



### **Fiscal Integrity Policies & Procedures**

Greater Chattanooga REALTORS® utilizes the following policies and generally accepted operating procedures to ensure the fiscal integrity of its financial operations.

**Audit:** Each year, an independent accounting firm audits the books to ensure that Staff and Bookkeeping firm are reporting financial information accurately and following proper accounting procedures. The auditor's report is presented to the Executive Committee, who shall determine what steps, if any, should be taken to remedy any items identified in the report.

Greater Chattanooga REALTORS® rotates annually between a full audit opinion and an accountant's review, provided there is no change in audit firms from the prior year. This rotation is in line with the National Association of REALTORS®, which requires each local association annually to submit a report from a CPA for either an audit opinion or an accountant's review report, with the frequency of an audit versus a review being at the discretion of the local association.

**Bookkeeping:** Greater Chattanooga REALTORS® employs the services of Bruin & Associates, who provides the following services:

- accounts payable
- accounts receivable
- bookkeeping
- daily access of transaction in membership management software
- daily payment reconciliation between NAR's E-commerce, banking account and membership management software to process revenues and liabilities in Quickbooks
- month-end closing
- payroll

**Budgeting:** Operating financial decisions are driven by the annual budget, which is prepared in the following manner:

- Bruin & Associates and the CEO prepare a draft operating budget.
- Bruin & Associates and the CEO meet with the Budget & Finance Committee to review the draft operating budget.
- The Budget & Finance Committee recommends a proposed budget to the Board of Directors.
- The Secretary/Treasurer presents the proposed budget to the Board of Directors.
- The Board of Directors reviews and approves the budget.

Based on the approved budget, the CEO oversees the day-to-day execution of the budget. As a general rule, the budgeting process provides the best time for changes in expenditures. While the Board of Directors has the discretion to make additions to the budget throughout the year, Directors are encouraged to defer additional expenditure requests to the subsequent year. This practice allows the Board of Directors to maintain focus on the "big picture" and avoid making continuous changes to the annual budget. However, when significant additional expenditures arise during the course of the year that should not be deferred, the CEO will approach the Board of Directors for approval of those unbudgeted items.

**Budget & Finance Committee:** The purpose of the Budget & Finance Committee is to formulate the annual budget for the subsequent year, monitor the investment accounts, and work in conjunction with the CEO and/or Executive

Committee to review contracts that have a financial impact on Greater Chattanooga REALTORS®. The Budget & Finance Committee shall be comprised of the following persons:

- Secretary/Treasurer\* serves as Chairman
- President (non-voting)
- CEO (non-voting)
- No less than five (5) at-large members, who serve staggered two- (2-) year terms.

\*The Bylaws require that the candidates for Secretary-Treasurer shall have served no less than one (1) term as a Director or no less than one (1) year on the Budget & Finance Committee.

**Cash Management & Investments:** The CEO shall maintain the operating fund according to the annual cash flow forecast monitored by Bruin & Associates. Should the need arise (i.e., low operating balance prior to annual billing for membership dues and MLS fees), to move cash from the investment account into the operating fund, Bruin & Associates will notify the CEO, who shall obtain approval from at least one (1) Officer to initiate the transfer. Should the annual cashflow forecast indicate the operating fund is more than sufficient (i.e., significant income following annual billing for membership dues or MLS fees), Bruin & Associates will notify the CEO, who will transfer funds from the operating account to the investment account.

All additional cash reserves and investments shall be maintained in a balanced portfolio under the direction of Greater Chattanooga REALTORS®'s professional investment manager, whose services are approved by the Board of Directors. In addition to the CEO, the President shall be an authorized agent for the investment accounts.

Greater Chattanooga REALTORS® engages the service of HHM Wealth Advisors to serve as professional investment manager. The Budget & Finance Committee monitors the investment portfolio and recommends to the Board of Directors any adjustments to the planning and investment decisions. When making recommendations to the Board of Directors, the Budget & Finance Committee will consider profitability and investment guidelines through use of a financial advisor, whose services are approved by the Board of Directors.

**Charitable Support:** Unbudgeted expense requests for charitable support shall be submitted to the Executive Committee for review and recommendation prior to presentation to the Board of Directors, who shall have the authority to approve or disapprove the expenditure. In reviewing said requests, consideration will be given to the charities that are in sympathy with the objectives of the Association.

**Capital Expenses:** Unbudgeted expense requests for capital expenditures up to \$7,500 shall be submitted to the Executive Committee for review and approval, with said expense reported to the Board of Directors at the next meeting.

Unbudgeted expense requests for capital expenditures exceeding \$7,500 shall be submitted to the Executive Committee for review and recommendation prior to presentation to the Board of Directors, who shall have the authority to approve or disapprove the expenditure.

In reviewing said requests, consideration will be given to the urgency as related to building maintenance.

**Charges by Members for Goods & Services:** Aside from annual membership dues and MLS fees, Designated REALTOR® may charge to the firm goods and services sold in the REALTOR® Store. The Designated REALTOR® shall submit in writing the names of any additional person(s) affiliated with the firm who is authorized to charge items to the firm. The Designated REALTOR® is responsible for payment of all such charges.

**Financial Information Disclosure:** From time to time, Officers, Directors, members of the Budget & Finance Committee, and Staff may have access to confidential information belonging to the Greater Chattanooga REALTORS® or third parties. This information is confidential until it comes into the public domain by some lawful manner. It shall be considered a violation of Greater Chattanooga REALTORS® policy to inappropriately disclose or use any proprietary or confidential information belonging to the Association or third parties. This obligation of non-

disclosure applies during and after one's employment by Greater Chattanooga REALTORS® or service as an Officer, Director or member of the Budget & Finance Committee. Person having any doubt about whether specific information is confidential should contact the CEO. Person who disregard this policy and release any confidential or proprietary information without prior authorization will be subject to disciplinary action.

**Financial Reporting:** Bruin & Associates prepares and provides the monthly financial report to the CEO and Executive Committee for their review to identify trends and variances in the annual budget and investment account. The Secretary-Treasurer provides a monthly financial report to the Board of Directors, which is intended to instill confidence that the budget is being properly monitored and executed. Included in the monthly financial packet provided to the Board of Directors are:

- Year-to-Date Net Operating Income
- Graph Comparison of Year-to-Date Operating to Budget
- Income Statement by Budgeted Line Item
- Profit & Loss Statement by Budgeted Line Item
- Balance Sheet
- Graph of Membership & MLS Count
- Reserves Calculation

**Payments & Reimbursements:** The following procedures are intended to protect against payments being made without authority and/or disregard for the budget:

- In addition to the CEO, the Officers are signatories for the Greater Chattanooga REALTORS®'s operating account.
- With the exception of payroll and any reimbursements paid to the CEO, the CEO has the authority to pay bills of up to one thousand four hundred and ninety-nine dollars (\$1,499).
- For reimbursements paid to the CEO and for bills in the amount of one thousand five hundred dollars (\$1,500) or more, said payments are approved by the Secretary-Treasurer.
- Reimbursements paid to any person authorized to conduct business on behalf of Greater Chattanooga REALTORS® are paid upon presentation of itemized receipts.

**Reserves:** Greater Chattanooga REALTORS® shall maintain sufficient funds in reserve to allow the Board of Directors to manage the finances prudently and with the flexibility necessary to accommodate unanticipated changes in revenue levels. Specifically, Greater Chattanooga REALTORS® shall maintain reserves between eight (8) to fifteen (15) months of the total budgeted expenses. The months of reserves shall be calculated by taking the sum of the market value of all cash and investments and accounts receivable for membership fees and MLS dues, less current liabilities, divided by the budgeted annual operating expenses, the average capital expenditures for the past five (5) years, and estimated income taxes, less depreciation and then multiplied by twelve. Should the reserve funds fall outside the specified ranges for a period of three (3) consecutive months, the Board of Directors shall institute a formal plan to bring the reserves back within the appropriate ranges.

**Requests for Proposals:** At the recommendation of the CEO, or no less than every five (5) years, the Budget & Finance Committee should review the current financial-related services providers and determine whether there is a need to issue a Request for Proposals.

**Returned Checks:** For a check returned for insufficient funds, a member will be charged twenty-five dollars (\$25). Said checks will be re-deposited one (1) time. Should a check be returned for insufficient funds a second time, the member will be charged an additional twenty-five-dollar (\$25) penalty and required to remit any outstanding monies in cash.

**Unpaid Charges & Fees:** In addition to the Bylaws provision specific to any member transferring to another member firm, the accepting Designated REALTOR® shall be held responsible for any outstanding dues and fees owed to Greater Chattanooga REALTORS® as of the date of transfer.