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## **Transparency in Associations**

### Policy Sample

Last week a member of the board of directors gave his meeting packet to a local chapter president. It included the parent organization's proposed budget, roster of dropped members and confidential contract proposals. When asked why, he said, "We're nonprofit, we have to share the information with members."

It is true there are regulations for public governmental bodies that facilitate openness and transparency. These laws are often referenced as "government in the sunshine," "open records" and "freedom of information."

Among private sector associations, chambers and nonprofits the requirements are different. The public records for associations and chambers are generally the IRS Information Return, IRS Letter of Determination and the IRS Application to be exempt from federal income tax. State laws may prescribe additional public records. Acceptance of public or governmental income may affect requests for information.

Board members often confuse the transparency required of governmental bodies with that of associations.

### **Value and Policy**

Perceptions of organizational mystery or secrecy can be changed through initiatives for openness and disclosure. The board might adopt a value statement and a policy on transparency.

Values are a part of the "brand statement," generally composed of the organization's mission, vision and values. Examples include the principles of integrity, member-driven and stewardship. Adding transparency to the values statement communicates openness among members.

Another transparency initiative is achieved through policy adoption. Policies are a part of an organization's governing documents. The board might adopt a policy on transparency to guide future leaders and staff on the best approach to requests of information and a desire to promote openness.



## **Transparency Overboard**

The desire to be transparent should not affect the greater need to protect confidential information. Not all discussions or processes should be public. The concept should not be interpreted as a decree to disclose every document or require guests at every meeting.

The purpose is to be responsive, or pro-active, in making information available when appropriate. There will always be confidential concerns such as personnel matters, legislative positions, grievances and confidential contracts or negotiations.

### **Policy Sample**

Policies are the wisdom of the board initiated as motions and stored for easy reference. This sample policy may guide a board's discussion and adoption of a motion.

The leadership desires to conduct business in an atmosphere that is open and transparent with the goal of promoting trust and understanding. Unless there are compelling reasons to the contrary<sup>1</sup>, the organization is responsive to members and the public who request relevant information in a timely manner.

The organization realizes that it requires resources (staff time, copies, summaries, legal, security, for example) to assure that transparency is achieved.

Recognizing that transparency has benefit and requires ongoing efforts, the organization will enhance communication with the membership (i.e. executive summaries, on-line reports, etc.)

To facilitate transparency, the organization will:

1. Share on a timely basis with the membership and appropriate persons:
  - ✓ Decisions made in board meetings that are not executive sessions, as recorded in meeting minutes.
  - ✓ Public records as set by law.
  - ✓ The financial position of the organization as reported and/or certified by an independent auditor.
  - ✓ Board approved policies and positions, when appropriate.
  - ✓ Information on organizational structure.
  - ✓ Other information as may be determined by the board to be of importance to members and stakeholders.
2. Encourage participation of members in leadership activities and solicit their input to benefit decision-making processes.

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<sup>1</sup> Personnel and salary information, member grievances, or confidential contracts, for instance.

3. Balance the intent for openness with sensitivity to privacy, confidentiality, and the need for free and frank discussion at the board table.

The sample policy on transparency was originally adapted with permission from the CFA Institute. Be sure to rely on legal and accounting counsel.

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**Note:** Bob Harris, CAE, provides free association and governance tips, articles and templates at [www.nonprofitcenter.com](http://www.nonprofitcenter.com)

Micro-articles at LinkedIn

[https://www.linkedin.com/today/author/71196419?trk=vsrp\\_people\\_res\\_infl\\_recent](https://www.linkedin.com/today/author/71196419?trk=vsrp_people_res_infl_recent)

Board Responsibilities guide:

<https://www.dropbox.com/s/9aprd58iau8psq9/Board%20Responsibilities%20Order%20Form%20WEB%202013.pdf?dl=0>

Policy on Transparency Sample 4-15.doc