

Pending Executive Committee Approval on March 19, 2018
RECOMMENDATION TO THE BOARD OF DIRECTORS

FROM:

Executive Committee

RECOMMENDATION:

Allocation of 2017 Accumulated Operating Surplus

BACKGROUND:

At the recommendation of the Arizona REALTORS® accounting firm and to preserve the Association's 501(c)(6) IRS exemption, any accumulated operating surplus beyond the amount required for cash flow purposes or projected needs has been allocated to the Arizona REALTORS® Reserve Accounts. Historically, \$100,000 - \$200,000 of the accumulated operating surplus is left for cash flow purposes and for immediate access if extra funds are required during the current operating year. Pursuant to the auditors, the accumulated operating surplus in 2017 was \$1,998,225. This surplus is due to a variety of positive factors, such as higher than anticipated dues income, investment returns, and decreased operations expenses.

The Arizona REALTORS® Issues Mobilization Fund is a reserve fund to support or oppose federal, state and local issues that impact real property and real property owners and, pursuant to the Bylaws, has a ten million dollar cap and a five million dollar floor. The Issues Mobilization Fund is anticipated to be near the five million dollar floor by year end. The Operating Reserve account allows the Association to sustain financial operations in the event of significant unbudgeted increases in operating expenses, legal expenses, or reductions of operating revenues. The Capital Reserve allows for major repairs/improvements, furniture, fixtures, and equipment expenditures.

BUDGET IMPACT:

None to 2018 Operating

MOTION:

TO RECOMMEND APPROVAL ALLOCATING THE ACCUMULATED OPERATING SURPLUS OF \$1,998,225 AS FOLLOWS:

- 1. \$1,200,000 ALLOCATED TO THE ISSUES MOBILIZATION FUND**
- 2. \$500,000 ALLOCATED TO THE OPERATING RESERVE;**
- 3. \$200,000 ALLOCATED TO CAPITAL RESERVE;**

WHICH LEAVES \$98,225 IN UNALLOCATED STATUS FOR CASH FLOW PURPOSES.

FOR MORE INFORMATION CONTACT:

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