
Sacramento Association of REALTORS®

Financial Policies

Amended as of December 1, 2022

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Purpose

The purpose of this SAR Financial Policies document is to provide consistent application of accounting activities and proper internal controls to safeguard the assets of the Association while performing the functions and striving toward the goals described in the Bylaws and General Business Plan. To this end, all funds received and disbursed in the name of the Association shall be managed in such a way that the tax-exempt status of the Association is not endangered.

These policies also serve to communicate to the Members of SAR how the funds they pay to support the Association will be spent. In addition this document serves to capture in written form the roles and responsibilities of the paid and/or reimbursed contract employees of SAR. In as much as the actions of the paid employees have perhaps the most significant impact on the fiscal well-being of the organization, their responsibilities in this regard are defined herein and in the actual job descriptions.

General Policies

Organization as a Non-profit Corporation

The Association, as a not-for-profit organization incorporated in California, has applied for and been granted exemption from federal and state income taxes under the provisions of Internal Revenue Service Code, Section 501(c)(6), except for any income generated from unrelated business activity. Activities undertaken by the Association shall be implemented as to not endanger its income tax exemption.

Fiscal Year

The Association's Fiscal Year and REALTOR Membership Year begin January 1 and end December 31. Annual financial statements and the Association's tax return shall be completed using a January 1 to December 31 Fiscal Year.

Affiliate Membership will use a reporting year beginning July 1 and ending June 30, provided that all activities within the fiscal year are appropriately accounted for on both the annual financial statements and tax return as may be required by GAAP and IRS regulations.

Budgeting

The Board of Directors will approve annual operating and capital budgets on recommendation from the Chief Executive Officer and Strategic Planning and Finance Committee.

The annual operating budget shall be based on the priorities set by the Strategic Plan and shall encompass all activities of the Association. The annual budgeting process shall include a review of the greater real estate industry and its impact on Association activities as well as Membership projections and dues rates for the coming year.

The annual operating budget shall be developed and approved prior to the annual billing of renewing Members and shall set appropriate gross revenue, cost-of-goods-sold, and expense targets for the various cost centers.

At least once annually, the Strategic Planning and Finance Committee shall, with the assistance of staff, conduct a review of the approved budget and make appropriate recommendations to the Board of Directors for changes or additions to the operating and capital budgets.

Dues Refunds

It is the policy of SAR that if a member terminates their membership during the year there shall be no reimbursement of any portion of the annual dues.

As an exception to this policy in the event of the death of a member, upon written request from the Estate or an heir, SAR shall refund the SAR portion of the annual dues. In addition SAR shall refund any other funds which have been received from the member but are not yet due and have not been forwarded to the intended third party.

Credits

Members and Non-Members of the Association who pay in excess for events and services or cancel an event within the allowed cancellation period, will be credited that amount on their account. The Member/Non-Member is given the option of using the credit towards a future purchase or being refunded.

Chart of Accounts

The Association will utilize a standardized chart of accounts developed based on the needs of the association and in accordance with sound accounting principles.

Computerized General Ledger system

The Association will use a computerized system to record general ledger entries and subsidiary ledger entries. Access to the system shall be restricted to those personnel with a specific functional need.

Annual Audit

In order to determine the fairness of the presentation of the financial statements for a fiscal year, the Board of Directors, based on a recommendation of the Strategic Planning and Finance Committee, shall provide for an annual fiscal year-end compilation, review, or audit for the Association. A financial audit of the Scholarship Trust will be performed as approved.

Authority to sign informational returns

Tax returns, and other required information returns shall be signed by the Association Chief Executive Officer or another duly authorized officer of the corporation.

Accounting standards

Conformity with SFAS 117

Annual financial statements are to be presented in conformity with Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-For-Profit Organizations.

Accrual Basis

The Association uses the accrual basis of accounting.

Member dues are recognized as earned in the membership period. Dues collected in advance of the Membership period are recorded as deferred revenue until earned.

Events and Rental Fees are recognized as earned in the period of the event or rental period. Fees collected in advance of the event or rental period are recorded as deferred revenue until earned.

Expenses paid in advance of an irrevocable obligation are recorded as an asset and recognized as expense after the obligation has been incurred.

Cost Allocations

Operating costs are allocated among program services based on 1) direct allocations, 2) estimates of employees' time incurred, 3) the proportionate rate of square feet used, and 4) number of photocopies made.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Banking

General Requirements of all Accounts

All income of the Association shall be deposited into and all expenses shall be paid by bank drafts or debit transactions drawn against the following accounts:

- a) The general operating accounts that may or may not be interest-bearing accounts;
- b) A money market savings account that shall be an interest-bearing account;
- c) Investment accounts as approved by the Board of Directors; or
- d) A petty cash fund, which shall not contain more than \$1,000.

Location of Accounts

All operating accounts shall be in institutions insured by the Federal Deposit Insurance Corporation (FDIC). Investments may be placed in non-FDIC insured accounts with the approval of the SAR Board of Directors. Copies of account statements will be mailed directly to the Association office and shall be kept on file.

Name of Accounts

All accounts of the Association shall be in the Association's name. If special accounts are set up to support a specific activity, the name of the account will include the Association's initials. (e.g. the hypothetical, SAR Greater Sacramento Area Flood Recovery Fund).

Signatures Required

The Association's President, Immediate Past President, Chief Executive Officer, and two staff members (who do not have access to blank check stock and do not have access to the General Ledger) are the only authorized individuals designated to sign checks.

Checks of less than \$5,000 may be signed with one signature. All others must have two signatures.

Authorized signers may not sign checks made payable to themselves or to any individual related by marriage, family, or a common business interest.

Generally, all Association checks will be signed by the Chief Executive Officer unless notice is given that the Chief Executive Officer is not available to sign checks on a timely basis.

Bank Reconciliation

The operating cash account is to be reconciled monthly by a person other than who generates checks. Investment accounts are to be reviewed monthly by the Chief Executive Officer.

Cash Receipts

Deposit Log

In order to compile a written record of the cash, checks, and charges that the Association receives, a daily log of all receipts is to be maintained and deposits are to be made daily.

All cash and checks received by mail are to be logged, endorsed, and forwarded to Accounting promptly. All cash and checks received by other means than mail are to be logged and forwarded to Accounting on the same day as received.

Charges received are to be logged and verified through the credit card automatic debit machine. Log and proof of signature, if available, are to be forwarded to Accounting on the same day as received.

Accounting personnel are to verify totals of log and deposit the funds within 48 hours of receipt.

Opening the Mail and Collecting Financial Receipts

An Association office employee as designated by the Chief Executive Officer shall open all mail addressed with the Association in the address label and date stamp any checks or other financial receipts for deposit.

Mail labeled “in confidence” or addressed to a specific individual (not specifically identified as Association business) shall be held for said individual unless verbally directed by the addressee to open.

All mail identified as Association Members Dues and other payments shall be opened by the Accounting employee assigned that task.

Funds Received at Off-site Events

Any funds received at off-site events shall be either entered electronically into a point-of-sale system immediately or noted on a written receipt which will indicate who made the payment, the date of payment, and the purpose of the payment. Credit card payments will receive email receipts at the time of payment, while cash/check payments will receive email receipts when payment can be processed by SAR staff within 2 business days of received payment. The funds and accompanying receipts will be transferred to the Association office within one (1) business day of the event.

Association Expenditures

Purchases and Contracts

Funds necessary to expend for Association operations and events shall be included in the approved annual budget.

Staff supporting Association operations and events may incur expenses that are specifically stated within the approved applicable budget.

Employees may not engage in any of the following activities: 1) attempting to obtain special favors by making payments to or giving consideration to customers or others; 2) furnishing gifts and entertainment at the Association's expense unless they meet all of the following criteria: a) the value is \$50 or less; b) no applicable law, regulation, or accepted ethical standard is violated; and c) specific records for the Association to show that these limits and criteria have not been exceeded are maintained; and 3) soliciting or accepting any payments, fees, or consideration from a supplier or vendor that does business or is seeking to do business with the Association.

Only the Chief Executive Officer may sign contractual documents obligating the Association except as provided below:

1. The CEO may delegate signature authority in writing in the event the CEO will be absent from the Association for more than two business days.
2. The Director of Professional Standards and Development may execute contracts necessary to present scheduled classes.
3. The Senior Program Manager may execute contracts with customers necessary to generate income to the Association or to expend money for events within approved event budgets.
4. In the event the Directors noted above are not available to sign the authority to execute contracts reverts to the CEO.
5. Association staff credit card holders may not approve contracts for amounts in excess of their credit card authorized limits.
6. Staff supporting Association operations and events may incur expenses that are routine, such as refreshments for Committee or Main Meetings, or are specifically stated within the applicable approved budget.

Cash Disbursements

In order to create a permanent record of how Association funds have been distributed, when possible the Association will make all disbursements by check and retain supporting documentation for each disbursement.

All check requests and reimbursement forms submitted to Accounting must be accompanied by the appropriate documentation of purchase and approval in accordance with the approved SAR Policy or Procedures Manuals.

All invoices are to be authorized by the person responsible for committing to spend the said Association funds after asset custody has been verified. Invoices are to be forwarded to Accounting promptly.

All unused checks are to be stored in a restricted and secured area in the possession of Accounting.

Hand written, typed, photocopied and other methods of printing a check which bypass the general Ledger are prohibited.

Expense Reimbursement

It is expected that members of the Board of Directors, Committee Chairs, volunteers, and employees of the Association will from time to time incur expenses on behalf of the Association. The Association's volunteers and employees should not be penalized nor should they profit by adhering to stated Association financial policies.

This policy presents standard procedures by which volunteers and employees shall recover funds properly expended in the conduct of the Association's business.

General Policy

Association volunteers and employees shall be reimbursed for actual reasonable and proper expenditures incurred in the conduct of approved Association business. These policies are applicable to all volunteers and employees of the Association.

Responsibility of Persons Who Submit and/or Approve Expense Reimbursement

Anyone with expense reimbursement approval authority must be fully cognizant that their signature on an expense report indicates conformity to stated Association policy, that legitimate and necessary expenses have been incurred, and that all items on the expense report are properly reimbursable to the person submitting the report. Both the person submitting the report and the person granting approval have equal responsibility for its correctness and to ensure that all expenditures are consistent with Association policies and budgetary constraints.

Expense Report Form

An Association Expense Report form shall be utilized by anyone requesting reimbursement from the Association. The form shall include the name of the person requesting reimbursement, the business purpose and date of the expense, the item(s) purchased, and the cost or amount of reimbursement sought and shall be signed by the person requesting reimbursement, the director of the department for which the purchase was made, and the Chief Executive Officer (or President if the Chief Executive Officer submits a form).

Receipts

Original receipts shall be attached for all expenditures except for per diem expenses, mileage and parking meters.

Time Period

Unless otherwise arranged or as stated below, expense reports shall not cover periods of time greater than one month. Expense report forms shall be submitted to Accounting within five (5) days after the end of the month in which the expense was incurred, and include the date, signature, and attached receipts.

Penalty for Failure to Submit Timely

Reimbursement requests from volunteers not submitted within thirty (30) days after the end of the Association's fiscal year shall not be reimbursed, unless specifically approved by the Board.

Rebates, Adjustments, and Advances

Any rebate, adjustment, or expense advance received by a person submitting an expense reimbursement request shall be deducted from expenses claimed. Funds received after submission of an expense report shall be returned to the Association office along with a corrected copy of the original expense report form.

Discounts

Employees and Volunteers are encouraged and advised to maximize discounts available to them. The fact that a private organization may be paying the bill has no bearing on their obligation as a representative of the Association to seek discounts.

TRAVEL REIMBURSEMENT

Objectives:

1. To provide for authorized business travel on behalf of the Sacramento Association of REALTORS®.
2. To ensure that Members are reimbursed on an equitable basis and that use of association funds for travel not be abused.
3. To ensure compliance with Internal Revenue Service requirements for the reimbursement of travel by SAR.
4. To ensure that all requests for reimbursement are timely submitted to SAR.

Travel Expenses:

SAR will reimburse the actual cost of commercial transportation to destinations out of state or to destinations within C.A.R. Regions Eleven through Eighteen and Twenty-One through Thirty-Two. Approximately thirty days before the expected travel SAR will publish the lowest coach fare then available on a commercial airline providing reasonable travel service to the site. That will establish the maximum amount SAR will reimburse for travel to the site regardless of the means of transportation actually utilized.

If a personal automobile is used for transport to the site, mileage will be reimbursed based on the current IRS mileage rate, but reimbursement will not exceed the applicable coach airfare described above.

Car pooling of Members travelling to the same location is expected to the extent doing so does not negatively affect a Member's ability to discharge their duties.

If two or more persons travel together in a personal automobile the maximum allowable mileage reimbursement may be increased up to the air coach fare times the number of persons entitled to reimbursement travelling in the vehicle but in no event will reimbursement exceed the actual miles driven times the IRS mileage reimbursement rate.

{Example: San Diego is 504 miles away, 1008 round trip; mileage reimbursement would be \$559 at 55.5 cents per mile, and the lowest applicable coach fare is \$189. If the driver travelled alone the maximum reimbursement would be limited to \$189. If three people carpool, the vehicle driver/owner could potentially request \$567 (189 x 3) based upon the air coach fare but would be limited to requesting reimbursement of \$559 based on the mileage reimbursement rate.}

Mileage shall not be reimbursed for travel within Sacramento County.

Use of rental cars is only authorized if approved in advance by the Chief Executive Officer and will be reimbursed only when other methods of transportation are not reasonably obtainable. The collision damage waiver must be purchased.

Cab and shuttle fares at the site will be reimbursed when they are the most reasonable means of transportation. Mass transit fares will be reimbursed when appropriate.

Lodging Expenses:

Lodging at the site will be arranged by staff. Deposits will be paid by SAR to guarantee accommodations. Additional room charges will be paid by the participant and relevant business charges noted on the request for reimbursement.

Meal expenses:

The reasonable cost of meals will be reimbursed up to a maximum of \$150.00 per eligible person per day. If SAR pays for meals, such as the Region 3 dinner at CAR meetings, or if a group of people eligible for reimbursement dine together and it is paid for by an SAR issued credit card the daily limit for reimbursement shall be reduced by \$50 per person for each such meal. If the group meal is paid for other than by SAR issued credit cards and the person paying seeks reimbursement that person shall provide a list of those participating and those member's maximum reimbursement for the day shall be reduced by a pro rata share of the total billed amount. Persons not eligible for reimbursement, such as significant others of eligible persons, shall pay separately or reimburse SAR for those meals.

Miscellaneous reimbursable expenses:

Gratuities will be reimbursed to the extent reasonable and customary.

Individual cellular phones and email accounts shall be used while traveling, rather than hotel telephones. Association business-related long distance communications will be reimbursed when requested.

Non-Reimbursable Expenses:

The following categories of miscellaneous travel expenses are not reimbursable: Personal entertainment, child care, barber or hair stylist services, shoe shines and repairs, or cleaning and laundry.

Authorized Travel:

Travel is authorized for Members and Staff approved or elected to represent SAR at the following meetings:

1. California Association of REALTORS®: Hotels, travel and reasonable meal expenses and C.A.R. registration fees.
2. National Association of REALTORS®: Hotels, travel, reasonable meal expenses and NAR registration fees.
3. Federal Political Coordinators: Hotels, travel, reasonable meal expenses and registration fees.
4. C.A.R. Region 3: Travel and meals.
5. NAR Association Executive Institute: Hotel, travel, reasonable meal expenses and registration Fees.
6. Cap to Cap: Hotel, travel, reasonable meal expenses and registration fees.
7. Reimbursement for any of the above activities shall be limited to the amounts authorized by this policy minus reimbursement received or available from any other entity.

8. All other SAR business-related travel must be budgeted or approved in advance by the Chief Executive Officer.

C.A.R. and NAR Directors Travel Policies:

C.A.R. approved C.A.R. Directors-at-Large and NAR or C.A.R. approved NAR Directors shall be reimbursed by SAR consistent with these policies. If funded in part by NAR or C.A.R., the Directors-at-Large shall only be entitled to reimbursement by SAR for authorized expenses in excess of those funded by other entities.

Directors arriving earlier than the day before their first scheduled meeting or event, or leaving the day after the Board of Directors meeting or later, will not be reimbursed by SAR for any additional night room charges.

Requests for reimbursement:

Requests for reimbursement must be accompanied by original receipts for any expense of \$25 or more.

Requests for reimbursement must be on a form provided by SAR and must be submitted within thirty days after completion of travel.

Discretionary Contributions

Discretionary contributions for charitable purposes shall be made through the Sacramento Association of REALTORS® Charitable Foundation. The Foundation is a 501(c)(3) corporation and operates independently of the SAR Board of Directors.

Association Credit Cards

Approval of Card Holders

The Executive Committee upon recommendation of the Chief Executive Officer may approve issuance of Association credit cards to and in the name of employees and/or officers of the Association and to be utilized solely for Association business.

Billings from the credit card company shall be mailed directly to the Association office, for review and reconciliation, which in turn shall send payment to the credit card company on a timely basis to avoid interest charges.

Generally, the credit cards will be issued by a reliable company offering a competitive prevailing rate but subject to good business considerations. The Executive Committee may generally approve cards for the following positions: President, President Elect, Chief Executive Officer, Department Directors, and Executive Assistant, and any other position with a business need for a credit card. However, since one-time needs may be satisfied with pre-paid debit cards, discretion shall be used in approving cards for positions not listed by title.

Credit card monetary limits shall be as follows unless otherwise authorized by the Executive Committee:

- a) The President and President Elect; \$10,000 each
- b) Chief Executive Officer; \$20,000
- c) Chief Operating Officer; \$20,000
- d) Department Directors; \$10,000 each
- e) Designated Staff: \$5,000 each

To simplify the process a card may be cancelled by the Chief Executive Officer upon an employee's termination, misuse or other valid reason.

Reporting

Each cardholder shall be responsible for providing properly completed and signed Association credit card expense forms with attached receipt to Accounting within five (5) business days of each incurred expense. The credit card expense form shall include the name of the cardholder, the business purpose and date of the purchase, the items purchased, and the amount of the purchase and shall be signed by the cardholder, the director of the department for which the purchase was made, and the Chief Executive Officer (or President if the Chief Executive Officer submits a form).

Failure to Provide Proper Documentation

The Chief Executive Officer may cancel an employee or officer's card for failure to submit receipts for charges incurred.

Non-authorized Charges

Charges that do not conform to the Association's policies or approved budgets, or personal charges on an Association credit card, are prohibited. Charges of this nature shall result in the Association seeking reimbursement for the non-authorized charges, and may result in the cancellation of the card, termination of employment, and referral to law enforcement authorities.

Receivables & Customer Credit

In-house Credit

To provide members with a means to acquire those products needed for the smooth operation of their own business, Members in good standing shall be granted in house revolving credit for retail purchases upon application review and approval by the Director of Retail Operations. Approval shall generally only be granted to those members with a purchasing history and the limit shall generally be \$1,000.

Credit may not be used for events, or education payments which are due and payable upon application, nor for dues as membership is not active until the dues payment has been made.

Write-Offs of Accounts Receivable or Other Assets

A compilation of uncollectible bad debts will be presented for review at the last Strategic Planning and Finance Committee Meeting of the fiscal year.

The definition of uncollectible is an account that is past 120 days due and/or the Association does not reasonably expect to collect payment.

The Strategic Planning and Finance Committee may write off bad debts up to an established limit of \$250; anything over that limit is to be presented to the Board of Directors for consideration and approval.

Credit Collections

The Association is to act promptly and efficiently to collect funds that are due from a bad check or in-house credit in accordance with the following policy:

In-House Credit

Charge and collect a 1.5% interest rate monthly; at 30 days past due, send 30 days past due letter, call and document conversation; at 60 days past due, send 60 days past due letter, call and document conversation; at 90 days past due, send 90 days past due letter, call and document conversation; all accounts that are 120 days past due will have in-house credit rights terminated; uncollectible bad debts may be sent to collections.

Bad Check

Accounting staff are to immediately contact the payer and make arrangements to collect funds due plus a mandatory \$25 NSF check fee.

Fixed Assets & Other Property

Capitalization threshold

All fixed assets in the amount of \$500 or over will be capitalized.

Fixed asset property will depreciated using the straight-line method over estimated useful lives of between 3 to 35 years.

An up-to-date master file of all Association fixed assets and a depreciation schedule of those assets is to be maintained at all times.

Inventory for resale

Inventories for resale shall be valued using the average cost method. The SAR Real Estate Store inventory, for the purpose of valuing inventory on hand, is to take place annually.

Investments

Purpose

The purpose of the Investment Fund is to optimize total returns over the immediate, short (up to one year), intermediate (2-5 years), and long term (5+ years) based on prudent-risk guidelines. Toward this end, the Investment Fund will provide a source of non-dues revenue that will supplement membership dues sufficiently to moderate fluctuations in the Association's general operations and to ensure flexibility and long-term viability of the Association.

Introduction

This investment policy statement has been adopted by the Board of Directors of the Sacramento Association of Realtors (SAR) to provide guidelines for the investment of funds held by the association.

Defined Roles

The parties involved in the management of the plan assets include, but are not limited to:

Board of Directors (BOD) shall retain oversight control of this Policy Statement and all other activities of the association Investment program.

The **Strategic Planning and Finance Committee (SPF)** shall monitor the implementation of the association's investment program. This committee shall review investment balance and returns on a quarterly basis and may recommended revisions of this policy or to investment amounts to the BOD as needed.

The **Chief Executive Officer** and **Director of Finance** have the authority to make short-term investment transactions as needed. They will act on behalf of the association to oversee revisions approved by the BOD with the investment advisors.

The **Investment Advisor(s)** will oversee and implement the association's investment funds and policy. The Investment Advisor may offer guidance and recommendations to the BOD or SPF Committee in the selection and retention of investment options under this policy.

Investments with Investment Advisors:

1. No limit on number of investment managers to be selected
2. Investment managers will stay within the guidelines of this policy
3. The management of the funds will be active in nature
4. All income received will be maintained in the portfolios allowing for compounding of returns

Investment classes:

Cash

- Certificates of Deposit insured by FDIC

- CDARs Investments
- Money Market Funds
- Interest bearing checking accounts, money market and savings accounts that are FDIC insured

Bonds

- Mortgage-backed securities – GNMA pooled mortgage-backed investments and similar instruments. No more than 25% of the fixed income portfolio shall be invested in mortgage-backed securities. All mortgage-backed securities must have a rating of A- or better
- Global & Inflation-related Fixed Income – A portfolio of fixed income securities diversified across geography, maturities, credit ratings and sector in US dollars or local currencies, developed and emerging-market countries, inflation swap agreements, TIPS and other inflation-related securities.
- Collateralized Mortgage Obligations – Collateralized mortgage obligations must be rated A- or better. No more than 10% of the fixed income portfolio shall be invested in collateralized mortgage obligations.
- US Treasury bills, notes and bonds
- Corporate Bonds with a credit rating of A- or better

Equities

Equities refer to common stocks. 80% of the common stock owned must be issued by a company whose credit rating is A- or better by Standard and Poor's or another nationally recognized statistical rating agency. No more than 8% of any investment of any investment manager's portfolio shall be invested in the common stock of any one company. No more than 35% of an investment manager's portfolio shall be invested in any one sector.

- International Equities – sponsored and unsponsored American Depositary Receipts (ADR's) or American Depositary Shares (AD's) or other depository securities of non-U.S. based companies traded in the U.S. and closed-end country funds. Equities of foreign domiciled companies may also be purchased so long as the securities are registered (or filed) with application foreign body governing securities regulation in that country and traded on a recognized exchange or over-the-counter-market. Non-US dollar denominated equity securities traded on recognized exchanges may also be purchased. International Equities shall be limited to no more than 30% of the equity portion of the portfolio.

Dynamic Asset Allocation

Within the investments described above under “Long Term Strategic Asset Allocation Targets”, investments are permitted on an account-by-account basis in overlay portfolios, which are regulated mutual funds (the Overlay Portfolios) to complement the long-term strategic asset allocation. This is known as the Dynamic Asset Allocation (“DAA”) portfolio overlay strategy which is designed to

manage short-term portfolio risk and mitigate the effect of extreme outcomes by varying the asset allocation of a portfolio through investment in the Overlay Portfolios.

The investments in the DAA Overlay Portfolios may cause the portfolio's overall exposure to equities, fixed income, REITs and other asset classes to vary significantly from the target allocations specified under "Long Term Strategic Asset Allocation Target". Another effect of investing in the Overlay Portfolios is that the portfolio will gain exposure to asset classes, through the holdings of the Overlay Portfolios, other than those contemplated above under the "Long Term Strategic Plan Allocation Targets". The holdings of the Overlay Portfolios are limited only as provided in the prospectus then in effect for the Overlay Portfolios.

Commingled Vehicle Guidelines

Investments in mutual funds and other commingled investment vehicles are permitted although it is understood that assets invested in such commingled vehicles will be managed solely in accordance with the investment policies, procedures and guidelines set forth in the prospectus or other relevant document for such commingled vehicle, notwithstanding anything to the contrary set forth in this investment policy.

Exclusions:

The following Asset Class Exclusions are to be excluded from the portfolio mix:

- Short sales (unless previously approved by the SPF Committee)
- Purchases of letter stock, private placements (including 144A securities), or direct payments
- Calls, straddles or other option strategies unless utilized in mutual funds
- Purchases of real estate, oil and gas properties or other natural resources related properties of Real Estate Investment Trusts (REIT) or marketable real estate securities
- Investments in limited partnerships except for publicly traded Master Limited Partnerships
- Investments in use of margin not explicitly permitted in this policy statement
- Investments in Yankee bonds and notes
- Investments in private placement issues
- Non-US dollar denominated equity securities traded on over-the-counter markets outside the U.S. are prohibited (unless utilized in mutual funds)
- Investments by the investment managers in their company securities, their affiliates, or subsidiaries (excluding money market or other commingled funds as authorized by the SPF Committee).

Implementation and Account management

- Asset Allocation Study: At the inception of the assignment and thereafter as deemed necessary by the SPF committee, the Investment Advisor shall conduct a detailed Asset Allocation Study which shall examine all relevant and appropriate asset classes available to the Fund and propose a wide variety of allocation alternatives for the consideration of the SPF committee.
- The study should reflect expectations for a wide range of potential experiences with returns and volatility of the various portfolios. While historical returns and relationships of asset classes should be considered in constructing this study, the results should be firmly based on current market conditions and expected future relationships among these asset classes. The purpose of this study will be to provide the SPF Committee with information related to the probability of each alternative asset allocation in achieving its related goal.
- Investments must be in one or more of the listed approved investments and may be direct or indirect through a Registered Investment Advisor.
- “Registered Investment Advisor” means a major investment house or commercial bank that is subject to regulations by the U.S. Government or agency thereof, is a member of the New York and/or American Stock Exchange (in case of an investment house) approved by the Investment Committee.
- Brokered CDs, CDARs and multiple CDs in a given institution are subject to the current FDIC insurance coverage and must therefore be limited to that amount.
- The BOD may occasionally retain the services of a separate Investment Advisor to review the balances, positions, transaction and performance of the investment portfolio
- An investment manager will be granted discretionary authority to initiate transaction in accordance with the policies, guidelines and restrictions mandated in this policy. To this end, each approved investment manager will be provided with a copy of this policy and a list of authorized SAR personnel compiled by SAR’s CEO who will periodically review transactions for compliance with policy.
- Total accumulated balances of the available reserve funds may be pooled for investing to achieve higher yields. In this approach, accounting processes shall remain separate for each reserve fund.
- Interests earned above the allotted amounts of each tier may be moved and utilized by any other tier.

Reporting Requirements and Performance Review

- On an annual basis, the manager (s) performance will be reviewed by the SPF Committee to determine results. It is understood that SAR should invest to minimize the likelihood of low negative total returns, defined as a 12-month return worse than negative 10%. In the event the overall portfolio drops below 90% of the initial investment (and net all 3rd parted related fees),

the committee shall conduct an immediate review of the overall/individual parts of the portfolio and investment advisor.

- The members of the SPF Committee will meet with the managers as needed
- The investment manager (s) will manage the association’s asset in a manner consistent with this document
- SAR’s Treasurer shall make a report to the BOD on all activity within the Investment Portfolio on a quarterly basis. The Treasurer may include any recommendations for revision made by the SPF Committee
- A quarterly view of investments shall be performed by the SPF committee as compared but not limited to the following: the CPI, 10 Year T-Bill Index, S&P 500 Index. Comparisons will show results for the latest quarter, year-to-date and since inception. The SPF Committee will also review beginning and ending balance since the last report and will be provided (by SAR staff) a statement that the underlying investments in each fund are in compliance with the restrictions imposed by this Policy.

Reserve Policies and Asset Allocation Guidelines

There should be minimum exposure to market risk or interest rate risk with short-term funds. In other words, the asset allocation should be 100% cash and/or short-term fixed income such as CDs or CDARs. Short term investments should not exceed a weighted average of 24 months in length. SAR’s billing cycle is January through December. Operational cash peaks in March and reaches its lowest value in October.

Tier 1: Short-term Reserves shall be equal to three month’s operating expenses of SAR.

Asset Class	Minimum	Maximum
Cash and Cash Equivalents	0%	100%

Tier 2: Intermediate-term Reserves shall be equal to the 5-year capital expenditures of SAR (reviewed and adjusted annually).

Intermediate-term reserves assume an investment time frame not to exceed 5 years.

Asset Class	Minimum	Maximum
Cash and Cash Equivalents	0%	20%
Fixed Income	40%	90%
Equities	10%	40%

Tier 3: Long-term Reserves is the remainder of investment funds available by the Association. Funds from this tier are removed as needed to fund tiers 1 and 2.

It is recommended that a minimum of 30% of long term funds be invested in fixed income securities with a 5-year + time horizon. The remaining balance of up to 70% may be invested in a combination of growth-oriented assets such as equities, real assets, commodities, alternatives and other assets as outlined in Section II with up to a 5-year time horizon as well.

Asset Class	Minimum	Maximum
Cash and Cash Equivalents	0%	10%
Fixed Income	30%	80%
Equities	30%	70%

Portfolio Rebalancing

Over time, an asset class allocation in any given account may move away from its long-term strategic target. It is understood that the process of rebalancing will be undertaken as necessary to make sure the portfolio remains within the target allocation.

Capital Improvements/Expenditures

The SAR Chief Executive Officer is granted the authority to approve and/or purchase capital improvements/expenditures equal to or less than \$3,000 that are not in the budget. The SAR Chief Executive Officer is to acquire SPF Committee and Board of Directors approval for capital improvements/ expenditures of more than \$3,000 that are not in the budget. The Chief Executive Officer may expend more than \$3,000 in unbudgeted costs in an urgent situation to preserve a capital asset.

Pricing

Minimum Education Fee

Attendees at an SAR educational offering shall be charged a minimum \$10 per participant Member price.

An additional fee may be added to allow for instructor payment agreements and other costs so that at least \$10 net income per participant accrues to the Association.

Minimum Events Fee

There shall be a minimum charge of \$10 per person for SAR events. Exceptions are events by invitation which include the Past President's Luncheon, the President's Appreciation Breakfast and the annual off-site meeting of the Board of Directors. Individual members of the Board of Directors may have the charge waived.

Wages and Benefits

The applicable portions of the SAR Personnel Handbook are hereby incorporated by reference.

Pension Administration Committee

Members of the Administrative Committee of the SAR Pension Trust shall be the current President, President-elect, Secretary/Treasurer, Chief Executive Officer and Chief Operating Officer of the Association.

Independent Contractors

All non-employee individuals providing a service which is compensated by the Association shall complete a W-9 IRS form that contains the name, address, and social security number or EIN (Employee Identification Number). The Association shall in turn issue a Form 1099-MISC (if required).

Additionally, those non-employee individuals providing a service which is compensated by the Association shall offer proof of valid workers' compensation insurance.

Licensed Contractors

The Association shall verify the existence and validity of licenses required to be held by non-employee individuals and firms and shall not permit work to be performed nor compensated for in the absence of a required license.

Insurance

Auto Insurance

Employees of the Association who regularly drive on Association business or who are assigned driving duties as an essential function of their job shall carry automobile insurance for their personal vehicle in amounts not less than \$100,000/\$300,000/\$100,000.

Fidelity Insurance

The Association is to be insured against embezzlement, theft, and employee or volunteer dishonesty. Anyone who handles receipts or disbursements of Association funds should be bonded or covered under fidelity insurance. When possible, the position shall be covered as opposed to the individual.

Data and Document Integrity and Protection

Technology Policy

Employees are to adhere to the policies in the approved SAR Voice & Electronic Mail and Data Security Policies Addendum to the SAR Personnel Handbook.

Secured network:

The SAR network and all Association software are to remain in a centrally located and secured room. All Association hardware and software is to be properly registered and inventoried upon purchase.

Weekly Backup

A weekly network backup of all files is to be conducted on all regular business days.

Confidential passwords

All passwords are to remain confidential.

Record Retention & Disposal

All records will be disposed no earlier than the latest date allowable by the following schedule. The method of disposal shall not allow for the identification of information or for easy reconstruction of the disposed document.

Miscellaneous: keep as noted below

- Terminated member records – 4 years after the end of the calendar year in which membership ceased, if membership was not renewed in that time
- MetroList records –in accordance with current service center agreement
- Event Planning Binders – (a) 3 years after the event or (b) when the binder ceases to be of use to future planning
- Minutes of Committees without Board authority - 3 years after the end of the fiscal year in which the committee met
- Nominating Committee records (including selection criteria used and other documents regarding the nominating process) – 3 years from the date of election.
- Masters Club Applications – 3 years after the application date

Accounting: Keep until 7 years after the end of the applicable fiscal year, or the close of any audit, investigation, or claim of the records, or of events related to the records

- Accounts Payable invoices and record of payment
- Petty cash vouchers and reconciliation
- Cancelled checks
- Summary and detailed deposit slips and related documents
- Bank statements and reconciliations
- Subsidiary ledgers
- Interim management reports
- Annual budgets
- Property Tax Returns, Sales & Use Tax Returns

Financial: Keep until 10 years after the end of the applicable fiscal year, or the close of any audit or investigation of the records, or of events related to the records,

- Auditor's reports/Audit Work Papers
- Inventory records
- Lease agreements
- Mortgages/Loan Documents
- Contracts for the purchase goods and services
- Minutes of committees without board authority
- Insurance Policies and claims
- Incident reports where no claim was filed

Litigation Records: Keep until 5 years after complete disposition of claim including any relevant time for appeal, unless noted below or a specific regulatory agency requires a longer time frame

- Litigation files and communications
- Regulatory agency investigation files
- Employee claims – (a) as noted above or (b) 5 years after termination of employment

Corporate Documents: Keep permanently

- Annual Financial Statements
- Historically significant records
- Property, Plant & Equipment Purchase Documents
- Contracts with Architects/Engineers
- Structural blueprints, and as-built plans
- Building/Land Surveys
- Title Policy
- State and Federal Income Tax Returns
- General Ledger
- Real property deeds
- Membership and housing market statistics
- Depreciation schedules
- Copyright, patent & trademark registrations
- Articles of Incorporation and amendments
- By-Laws and amendments
- Minutes of the Board of Directors
- Minutes of Committees with Board authority
- Corporate reorganizations
- Tax exemption documents (including application for tax exemption, IRS and FTB determination letters and any related documents)

Personnel: Keep as noted below

- Applications/resumes of candidates not hired – 2 years after the position for which the candidate applied for was filled if not considered for a later position
- Health and welfare benefit plan summaries – 5 years after plan termination
- Employee handbook – 5 years after revision, replaced, or superseded

- Employee Personnel Files – 5 years after termination of employment
- Workplace injury or illness records – 30 years after termination of employment

Payroll: Except as noted below, keep 7 years after the end of the applicable fiscal year, or the close of any audit, investigation, or claim of the records, or of events related to the documents

- Pension, profit sharing, and retirement plan documents – keep permanently
- Employee expense and mileage reports
- Payroll summary, detailed journals, and individual time records
- Employee W2s (entire set, individual copies filed in personnel files)
- Payroll Tax Returns

Professional Standards: Keep as noted below

- Ethics cases – 7 years after ratification
- Arbitration cases – 5 years after the award is final
- Mediation cases – 5 years after the mediation is final or the close of any concurrent arbitration
- Declaratory Relief (and legally complicated) cases – 5 years after the close of the case.
- Continuing education records and certificates – 4 years after member termination