DURANGO AREA
ASSOCIATION OF REALTORS®

Financial Policy Manual

Revised August 2025

Table of Contents:

I. Policy Purpose and Formulation
II. Financial Governance Structure
III. Certified Professional Accountant
IV. Government Compliance Reporting
V. Operating Funds
VI. Investment Policy
VII. Zero Based Budgeting, User Fees and Core Services
VIII. Amendments to Increase Annual Proposed or Approved Budget
IX. Reserve Levels
X. Capital Assets
XI. Contracts and Encumbrances
XII. Quarterly and Annual Tax Preparation
XIII. Authorized Check Signers
XIV. Check Signatures
    1. Debit Card
    2. General Transaction Processing
    3. Deposits
XV. Compensation
    1. Wages
    2. Employee Benefit Stipend
    3. Payroll Pay Periods
XVI. Financial Reporting
    1. Financial Reporting Methods
    2. Accounting Policies
XVII. Fraud Awareness & Prevention
    1. Financial Review/ Audit
    2. Strategic Plan
    3. Fraud Risk Ownership
XVIII. Dues and Fee Structure
XIX. Dues Refund
XX. Reinstatement Fees
XXI. Non Member Licensee Salesperson Assessment Fees
XXII. Annual and Monthly Dues Billing
XXIII. Travel

1. Travel Reimbursement Categories
2. Travel Reimbursements
3. Officer and State Director Travel
4. Other Travel

XXIV. Records Retention

1. CAR/CARHOF/NAR
2. Membership Files
3. MLS Books and MLS Data
4. Education Classes
5. Grievance and Professional Standards
6. Committee Meetings, Conventions, and Programs
7. Board and Committee Meeting Minutes
8. Accounting Records
9. Tax Records
10. Payroll Taxes
11. Insurance Records
12. Workplace records
13. Legal Records
14. Personnel Records
15. Technical Materials

XXV. Conflicts of Interest

I. POLICY PURPOSE AND FORMULATION

Policy statements establish guidelines and standards for internal Association operations. All policies shall become effective upon adoption and approval by the Board of Directors. Upon adoption, the Executive Officer shall give reasonable notice of new or changed policies to each employee of the Association. Approved policy statements remain in effect until the Board of Directors makes changes and such changes are recorded in the Board meeting minutes.

II. FINANCIAL GOVERNANCE STRUCTURE

The Bylaws of the Association govern, guide, and direct the financial operations of the corporation, laying the official foundation and framework for all financial policies and decisions.

The budgeting process is conducted annually and is developed in partnership by the Executive Officer and Building/Audit/ Finance Committee to define the revenue, direct expense, and labor components for each program within the Association's operating budget. The preliminary budget is presented for review and approval by the Board of Directors.

III. CERTIFIED PROFESSIONAL ACCOUNTANT

A Certified Professional Accountant (CPA) designated by the Board of Directors will reconcile the Operating account as well as any other Association bank accounts monthly. The Treasurer will ensure that signatures are appropriate and review check images to ensure that two signatures are on all checks $1500 and over. The Executive Officer will provide the accountant all copies of receipts and deposits that are appropriate to each month's

statement The accountant will file all quarterly and annual reports for the Association, monitor the payroll taxes and check to ensure payroll is processing correctly.

IV. GOVERNMENT COMPLIANCE REPORTING

The Association's policy to strictly adhere to all governmental and regulatory reporting deadlines, without exception

1. IRS 1099's- During the course of the fiscal year, the Association's CPA, with the assistance of the Executive Officer, monitors and tracks the vendors receiving payments and the types of payments received for compliance with IRS 1099 reportable income regulations.

V. OPERATING FUNDS

It is the policy of the Association to maintain all funds needed for the immediate and foreseeable future for operating expenses in only FDIC insured deposit accounts. If the Association has funds that are in excess of these operating funds, the Association may then invest in funds according to the guidelines below.

VI. INVESTMENT POLICY

The Building/Audit/Finance Committee and Board Treasurer with approval from the Board of Directors shall be responsible for investing the Association's excess operating funds per the guidelines below unless otherwise directed. Funds will only be invested in the name of the Association.

A. All funds will be invested in either FDIC or SIPC insured brokerage accounts
B. Investments will be structured in a way to ensure access to liquidity is maintained.
    a. Certificate of Deposits will be laddered for liquidity first with maturities of no more than 5 years from the date of purchase
    b. Funds in excess of those invested in Certificates of Deposit for liquidity will then be invested in the following types of investments.
C. Investments Funds can be maintained in the following types of asset classes:
    a. U.S. Equities and Bonds with no more than 20% of the bonds being rated below investment grade
    b. Foreign Equities and Bonds with no more than 20% of the bonds being rated below investment grade
    c. Alternative Assets—Precious metals, commodities, Real Estate Investment Trusts etc.
    d. Cash and equivalents such as Money Market mutual funds
D. Association investment accounts can utilize the following types of investment vehicles:
    a. Open End Mutual Funds
    b. Closed End Funds
    c. Exchange Traded Funds
    d. Individual Stocks and Bonds
E. Asset Allocation
    a. The Association will maintain the flexibility to have 100% of its assets in cash or cash equivalents

b. The Association can maintain an asset allocation mix of no more than 80% equities and no less than 20% bonds or fixed income

F. The Association reserves the right to consult with a Financial Advisor on how best to maintain investment accounts. Where possible, the investment advisor should maintain some type of professional designation such as Certified Financial Planner (CFP) or Chartered Financial Analyst (CFA) or Chartered Financial Consultant (ChFC) or similar designation.

VII. ZERO BASED BUDGETING, USER FEES AND CORE SERVICES

The Association shall utilize a budgeting model in the process of developing and approving its annual budget that most accurately reflects the association's financial standing adopting in the process the "Core Services" and "User Fee" concept with a zero based budget goal. Core Services are those programs and services that benefit all members and therefore are supported by member dues. User Fee programs and services are those that benefit only those who participate in the program or activity and therefore are funded by the members who use them. Any ancillary revenue/expenses will be included in the budget process and itemized outside standard operating budget items to enable proper evaluation of their financial impact to ensure cash and reserve solvency.

VIII. AMENDMENTS TO INCREASE ANNUAL PROPOSED OR APPROVED BUDGET

Any amendments or proposals to increase expenditure on the Association's proposed or approved annual budget in excess of $1000.00 (individual or cumulative) in any budget line item, must be submitted in writing to the Executive Officer prior to the meeting at which the amendment or proposal will be presented to the Board of Directors.

IX. RESERVE LEVELS

it shall be a primary goal of Building/Audit/Finance Committee to build up and maintain 6 months' worth of reserves

X. CAPITAL ASSETS

Deposits and expenditure of funds shall be in accordance set forth by the Board of Directors. In regards to the purchase of real estate, the sale of real estate, or any agreement to obligate the Durango Area Association of REALTORS® membership with a loan, the Board of Directors shall be required to submit the proposal to the membership for a vote, and a minimum of 51% of responding votes must be in approval to complete the purchase, sale or loan See also Article X Section V of the Association's Bylaws.

XI. CONTRACTS AND ENCUMBRANCES

The President and the Executive Officer, after consultation with the Associations legal counsel and upon approval of the Board of Directors, shall be the only individuals authorized to enter into contracts or agreements on behalf of the Association.

XII. QUARTERLY AND ANNUAL TAX PREPARATION

All quarterly and annual tax returns shall be prepared by the designated Certified Professional Accountant for the Association. It is the Executive Officers responsibility to see that returns are mailed by their due dates.

XIII. AUTHORIZED CHECK SIGNERS

Only the Executive Officer, President, President-Elect, Treasurer, Government Affairs Director, and Association Administrative Assistant are authorized to sign checks.

XIV. CHECK SIGNATURES

Two signatures are required for any check written on or over the amount of $1500. Approved signers will sign checks only with back-up documentation attached. The Executive Officer will not sign any checks made out to them. The Executive Officer may sign routine utility bills (phone, gas, city, internet, etc.) but all billing documentation must be attached to back-up copy of the check. The treasurer will get a copy of the Operating account monthly statement off-site. Effective April 25, 2007, the Association will forgo usage of a credit card and will instead have a Debit Card. The use of an Association credit card is prohibited unless otherwise approved by the Board of Directors.

1. **DEBIT CARD** – The only authorized users of the debit card shall be the Association staff. Debit cards may not be used for personal purchases. The Executive Officer shall track and record all debit transactions to be reviewed and approved monthly by an authorized Officer of the Board of Directors.
2. **GENERAL TRANSACTION PROCESSING –** The Administrative Assistant will open mail and sort checks and bills. Bills will be filed for processing, and any payment received will be posted to its respective invoice or logged in the check log and filed in the safe for the Executive Officer to process as deposits.
3. **DEPOSITS** - Original payments received will be held by the Administrative Assistant until deposit information has been received from the Executive Officer for deposit.

XV. COMPENSATION

Compensation for staff is determined by the Executive Officer subject to Board Approval. All position salaries are reviewed on an annual basis for market reasonableness and competition.

1. **Wages**- Employee wages including bonuses are reported on the IRS Form W2 for each employee on an annual basis.
2. **Employee Benefit Stipend**- Stipend amounts are considered a full-time employee benefit and are reported as required by the IRS.
3. **Payroll Pay Periods**- Employees are paid on a semimonthly basis; the 15th and the last day of each month. The payment method is by direct deposit. Employees are paid "in arears" for each pay period and any adjustments as needed.

XVI. FINANCIAL REPORTING

1. **Financial Reporting methods**- The CPA prepares monthly financial statements on a cash/ Income tax-based reporting method, reconciled on a quarterly basis at minimum.
2. **Accounting Policies**

a. Fiscal Year- the Association has a fiscal year end of December 31, as dictated by Article XIV of the Association's Bylaws.
b. Property & Equipment- Property and equipment are stated at cost. Depreciation and amortization are estimated using projections and best practices utilized by the CPA.
c. Leases- the Association leases space in its building to commercial tenants. Tenant rent is evaluated and adjusted according to the recommendation of the Building/Audit/Finance Committee and subject to Board approval.
d. Revenue & Expense Recognition- the Association reports on a modified cash basis. Membership dues, subscriptions and convention revenues are recognized in the year to which they relate. Expenses are recognized when incurred.
e. Reconciliation & Reviews- All balance accounts are reconciled on either a monthly or a quarterly basis based on materiality. In addition, analytical reviews are completed by the Treasurer on a quarterly as well as on an "as needed" basis that tests logical relationships among accounts and events.

XVII. FRAUD AWARENESS & PREVENTION

The Executive Committee is charged with the responsibility of identification and assessment of fraud risks.

1. **Financial Review/Audit**- An annual financial review will be performed with a full audit every 5 years as deemed necessary by the board. Any adjustments to this action will be as needed based on NAR requirements. An accounting firm will be selected by the Executive Officer and approved by the Board of Directors.
2. **Strategic Plan-** the Association's Leadership Team and staff have agreed on a set of guiding core principles. The strategic plan is a living document and is reviewed and updated regularly from its current version rather than being re-built each year.
3. **Fraud Risk Ownership-** the Board of Directors under advisement of the CPA and selected audit firm are responsible for the application of fraud related policies for the Association as outlined in the Fraud Awareness & Prevention Policy.

XVIII. DUES AND FEES

Local REALTOR® dues and related membership fees are established by the Board of Directors.

XIX. DUES REFUND

All membership dues are non-refundable. **Exceptions** may be considered on a case-by-case basis at the discretion of the Executive Officer and are not guaranteed. In order for consideration a detailed written request must be submitted. DAAR does not have the authority to approve refunds of state and national dues.

XX. REINSTATEMENT FEES

If membership in the Association of a REALTOR® member is terminated by the Association pursuant to the Bylaws as the result of failure to meet a financial obligation to the Association or failure to abide by the Constitution, Bylaws, or Rules and Regulations of the Association, no reinstatement shall occur until the member has, in addition to any other requirements of the Association, paid one full year of regular dues plus applicable

reinstatement fees unless otherwise approved by the Board of Directors. See Article VI, Section 2 & Article X Section 4 of the Association Bylaws.

XXI. NON MEMBER LICENSEE SALESPERSON ASSESSMENT FEES

Brokers shall be assessed non prorated Local, State, and National annual dues times the number of non-member salespersons, if any, in their office. Any NAR special assessment is not considered dues. The Public Awareness Campaign special assessment is not charged to Institute Affiliate members, nor is it charged for non-members salespersons. It is also not charged for National REALTOR® Emeritus. See Article X Section 2 of the Association's Bylaws.

XXII. ANNUAL AND MONTHLY DUES BILLING

Annual dues are posted on the first business day of the year and are due no later than January 31st. Late fees for invoices not paid will be posted on February 1st. Any member not paid in full by February 28th will be suspended and reinstatement fees will be imposed. Membership will not be reinstated until full payment is received.

NOTE: CAR and NAR dues must be submitted by the association no later than February 28th or will be considered late.

Dues for new members shall be computed from the first day of the month elected and prorated for the remainder of the year.

Per NAR Policy, if a member is reinstated within the first year of leaving the association, a full year of dues will be collected. This applies to local and state annual dues as well.

Monthly fees are billed to brokerages for the current month of Service and are calculated based on the number of REALTOR® members in the office. The Association posts charges on the first working day of the month and are due by the end of the month billed.

Payments may be accepted in the form of Cash, Check, Visa, or Mastercard.

A. Late fees will be charged for accounts not paid within 30 days
B. For accounts not paid within 60 Days: REALTOR® membership and MLS privileges will be suspended until the amount is paid in full.
C. For accounts not paid within 90 Days: The managing broker's REALTOR® membership will be terminated, and reinstatement fees will be imposed. NOTE: Termination of a Designated REALTOR'S® membership will result in termination of all REALTOR® members within that brokerage.

All disputes must be sent in writing to be given to the Board of Directors for review.

XXIII. TRAVEL

It is the policy of this association to reimburse all reasonable expenses necessary for volunteer leadership or paid employees to accomplish association objectives, to the extent that expenses are not subject to reimbursement by another entity. However, because it is a trade association

and its principal source of funds is member dues, there must be a high degree of accountability for all funds spent.

It is understood that expenses charged to the association will serve business purposes. The key element for successful adherence to this policy is professional judgment of those authorized to spend association funds.

A written report on each event attended must be completed and document accomplished objectives. Expense reports must be completed on an approved form and must document all items to be reimbursed. The reports must be submitted, including accompanying receipts, to the Executive Officer within THIRTY (30) days in order to receive reimbursement.

1. **REIMBURSEMENT CATEGORIES**: Approved reimbursement categories include President, President Elect, Treasurer, CAR Directors and Executive Officer. Other special committees, task forces, paid staff, etc. must be approved by the Board of Directors to the event for travel reimbursement.

   Reimbursable expenses: mileage at the current IRS rate, airfare or other transportation, lodging, registration fees, and a Per Diem to cover meals and miscellaneous expenses, up to the budgeted limit per meeting. ***Expenses for volunteer travel to meetings within a 50-mile radius of Durango will not be reimbursed.***

   Expenses for paid staff are reimbursed for all documented expenses, with a per diem in accordance with the Federal recommended rate to cover meals and incidentals (M&I).

1. **TRAVEL REIMBURSEMENTS** - The Association will reimburse individuals authorized to receive reimbursement for expenses associated with the authorized travel provided:
   i. The request for reimbursement is submitted to the Association within 30 days from the date the individual incurred the expense.
   ii. Original receipts for all expenses are submitted with the request for reimbursements.
   iii. Expense reimbursement requests for airfare are based upon coach class fare.
   iv. Expense reimbursement requests for in-state travel are based on actual expenses incurred with the exception of mileage, which will be reimbursed in accordance with the most current IRS rate for mileage.
   v. In lieu of actual expense reimbursement for meals, a daily per diem determined in accordance with the Federal recommended meals and incidentals (M&I). The Executive Officer issues a check for per diem travel days before travel commences. If travel is cancelled or shortened after a per diem check is issued the appropriate amount will be recollected by the Executive Officer.

   Expense reimbursement request for travel to Colorado Association of REALTORS® and National Association of REALTORS® events are included in the annually approved budget. The Executive Officer is directed to find the best possible pricing for airfare, lodging, and other travel needs.

2. **OFFICER AND STATE DIRECTOR TRAVEL** – Pursuant to the Travel Reimbursement Policy and the annually approved budget, the Association will reimburse the President,

President-Elect, CAR Directors, Government Affairs Director, Executive Officer and other staff approved for authorized travel to the National Association of REALTORS® and Colorado Association of REALTORS® meetings contingent upon their attendance and participation at all relevant meetings including but are not limited to:

vi. The Member and Director Update
vii. The Board of Directors meeting of the Colorado Association of REALTORS® and/or NAR State and Regional meetings if scheduled
viii. The National Association of REALTORS® Board of Directors meeting as deemed necessary.

Justifiable exception to this policy may be made on an individual basis, in advance, to the Association President.

1. The President is encouraged to travel to the following meetings which are supported in the Association budget:
    a. NAR Midyear Meetings
    b. CAR-REALTOR® Day at the Capitol
    c. CAR Spring Meetings
    d. CAR Fall meetings
2. The President-Elect is encouraged to travel to the following meetings which are supported in the Association budget:
    a. CAR-REALTOR® Day at the Capitol
    b. CAR Spring Meetings
    c. CAR Fall Conference
    d. NAR National Conference and Expo
    e. NAR Leadership Summit
3. The Executive Officer is encouraged to travel to the following meetings which are supported in the Association budget:
    a. NAR Association Executive Institute
    b. CAR AE Symposium
    c. NAR Midyear Meetings
    d. CAR-REALTOR® Day at the Capitol
    e. CAR Spring Meetings
    f. CAR Fall Meetings
    g. NAR National conference and Expo
    h. NAR Leadership Summit
4. CAR Directors are encouraged to travel to the following meetings which are supported in the Association budget:
    a. CAR-REALTOR® Day at the Capitol
    b. CAR Spring Meetings
    c. CAR Fall Meetings
5. The Government Affairs Director is encouraged to travel to the following meetings which are supported in the Association budget:
    a. CAR-REALTOR® Day at the Capitol
    b. CAR Spring Meetings
    c. CAR Fall Meetings
    d. NAR Midyear Meetings

3. **OTHER TRAVEL** – The Board of Directors may authorize other travel when it is in the best interest of the Association.

XXIV. RECORDS RETENTION

b. **CAR/NAR** – Keep correspondence from CAR and NAR for 3 years.

c. **MEMBERSHIP FILES** – Keep past members files for 3 years including affiliate members.

d. **MLS BOOKS AND MLS DATA** – Keep all books and sold books indefinitely. Keep electronic backup of MLS data indefinitely.

e. **EDUCATION CLASSES** – Keep for 4 years all class rosters and registration information.

f. **GRIEVANCE AND PROFESSIONAL STANDARDS** – Keep all complaints and hearing information indefinitely.

g. **COMMITTEE MEETINGS, CONVENTIONS AND PROGRAMS** – Keep all files for 3 years.

h. **BOARD OF DIRECTORS AND COMMITTEE MEETING MINUTES** – Keep indefinitely.

i. **ACCOUNTING RECORDS**

- Annual Financial Statements – Permanent
- Monthly Financial Statements – 3 years
- General Ledger – 20 years
- Annual Audit Records – 10 years
- Journal Entries – 8 years
- Special Reports – 8 years
- Canceled Checks – 8 years
- A/P Paid Invoices – 3 years
- Business Expense Records – 3 years
- Credit Card Receipts – 3 years
- Cash Receipts – 3 years
- A/R Invoices – 8 years
- Data For Acquired/Divested Assets – Permanent
- Data For Non-acquired/Non-divested Assets – 5 years
- Accounts Payable – 3 years
- Accounts Receivable – 3 years
- Audit Reports – 7 years
- Chart of Accounts – Permanent
- Expense Records – 7 years
- Inventory Records – 7 years
- Loan Documents – 7 years after final payment
- Purchase Orders – 7 years
- Sales Records – 7 years
- Stop Payment Orders – 3 years
- Bank Reconciliations – 3 years

j. **TAX RECORDS**

- Federal Tax Returns (Not Payroll) – Permanent
- State & Local Tax Returns – Permanent
- Form 990 & Supporting Documentation – Permanent
- Form 990-T & Supporting Documentation – Permanent
- Supporting Documentation for Taxes – 4 years

- City & State Excise Tax Reports & Supporting Documentation – 5 years (or longer if designated by state law)
- 1099 Forms – 8 years
- Magnetic Tape & Similar Records – 1 year
- Payroll Taxes (W2, W3) – Permanent
- Payroll Taxes (Form 941, state withholding forms, state unemployment returns) – 8 years (or longer if designated by state law)

k. **PAYROLL TAXES**

- Wage – 6 years
- Salary – 6 years
- Payroll Deductions – 6 years
- Timecards or Forms – 5 years
- W-2 Forms – 8 years
- W-4 Forms – 8 years
- Garnishments – 4 years after termination
- State Employment Forms – 4 years
- State Unemployment Tax Records – Permanent
- Cancelled Payroll Checks – 8 years
- Deductions Register – 8 years
- Earnings Records – 8 years
- Changes or Adjustments to Salary – 8 years

l. **INSURANCE RECORDS**

- Policies (including expired), Permanent Claims for Loss/Damage, Accident Reports, Appraisals – 3 years

m. **WORKPLACE RECORDS**

- Incorporation Records (Including By-Laws) – Permanent
- Meeting Minutes – Permanent
- Policy Statements – Permanent
- Employee Directories – 5 years

n. **LEGAL RECORDS**

- General Contracts – 3 years after termination
- Real Estate Contracts & Records – Permanent
- Personal Injury Records – 8 years
- Trademark Registration – Permanent
- Copyright Registration – Permanent
- Patents – Permanent
- Litigation Claims – 5 years following close of case
- Court Documents & Records – 5 years following close of case
- Deposition Transcripts – 5 years following close of case
- Leases – 3 years after termination

o. **PERSONNEL RECORDS**

- Employment Applications (persons not hired) – 3 years
- Employment Applications (persons hired) – Permanent
- Employee Resumes & Employment History – Permanent
- Evaluation – Permanent
- Promotions, Raises, Reclassifications & Job Descriptions – Permanent

- Disciplinary Warning, Demotion, Lay-off & Discharge – Permanent
- Employment & Termination Agreements – Permanent
- Beneficiary Information – Permanent
- Medical & Safety Records – 6 years
- Accident Reports – Permanent
- Education Assistance – while employed
- Sick Leave Benefits – while employed
- Retirement Plans – Permanent
- Incentive Plans – Permanent
- Pension Plans – Permanent

p. **TECHNICAL MATERIALS**

- Manuals – while still in use
- Standards – while still in use
- Committee Meeting Minutes – Permanent
- Correspondence – 5 years after manual or standard becomes obsolete
- Invoices To Customers – 3 years

The retention periods described herein are guidelines. There are circumstances under which a record or document may have to be maintained longer than the guidelines. This will be a decision made by the Executive Officer.

XXV. CONFLICT OF INTEREST

A conflict of interest may arise in any circumstance that may compromise the ability of an officer, director, employee, or volunteer to make unbiased and impartial decisions in the best interest of the association. Such circumstances include but are not limited to family relationships, business transactions, professional activities, or personal affiliations. Officers, directors, employees, or volunteers are encouraged to disclosure and to report any set of circumstances to the Executive Committee that may appear to pose a conflict of interest, even if there is uncertainty as to whether such circumstances should be disclosed.

In addition, Officers, Directors, and Committee members are required to sign a statement of confidentiality annually.