

Missouri Association of REALTORS®
Board Operations Manual
Operations Part 1 of 2

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NAR ORGANIZATIONAL STANDARDS FOR BOARDS/ASSOCIATIONS

Background

During the 1992 Annual Convention, the NAR Board/Association of Directors established a Minimum Services Criteria for Board/Associations and associations. The criteria are a culmination of the efforts of a joint working group of the Association Executives Committee and Membership Policy and Board/Association Jurisdiction Committee, which was charged with identifying minimum service standards to ensure that each Board/Association and association is a viable entity.

In August 1995, the NAR Leadership Team requested that these two committees convene a second working group to, in light of the adoption of Board of choice, reassess the Minimum Services Criteria program. The group recommended that state associations certify one third of the Board/Associations in their states each year on a tri-annual basis.

The minimum services criteria program has been modified to reflect the changes recommended by the working group, which were that the criteria should focus upon organizational/administrative standards rather than on capacity to provide prescribed services to members. The following information is what evaluations for Board/Associations and associations will be based upon.

Certification of Organizational Standards for Boards/Associations

NAR has mandated that every State Association must certify all of its Member Board/Associations as meeting (or not meeting) those criteria. The Missouri Association of REALTORS® will certify one-third of our Board/Associations each year. The Board Services & Specialty Groups Coordinators will confer with the leadership of each Board/Association and “copy” to the Executive Vice President of the Missouri Association of REALTORS® utilizing the following schedule for Board/Association certification:

| December 2007 | December 2008 | December 2009 |
|--------------------------|------------------------|----------------------------------|
| Carthage | Audrain County | Bagnell Dam Association |
| Central Missouri | Five County | Cape Girardeau County |
| Joplin | Lebanon | Columbia |
| Lake of the Ozarks | Mark Twain Association | East Central |
| Midwest Missouri | North Central | Franklin County |
| Mineral Area | Northwest Missouri | Greater Springfield |
| Newton-McDonald Counties | Ozark Trail | Jefferson City Area |
| Northeast Central | Ozarks | Jefferson County |
| Pulaski County | Randolph County | Kansas City Regional Association |
| Sedalia - Warsaw | Southwest Missouri | St. Charles County Association |
| Sikeston | Three Rivers | St. Joseph Regional Association |
| South Central | West Plains | St. Louis Association |
| | | Tri-Lakes |

NAR Organizational Standards for Board/Associations and Associations

All Boards/Associations can go online at <http://www.realtor.org/aesubs.nsf/pages/boardstandards> for more information and to recertify.

NOTE: Successful REALTOR® associations must adhere to the National Association's Organizational Standards for Associations, formerly known as the Minimum Services Criteria.

To clarify, the purpose of the standards is to ensure that local and state associations remain viable entities and conduct business in accordance with the requirements of their charter, as well as state and federal laws. The criteria, as approved by NAR's Board of Directors, follow. Associations must be recertified every three years using an electronic certification database on Realtor.org. Associations are notified by NAR when they are scheduled for recertification.

1. Governing Documents

Association's Bylaws, MLS Bylaws and/or Rules and Regulations (if applicable) and professional standards procedures are consistent with NAR policy; elections and membership/business meetings are conducted in accordance with the and membership/business meetings are conducted in accordance with the Bylaws; and membership is available on reasonable and nondiscriminatory terms (i.e., on terms and conditions no more rigorous than NAR's Membership Qualification Criteria).

2. Legal Status

Association maintains, has access to, or will have legal counsel available, and maintains policies and procedures that conform with local, state and federal laws, including filing necessary reports and documents (e.g., corporate documents, state and federal tax returns, etc.).

3. Dues Collection

Association enforces the dues formula to assure that every licensee affiliated with a firm comprised of REALTOR® principals is either a member or that the "designated" REALTOR® pays dues based on the number of nonmember licensees affiliated with the firm.

4. Administrative Support

Association maintains, has access to, or will have staff support available. (This may be accomplished through a variety of methods, including paid staff on site, multi-board management, staff support furnished through the state association, etc.)

5. Communications Process

Association provides some form of regular communication to its members. (Examples include a monthly newsletter, computer-based information service, periodic notices on educational offerings and other key services, etc.)

6. Orientation

Association maintains an orientation process to inform new members of the privileges and obligations of membership.

7. Enforcement of the Code of Ethics

Association maintains a viable professional standards process to enforce the Code of Ethics and provide arbitration as a member service. Boards and associations must have a fully functioning professional standards committee with administrative capability to conduct the program, or must administer professional standards enforcement through a multi-board (or regional) professional standards agreement with other associations or the state association.

MEMBER BOARD/ASSOCIATION BYLAWS AND DOCUMENT COMPLIANCE

BYLAWS

Member Board/Associations are requested, in accordance with policy approved by the Board of Directors of the NATIONAL ASSOCIATION OF REALTORS®, to adopt and incorporate into their Board/Association Bylaws certain selected uniform provisions of the Model Bylaws recommended to Member Board/Associations by the National Association. This requirement is to ensure unity of basic purposes and relationships among Board/Associations, State Associations, and the National Association. It is recommended that Member Board/Associations adopt verbatim, or nearly verbatim, with review and advice of the Board/Association legal counsel, the Model Bylaws recommended by the National Association.

Model Board/Association Bylaws for both Member Board/Associations with REALTOR® and REALTOR-ASSOCIATE® memberships and all REALTOR® membership are available from the Missouri Association of REALTORS® upon request. Many Board/Associations will find it feasible to adopt these Model Bylaws as written. Other Board/Associations will find it worthwhile to amend their present Bylaws by adopting the Model with minor variations in light of local conditions. There are sometimes revisions to these Model Bylaws following NAR Board of Directors meetings, and MAR can assist Member Board/Associations in incorporating those revisions in their Bylaws as they are updated.

If a Board/Association adopts the Models almost verbatim (minor changes permitted if approved by the Board/Association's attorney), MAR will provide direct assistance in word processing the Bylaws, MLS Bylaws, and MLS Rules and Regulations of Member Board/Associations. MAR will then send them to National for compliance review and return a "camera-ready" original to the Board/Association for production for its members **after** National has approved those documents.

COMPLIANCE REVIEW

Member Board/Associations are required to have their Board/Association Governing Documents reviewed by the NAR Member Policy Division **every year** in order to qualify for coverage under the Group Errors & Omissions Insurance provided by the National Association of REALTORS®.

In the Board of Director's packet at the quarterly MAR meetings, contains a Governing Document Compliance Report and Compliance Report Supplement, which help to keep Member Board/Associations and their District Vice President advised of the status of compliance by each Member Board/Association.

Those documents usually requested by NAR for review are the Member Board/Association Bylaws, and (if applicable) the MLS Bylaws and Rules and Regulations, and standard listing contracts.

Any Member Board/Association not in compliance is at risk! The National Association of REALTORS® has indicated that those Board/Associations showing "good faith" attempts to bring their documents into compliance **may** be afforded protection under the Errors & Omissions Insurance- the final determination for coverage, however, is at the discretion of the insurance carrier.

MODEL BUDGET AND RATIONALE

There are many Member Board/Associations that do not prepare an annual operating budget in advance of their fiscal year. This is especially true for the Member Board/Associations without an office and/or staff personnel. The NAR Board and Association Organizational Standards for Member Board/Associations now require that all Board/Associations prepare such a budget.

There are three (3) major reasons for preparing and monitoring an annual budget.

1. Board/Association management

Budget preparation encourages the Board/Association to anticipate revenue and disbursements when planning the Board/Association's operations, programs, and services. Budget preparation and monitoring are a valuable management process to achieve successful Board/Association operations and programs.

2. Treasurer's Accountability

Although rare, there have been occasions when organizations' Treasurers have taken liberties with funds ranging from total theft to disbursement beyond the approved allocation of a specific category. Budget preparation and monitoring establishes the Treasurer's accountability.

3. Tax-Exemption

If the organization is not tax-exempt, there is a greater need for detailed budgeting because of the tax exposure. The Board/Association must first determine if they are tax-exempt before preparing a budget. Reserves are subject to taxes if the organization is not tax-exempt. Consultation with an accountant is encouraged before and after the initial budget preparation.

The first step in BUDGET PREPARATION and effective financial maintenance is to determine the types of categories, which clearly reflect the general operations of the Board/Association.

1. List the area from which revenues are derived:

- a. Dues (based on estimated number of members for the year).
- b. Meeting - Programs
- c. Seminars
- d. Advertising
- e. Etc.

2. List the areas in which expenditures are anticipated.

- a. Postage and Printing
- b. Legal & Audit Fees
- c. Phone, newsletters
- d. Salaries
- e. Meetings - Programs
- f. Seminars
- g. State & National Assessments
- h. Etc.

A Finance Committee appointed by the President and approved by the Board of Directors should determine these items. These appointees should be members familiar with the Board/Association's operations and capable of determining the costs of the various elements of operations. The Board/Association's Treasurer would be the logical choice to be Chairman of the Finance Committee. The Finance Committee is charged with developing the proposed budget for the succeeding year. This budget should be considered tentative until it is reviewed and approved by the Board of Directors and/or the membership--whichever is the Board/Association's governing body.

A sample budget format is included on the following pages with a brief description of income and expense categories to serve as a guide only. Member Board/Association activities and circumstances will vary. All activities and operations of a given Board/Association should be considered when preparing an operating budget.

The only flexibility in a budget, without formal approval, is contained in the "Contingency" line item under expenses. This item is intended to cover unanticipated expenses not requiring a special assessment to the members. "Contingency" should be computed at approximately 5 percent of the total scheduled expenses.

The budget should be reviewed monthly by comparing actual receipts and disbursement with the spread figures. The Finance Committee should conduct the review. Significant variations from actual and spread amounts should be reported to the membership along with any corrective action. The members should be advised of the current financial status at least quarterly, preferably monthly, in written form.

Member Board/Associations should consider establishing **RESERVES**. It is recommended that the budget should reflect fixed annual amounts to be returned to an appropriate reserve account. The Board/Association should determine the type or types of areas in which reserves would be beneficial. Such reserves could be:

- Legal Fund
- Building Fund
- Repair & Replacement
- Working Capital

The reserve fund should be established by the Board/Association's bylaws specifically identifying:

- minimum balance to attain
- use of the funds
- authority to spend funds
- stated amount to return to reserves annually

The purpose of the reserve fund is to establish specific direction with regard to disbursement of surpluses. When specific reserves are not established, the surplus funds are subject to "spontaneous" or "emotional" requests for additional expenditures. Reserve budgeting is a sound habit and can be compared to the individual practice of paying one's savings account on a monthly basis.

An **INTERNAL REVIEW** of the budget is a very important function. A prepared budget is of little use if an internal review procedure is not established and implemented.

The first step in preparing for the internal review is spreading the various income and expense line items. Each line item should be spread proportionately over the twelve-month period. The spreads should reflect the actual month when receipt or disbursement of the income or expense item is anticipated.

Example: Dues will not be received in equal installments over a 12-month period. Spreads should reflect portion receipts in the month or months anticipated (i.e., 60 percent January; 20 percent February; and 20 percent throughout the remainder of the year). The Board/Association's history of dues receipts would dictate where these percentages should be spread. The State and National assessments on the expense side should be spread to reflect when these assessments would be submitted. (Sample spread sheet included).

Most Member Board/Associations operate as approved TAX-EXEMPT organizations. The Internal Revenue Service will conduct audits of tax-exempt organizations on a regular basis. This stresses the importance of a tax consultant's review of the Board/Association's Budget and accounting procedures before the implementation and each time a significant change in the procedures occurs.

When a Board/Association operates a MULTIPLE LISTING SERVICE (MLS), a supplemental budget should be prepared covering the planned income and expenditures for the MLS activity. The tax counsel should review this supplemental budget and procedures also. Ratio of the income and expenses of the MLS operation as it relates to the Board/Association's general activities may have an effect on "unrelated business income" and other areas of the tax-exempt organization provisions of the Internal Revenue codes. Deviations from these codes could jeopardize the Board/Association's tax-exempt status.

Model Budget
SAMPLE INCOME/EXPENSE STATEMENT
EXPLANATION

INCOME

REALTOR® AND REALTOR-ASSOCIATE® DUES--The full amount of dues collected based on anticipated membership for the year should reflect the total local, State and National dues. (Note: The sample statement which follows is based on 30 DR's, 120 RA's and 10 affiliate members anticipated.)

OTHER DUES-Affiliate member and/or other dues.

MEETINGS-Registration fees, lunch or dinner payments collected, other meeting related revenues.

EDUCATION-Registrations for Board/Association sponsored seminars, GRI attendance returns from State Association, other education related revenues.

ADVERTISING-Receive from sale of advertising space on programs, newsletters, magazine, etc.

MISCELLANEOUS-Any receipts not provided for in other income line items.

EXPENSES

NATIONAL AND STATE ASSESSMENTS-Amount of dues forwarded to the National and State Associations.

MEETINGS-Expenses related to meeting of the Board/Association (i.e. room rental, speaker fees, visual aids rental, meal costs, etc.)

EDUCATION-Expenses related to seminars (i.e., speaker fees, promotion, handout material, etc.)

COMMUNICATION-Telephone, newsletter/magazine, other expenses relative to communication with members and the public.

POSTAGE & PRINTING-Postage, freight, stationery, office business cards, etc.

OFFICER TRAVEL-President and/or other officer expense reimbursement while representing Board/Association at State, National and other functions.

CONTINGENCY-Approximately 5 percent of total expense for emergencies and other unexpected operational expenses.

***NOTE**-If the Member Board/Association owns or rents office space and employs personnel, the following expense item should be considered:*

| | |
|--|----------------------------------|
| -Salaries | Utilities |
| -Employee fringes | -Maintenance (Building & Equip.) |
| -Debt retirement or rent | -Staff travel |
| -Property tax | |
| -Insurance (personnel, liability, bonding, casualty, etc.) | |
| -Utilities | |

Model Budget
 _____ **BOARD/ASSOCIATION OF REALTORS®**
20 _____ BUDGET
PROJECTED
INCOME/EXPENSE SUMMARY

| | |
|--------------------------------|-------------|
| Total Projected Income | \$25,614.00 |
| Total Projected Expense | 22,122.00 |
| Projected Income over Expenses | 3,492.00 |
| Less Return to Reserves | 3,000.00 |
| Projected Net Surplus | \$492.00 |

Model Budget
PROJECTED
INCOME/EXPENSE STATEMENT
 _____ **BOARD/ASSOCIATION OF REALTORS®**
 _____ 20 _____

INCOME

| Income Items | Income Amount |
|-------------------------|---------------|
| REALTOR® Dues | \$5,750.00 |
| REALTOR-ASSOCIATE® Dues | 6,490.00 |
| Other Dues | 300.00 |
| Meetings | 7,012.00 |
| Education | 4,512.00 |
| Advertising | 1,000.00 |
| Interest | 350.00 |
| Miscellaneous | 250.00 |
| Total Income Amount: | \$25,614.00 |

EXPENSES

| Expense Items | Expense Amounts |
|----------------------------|--------------------|
| National Assessments | \$4,670.00 |
| State Assessments | 3,970.00 |
| Meetings | 6,078.00 |
| Education | 3,360.00 |
| Communications | 638.00 |
| Postage & Printing | 506.00 |
| Public Relations | 1,000.00 |
| Officer Travel | 900.00 |
| Contingency | 1,000.00 |
| TOTAL EXPENSES | \$22,122.00 |
| | |
| INCOME OVER EXPENSE | \$3,492.00 |

SUGGESTED BOARD/ASSOCIATION FILE HEADINGS

The following are the Missouri Association of REALTORS® suggested file headings for a Member Board/Association's correspondence and records. Also contained is the suggested content of each file heading.

HEADINGS AND SUGGESTED CONTENT

100 Local Board/Association Documentation

- Local Board/Association Charter
- Contracts, Leases and/or Deeds
- Any correspondence regarding local Board/Association jurisdiction
- Any correspondence regarding local Board/Association name change
- Copy of signed Code of Equal Opportunity
- Copy of Affirmative Marketing Agreement (if adopted)
- All correspondence regarding any of the above

200 Articles of Incorporation

- Copy of original Articles of Incorporation
- Any addenda to original Articles
- Copy of Corporation Renewal/Annual Report (which is filed with the Secretary of State each year)
- All correspondence regarding any of the above

- 300 **Bylaws and Policy**
-Copy of most recent Board/Association bylaws
-Copy of most recent Board/Association Policy
-Copy of most recent MLS Rules and Regulations (if applicable)
- 400 **Bylaws and Policy Correspondence**
-MAR, NAR and Local Board/Association correspondence regarding the Bylaws, Policy or MLS Rules and Regulations of Local Board/Association
- 500 **Local Board/Association of Directors Meeting**
-Copy of Agenda, related back up and meeting minutes for each Directors Meeting
-All correspondence regarding, any of the above
- 600 **Committee Records**
-Agendas, related back-up and minutes for each Committee for current year (Except Grievance Committee)
- 700 **Membership Records**
-Current Membership Roster
-Application Forms
-Individual Member Records
-Membership Correspondence (Dues, etc.)
- 800 **Financial Records**
-Billing and/or cash receipts
-Checks/vouchers for payments
-Bank signature cards
-Phone & postage records
-Utility records and rent or mortgage payments (if applicable)
-Canceled checks
-Financial statements (for previous and present year)
- 900 **Taxes**
-Tax exemption
-Tax returns: excise, income and purchase and use
- 1000 **Professional Standards Records**
-Grievance Committee minutes
-Arbitration cases
-Formal Professional Standards hearings
-Pending cases
-Forms
-All cases should be individually filed marked with Name _____ vs. _____ and date
- 1100 **State Meetings Correspondence**
-Copy of meeting notifications
-Most recent State Calendar of Events
-Agendas, related back up and minutes of each State Board of Directors meeting
-All correspondence regarding above

1200 **License Law and Regulations**

- Copy of most recent Missouri License Law and Rules and Regulations
- Any correspondence regarding the License Law or Regulations, which would affect the real estate industry in your area

1300 **Publications**

- MISSOURI REALTOR®** (Current year)

1400 **General Correspondence**

- Day to day administrative correspondence, which has no bearing on any of the above.

Records Retention Schedule

| TYPE OF RECORD | RECOMMENDED PERIOD |
|--|---------------------------|
| Accident Reports And Claims (Settled) | 7 Years |
| Accounting Ledgers And Records: | |
| General Journals, Payables And Receivables | 7 Years |
| General Ledgers | Permanently |
| Bank Statements Reconciliation (Monthly) | 2 Years |
| Cancelled Checks | 7 Years |
| Charts Of Accounts | Permanently |
| Contracts | 7 Years |
| Correspondence: | |
| General | 3 Years |
| Legal | Permanently |
| CPA Audited Financial Statements | Permanently |
| Depreciation Records | Permanently |
| Employee Personnel Records (After Termination) | 3 Years |
| Ethics and Arbitration Hearing Decisions | 3 Years |
| Expense Reimbursements | 7 Years |
| Financial Statements (Monthly) | 2 Years |
| Financial Statements (Year-End) | Permanently |
| Historical: | |
| Articles Of Incorporation | Permanently |
| Bylaws And Policies | Permanently |
| Minutes (Directors) | Permanently |
| Minutes (Committees) | 3 Years |
| Issues Mobilization Political Action Committee Records | 7 Years |
| Insurance Policies | 3 Years |
| Inventory Records | 7 Years |
| Invoice Records | 7 Years |
| Membership: | |
| Applications (After Dropped) | 1 Year |
| Directories (Printed) | Permanently |
| Historical | Permanently |
| Periodic Reports | Permanently |
| Renewals | 1 Year |
| Special Status Records: | |
| Retired, Life, REALTOR® Emeritus, Honorary, Master, etc. | Permanently |
| Payment Records | 7 Years |
| Payroll Records | 7 Years |
| Petty Cash Records | 3 Years |
| Postage Meter Records | 1 Year |
| Property Appraisals By Outside Appraisers | Permanently |
| Purchase Orders | 7 Years |
| REALTORS® Political Action Committee And Contribution Records | 7 Years |
| REALTORS® Political Action Committee Tax Records | Permanently |
| Retirement And Pension Plan Records | Permanently |
| (Under Control Of Plan Administrating Firm) | |
| Sales Records (Billing Requests, Invoices And Credit Card Slips) | 7 Years |
| Shipping Records (UPS, Federal Express, USPS, etc.) | 2 Years |
| Tax Records: | Permanently |
| Federal Returns | Until Clearance |
| State Returns | Until Clearance |

MLS RECORDS

The Board of Directors of the National Association of REALTORS® has not established policies regarding which MLS records to keep and for how long. NAR staff recommends, however, that all paperwork (listing form, data form, etc.) be retained until the expiration or withdrawal of the listing - the "life of the listing" - and the Board/Association should consult with Board/Association Legal Counsel as to applicable State statutes of limitations, if any, which might make it feasible to retain the information and/or the MLS books for a longer period.