

Best Practices

STRATEGIES

Financial Disclosure

You spend members' dues dollars wisely: ample programs and services, reasonable staff salary



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and benefits, prudent investments, and well-researched purchases. Yet, when it comes to sharing financial statements and budgets with the membership, AEs have differing views.

At one end of the spectrum are AEs who don't hesitate when asked about sharing financials, as some have told *RAE*:

- "Financials are an open book."
- "A member who knows where their money goes makes for a more aware member."
- "We hold an annual State of the Association meeting."
- "Year-end financials are posted on our Web site."

In fact, many AEs we spoke with say they disclose financials to members and several publish detailed financials, and many present them with charts and graphs, either printed in a report or posted online.

"Disclosing our financials reflects the transparency in which the association and MLS operate," says Jerry Panz, CEO, Wilmington Regional Association of REALTORS®, N.C. WRAR publishes an annual report showing top-line financials (but not the details).

It's the complexity of financial statements that leads some AEs to be more cautious about publishing the numbers. "Most members don't understand financial statements, and they tend to cause a lot of confusion," says Richard McBain, AE, Cherokee Association of REALTORS®, Ga. AEs who don't openly publish their financials say they want to avoid misinterpretations. They believe financials show only a point in time or an end result; they do not reflect the decision-making process.

Many AEs also believe that their members are simply not that interested. Some report that it's been years since a member has asked to see financials. Sharon Wells, AE at the Greater Springfield Board of REALTORS®, Mo., says that in the past thirty-five years, only one member has asked to see the financials, and then never came to review them.

Yet, the vast majority of AEs we spoke with do provide financial information by request, however infrequently that might be. Vanessa Reale-Jones, AE, Atlantic City and County Board of REALTORS®,

N.J., believes "when members know they can view financials, they feel more comfortable that nothing is being hidden from them."

Advertising that your financials are available and outlining a clear review procedure is important, AEs say. "When a member asks for a copy of the financials, we ask him or her to make an appointment with the treasurer to come in and discuss any questions they have, then the member, treasurer, accountant, and I meet," says Peggy Hummel, CEO, REALTOR® Association of Greater Fort Myers and the Beach, Fla. "We provide them with a copy to look at, but they are not allowed to take it with them."

Hummel has found that members generally don't

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understand the budgeting process or financial statements, so asking them to come in gives her the opportunity to explain how it works. "It also separates those who truly want the information from those who want it for some other purpose," she says.

So why would a member want to look at association financials in the first place? Often it stems from a misunderstanding of how dues dollars are spent, as in "you spent my dues dollars on *that*!?" Talking first with the member about what he or she really wants to know can clear up a lot of confusion. Does she want to be assured of the association's general financial health? Does she question why one particular program or event was funded? Does she feel she's not getting enough benefit from her dues dollars? You don't necessarily need a detailed budget review to answer these questions.

Whether you prefer an open-book or financials-by-request approach, consistency and open communications are always a good policy. ■

Disclosure Law
Organizations exempt from federal income tax are required by federal law to make their federal tax returns available to the public for inspection. That means they must make it available to someone in person or provide a copy on request.