

**ARBOR REALTORS®****Financial & Accounting Controls Policy****Purpose**

This policy establishes financial and accounting control measures to safeguard ARBOR REALTORS®' assets, ensure transparency, and minimize risk of fraud or misuse.

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**1. Banking Policy**

- **Authorized Signers:**
    - Only the **President, President-Elect, Secretary/Treasurer and CEO** are authorized to approve expenditures.
    - Two signatures are required on all checks above \$1,500 or any checks that have not been previously budgeted.
  - **Access & Security:**
    - The Frost Bank signature card (all bank signature cards) is restricted to CEO and approved members of the Board of Directors.
    - Authorization to sign checks to approve expenditures does not include access to bank and investment account logins.
    - Bank statements shall be available to the CEO, Budget & Finance Committee, auditors and accountants.
    - Staff and accountants have access to view accounts online.
  - **Transaction Oversight:**
    - Monthly reconciliations will continue to be performed by the accountants and reviewed by the Secretary-Treasurer, ARBOR CEO, and Budget & Finance Committee.
    - ALL ACH transactions through Bills.com must be approved by CEO and reviewed by accountants.
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**2. Accountant Communication**

- **Reporting & Oversight:**
  - Accountants must provide monthly reports (budget vs. actuals, reconciliations, and cash balances) to the CEO, Secretary-Treasurer, and Finance Committee.

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**2. Accountant Communication**

- **Reporting & Oversight:**
  - Accountants must provide monthly reports (budget vs. actuals, reconciliations, and cash balances) to the CEO, Secretary-Treasurer, and Finance Committee.

- Annual independent audit or financial review will be conducted.
  - **Point of Contact:**
    - The CEO remains the point-of-contact between the BOD and the accountants.
    - Board members may address questions during the **financial presentation at Board of Directors meetings.**
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### 3. Bills.com (Accounts Payable)

- **Invoice Processing:**
    - Staff scans invoices into system (Bruin/Bill.com).
    - Payments up to \$1,500 require CEO approval (previously budgeted).
    - Expenditures over \$1,500 require approval from the **CEO plus one officer (President, President-Elect, or Secretary-Treasurer), unless previously budgeted.**
  - **Vendor Management:**
    - All new vendors must be verified and approved by the CEO.
    - Vendor banking changes must be independently confirmed before payment.
  - **Access Control:**
    - Staff: input only.
    - CEO: approval authority.
    - Officers: dual authorization for large payments.
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### 4. Onsite Check Cutting Policy

- **Issuance:**
  - Checks may only be prepared onsite by ARBOR accounting staff.
  - Only the **CEO, President, President-Elect, and Secretary-Treasurer** may sign.
  - Blank or pre-signed checks are highly discouraged.
- **Dual Signature Requirement:**
  - Checks over \$1,500 must have **two approved signatures.**
- **Check Register:**

- All in-house checks must be recorded in a register.
  - The register will be reconciled monthly and reviewed quarterly by the Finance Committee.
  - **Security:**
    - Check stock is to be locked and accessible only to the CEO and ARBOR accounting staff.
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## 5. Association Management

- **Segregation of Duties:** Initiation, approval, and reconciliation must be performed by different individuals.
- **Surprise Audits:** The Budget & Finance Committee may perform random quarterly reviews of transactions and review account statements.
- **Board Oversight:** This policy will be reviewed annually by the Risk Management Committee.
- **Violations:** Failure to follow this policy may result in disciplinary action, including termination or removal from office.

**Whereas**, the Bylaws of the Arlington Board of REALTORS® (ARBOR) establish the framework for committee structures and

**Whereas**, the Board of Directors, as the governing body, holds the fiduciary responsibility to act in the best interests of the Association and its members; and

**Whereas**, pending legal challenges have created vulnerabilities in the Association's governance, exposing the Association to increased legal and operational risk; and

**Whereas**, certain individuals currently serving in officer positions were appointed by court order and are using their positions on the Executive Committee and Board of Directors in ways that may further their legal actions against the Association, thereby undermining the effectiveness and integrity of governance;

**Therefore, be it resolved**, that the Board of Directors adopt the revised committee structure as presented to strengthen governance, protect the Association from liability, ensure alignment with fiduciary duties, and ensure the continuity of governance and operational integrity.

**I move that the Board of Directors approve the adoption of the revised committee structure as presented.**

## **Risk Management Committee**

### **Purpose:**

Protect the association and its members through oversight of compliance, professional standards, and risk mitigation in addition to ensuring the operational effectiveness, fiduciary oversight, and strategic alignment of the association.

### **Composition:**

A closed committee (unless stated otherwise) comprising of BOD appointed members as follows:

- One (1) Past-President
- One (1) Member of Executive Committee
- One (1) Board of Directors Member
- One (1) Texas REALTORS® Director
- One (1) At-Large Member

### **Subcommittees**

- **Professional Standards & Ethics** – oversees enforcement of the Code of Ethics.
- **Legal & Policy Review** – reviews contracts, insurance, and compliance with governing documents.
- **Leadership Succession:** Continuity plans for board officers and Directors.
- **Bylaws & Policy Adherence:** Regular review of governing documents to avoid misalignment with state law or NAR/TRL standards.
- **Facilities & Building Advisory:** Provides guidance on the maintenance, improvement, and utilization of association facilities.
- **IT & Cyberthreats:** Advises on technology infrastructure, data protection, and cybersecurity protocols. Identifies risks, recommends safeguards, and ensures compliance with best practices for member and association data security.

### **Responsibilities:**

- Identify organizational, legal, and reputational risks.
- Recommend policies and procedures to mitigate risks.
- Provide education and resources to members on best practices and legal compliance.

### **Scope:**

This committee ensures that both the association and its members operate with integrity, compliance, and professionalism. It safeguards the association's resources and leadership capacity, ensuring stability and sustainability.

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## **Community Advocacy Committee**

### **Purpose:**

Promote REALTOR® and homeowner interests through advocacy, community engagement, and political involvement.

### **Composition:**

A closed committee (unless stated otherwise) comprising of BOD appointed members as follows:

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- One (1) At-Large Member

### **Subcommittees:**

- **Government Affairs Subcommittee (open committee)**
  - Tracks legislative and regulatory issues impacting real estate.
  - Coordinates advocacy campaigns and REALTOR® Day at the Capitol.
- **Community Relations Subcommittee (open committee)**
  - Oversees outreach, public relations, and community service initiatives.
  - Builds partnerships with local organizations and municipalities.
- **TREPAC Subcommittee (open committee)**
  - Plans fundraising events for the Texas REALTORS® Political Action Committee.
  - Encourages voluntary investments and educates members on the importance of political advocacy.
- **Candidate vetting and Interviewing subcommittee (closed committee)**
  - Reviews and interviews candidates for elected office or endorsement.
  - Evaluates candidate positions on real estate, property rights, and community priorities.
  - Provides recommendations to the Board of Directors.
  - Membership includes active members of the Government Affairs and Community Relations Committees, appointed by the Board of Directors.

### **Scope:**

This committee ensures REALTORS® remain the trusted voice for real estate by engaging both members and the public in advocacy.

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## Proposed Changes by CEO that are Alarming

At the Executive committee meeting, August 25, the CEO presented changes to Policy and Procedure, Changes to Bylaws and a new Committee and Agreement to Serve on the Board of Directors.

The most alarming is the change that a director has no fiduciary responsibility to members of the Board; a Directors' fiduciary is to the Association!

A proposed change to Article XIII about committees.

A proposed change regarding ARBOR finances includes: 1) the signature card must be signed by the CEO and another Director; 2) any reviews or questions about financial concerns must be made at Board of Directors. (This would be a violation of Texas State law.) 3) and many other changes that grant powers to the CEO that are not part of his duties as an employee.

He prepared motions for a director or officer to present to the Board of Directors this coming Thursday, August 28. The changes are radical.

### Table of attachments:

- 02 Motion to approve Financials & Accounting Controls
- 02b The Financials & Accounting Controls details; 3 pages
- 03 Motion to adapt revised committee structure
- 03b New Risk Management Committee
- 04 New Agreement to serve on the Board of Directors

**Whereas**, the Bylaws of the Arlington Board of REALTORS establish that the Board of Directors is the governing body and holds fiduciary responsibility to safeguard the assets of the Association; and

**Whereas**, the ARBOR's previously adopted written financial and accounting control policies, leaves procedures vulnerable to challenge and potential misuse; and

**Whereas**, pending legal challenges have created additional vulnerabilities in Association governance, underscoring the need for clear, documented safeguards for financial integrity; and

**Whereas**, the fiduciary duty of the Board of Directors is to the Association as a legal corporate entity, and not to individual members or groups of members, and such duty requires protecting the Association from actions that may be adverse to its interests; and

**Whereas**, individuals currently serving in officer positions who are also plaintiffs in litigation against the Association must not have unrestricted access to financial accounts, funds, or resources that could be used against the Association they are legally and ethically bound to protect;

**Therefore, be it resolved**, that the Board of Directors adopt the Financial & Accounting Controls Policies, establishing formal written procedures governing banking protocols, communication with accountants, payment processing, and issuance of checks. This new policy is designed to ensure the safety, security, and integrity of ARBOR's financial operations; and

**Be it further resolved**, that access to financial accounts, records, and sensitive information shall be restricted in accordance with fiduciary obligations, and established herein, ensuring that no officer or director may exploit such access in a manner adverse to the Association.

**I move that the Board of Directors approve the adoption of the Financial & Accounting Controls Policies as presented.**

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- **Violations:** Failure to follow this policy may result in disciplinary action, including termination or removal from office.

# AGREEMENT TO SERVE ON THE BOARD OF DIRECTORS

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This Agreement to Serve on the Board of Directors (the "Agreement") is made and entered into this (date) \_\_\_\_\_, by and between the Arlington Board of REALTORS®, a Texas non-profit corporation ("ARBOR" or the "Association"), and \_\_\_\_\_ ("Officer"/"Director").

WHEREAS, the Officer/Director has been duly elected or appointed to serve on the ARBOR Board of Directors (the "Board"); and

WHEREAS, ARBOR and the Officer/Director acknowledge the importance of the Officer/Director's commitment to ARBOR's mission and the faithful discharge of the Officer/Director's fiduciary duties;

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties agree as follows:

## **1. Acceptance of Board Service:**

The Officer/Director agrees to serve on the Board of Directors for the Arlington Board of REALTORS®.

## **2. Fiduciary Duties:**

The Officer/Director acknowledges that their fiduciary duty is owed to the Arlington Board of REALTORS® as a corporate entity, and not to any individual member, group of members, or external interest. While Directors serve the Association's members by advancing ARBOR's mission, their legal obligation is to always act in the best interest of the Association as a whole.

The fiduciary duties include:

- Duty of Loyalty: To act in good faith and in the best interest of ARBOR, avoiding conflicts of interest and self-dealing.
- Duty of Care: To exercise the level of care an ordinarily prudent person would use under similar circumstances.
- Duty of Obedience: To act in accordance with ARBOR's mission, bylaws, and applicable laws, in addition to abiding by the National Association of REALTORS®' Code of Ethics.

## **3. Responsibilities and Commitments:**

The Officer/Director agrees to:

- Attend and actively participate in all Board meetings.
- Respect parliamentary procedure and conduct themselves professionally.
- Maintain confidentiality, especially regarding executive sessions.
- Support Board decisions, even when not in unanimous agreement.
- Promote ARBOR's mission and initiatives constructively.



# AGREEMENT TO SERVE ON THE BOARD OF DIRECTORS

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- Disclose any actual or potential conflicts of interest.
  - Oversee the financial health of the Association.
  - Remain informed on ARBOR matters by reviewing reports and materials.
  - Serve on at least one ARBOR committee or workgroup.

#### 4. Association's Responsibilities to the Officer/Director:

ARBOR agrees to:

- Provide relevant information on programs, policies, and financial matters.
- Offer opportunities for dialogue with the Executive Leadership Team.
- Answer Officer/Director inquiries in a timely and transparent manner.
- Work collaboratively to achieve ARBOR's strategic goals.
- Maintain Directors & Officers (D&O) liability insurance.

#### 5. Governing Documents:

The Officer/Director agrees to be familiar with and abide by ARBOR's governing documents, including the Articles of Incorporation, Bylaws, and Policies and Procedures Manual.

#### 6. Removal and Resignation:

Consistent failure to attend Board meetings may constitute grounds for removal or be considered a de facto resignation, pursuant to ARBOR's Bylaws and Texas law.

Further, any Officer/Director who is unwilling or unable to uphold the fiduciary duties, responsibilities, or commitments outlined in this Agreement is expected to voluntarily resign from their position. Failure to do so may result in formal removal procedures as permitted by ARBOR's governing documents and Texas law.

#### 7. Governing Law:

This Agreement shall be governed by the laws of the State of Texas.

#### 8. Signatures:

This Agreement may be executed in counterparts and shall be effective as of the date signed.

#### OFFICER/DIRECTOR:

Signature: \_\_\_\_\_ Printed Name: \_\_\_\_\_

Date: \_\_\_\_\_