

Pending Executive Committee Approval on April 14, 2020
RECOMMENDATION TO THE BOARD OF DIRECTORS

FROM:

Executive Committee

RECOMMENDATION:

Allocation of 2019 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 2019 was \$2,031,776.

This recommendation is to allocate these funds the five Arizona REALTORS® Reserve Accounts: (1) The 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. (2) 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. (3) The Capital Reserve allows for major repairs/improvements, furniture, fixtures, and equipment expenditures. (4) The Strategic Initiative Fund supports initiatives designed or dedicated to the support of our members' business practice, such as new member benefits, technology enhancements, communication enhancements, or other efforts that benefit the membership. (5) The Arizona Homeownership Alliance funds are used to support or oppose candidates running for elective office or as allowed by state law in corporate independent expenditures, polling and grassroots activities.

BUDGET IMPACT: None to 2020 Operating

MOTION:

TO RECOMMEND APPROVAL ALLOCATING THE ACCUMULATED OPERATING SURPLUS OF \$\$2,031,776 AS FOLLOWS:

- 1. \$500,000 ALLOCATED TO THE ISSUES MOBILIZATION FUND**
- 2. \$700,000 ALLOCATED TO THE OPERATING RESERVE**
- 3. \$500,000 ALLOCATED TO CAPITAL RESERVE**
- 4. \$100,000 ALLOCATED TO THE STRATEGIC INITIATIVE FUND**
- 5. \$100,000 ALLOCATED TO THE ARIZONA HOMEOWNERSHIP ALLIANCE**

WHICH LEAVES \$131,776 IN UNALLOCATED STATUS FOR CASH FLOW PURPOSES.

FOR MORE INFORMATION CONTACT:

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