure that the club's financial statements are in order. Such audited financial statements, or condensed audited financial statements, are typically made available either in advance of, or at the annual meeting. In an effort to save printing and mailing costs, a number of clubs will post them online, where they can easily be accessed by members.

- **Budgets** – A number of clubs, but not all clubs, share the annual operating and capital budget with the membership. In a number of cases, this may be a requirement outlined in the club's by-laws, or it may be a long-standing practice of the club. Budgets typically come into sharper focus if an assessment, particularly a new or increased assessment or a large dues increase, is being proposed. However, keep in mind that before condensed budgets are presented to the membership,

they have generally been well vetted over a number of months and reiterations by senior management, the finance committee and ultimately, the board, have taken place before being approved and presented to the membership.

- **Tax Returns** – If a club is classified as a 501(c)(7) tax-exempt social club, it is required to file annually a Form 990 – Federal Return of Organization Exempt from Income Tax, with the Internal Revenue Service (IRS). This return becomes a public document the day it is filed with the IRS and must, under law, be made available to anyone who requests to see it, including members and nonmembers. A copy of the return may also be obtained by requesting one directly from the IRS or can be accessed on the Internet at www.guidestar.org. The return includes information about the club's revenue, expenses, assets, liabilities and various policies of interest to the IRS. In addition, the club is required to disclose in Schedule J of the return the compensation of officers, directors, trustees, key employees and highly compensated employees (i.e., those individuals with more than \$100,000 of reportable compensation).

If a club is a taxable entity that files a regular corporate income tax return, that return is not a public document.

- **Long-Range Plan** – The long-range plan is a forward-looking document and as such, should be utilized as a roadmap to guide the club's future. It should focus on the financial means and needs of the club and its members and should result in a detailed long-range budget and cash flow statement. Although a more detailed long-range plan is shared with the board, a summarized/condensed report should be shared with the membership once it has been fully vetted and approved by the board.

Items typically not shared with membership:

- Employee compensation other than what is required to be disclosed on the tax return (see above)
- Personnel information
- Admissions information
- Member disciplinary proceedings
- Member financial information
- Details of litigation against the club



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