

# Policies

# Spokane REALTORS®



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**POLICIES OF THE  
SPOKANE ASSOCIATION OF REALTORS®**

KNOW ALL PERSONS BY THESE PRESENTS, that the undersigned, being the President and the First Vice President of the SPOKANE ASSOCIATION OF REALTORS®, a Washington nonprofit corporation, d/b/a Spokane REALTORS®, (hereinafter referred to as “Association”), do hereby certify that these policies (“Policies”) have been duly adopted by the Association’s Board of Directors.

The Association is governed by its Articles of Incorporation (“Articles”), Bylaws (“Bylaws”) and these Policies. If there is any conflict among or between the Articles, Bylaws or these Policies, the provisions of the Articles will prevail, thereafter; priority is given to the Bylaws and then these Policies. Capitalized terms that are used, but not define, in this document will have the meanings ascribed to them in the Bylaws, as adopted from time to time.

**SECTION 1. ASSOCIATION MEMBERSHIP POLICIES**

**1.1 Use of REALTOR® TERM**

If a REALTOR® member is a principal in a real estate firm and is suspended or expelled, or if such a principal resigns from the Association, or if the membership of such a principal in the Association is otherwise terminated, the real estate firm and the REALTOR® members employed by or affiliated with such firm shall not use the terms REALTOR® or REALTORS® in connection with its business during the period of suspension, or until readmission to REALTOR® membership, or unless connection with the real estate firm is severed, whichever may apply. The membership of all other principals of such real estate firm, and of all REALTOR® members employed by or affiliated with such real estate firm shall be suspended or terminated during the period of suspension of the disciplined member, or until readmission of the disciplined member, or unless connection of the disciplined member with the real estate firm is severed, whichever may apply. Further, the membership of REALTORS® other than principals who are employed by or affiliated as independent contractors with the disciplined Member shall suspend or terminate during the period of suspension of the discipline Member or until readmission of the discipline Member or until connection of the discipline Member with the firm, partnership, or corporation is severed, or unless the REALTOR® Member (non-principal) elects to sever his connection with the REALTORS® and affiliate with another REALTOR® Member in good standing in the Association, whichever may apply. If a REALTOR® member who is other than a principal in a real estate firm is suspended or expelled, the use of the terms REALTOR® or REALTORS® by the real estate firm shall not be affected. In any action taken against a REALTOR® member for suspension or expulsion under this Section, notice of such action shall be given to all REALTORS® employed by or affiliated as independent contractors with such REALTOR® member and they shall be advised that the provisions of this Section shall apply.

**1.2 Sanctions for Violations**

Any member of the Association may be reprimanded, fined, placed on probation, suspended or expelled by the Board of Directors for a violation of the Bylaws, Association Rules and Regulations which are not inconsistent with the Bylaws, or these Policies; in each case, after a hearing as provided in the Code of Ethics and Arbitration Manual of the Association. Although members other than REALTOR® members are not subject to the Code of Ethics or its enforcement by the Association, such members are encouraged to abide by the principles established in the Code of Ethics of the National Association of REALTORS® and conduct their business and professional practices accordingly. Further, members other than REALTOR® members may, upon recommendation by a hearing panel of

the Professional Standards Committee, be subject to discipline as described above, for any conduct which in the opinion of the Board of Directors, applied on a nondiscriminatory basis, reflects adversely on the terms REALTOR® or REALTORS®, and the real estate industry, or for conduct that is inconsistent with or adverse to the objectives and purposes of the Association, the State Association, or the National Association of REALTORS®.

### **1.3 Resignation**

Resignations of members shall become effective when received in writing by the Board of Directors, provided, however, that if the member submitting the resignation is indebted to the Association for dues, fees, fines, or other assessments of the Association or for any of its services, departments, divisions, or subsidiaries, the right of the resigning member to reapply for membership shall be conditioned upon payment in full of all such monies owed. If a member resigns from the Association or otherwise causes membership to terminate with an ethics complaint pending, the Association may condition the right of the resigning member to reapply for membership upon the applicant's certification that the member will submit to the pending ethics proceeding and will abide by the decision of the hearing panel. If a member resigns or otherwise causes membership to terminate, the duty to submit to arbitration continues in effect even after membership lapses or is terminated, provided that the dispute arose while the former member was a REALTOR®.

### **1.4 Designation of Designated REALTOR®**

If only one REALTOR® member is principal of a real estate firm, such REALTOR® member shall certify such fact to the Association during the month of January of each year on a form provided by the Association and shall certify the Designated REALTOR® for such real estate firm to the Association therein. If two (2) or more REALTOR® members are principals of the same real estate firm, such REALTOR® members shall jointly certify the Designated REALTOR® for such real estate firm to the Association during the month of January of each year on a form provided by the Association. Such form may require the acceptance in writing of such designation and the responsibilities incident thereto by the Designated REALTOR®. Such designation shall remain in full force and effect until revoked in writing by the individual designated as the designated REALTOR® or superseded by a subsequent designation of a Designated REALTOR® by such real estate firm. If a Designated REALTOR® revokes their designation as the Designated REALTOR® for a real estate firm, becomes disqualified to act as Designated REALTOR® for such firm; or if the status of such individual as Designated REALTOR® for such firm otherwise terminates, the principal or principals of such firm shall immediately designate a new Designated REALTOR® for such firm. The Designated REALTOR® must be a REALTOR® member and must hold a current and valid license as a real estate managing broker pursuant to Chapter 18.85 of the Revised Code of Washington, as the same may be restated or amended from time to time, or a current and valid license or certification as a licensed or certified real estate appraiser pursuant to Chapter 18.140 of the Revised Code of Washington, as the same may be restated or amended from time to time.

### **1.5 Certification by Designated REALTOR®**

Designated REALTOR® members of the Association shall certify to the Association during the month of January of each year on a form provided by the Association, a complete listing of all individuals licensed or certified in the REALTOR®'s office(s) and shall designate a primary Association for each individual who holds membership. Designated REALTORS® shall also identify any non-member licensees in the REALTOR®'s office(s) and if Designated REALTOR® dues have been paid to another Association based on said non-member licensees, the Designated REALTOR® shall identify the Association to which dues have been remitted. These declarations shall be used for purposes of calculating dues payable to the Association. Designated REALTOR® members shall also notify the

Association of any addition or deletion of any individual subsequently employed by or affiliated as an independent contractor with such real estate firm or otherwise subsequently licensed to such Designated REALTOR® within thirty (30) days of the date of employment, affiliation or licensing of the individual.

### **1.6 State Association Directorships**

The members of the Board of Directors shall serve as a nominating committee to fill the positions assigned to the Association on the board of directors of the State Association. The Board of Directors shall timely submit a nominee for each available position.

### **1.7 Dues and Financial Obligations**

The Institutes, Societies and Councils of the National Association shall be responsible for collecting and remitting dues to the National Association for Institute Affiliate Members (\$105.00). The National Association shall credit \$35.00 to the account of a local Association for each Institute Affiliate Member whose office address is within the assigned territorial jurisdiction of that Association, provided, however, if the office location is also within the territorial jurisdiction of a Commercial Overlay Board (COB), the \$35.00 amount will be credited to the COB, unless the Institute Affiliate Member directs that the dues be distributed to the other board. The National Association shall also credit \$35.00 to the account of state associations for each Institute Affiliate Member whose office address is located within the territorial jurisdiction of the state association. Local and state associations may not establish any additional entrance, initiation fees or dues for Institute Affiliate Members, but may provide service packages to which Institute Affiliate Members may voluntarily subscribe.

### **1.8 Payment of Dues**

Dues for all members shall be payable annually in advance on the 1st day of January of each calendar year. The Board of Directors may, in its discretion, establish discounts for prepayment of dues, and establish fees for payment of dues by credit card. In January of each calendar year each Designated REALTOR® shall file with the Board of Directors a list of all licensees employed by or affiliated as independent contractors with such Designated REALTOR® and indicate thereon those of such licensees, if any, who are “non-member licensees” as such term is defined in the Bylaws. Such list shall be submitted to the Association with the dues payment of each Designated REALTOR®. If a Designated REALTOR® shall thereafter employ or affiliate with a licensee who is not a member, the Designated REALTOR® shall notify the Association thereof and such notice shall include the name of such licensee and the date of such employment or affiliation. Such notice shall be given within thirty (30) days following such employment or affiliation. If a Designated REALTOR® shall employ or affiliate with any licensee who is not a member or with any licensee whose membership is terminated for any reason, including nonpayment of dues, the dues of the Designated REALTOR® for the calendar year in which such event occurs shall be increased on a pro rata basis for the remainder of such calendar year in order to reflect the additional dues payable by the Designated REALTOR® as a result thereof. Such additional dues shall be payable within thirty (30) days following the event resulting in such an increase in the dues payable by the Designated REALTOR®. Notwithstanding the foregoing provisions, there shall be no increase in the dues payable by a Designated REALTOR® as the result of employment or affiliation with a licensee who is not a member if such licensee shall apply for membership and pay the dues required in connection therewith within five (5) days following such employment or affiliation or, in the case of termination of membership of such licensee, if the Designated REALTOR® shall terminate such employment or affiliate within five (5) days following such termination of membership. All dues shall be non-refundable.

### **1.9 Nonpayment of Dues**

If dues are not paid within fifteen (15) days after the due date, the nonpaying member is subject to suspension at the discretion of the Board of Directors. If dues are not paid within sixty (60) days after the due date, the membership of the nonpaying member shall be terminated. If dues are not paid within fifteen (15) days after the due date, a late charge shall become due and payable and such late charge must be paid as a condition of continued membership. The amount of such late charge shall be \$100.00 payable by such member for each calendar month or portion thereof between the date of expiration of such thirty (30) day period and the date that such dues are actually paid.

### **1.10 Nonpayment of Financial Obligations**

Each Designated REALTOR® and all principals of their real estate firm shall be jointly and severally liable for payment to the Association of all of such firm's financial obligations to the Association and for payment to the Association of all financial obligations (other than dues and fines) of all members employed by or affiliated with such firm. In addition, each Participant in the Multiple Listing Service shall be liable for payment of all Multiple Listing fees for service to such Participant and service to all licensees having access to and use of the Multiple Listing Service through such Participant. No member shall be responsible for payment of the dues of another member and no member shall be responsible for payment of a fine imposed against another; provided this shall not preclude the levy of a fine jointly and severally against two (2) or more members under appropriate circumstances. If any financial obligation of a member to the Association other than dues is not paid within thirty (30) days after billing, all services of the Association to such member may be suspended until such obligation has been paid in full. If any such obligation is not paid within ninety (90) days of billing, the membership of the nonpaying member shall automatically terminate. If any such obligation is not paid within thirty (30) days of billing, a late charge shall become due and payable. The amount of such late charge shall be ten percent (10%) of the amount of such financial obligation for each calendar month or portion thereof between the date of expiration of such thirty (30) day period and the date that such financial obligation is actually paid in full.

### **1.11 Reinstatement**

A former member whose membership has terminated for nonpayment of dues or other financial obligations may apply for reinstatement in the manner prescribed for a new applicant for membership, after making payment in full of all dues and other financial obligations due to the Association as of the date of termination.

### **1.12 Divisions of the Association**

The Board of Directors may in its discretion create Divisions of the Association for the different branches of the real estate profession in order to give the members who specialize in such branches opportunity for conference and cooperation.

### **1.13 Decision Matrix**

The Officers, Board of Directors and committee chairs may utilize the "Decision Matrix" adopted by the Association, and attached hereto as Exhibit 3, to have a clear understanding of who in the organization must be consulted before a decision is made, and who should be informed of a decision when it has been made. The Decision Matrix shall be reflective of these Policies, but in areas of conflict the Decision Matrix will govern. Changes to the Decision Matrix shall be approved by the Board of Directors with recommendations coming from the Vice Presidents through the Executive Committee or the Chief Executive Officer ("CEO"). Any member can request changes to the Decision Matrix through the Executive Committee.



## **SECTION 2. COMMITTEE, SUB-COMMITTEE AND STAFF POLICIES**

### **2.1 Committees and Sub-Committees**

The Association shall maintain the Budget and Finance Committee, Professional Standards Committee, Executive Committee and MLS Steering Committee (each a “Standing Committee”). Subject to confirmation by the Board of Directors, the President may appoint “Special Committees”, such as, but not limited to the following:

1. Forms Committee
2. Governmental Affairs Committee
3. Grievance Committee
4. Professional Development Committee
5. Technology Committee
6. Nominating Committee
7. Membership Committee

If appointed, the Membership Committee may include the following sub-committees:

- (a) Communications
- (b) Diversity, Equity, and Inclusion (DEI)
- (c) Serving Our Spokane (SOS)
- (d) Special Events
- (e) Young Professionals Network (YPN)

### **2.2 Responsibilities of Committee Members**

The work of a committee member shall encompass the missions and goals of Spokane REALTORS® and shall not be influenced by personal objectives. Each committee member shall avoid self-dealings in any matter relating to Spokane REALTORS®. In addition to such other duties and policies as the Board of Directors may designate from time to time, each member of a committee shall:

1. Promptly acknowledge all communications regarding committee work.
2. Promptly notify the committee chair or appropriate staff of their availability for committee meetings, and if a committee member is unable to attend a meeting the committee member shall notify the committee chair of their responsibilities and commitments for such meeting.
3. Use reasonable efforts to become acquainted with committee members promptly after their appointment to the committee.
4. Thoroughly review all pertinent background material and the agenda before coming to meetings.
5. Take an active part in committee discussions.
6. Seek to understand and have respect for others’ ideas and conflicting viewpoints.
7. Consider all problems objectively and impersonally.
8. Seek clarification on any point or problem not fully understood.
9. Follow through on accepted assignments as requested by the chair or the committee.

### **2.3 Committee Reports**

All committee reports recommending a course of action or conveying information shall be in writing and shall be delivered to the appropriate parties, as follows:

1. A committee report requesting an interpretation of an Association policy shall be referred to the Executive Committee and Board of Directors.
2. A committee report requesting the approval of a publication, project or program not requiring financial support shall be referred to the Executive Committee and the Board of Directors, as

appropriate. If the request involves the need for an appropriation, it shall first be referred to the Budget and Finance Committee.

3. A committee report requesting the approval of a new policy, or for a change in existing policy, shall be referred to the Executive Committee and the Board of Directors.
4. A committee report requesting an emergency action to adopt policy shall be referred to the president and Executive Committee, subject to ratification by the Board of Directors.
5. A committee report consisting of information, and not action, shall be referred to the Board of Directors.

#### **2.4 Special Committee and Sub-Committee Meetings and the Appointment of Members**

All committees shall be either board committees or advisory committees in accordance with RCW 24.03A.575 and shall be subject to the duties and limitations assigned by the President or the Board of Directors. The regular and special meetings of the Special Committees and sub-committees shall be held at such time and place as the committee chairperson, the Board of Directors or the President may from time to time designate. Special Committees and sub-committees shall follow Robert's Rules of Order. The President, President-Elect and CEO of the Association shall be ex-officio members of all Special Committees and sub-committees. The President shall annually appoint the members and designate the chairperson of the Special Committees and sub-committees. The President-Elect shall designate the vice chairperson of each Special Committees and sub-committees. All such appointments shall be subject to confirmation by the Board of Directors.

A member of any Special Committee or sub-committee may be removed as a committee member at a meeting of the Board of Directors expressly called for that purpose, with or without cause, by a vote of a majority of the members of the Board of Directors present at the meeting. The absence of a committee member from three (3) consecutive meetings shall constitute a resignation by the committee member. A committee member may resign at any time by filing a written notice with the Association. Any vacancy occurring in any may be filled by appointment by the President and each person so elected shall be elected for the unexpired term of the predecessor in office of such person.

#### **2.5 Budget and Finance Committee**

The Budget and Finance Committee shall advise the Board of Directors with respect to the financial matters of the Association and shall prepare an annual budget for the Association in accordance with Section 0. The Budget and Finance Committee shall be comprised of six (6) members including the Treasurer and the Chairperson-Elect of the MLS Steering Committee (each of which is referred to below as an "at large" member of the Budget and Finance Committee), and four (4) members appointed by the President subject to confirmation by the Board of Directors (each of which is referred to below as an "division" member of the Budget and Finance Committee). The at large members shall serve on the Budget and Finance Committee perpetually. Two (2) of the division members will be designated as Division A members and the remaining two (2) division members will be designated as Division B members. The Division A and Division B members shall serve staggered terms of two (2) years.

The Treasurer shall serve as Chairperson of the Budget and Finance Committee. The regular and special meetings of the Budget and Finance Committee shall be held at such time and place as the Treasurer or the Board of Directors may from time to time designate. The President, President-Elect, First Vice President, immediate past Treasurer and the CEO shall be ex-officio members of the Budget and Finance Committee, provided, however, that the immediate past Treasurer may only serve one (1), two (2) year term as an ex-officio member of the Budget and Finance Committee.

A member of the Budget and Finance Committee may be removed from office at a meeting of the membership expressly called for that purpose, with or without cause, by a vote of a majority of the members present at the meeting. The absence of a committee member from three (3) consecutive meetings of the Budget and Finance Committee shall constitute a resignation by the committee member. A member of the Budget and Finance Committee may resign at any time by filing a written resignation with the Association. Any vacancy occurring in the committee membership may be filled by the affirmative vote of a majority of the Board of Directors, and each person so elected shall be elected for the unexpired term of the predecessor in office of such person.

## **2.6 Professional Standards Committee**

The Professional Standards Committee shall have the authority to hear matters concerning any alleged violation of the Code of Ethics, Constitution and Bylaws of the National Association of REALTORS®; the Constitution and Bylaws of the Washington Association of REALTORS®; and the Association's Articles, Bylaws and Policies. The Professional Standards Committee shall also have the authority to arbitrate disputes and have the additional responsibilities and authority set forth in the Code of Ethics and Arbitration Manual as adopted by the Board of Directors and, from time to time, amended by the Board of Directors. All Members that have served three (3) consecutive years on the Grievance Committee shall be members of the Professional Standards Committee until such time as the member voluntarily withdraws or is removed by the Board of Directors pursuant to the Bylaws.

## **2.7 Multiple Listing Service Committees**

The regular and special meetings of the MLS Participants Committee and of the MLS Steering Committee shall be held at such time and place as the Committee Chairperson or the Board of Directors may from time to time designate. The Committees shall follow Robert's Rules of Order and the conduct thereof. The President of the Association shall be a member of the MLS Participants Committee and the MLS Steering Committee. The President-Elect and Executive Vice President of the Association shall be ex-officio members of the MLS Steering Committee. As used in the Bylaws and this Section 0, the term "MLS Participants Committee" means all MLS Participants and the President of the Association collectively. The MLS Participants Committee is neither a Standing Committee nor a Special Committee as those terms are defined in these Policies.

A member of the MLS Steering Committee may be removed from office at a meeting of the members of the MLS Participants Committee expressly called for that purpose, with or without cause, by a vote of a majority of the members of the MLS Participants Committee present at the meeting. The absence of a member of the MLS Steering Committee from three (3) consecutive meetings of said committee shall constitute a resignation by the committee member. A member of the MLS Participants Committee or the MLS Steering Committee may resign their committee membership at any time by filing a written resignation with the Association.

Any vacancy occurring in the MLS Steering Committee memberships held by the President of the Association, the Chairperson or Chairperson-Elect of the MLS Participants Committee shall be filled by the successor to such position. Any other vacancy occurring in the MLS Steering Committee may be filled by the affirmative vote of a majority of the remaining MLS Steering Committee members, and each person so elected shall be elected for the unexpired term of the predecessor in office of such person. Any vacancy occurring in the Chairpersonship of the MLS Participants Committee shall be filled for the remainder of the unexpired term by the Chairperson-Elect of said Committee. Any vacancy in the position of Chairperson-Elect of said Committee may be filled only by a vote of the MLS Participants Committee and, if not so filled, said position shall remain vacant until the next annual meeting of the MLS Participants Committee.

Association members who are actively engaged in the real estate profession but are not MLS Participants, are nonetheless entitled to receive, by purchase or lease, all information other than current listing information that is generated wholly or in part by the MLS including “comparable” information, “sold” information and statistical reports. This information is provided for the exclusive use of Association members and individuals affiliated with Association members who are also engaged in the real estate profession and may not be transmitted, retransmitted or provided in any manner to any unauthorized individual, office or firm except as may be otherwise specified in the MLS Rules and Regulations. Association members who receive such information, either as an Association service or through the MLS, are subject to the applicable provisions of the MLS Rules and Regulations whether they participate in the MLS or not.

## **2.8 Committee and the Association Staff**

Association staff should render all possible assistance to the committees but should never assume the committee’s prerogative. The staff representative is involved so as to answer questions, offer suggestions or raise questions when appropriate. Staff is expected to be knowledgeable on the Association’s policies and the scope of responsibilities of each committee, but are not responsible to carry-out the duties or obligations of a committee or committee member. The control of internal operating activities and procedures of Association rests with the CEO. Staff allocation remains the responsibility of the CEO.

## **SECTION 3. FINANCIAL POLICIES AND ADMINISTRATIVE PROCEDURES**

### **3.1 Purpose**

The purpose of these policies is to establish guidelines for developing financial goals, objectives and administrative procedures, making financial decisions, reporting the financial status of the Association, managing the Association’s funds and delegating duties to committee members and staff as appropriate.

### **3.2 Fiscal Year**

The fiscal year of the Association shall begin on the first day of January of each calendar year and shall end on the last day of December of each calendar year.

### **3.3 Financial Responsibilities**

It is the responsibility of the Board of Directors to formulate financial policies, review operations and activities on a periodic basis, prepare and deliver the annual budget presentation, manage funds and investments, select and engage auditors and approve revenue and expenditure objectives in accordance with the Board of Directors’ approved strategic plan and these Policies. The Board of Directors may delegate the foregoing responsibilities to the CEO, the Chief Financial Officer (“CFO”), the Treasurer and the Budget and Finance Committee, of which the Treasurer is the Chair.

The CFO with the oversight of the CEO and the Budget and Finance Committee shall ensure the Association maintains sufficient funds to pay all tax and insurance costs, annually review tax and insurance expenditures to ensure compliance with the Board of Directors’ approved strategic plan, review the property tax assessments annually, and ensure accuracy of the accounting records, internal controls, financial objectives and policies, financial statement preparation, and bank reconciliations, chart of accounts, reporting formats, accounts payable processing, payroll input and processing, cash receipts, journal entries to the general ledger, form 1099 reporting, form 5500 reporting and all information required by the auditor to prepare the audit and tax return.

### **3.4 Budgeting Process**

The Treasurer, CEO, and CFO shall be responsible for presenting annual budget to the Budget and Finance Committee and Board of Directors. The CFO will begin the budgeting process in sufficient time to have the budget approved by the Budget and Finance Committee at the November meeting and by the Board of Directors at the December meeting each year. The Budget and Finance Committee shall review and approve the recommended annual budget revenues, expenditures and cash flow, and submit it for approval by the Board of Directors of Directors.

### **3.5 Financial Statements**

The Association's financial statements shall be prepared on an accrual basis in accordance with Generally Accepted Accounting Principles (GAAP) and delivered to the Board of Directors and the Treasurer. Under GAAP, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Association shall be classified as unrestricted or restricted.

### **3.6 Cash Fund and Petty Cash Fund**

The Association shall maintain a cash fund in an amount equal to one-third (1/3) of the annual operating expenses. If the fund balance falls below this minimum, funds will be transferred from the appropriate investment account.

A petty cash fund provides a systematic method for paying and recording out-of-pocket cash payments too small to be made by check. The Association shall maintain a \$300.00 petty cash fund that is replenished as needed. The receptionist shall maintain control of, and responsibility for, payments disbursed from the petty cash fund which will be reconciled monthly by the CFO.

### **3.7 Audit**

The Association will have an audit or audit review of its financial statements annually, within four (4) months of the end of each fiscal year. The audit shall be completed by a firm of Independent Certified Public Accountants, recommended by the CEO and CFO. The CFO shall have direct responsibility in overseeing the implementation of the annual audit.

A representative of the audit firm shall be invited to attend the annual presentation to the Budget and Finance Committee, and required to make a presentation to the Board of Directors if the audit report is other than unqualified, or if the auditors report material weaknesses in internal controls or reportable conditions.

### **3.8 Revenue and Income Procedures**

The CEO and CFO, with input from appropriate committees, shall develop and propose revenue goals and objectives and procedures regarding: (1) point of sale, including a customer returns, (2) sending goods to members and recording income from goods sold to members, (3) sales tax collection, (4) monthly account cut-offs for members with past due accounts, (5) emailing invoices to members and notifications for accounts receivable, (6) recording payments made by members, and (7) maintaining a secure and positive work environment to deter employee fraud and theft.

All contributions shall be recorded in accordance with GAAP. Contributions are recorded as pledged or received in accordance with FASB 116 (Financial Accounting Standards Board), and must be credited to the appropriate revenue lines as presented in the annual budget and coded with the appropriate account number as designated by the Association's chart of accounts.

### **3.9 Recording Receipts**

The procedures for cash and checks received through the mail or given to a staff person shall be as follows:

1. Mail should be opened by a staff person that is not involved in the accounting function
2. All checks shall be endorsed with the Association's official stamp
3. All cash and checks received through the mail shall be input by the receptionist, membership director or education director.

This person records all checks and cash by date, name of company or individual, designation and amount. After recording checks, or cash, they are forwarded to the membership director to prepare the deposit for the bank. Receptionist takes the deposits to the bank. All cash and checks shall be deposited the next business day into the Association's account. The same procedures are followed when monies are received by employees as contributions for special events. The CEO shall make the appropriate entries in the general ledger, and reconcile all logs of incoming cash/checks with deposit slips.

### **3.10 Expenditure Procedures**

All expenditures shall be approved by the CEO and the department director in advance. All expenditures shall be coded by account number using the Association's chart of accounts. The chart of accounts shall be prepared in accordance with GAAP. The CFO maintains standard accounting records containing all aspects of the Association's financial operations, including general ledger, check register and payroll register. Invoices and reports for incoming orders shall be approved by the CEO. Payments shall be prepared by the CFO. Upon payment of a bill, a copy of the check shall be stapled onto the bill and payment date and check number shall be printed on the invoice. Paid invoices shall be filed alphabetically according to company/individual name and be kept on file on the fiscal year basis. For all payments made by a check, the Association shall use prenumbered checks.

The CEO, the Vice President of Operations and the Director of Special Events are approved for an Association issued credit card. The credit cards must only be utilized for business purposes. Receipts for credit card expenditures shall be submitted to the CFO to reconcile to the bank card statement. Any expenditure in excess of \$5,000 for the purchase of a single item should have bids from three (3) suppliers if possible and the CFO shall select the appropriate vendor for each purchase. These bids are reviewed by the CFO and the bid award must be specifically approved in advance by the CEO and the Board of Directors if not already approved in the annual budget. The purchase of an item for less than the amount set forth in the budget or an amount previously approved by the CEO and the Board of Directors may be made at the discretion of the CEO without competitive bids. However, for fixed assets, reasonable diligence should be exercised to comparatively shop for available sources.

### **3.11 Signature Policy**

Check signers are approved in December of each year for the following year by the Board of Directors. The signers are the current President, President-Elect, CEO and the First Vice President. All checks require two signatures for approval. This policy regarding signing authority for checks shall be reviewed annually. All notes, loans and other indebtedness to be contracted in the name of the Association (except open accounts and all other routine banking transactions), shall require the signature of the CEO. The CEO, with approval of the Board of Directors, shall execute all deeds, conveyances, mortgages, leases, contracts and other instruments in the name of the Association.



### **3.12 Compensation and Payroll**

Monthly payroll expenses shall be verified by the CFO against payroll reports and direct deposit reports and reconciled with checking account reports. The compensation of the CEO shall be determined by the Board of Directors. The compensation of all other employees shall be determined by the CEO.

### **3.13 Leases and Other Contractual Agreements**

Leases and other contractual agreements are negotiated by the CEO and/or the President. New leases in excess of an amount previously approved by the Board of Directors require the approval of the Board of Directors. The CEO is authorized to develop and enter into contractual agreements with vendors, bankers, and third parties for the purpose of ensuring the Association's general operations.

### **3.14 Bank Accounts and Investment Accounts**

The Treasurer shall maintain and oversee bank and investment accounts. Several accounts may be maintained by the Association as follows:

1. Checking account
2. Money market account
3. Certificates of deposit
4. Brokerage account

These accounts may be changed as the Association's financial conditions and requirements change. All checks, cash, money orders, and credit card deposits are reviewed by the CFO and deposited in the appropriate accounts. Monies shall be transferred from the checking account into the money market account or investment account when necessary. Checks are processed twice monthly to meet obligations or ongoing operational expenditures. The Treasurer shall monitor the balances of the checking account, money market and certificates of deposit accounts.

### **3.15 Bank reconciliations**

Bank statements are to be opened and reviewed by the CEO before being given to the CFO. Bank reconciliations shall be completed monthly by the CFO and cross-referenced with the cash and receipts logs and the monthly financial statements. The financial statements shall be compiled by the CFO and then reviewed by the CEO. All reconciliations and records shall be kept in the accounting office.

### **3.16 Cash and Cash Equivalents**

Cash and cash equivalents include all cash balances and highly liquid investments with a maturity of six months or less. The Association places its temporary cash investments with highly rated financial institutions that may be outside of the FDIC insurance limit.

### **3.17 Investments Reports and Investment Policy**

Investments shall be reported with the monthly financial statements at cost or market value. The CEO and CFO, with oversight of the Budget and Finance Committee, shall review and determine the general investment strategy for all funds.

The philosophy of the Association's short-term investments is safety (FDIC insured) of the principal and liquidity. Acceptable investments shall be identified in the investment policy.

### **3.18 Insurance**

Reasonable and adequate coverage will be maintained to protect the Association's interests as well as the Board of Directors and employees. The following insurance policies shall be kept on a yearly basis: commercial property contents and computer policy, general and professional liability, employee's dishonesty bond insurance, workers compensation and employees health insurance.

Insurance policies shall be carefully reviewed by the CEO and CFO before renewal each year.

### **3.19 Bonding**

All Association employees shall be bonded through an employee's dishonesty bond.

### **3.20 Property, Equipment, Inventory and Assets**

Property and equipment shall be stated at historical cost. Depreciation is computed over the estimated useful lives of the assets using the straight-line method. A depreciation schedule shall be prepared and maintained by the CPA firm, and on an annual basis, taking into consideration the annual equipment inventory. Destroyed or obsolete items shall be removed from the inventory annually.

The CEO and CFO, with input from appropriate committees, shall develop and propose procedures regarding: (1) inventory and asset control to protect from theft, damage and determine obsolete items, (2) the annual preparation of a physical count sheet to reconcile actual count of assets and inventory with general ledger balance, and (3) fixed asset capitalization, depreciation and disposition to reconcile with general ledger.

### **3.21 Equipment Installation**

Purchase, installation and maintenance of telephone equipment, telephone lines, office equipment, computer equipment, and the like shall be approved by the CEO. Association Staff shall be responsible for receiving and supervising the installation of equipment scheduled for their facility or working area, and for maintaining and protecting the equipment installed in their offices.

### **3.22 Donated Materials and Services**

Donated materials and equipment shall be reflected in the financial statements at their estimated values measured on the date of receipt. Volunteers donate time to the Association's programs and services on an on-going basis. Other volunteers contribute time and services for administrative or fundraising activities. Such contributed services are generally not reflected in the Association's financial statements since there is no objective way of assessing their value.

### **3.23 Confidentiality and Records Security**

Financial records are restricted materials with limited access. Only the CEO and CFO (or others so authorized) shall have access to financial records (vendor files, checks, journals, payroll, etc.). No unauthorized person shall have access to the cash drawers and Association credit cards. The CEO and CFO, with input from appropriate committees, shall develop and propose a procedures for: (1) disclosing information regarding current or prior employees to third parties, and (2) document control and retention to prevent the misplacement of files and deletion of obsolete files.

### **3.24 Document Retention**

Financial documents are retained for a period of time in keeping with state law and the recommendations of the IRS.

### **3.25 Tax Reporting**

The Association will file IRS form 1120 corporate income tax and pay required amounts annually. The Association shall schedule its tax payments through EFTPS.



## **SECTION 4. TRAVEL POLICY AND PROCEDURES FOR LOCAL AND NON-STIPEND TRAVEL**

### **4.1 Purpose:**

These are the policies and procedures for members traveling on behalf of the Association, except for travel that qualifies under the Association's Stipend Policy for WR travel, which is subject to the policies attached hereto as Exhibit 1. These policies are designed to ensure compliance with minimum IRS requirements, ensure that members are reimbursed on a fair and equitable basis and to avoid undue record keeping and reimbursement delays.

### **4.2 Local Travel and Expense Reimbursements**

Employees must abide by the Association's travel and expense policy. Travel and expense reports for mileage, meals, hotel, and the like will be maintained by each employee and then submitted to their supervisor for approval and payment on a monthly basis by the CFO. Mileage to and from the employee's residence to the place of work will not be paid by the Association. Reimbursements will be based on the travel rate established by the IRS and shall not be above the IRS guidelines. All expenditure receipts must be attached to the expense request form as a condition of payment.

### **4.3 Expense Reports**

Expenses for reimbursement must be recorded on the Association Member Expense Report form available at the Association accounting office. The form must include the member's name, e-mail and mailing addresses, date(s) of travel, business purpose, and member's signature. The completed form and all receipts must be submitted by e-mail or regular mail. The Association will not reimburse expenses which are not in compliance with this O or any applicable IRS requirements.

### **4.4 Deadlines**

All expenses must be submitted on an expense report, along with required receipts, within thirty (30) days of the completed trip. Once an expense report is submitted, it must be approved by the First Vice President. After such approval, the Association will process the reimbursement for payment within fifteen (15) business days.

### **4.5 Receipts**

In accordance with these Policies and IRS requirements, receipts are required for all expenditures, regardless of the amount.

### **4.6 Reimbursable Expenses**

The following expenses are reimbursable for members traveling on behalf of the Association:

1. Airline/rail transportation costs, pursuant to Section O.
2. Car rental costs, if approved in advance of the trip and pursuant to Section O.
3. Costs related to the use of personal cars pursuant to Section O.
4. Taxi/public transportation costs, pursuant to Section O
5. Lodging costs, pursuant to Section O
6. Meal costs, not including alcoholic beverages, pursuant to Section O
7. Hotel internet connection fees, pursuant to Section O

### **4.7 Airline and Rail Transportation**

Association staff will make reservations with the airfare charged directly to the Association. Special arrangements must be made in advance in order for member to make personal reservations using their personal credit card.

Members must purchase seating in the Economy or Coach class of fares. Additional costs and convenience charges, such as fees for extra leg room, express security clearance and premium or first

class seating are not reimbursable. Tickets should be purchased as early as possible to take advantage of the lowest costs. Checked and carry-on baggage fees for up to two (2) checked bags per trip are reimbursable, but overweight baggage fees are not reimbursable. A Member can include personal travel in conjunction with a Association business trip, however, the member is responsible for payment of the personal portion of the trip. Members will not be reimbursed for business use of frequent flyer miles or vouchers, vouchers for bumping, discount coupons or other instruments of value. Such discount instruments, if earned as a result of personally paid travel, should be used for subsequent personal travel.

#### **4.8 Car Rental**

The cost for rental cars are reimbursable only when other methods of transportation are not obtainable and must be approved prior to the trip. The First Vice President must be consulted if a member needs to rent a car. If it is necessary to rent a car, the collision damage waiver must be purchased, unless the car rental is paid for by an Association credit card. This is to ensure that the member will not be liable for out-of-pocket expenses should an accident occur.

#### **4.9 Use of Personal Vehicle**

If a member chooses to drive to a meeting in lieu of flying, they must consult with the First Vice President prior to the trip. Reimbursement will be based on reasonable costs, and the reimbursed amount will not be higher than the applicable air travel costs. When choosing transportation to and from the airport, the cost of airport parking should be considered. When traveling for an extended period, driving to and parking at the airport may be more expensive than taking a taxi. Only actual gas receipts, parking and tolls for approved business trips are reimbursable. The member must fill their gas tank immediately prior to leaving town (which is not reimbursable) and fill the tank upon return, for which actual receipts are reimbursable for the business portion of the trip.

#### **4.10 Taxi/Public Transportation**

Business related local transportation costs are reimbursable such as taxi, bus or local rail service including costs to and from the airport.

#### **4.11 Lodging**

Lodging will be arranged by Association staff. Room and tax may be billed to the Association credit card used to make the reservation. Any incidental expenses such as gym, pool, movies, and the like are not reimbursable. Should a member find it necessary to cancel a hotel reservation, such member shall contact Association staff during business hours, or the hotel if after hours, to prevent the Association from incurring “no show” charges. “No show” charges incurred due to the failure of the member to communicate promptly with the Association staff or hotel are not reimbursable.

#### **4.12 Meals**

The Association will reimburse the members reasonable cost for meals, subject to a daily limit of One Hundred and Twenty Five Dollars (\$125). Costs of meals vary dependent on the geographic area and the member is expected to use prudence. Tips for meals should be included in the total cost of the meal. Alcoholic beverages are included as part of the meal cost.

#### **4.13 Hotel Internet Connection Fees**

The Association will reimburse reasonable hotel internet connection costs. Airline and airport internet connection fees are not reimbursable.

#### **4.14 Non-Reimbursable Expenses**

A member shall not be entitled to reimbursement for certain travel costs, including, but not limited to:

1. Cost of premium airline/rail seats such as first class, etc.
2. Convenience charges such as fees for extra leg room and express security clearance fees, etc.
3. Business use of frequent flyer miles and other discount instruments
4. Fees for additional earning of miles
5. Traffic fines or parking violations
6. Personal entertainment such as in-room movies, airline headphones, books, magazines, etc.
7. Barber or beautician services
8. Clothing
9. Air-to-ground phone charges

### **SECTION 5 GENERAL OPERATIONS POLICIES**

#### **5.1 REALTOR® Building**

The Association maintains the Spokane REALTORS® building for its operations. Since a portion of the membership dues of the Association are allocated to building costs, the building may be made available for use by members during normal business hours and within reasonable guidelines as follows:

1. Member Firms: The Association office will be made available, schedule permitting, at no charge to member firms for meetings of the firm's sales associates. The firm should ensure that a reservation is made.
2. Individual Members: The Association office shall be made available, schedule permitting, at no charge to individual members, provided that the use of the building is industry or REALTOR®-related and not for personal use.
3. Non-Members: The Association office will be made available to industry related non-members at the discretion of the CEO.

The Association, through its CEO, reserves the right to deny building usage when it is determined that such permission to use it would not be in its best interest of the members and/or the industry.

#### **5.2 Social Media Policy and Volunteer Service Agreements**

The Association's Social Media Policy and Volunteer Service Agreements shall be signed by each member of the Board of Directors, Committee members and staff each year.

#### **5.3 Media Relations Policy**

The President shall be the official spokesperson for the Association and shall delegate this responsibility whenever necessary to the CEO or a member of the Association that can speak to a topic (e.g. property management). All media inquiries are to be handled by the President or their designee, regardless of who the media representative is, whom they represent, or how innocuous the request might have been. All press releases or other promotional materials must to be approved by the President or their designee prior to dissemination. Communication with the media by the Association shall generally accomplish the following objectives:

1. Develop cooperative relations and free exchange of communications.
2. Provide an avenue to influence various publics relating to REALTOR® issues.
3. Promote REALTOR® policies and positions.
4. Promote the professional identity of the Association and its members.

#### **5.4 Public Requests for Referrals**

It is common practice for the Association to receive requests for information regarding member firms, REALTOR® assistance and specialized areas of the real estate industry. Upon request for information regarding member firms, the only information that shall be given out is the name, business address, business telephone number, name of designated broker or sales associate and the fact that they are members of Spokane REALTORS®. There shall be no qualitative statements. Inquiries related to REALTOR® assistance and expertise in relocation or specialized area of the real estate industry shall be relayed to and managed by the President.

#### **5.5 Membership Lists**

The Association membership list, either printed or in electronic form, may not be sold, leased, or rented in any manner by the Association or its members for any commercial purposes. Violations shall be enforced through any manner deemed appropriate by the Board of Directors.

It shall be the policy of the Association to provide the distribution facilities of the Association only in instances when the program involved is endorsed by SR or is a program of one of the institute, societies and councils of the NAR and its local affiliate. REALTOR® organizations such as NAR and WR would qualify.

#### **5.6 Restraint of Trade**

Association activities are subject to the Sherman Act (Section 1), the Federal Trade Commission Act (Section 5) and all other applicable antitrust laws and regulations.

Section 1 of the Sherman Act prohibits “contracts, combination, or conspiracies...in restraint of trade.” The act also prohibits any understanding affecting the price of a product (or service) regardless of the purpose of the understanding. If a member merely sits by at a meeting while other members of WR engage in an illegal discussion concerning price-fixing, they may be held criminally responsible, even though they said nothing during the discussion.

The Federal Trade Commission Act prohibits “unfair methods of competition in or affecting commerce, and unfair or deceptive acts or practices in or affecting commerce.” Unlike the Sherman Act, the Federal Trade Commission Act reaches anti-competitive acts committed by single persons or companies, whether or not there is any agreement or “combination”; like the Sherman Act, it also covers joint actions.

The following shall serve as guidelines for the Association concerning restraint of trade:

1. It is the intention of the Association to comply fully with antitrust statutes.
2. All governance personnel, governance advisory personnel, staff, and members of the Association shall refrain from any restraint of trade activities.
3. The CEO or legal counsel shall periodically update members concerning restraint of trade problems.
4. The CEO may obtain legal counsel review of all new Association programs or changes in existing programs that may have potential restraint of trade implications.
5. All Board meetings shall be regularly scheduled, whenever possible.
6. The staff may obtain legal counsel review of any meeting agenda items that may have potential restraint of trade implications.
7. Any action which had the effect of rejecting a membership application or suspending or expelling a member should be reviewed by legal counsel before becoming final.
8. A record retention and disposal program shall be developed and implemented.

9. Neither governance personnel; governance advisory personnel; nor staff shall communicate with officials of the Federal Trade Commission or the Antitrust Division of the Department of Justice without prior approval of the President and CEO.
10. Discussion of the following topics shall be avoided at any meeting of the Association:
  - a) "Fair" profit levels
  - b) Increases or decreases in prices
  - c) Standardization or stabilization of prices
  - d) Pricing procedures
  - e) Cash discounts
  - f) Credit terms
  - g) Control of sales or services
  - h) Allocation of markets
  - i) Refusal to deal with a corporation because of its pricing or distribution practices
  - j) Whether or not the pricing practices of a colleague are ethical, appropriate, unethical or constitute an unfair trade practice.

## 5.7 Whistleblowers

A whistleblower is a member of the Association who reports information that he or she has reasonable cause to believe discloses a violation of state or federal law to one or more of the parties below.

The Association is committed to compliance with all laws and regulations to which it is subject. In addition to complying with the law, the Association is committed to the ethical and fair treatment of its volunteers and employees. This Policy provides an avenue for volunteers or employees, without concern that they will be subject to retaliation or reprisal, to raise concerns regarding financial wrongdoing which may include, but is not limited to:

- Questionable accounting practices;
- Fraud or deliberate errors in financial statements or recordkeeping;
- Deficiencies in accounting controls;
- Misrepresentations to the Executive Committee or Board of Directors regarding the financial condition of the Association; and
- Intentional or unintentional violations of laws or regulations.

If any volunteer or employee reports, in good faith, what the volunteer or employee believes or knows to be a violation of the law and/or financial wrongdoing to the Association, it is the Association's policy that there will be no retaliation taken against the volunteer or employee. Any volunteer or employee will be subject to discipline up to, and including, dismissal from the volunteer position or termination of employment if they, against this policy, retaliate against someone who has in good faith reported their concern. In turn, allegations made in bad faith, if proven to be unsubstantiated and made maliciously, recklessly or with the knowledge that the allegations were false, will be viewed as a serious offense and may result in discipline, up to and including dismissal from the volunteer position or termination of employment.

Any report of a known or suspected violation of the law and/or financial wrongdoing should be reported to the CEO, President, or President-Elect of the Association or, if the whistleblower believes that all three of the foregoing have engaged in such a violation, he or she should contact the highest ranking officer that he or she believes has not engaged in such a violation. A whistleblower may also contact the appropriate law enforcement or government agency. A whistleblower must exercise sound judgment to avoid baseless allegations. A member who intentionally files a false report of wrongdoing will be subject to discipline.

## 5.8 Harassment

Any member of the Association may be reprimanded, placed on probation, suspended or expelled for harassment of an Association or MLS employee or Association Officer or Director after an investigation in accordance with the procedures of the Association. As used in this section, harassment means any verbal or physical conduct including threatening or obscene language, unwelcome sexual advances, stalking, actions including strikes, shoves, kicks, or other similar physical contacts, or threats to do the same, or any other conduct with the purpose or effect of unreasonably interfering with an individual's work performance by creating a hostile, intimidating or offensive work environment. The decision of the appropriate disciplinary action to be taken shall be made by the investigatory team comprised of the President, President-Elect and/or Vice President and one member of the Board of Directors selected by the highest ranking officer not named in the complaint, upon consultation with legal counsel for the Association. If the complaint involves the President, President-Elect or Vice President, they may not participate in the proceedings and shall be replaced by the Immediate Past President or, alternatively, by another member of the Board of Directors selected by the highest ranking officer not named in the complaint.

### Complaint Procedure

Any Association or MLS employee or Association Officer or Director who believes that he/she has suffered harassment by any member of the Association must bring the problem to the attention of the President or CEO. If the complaint involves either the President or the CEO, it may be brought to the President-Elect or Treasurer. The complaint does not have to be in writing; however, it is helpful if details of dates, times, places and witnesses, if any, to the harassment alleged can be provided. The person receiving the complaint shall promptly bring it to the attention of the investigative team described below.

The decision of the appropriate disciplinary action to be taken shall be made by the investigatory team comprised of the President, President-elect and/or First Vice President and one member of the Board of Directors selected by the highest ranking officer not named in the complaint, upon consultation with legal counsel for the Association. If the complaint involves the President, President-Elect or First Vice President, they may not participate in the proceedings and shall be replaced by the Immediate Past President or, alternatively, by another member of the Board of Directors selected by the highest ranking officer not named in the complaint.

The investigation will be confidential except to the extent that disclosure is necessary for a thorough investigation or the implementation of remedial action.

Documents and records collected or prepared in the investigation shall be used to further the legitimate objectives of the investigation and/or to respond to any claims, lawsuits or legal challenges and shall not be used for other purposes. Such documents or records shall be stored in locked files maintained by the CEO when not in use.

Disciplinary action may consist of any sanction authorized in the Association's Code of Ethics and Arbitration Manual. It is contrary to the policy of the Association to retaliate against any employee or member who files a charge of harassment. Under Title VII of the Civil Rights Act, it is illegal to retaliate against an individual who files a discrimination complaint. All possible steps will be taken to eliminate the possibility of retaliation resulting from the filing of a complaint. Any member of the Association found to have engaged in retaliation will be subject to appropriate disciplinary action.

Staff and Association leadership must attend harassment training on an annual basis.

### **5.9 Association Legal Counsel**

There will be no contact with the Association's legal counsel by a member unless it is authorized by the current President and CEO. If the reason a member is requesting to contact Association's legal counsel is regarding the President or CEO, the Executive Committee must authorize such request. If a member contacts legal counsel without prior authorization, it will be at their own expense. At all times, the Association shall seek to maintain professional and legal activities in order to limit legal costs.

### **5.10 Life Members**

REALTOR® members who have been REALTOR® members for not less than twenty-five (25) consecutive years, have attained the age of sixty-five (65) years and have been so elected by the Board of Directors shall have life membership status with respect to dues. The dues of each life member shall be in such amount as is established by the Board of Directors; provided, however, that a life member of the Association who also has REALTOR® Emeritus status in the National Association of REALTORS® shall pay no dues.

### **5.11 Professional Development**

The Association requires all residential REALTOR® members to complete a class on Purchase and Sale Agreements ("PSA") every four (4) years with the following exceptions:

1. Any Instructor who is certified to teach an in fact has taught a PSA class during the quadrennial is exempt from the requirement.
2. Any REALTOR® member who has an MLS subscription waiver for property management, commercial real estate or referral status is exempt from the requirement.
3. Members may submit an application to the Professional Development Committee for a waiver by certifying by affidavit they are not engaged in residential real estate transactions.



**Exhibit 1**  
**SR STIPEND POLICY**

Stipends will be given to WR State Directors, WR State Committee Members, WR Task Force/Working Group Members and State Legislative Key Contacts when they participate in WR meetings. Stipends will be authorized by the Chief Executive Officer.

The purpose of the stipend is to help defray cost of travel to include: lodging, meals and transportation. Stipends will be paid after attendance at the respective meeting. Stipends will be paid no later than fifteen (15) days after verification of attendance has been established by the CEO.

State Directors who are attending a WR Business Conference and are not on a committee are expected to attend at least one committee meeting per day.

Stipend rates are determined from time to time by the SR Board of Directors.

This is a non-accountable plan, meaning you don't have to turn in receipts except for day trips. If the meeting does not require overnight stay, then the member receiving the stipend will be reimbursed for expenses up to the established stipend amount.

Members may be issued a form 1099, report for miscellaneous income, after year end for total annual stipends received by the member to be reported as earnings on your tax return.

Members that are getting a stipend or reimbursement from WR must exhaust those funds first before SAR stipends will be dispensed.



## Exhibit 2

### **EFFECTIVE SYSTEMS OF INTERNAL CONTROL**

Internal controls can be divided into two areas: accounting controls and administrative controls. Administrative controls deal with the operations of the business, whereas the accounting controls deal with accounting for such operations. Accounting controls shall be designed to achieve the five basic objectives:

#### **1. Validation**

Validation is the examination of documentation by someone with an understanding of the accounting system, for evidence that a recorded transaction actually took place and that it occurred in accordance with the prescribed procedures.

#### **2. Accuracy**

The accuracy of amounts and account classification is achieved by establishing control tasks to check calculations, extensions, and additions and account classifications. The control objective is to be certain that each transaction is recorded at the correct amount, in the appropriate account, in the right time period.

#### **3. Completeness**

Completeness of control tasks ensures that all transactions are initially recorded on a control document and accepted for processing once and only once. Completeness controls are needed to ensure proper summarization of information and proper preparation of financial reports. To ensure proper summarization of recorded transactions as well as a final check of completeness, subsidiary ledgers and journals with control accounts need to be maintained.

#### **4. Maintenance**

The objective of the maintenance controls is to monitor accounting records after the entry of transactions to ensure that they continue to reflect accurately the operation of the business. The control system shall provide systematic responses to errors when they occur, to changed conditions, and to new type of transactions. The maintenance function shall be accomplished principally by the operation of the system itself. Control maintenance policies require procedures, decisions, documentation, and subsequent review by a responsible authorized individual. Disciplinary control tasks, such as supervision and segregation of duties, should ensure that the internal control system is operating as planned.

#### **5. Physical security**

It is important in all business organizations that the assets are adequately protected. Physical security of assets requires that access to assets be limited to authorized personnel. One means to limit access to both assets and related accounting records is through the use of physical controls. Protection devices restrict unauthorized personnel from obtaining direct access to assets or indirect access through accounting records that could be used to misappropriate assets. Locked storage facilities restrict access to inventories, and fireproof vaults prevent access to petty cash vouchers. Transaction recording equipment limits access to assets by limiting the number of employees involved in recording and posting transactions.

**Exhibit 3**

**DECISION MATRIX – Coming Soon**

**SEE ATTACHED**

\*\*The Decision Matrix may be revised and amended from time to time pursuant to Section 0, and any such amended versions will be kept in the records of the Association at the Association's office.