Approved Policy as of June 22, 2023

Minneapolis Area REALTORS® Liquidity, Reserve, and Investment Policies

Purpose

This document outlines the purpose, principles and guidelines for policies that ensure financial plans that both meet the current needs and ensure the long-term ability of Minneapolis Area REALTORS® (MAR) to meet its mission.

The objectives of these policies are as follows:

- To ensure that the organization operates within its financial resources.
- To provide a framework for financial planning, budgeting, and reporting.
- To outline the importance of financial reserves and provide guidelines for maintaining adequate reserves and conditions of their use.
- To establish a clear understanding of the Board of Directors' investment policies and objectives for investing funds.
- To ensure that financial decisions are made in the best interests of the association and utilize members' dollars in a way that serves the mission.

It is the intent of this statement to provide fiscal policy objectives that are sufficiently specific to be meaningful, but sufficiently flexible to be practical. These objectives are designed to establish an attitude and philosophy, which will guide the management of financial matters by the MAR management team, Executive Committee, Finance Committee, and Board of Directors.

Roles and Responsibilities:

The following roles and responsibilities are established for the management of the organization's financial resources:

- The Board of Directors and CEO are responsible for the overall financial management of the organization. The Board appoints a Finance Committee of the Board to work closely with the Treasurer and management team in the reporting and approval process.
- The Chief Administrative Officer, functioning as CFO, along with the Senior Manager of Finance & Accounting are responsible for managing the day-to-day financial operations of the organization. This includes the relationships with banking and investment partners.
- The Finance Committee and Board are responsible for reviewing and approving the annual budget, financial statements, audit, and financial policies.
- The Finance Committee will be responsible for overseeing the management of reserves. To effectively utilize these reserves a motion to the full Board of Directors must be made. A simple majority vote in favor of the initiative will be required for approval.
- The investment advisor is responsible for managing the MAR and MAR Foundation portfolios within the guidelines of the investment policies established.

Financial Planning and Reporting:

Annually, the organization will review the liquidity, reserve, and investment policies, create and approve a budget that aligns to targeted levels outlined in those policies, and will report variance against budget as well as variance against reserve targets throughout the year. These documents are

drafted by management, reviewed, and approved by the Finance Committee and the Board of Directors. Annual financial statements will be approved by the Board of Directors through the audit process.

Review of Policy

These policies will be reviewed every year, at minimum, by the Finance Committee, or sooner if warranted by internal or external events or changes. Changes to the policies will be recommended by the Finance Committee to the Board of Directors.

Liquidity Policy

The purpose of this policy is to ensure that there will be access to funds to accomplish the mission and that organization is not holding on to too much cash.

Liquid account(s) should maintain a reasonable balance, not to be lower than 25% of the annual MAR operating expense budget. MAR operating expense budget definition excludes the MLS Access Fees. If the minimum is not met, the liquid accounts should be replenished by transferring from the reserve accounts. Excess over 40% of the annual MAR operating expense budget excluding MLS Access fees should be transferred to a reserve account minimally on an annual basis once the budget is set for the fiscal year.

Reserve Policy

MAR's Reserve Policy outlines the purpose, goals, and mechanics for maintaining and using reserve funds so that the organization is prepared for any unanticipated or one-time expenses or strategic opportunities that further the mission.

Mid-Term Reserve

The purpose of the mid-term reserve is to create an internal line of credit to manage cash flow and maintain financial flexibility. This reserve can sustain basic operations and core member services for a minimum of 6 months in the event there is a decline in a major revenue source.

The organization will maintain 50% of the annual MAR operating expense budget excluding the MLS Access Fees for near to mid-term use (approximately 1 – 2-year horizon). If the minimum is not met, the accounts should be replenished by liquidating from the long-term reserves to close the gap. Excess monies over 75% should be transferred to long-term reserves on an annual basis, at minimum once the budget is set.

Long-Term Reserve

The purpose of the long-term reserve is to cover operational expenses due to unanticipated challenges or opportunities. This reserve can fund one-time strategic initiatives or capital improvements to serve members better.

The organization will maintain longer-term reserves (3+ year time horizon) with up to 100% of the MAR annual operating expense budget excluding the MLS Access Fees

Should MAR exceed the maximum reserve, the CEO will bring forward recommendations to the Finance Committee and the Board of Directors for how to allocate the excess funds.

Investment Policy:

Note: Our current investment policy is documented in a free-standing document. An updated investment policy will be added to this document in 2023 Q3 to replace the current policy.

Review History

Creation date: 6/22/2023
Last revised date: 6/22/2023

INVESTMENT POLICY OF MINNEAPOLIS AREA REALTORS (MAR)

LIQUIDITY & RESERVE INVESTMENT POLICY

PURPOSE OF INVESTMENT POLICY

The purpose of this Investment Policy is to provide a clear statement of the MAR's investment objectives for its liquidity and reserve funds and to identify or provide target asset allocations, permissible investments, and diversification requirements. This is an addendum to the document that covers Roles and Responsibilities, Financial Planning and Reporting, and Liquidity and Reserve Policy.

DIVERSIFICATION

- MAR will always maintain a reasonable diversification of investment assets between asset classes and investment categories.
- Investments within the investment portfolio should be readily marketable.
- Any investment that is not expressly permitted under this Policy must be formally reviewed and approved by the Directors.

ASSET ALLOCATION

The asset allocation policy shall be predicated on the following factors:

1. Historical performance of capital markets adjusted for the perception of the future short and long-term capital market performance.
2. The correlation of returns among the relevant asset classes.
3. The perception of future economic conditions, including inflation and interest rate assumptions.
4. Liquidity requirements.
5. The relationship between the current and projected assets of the MAR and projected liabilities.

ALLOCATION RANGES

Liquidity Policy – Purpose: Capital Preservation

Permissible investments include money markets and short-term CD's and government securities with maturities of one year or less.

Mid-Term Reserve Policy – Purpose: Capital Preservation

Permissible investments include money markets, CD's and government securities with maturities of two years or less, and short-term bond funds and ETF's with durations of less than two years.

Long-Term Reserve – Purpose: Maximize Returns with Prudent Levels of Risk

Asset Allocation Range	Target	Range
Cash & Equivalents	10%	5-30
Fixed Income	40%	30-60%
Equities: Domestic Large Cap	30%	10–35%
Equities: Domestic Small-Mid Cap	5%	0–10%
Equities: International	15%	0–20%

Review History

Creation date: 7/20/23
Last reviewed date: 8/17/23 approved by Board of Directors

MAR Corporate Expense Policy

11/6/25: BOD approved per Finance Committee recommendation, replacing policy last adopted by BOD in December 2022.

12/15/22: BOD approved per Finance Committee recommendation, replacing policy last adopted by BOD in May 2020.

Review/Oversight of CEO Expenses

1. CEO reimbursable expenses and charges on the corporate credit card must be substantiated with itemized receipts and submitted on a monthly basis.
2. CAO reviews documentation and related business need. CEO is reimbursed and corporate credit card payments are made based on this review. CAO brings any concerns to the Treasurer, if necessary.
3. CAO emails the Treasurer monthly with total for the month between reimbursable expenses and corporate credit card expenses along with general description of what expenses are related to.
4. Treasurer can request any expense detail for CEO or any other MAR expense at any time and will be granted full access to any/all details requested.

Review/Oversight of MAR expenses

1. Reimbursable staff expenses and charges made on corporate credit cards are reviewed and approved by management as they are submitted on a monthly basis.
2. Treasurer can request any expense detail for MAR expense at any time and will be granted full access to any/all details requested.
3. Management is responsible for maintaining written employee expense policies. Treasurer can request to review current expense policies and processes at any time.

Volunteer Leadership Benefits and Travel Expenses

1. Volunteer Reimbursement
   a. All travel and other meeting expenses incurred must be submitted within 30 days of travel on the MAR Expense Reimbursement Form and include original receipts (credit card statements not accepted as receipts), in order to be eligible for reimbursement. Any request received after 30 days will be denied. Exceptions are considered on an individual basis by the Treasurer in consultation with the Executive Committee when needed.
   b. Members eligible for a travel allowance from another organization (i.e., NAR, MNAR, or RMLS) are eligible for secondary reimbursement for actual expenses not covered by the organization for which they are travelling.

2. Travel Allowances
    a. Stipend up to $3500 based on number of nights of stay, at $700 per night (5 nights).
        i. MAR reserves the right to require a flight receipt or hotel invoice to verify the number of nights at the conference.
        ii. Volunteers have the option to have their hotel prepaid by MAR and deducted from the stipend total.
        iii. Covered for:
            1. President: To attend NAR Annual Convention, NAR Midyear Legislative Meetings, 1 meeting of their choice (Inman, CMLS, NAR Broker Summit, CRS).
            2. President-elect: To attend NAR Annual Convention, NAR Midyear Legislative Meetings and NAR Leadership Conference.
            3. Executive Committee (Secretary, Treasurer, Immediate Past President): To attend the NAR Annual Convention and Midyear Legislative Meetings.
            4. MAR Appointed NAR Director: To attend NAR Annual Convention and Midyear Legislative meetings.
            5. MAR scholarship winners for NAR Midyear Legislative meetings.
        iv. Can be used for:
            1. Airfare and travel expenses.
            2. Lodging: 5 nights for NAR conferences.
            3. Conference registration fee prepaid for by MAR, or reimbursable with receipt.
    b. Stipend
        i. Covered for:
            1. NAR committee members to NAR Annual Convention, NAR Midyear Legislative Meetings, amount 1,500/conference.
            2. Government Affairs Committee chair and Fran Davis Advocacy scholarship recipient for NAR Midyear Legislative Meetings, amount $2,000.
3. Officer Stipend – to defray out-of-pocket costs related to service
    a. The Board President receives an annual stipend of $5000 payable in two equal installments in January and December.
    b. The Board President-elect receives an annual stipend of $2500 payable in two equal installments in January and December.

Policy Review

This policy will be reviewed at least once every three years. Last review date: October 30, 2025.

MAR Charitable Contributions Policy

12/11/25: BOD approved per Finance Committee recommendation

Purpose

MAR strives to support members' giving back to their community and carries out this not only through its MAR Foundation, but through charitable contributions to initiatives and organizations aligned with MAR's mission and values.

Process:

- During Q4, the Finance Committee will review the estimated pre-tax net income for the year and make a recommendation to the Board for charitable contributions.
- The maximum to be allocated is 10% of pre-tax net income or $100,000, whichever is higher.

Rationale:

- Previous practice was to include charitable donations in the budget process, and this policy separates that to ensure there is profit available to donate at the year-end.
- The MAR Foundation now has a large enough investment portfolio to self-fund much of its grant-making work.
- As a non-profit, MAR does not need to generate net income but is responsible for self-sustaining operations and growth through current income and reserves.
- The association and its members benefit from strategic charitable donations, including the financial support of the MAR Foundation.
- There may be tax benefits through charitable donations, and the timing of this review allows for that analysis.

Policy Review

This policy will be reviewed at least once every three years on the same cycle as the other financial policies (liquidity and investment reserves policy, corporate expense policy).