

March 12, 2018

TO: Board of Directors
FROM: Heller An Shapiro, Doreen Cronrath
RE: Finance Policy for Review

Background:

The MD Nonprofits “Standards of Excellence” Finance and Operations Guiding Principle is: *Nonprofits should have sound financial and operational systems in place and should ensure that accurate records are kept. The organization’s financial and non-financial resources must be used in furtherance of tax-exempt purposes. Organizations should conduct periodic reviews to address accuracy and transparency of financial and operational reporting, and safeguards to protect the integrity of the reporting systems.*

Internal Controls and Financial Policies:

“Nonprofits should have written financial policies that are adequate for the size and complexity of the organization. These policies should address investment of the assets of the organization, internal controls, purchasing, and unrestricted net assets.”

PROPOSAL: Designate an amount for un-budgeted disbursements to be approved by the Board/Chair Vice President and/or Board of Directors.

II. Check Disbursements (page 3)

B. All funds available for disbursement must be within a budgeted line item. If additional funds are required beyond those which have been previously approved by the Board of Directors, these disbursements must be approved as follows: **Additional funds up to \$10,000 must be approved by the Board Chair and Vice President. Additional funds over \$10,000 must be approved by the Board of Directors.** Checks will be processed at least twice a month on the fifteenth and thirtieth. All invoices must be approved by the Executive Director or authorized program manager before checks can be processed.

PROPOSAL: Should a Board Member sign off on vouchers for unbudgeted expenditures over a certain amount?

III. Check Signing (page 4)

G. The Treasurer or Chair must sign off on vouchers for checks over \$5,000, unless the expenditure was already approved in the budget, or is a transfer of funds between existing accounts.

PROPOSAL: What is the minimum amount for a purchase that would require two or more bids?

VII. Purchasing (page 6)

B. For purchases in amounts above \$3,000, a minimum of two bids from different vendors shall be obtained before approval to purchase can be granted.

PROPOSAL: How often does the Board want to review the Financial Statements?

VIII. Bi-Monthly/Quarterly Financial Statements (page 6)

Policy:

ArtStream policy is that the Executive Director shall cause bi-monthly and quarterly financial statements to be prepared. The quarterly financial statements shall show the financial position and results of operations for the current period, year-to-date, and previous year comparison.

PROPOSAL: Following review of the Financial Statements at Board meetings, the Board can move to approve them.

VIII. Bi-Monthly/Quarterly Financial Statements (page 7)

B. The bi-monthly financial statement shall be submitted to the Board of Directors no later than two weeks prior to the scheduled Board meeting for review and approval. The Treasurer's review may include comparisons with bank records.

PROPOSAL: Should the Treasurer/ alternate Board member receive notice of outstanding items?

XII. Bank Reconciliation (page 9)

D. Any item outstanding for more than 90 days is to be brought to the attention of the Treasurer within 30 days.

PROPOSAL: For a Board or staff member who needs a personal assistant to attend a required event, should ArtStream reimburse that cost?

XV. Board or Staff Member Reimbursement (page 11)

N. Reimbursement for pre-authorized personal assistant services necessary for attendance at a required ArtStream event will be approved if properly documented. Appropriate documentation includes an invoice from a personal care provider.

Rationale:

The Financial Policies will guide ArtStream's auditors, grantors, staff and volunteers in managing financial resources accurately. The Policies will aid staff and volunteers in making decisions and understanding reimbursement procedures.

ArtStream

Policies and Procedures FINANCIAL MANAGEMENT

I. Check/Cash/Credit Card Receipts

Policy:

Checks, cash and/or credit card merchant batch header ticket and sales slips shall be deposited into ArtStream's depository bank on a daily basis.

Procedure:

A. Donations/Other Receipts by Check

The Programs Coordinator (PC) shall:

1. Open all incoming mail, with the exception of bank or credit card statements, and reports from the payroll processor, which shall be opened and reviewed by the Executive Director.
2. Checks and any accompanying letter or form (source document) shall be separated from other mail for processing. The source document shall be date stamped with the check number and amount received recorded on its front, unless the source document is a form required to be completed and returned to sender. In that case, fill in blank areas on the form, make a photocopy after completing, then date stamp, record check number and amount received on the photocopy before mailing the original. Endorse check(s) on the reverse side with the restrictive endorsement "For Deposit Only" stamp, along with the date stamp in the designated area.
3. Tally the day's receipts on a calculator tape, photocopy all checks received (in alpha order), attach the tally tape and any source documents/forms to the photocopied checks listing page(s).
4. Record donations and tuition payments, ticket sales, and program ad receipts into the database (CiviCRM) daily.
5. Place the Checks Listing Pages (original checks, source documents and photocopied check listing page(s) into deposit folder and hand to the Director of Finance and Administration (DF&A).

The DF&A shall:

6. Record the receipts into the accounting system by type (Accounts Receivable,

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donations/grants, or sales items).

7. Create a calculator tape of the receipts to match against that attached to the Checks Listing Page(s), prepare a deposit showing the name of the check signer (alpha order) the check number, and the amount. Print the deposit slip and attach tallied calculator tape to the deposit slip.
8. Compare the deposit slip listing to the Checks Listing Page(s). Return Checks Listing Page(s) to the PC for filing. The DF&A will retain the deposit slip for reconciling the bank statements.
9. Deposit checks on a daily basis or no later than one day after receipt to ArtStream's depository bank to provide an up-to-date cash balance. Deposits may be made using a desktop scanner provided by the bank or delivered to the depository bank by a staff person.

B. Donations/Other Receipts Made by Credit Card

1. When a credit card charge enters the office, the PC shall put the credit card source document (e.g. the credit card holder's authorization to charge her/his account) into the current deposit folder.
2. When a Paypal or other electronic charge is transferred to the operating account, a record is kept in the current deposit folder.
3. At least weekly, the credit information shall be electronically authorized by the DF&A using the electronic authorization device. The credit receipt issued by the electronic authorization device shall be attached to the credit card source document. When completed, the credit card source documents shall be placed into the current deposit folder.

C. Donations/Other Receipts Made by Cash

10. Cash purchase payments (tickets/concessions/merchandise sales) shall be documented as to source. The PC shall recount the cash and match it to the Front of House Manager's report. A staff person shall deliver (in person) such receipts to ArtStream's depository bank for deposit on a daily basis or no later than one day after receipt. Cash payments received outside banking hours, or payments not yet reconciled, shall be secured in the ArtStream office safe.

D. Deposits

1. When the final donation/other receipt entry into the CiviCRM database is completed, the DF&A shall run a calculator tape of all checks to establish the total. Next, the Deposit report shall be generated from the CiviCRM database to show that the donation/other receipts entered into the CiviCRM database matches

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the check calculator tape.

2. Using the Deposit Report, the deposit shall be entered into QuickBooks. The deposit slip shall be completed and taken to ArtStream's depository bank electronically or in person by the DF&A. The deposit slip receipt shall be attached to the Bank reconciliation and shall be filed until needed at the end of the month for reconciliation. The date on the deposit slip receipt shall serve as the batch number. Donations earmarked for the Reserve Fund shall be transferred from the General Fund to the appropriate Reserve Fund within one (1) month of receipt of such Reserve Fund donation.
3. The Donation report, all copies of checks, and credit card charges, shall be filed by date of deposit. All source documents shall be filed by date of deposit.
4. The vendor (Eg: PayPal, Brown Paper tickets) purchase reports shall be reconciled to the processors report and payment. The source document and summary QuickBooks entry shall then be filed in the same deposit folder.

II. Check Disbursements

Policy:

- A. ArtStream policy is to make timely check disbursement to all entities once proper documentation of an incurred expense is established.
- B. All funds available for disbursement must be within a budgeted line item. If additional funds are required beyond those which have been previously approved by the Board of Directors, these disbursements must be approved as follows: **Additional funds up to \$10,000 must be approved by the Board Chair and Vice President. Additional funds over \$10,000 must be approved by the Board of Directors.** Checks will be processed at least twice a month on the fifteenth and thirtieth. All invoices must be approved by the Executive Director or authorized program manager before checks can be processed.

Procedure:

- A. All check disbursements must be reviewed, coded and initialed by the authorized program manager or DF&A, then approved by the Executive Director or Board Officer. A voucher or invoice shall be attached to each check request.
- B. All checks must be signed by any one of the authorized check signers. See exception for checks to be paid to the Executive Director, Section VI
- C. Once appropriate substantiation documentation is received, a check shall be generated indicating the amount, the payee and the date.
- D. When presenting a check for signature to the authorized check signer, back-up

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substantiation documentation shall be provided for review.

- E. All check disbursements shall be entered into the QuickBooks Accounting program and allocated to the correct budget line item category.

III. Check Signing

Policy:

Only pre-numbered checks with complete information and attached documentation are to be signed by the authorized check signers.

Procedures:

- A. All checks shall contain:
 - 1. Name of payee
 - 2. Check date
 - 3. Check number
 - 4. Amount, both alphabetically and numerically
 - 5. ArtStream name and address
 - 6. Authorized signature
- B. All checks submitted for payment must include appropriate substantiation documentation (voucher, invoice, receipt, expense report, receiving report if applicable, approved check request form, etc.).
- C. The following are the only authorized check signers:
Board Chair, Vice President, Immediate Past Board Chair, Treasurer, ArtStream Executive Director, and program managers authorized by the Board of Directors.
- D. Signature cards at ArtStream's depository bank shall accurately reflect the terms of this Check Signing Section.
- E. Checks written payable to an authorized check signer, or those which directly benefit a check signer (conference registration, subscription, travel payment, etc.) must be signed by a different authorized check signer.
- G. The Treasurer or Chair must sign off on vouchers for checks over \$5,000, unless the expenditure was already approved in the budget, or is a transfer of funds between existing accounts.

V. Expense Reporting

Policy:

ArtStream policy is to require a written expense report from each employee or volunteer (see

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section XVII) using his/her personal credit card or other payment method, or seeking reimbursement for out of pocket monies spent on behalf of ArtStream.

Procedure:

- A. Employees may make a credit card purchase of supplies or services on behalf of ArtStream by submitting a written request to the DF&A. Any credit card purchases in excess of \$500 shall be approved by the Executive Director. All credit card purchases in excess of \$1,500 in the aggregate in any one (1) calendar month period shall be approved by the Executive Director.
- B. All expense reports must be completed by the employee or volunteer within two weeks of activity or by the end of the month in which purchases on behalf of ArtStream were made or other expenses were incurred on behalf of ArtStream and shall be approved by the Executive Director.
- C. After approval of the expense report and substantiation documentation by the Executive Director, the appropriate reimbursements shall be made.
- D. All expense reports are to contain appropriate substantiation documentation. Receipts are required for all items except when expenses are below \$10 where receipts are not customarily provided. Where the expense report contains a charge for entertainment, said expenditure shall also be explained on the expense report. The elements of explanation required are: date, place, identity of the person(s) entertained, a description of the entertainment and the business purpose.
- E. All procedures set forth above, except for section 5A, shall also apply to any expenditures (approved by the Executive Director or the Chair) made by any member of the Board of Directors or volunteers working on behalf of ArtStream (see Section XVII).
- F. In situations when ArtStream contracts for the services of any volunteer or speaker, all procedures set forth above shall also apply.

VI. Executive Director Expenses

Policy:

ArtStream policy is to recognize that the Executive Director needs some flexibility with respect to monies spent on behalf of ArtStream.

Procedure:

- A. All policies and procedures outlined in the previous Section IV., Expense Reporting, are applicable with the following additions:
- B. All checks payable to the Executive Director must be signed by the Chair, Vice President,

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or Treasurer.

- C. When presenting a check for signature to the authorized check signer, back-up substantiation documentation shall be provided for review.
- D. All check disbursements shall be entered into the QuickBooks accounting program and allocated to the correct budget line item category.

VII. Purchasing

Policy:

- A. It is the policy of ArtStream that all goods and services are purchased at the best possible price.
- B. The purchasing function encompasses all goods and services acquired from outside sources that require vouchering and payment through the accounts payable function.

Procedure:

- A. All goods and services purchased shall be in accordance with approved budgeted line items and approved by the Executive Director.
- B. For purchases in amounts above \$3,000, a minimum of two bids from different vendors shall be obtained before approval to purchase can be granted.
- C. Where possible, prior to the purchase of goods and services, a determination shall be made by the Executive Director as to whether in-kind donations can be obtained in lieu of purchase.
- D. Invoices shall be paid only from original vendor invoices.
- E. Once paid, the date and amount of the purchase shall be entered into the QuickBooks accounting program (or other accounting program approved by the Finance Committee) and allocated to the correct budget line item category.
- F. Purchases shall be reviewed, at least quarterly, by the Treasurer.

VIII. Bi-Monthly/Quarterly Financial Statements

Policy:

ArtStream policy is that the Executive Director shall cause bi-monthly and quarterly financial statements to be prepared. The quarterly financial statements shall show the financial position and results of operations for the current period, year-to-date, and previous year comparison.

Procedure:

- A. The DF&A shall prepare bi-monthly financial statements which shall include a Budgeted Statement of Revenues and Expenditures. The bi-monthly financial statement format shall reflect budget line items and show comparison to the previous 12 months and explanation of material variances.

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- B. The bi-monthly financial statement shall be submitted to the Board of Directors no later than two weeks prior to the scheduled Board meeting for review and approval. The Treasurer's review may include comparisons with bank records.
- C. The DF&A shall prepare quarterly financial statements which shall include a balance sheet and income statement. The quarterly financial statement format shall reflect budget line items.
- D. Quarterly financial statements shall be submitted to the Board of Directors no later than 30 days after the close of each fiscal quarter.

IX. Annual Fiscal Year Audited Financial Statements

Policy:

The ArtStream financial statement will be audited on an annual basis by an independent certified public accounting firm selected and approved by the Board of Directors.

Procedure:

- A. The annual fiscal year audited financial statement shall consist of an independent Auditors Report, Statement of Financial Position, Statement of Activities, Schedule of Functional Expenses, Statement of Cash Flows, and Notes to Financial Statements. GAAP (Generally Accepted Accounting Principals) and FASB standards (Financial Accounting Standards Board) consistently applied. The annual fiscal year audited financial statement may also include a management letter from the certified public accountants.
- B. The annual fiscal year audited financial statement shall be completed no later than four (4) months after the close of the fiscal year.
- C. The annual fiscal year audited financial statement shall be submitted to the Board of Directors for its approval.
- D. The statement will be published in full on the ArtStream website no later than one (1) week after it receives the approval of the Board of Directors. The statement will be published, in part, in the Annual Impact Report no later than nine (9) months after the close of the fiscal year.

X. Budgeting

Policy:

It is ArtStream's policy that the Executive Director shall be responsible for the preparation of the annual budget for the upcoming fiscal year. The fiscal year of ArtStream runs from September 1 through August 31.

Procedure:

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- A. The annual budget shall include all projected revenue as well as all anticipated expenditures. The budget shall also include a separate budget for capital expenditures.
- B. The annual budget shall be presented to the Board of Directors for its review and approval at the Board of Director's July meeting, or for mail approval and subsequent review at the September meeting. No amounts other than those approved by the Board of Directors may be expended during ArtStream's fiscal year contemplated by the budget.
- C. If more than \$10,000 additional funds that were not budgeted for are required, Board of Directors approval is required before any expenditure can be made.
- D. Once the fiscal year has commenced, it is the responsibility of the Executive Director to identify potential requirements beyond the Board of Directors' approved amounts and to bring those to the Treasurer or Chair's attention as soon as known.
- E. It is the responsibility of the Treasurer or Executive Director to present any potential requirements to the Board of Directors for its approval.

XI. Payroll

Policy:

ArtStream policy is to pay employees only for time worked that is properly recorded and reviewed in accordance with the ArtStream Personnel Policies.

Procedure:

- A. Each non-exempt employee's supervisor and the Executive Director shall be responsible for the review of each employee's time worked. The DF&A shall be responsible for checking employee leave records prior to confirming payroll.
- B. The DF&A shall cause the payroll checks to be prepared for Direct Deposit.
- C. At his/her discretion, the Treasurer may review the personnel file of existing employees and compare salary data/leave records with the checks.

XII. Bank Reconciliation

Policy:

ArtStream policy is to reconcile all bank accounts monthly.

Procedure:

- A. Bank reconciliation is to be performed by the DF&A by the fifth (5th) working day after receipt of the monthly bank statements.

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- B. The Executive Director shall open the bank statement, examine the check signatures and recipients, then initial the bank reconciliation to indicate that the review has taken place and is approved.
- C. The monthly check register and bank reconciliation shall be available for review by the Treasurer and Board chair by the tenth (10th) working day after the receipt of the monthly bank statements.
- D. Any item outstanding for more than 90 days is to be brought to the attention of the Treasurer within 30 days.

XIII. ArtStream Credit/Charge Card

Policy:

- A. The Executive Director and Directors designated by the Executive Director shall maintain one (1) credit/charge card account in the name of ArtStream with a financial institution approved by the Board of Directors.
- B. The Executive Director or her/his employee designee shall be the only persons authorized to use the credit/charge card.

Procedure:

1. The credit/charge card shall be used for business related expenses only. No personal expenses shall be charged to the credit/charge card.
2. All credit/charge card invoices shall be paid in full on or before the invoice due date.
3. All credit/charge card charges must be supported by appropriate substantiation documentation.
4. The Executive Director reconciles all credit/charge card charges to documentation.

XV. Board or Staff Member Reimbursement

Policy:

ArtStream reimburses board or staff members for necessary and legitimate expenses incurred while conducting business or performing services on behalf of ArtStream, as authorized in advance by the Executive Director. When authorized by the Executive Director, members

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will be reimbursed for expenses related to educational or fundraising activities on behalf of ArtStream to the extent that reimbursement is not provided by other sources.

Board members are encouraged to cover as many of their ArtStream-related expenses as they can, as an in-kind donation to ArtStream. Board members who require assistance to accomplish their board duties, must stay within ArtStream's stated policy guidelines, and the policies and procedures described below.

Upon request, the DF&A will provide a letter documenting in-kind donations for individual tax filing purposes.

General Procedure:

- A. All reimbursement requests will be submitted on an Invoice or Expense Reimbursement Form and will include all necessary receipts.
- B. When travel is required, staff or Board members shall be reimbursed for the lowest available "coach" airfare. Staff and Board members are expected to schedule airline (and train) travel to take advantage of the lowest available fares for direct flights. Use of advance purchase discounts, non-refundable fares, and special promotional fares is encouraged. When the savings warrant, adjusting planned travel dates and extending hotel accommodations, resulting in additional expense, but lower total cost, would be approved as reimbursable. Service fees for exchanging tickets are usually not considered reimbursable.
- C. A staff or Board member who is unable to use a travel ticket obtained at ArtStream's expense will be responsible for using the ticket for other ArtStream business at a later date, or reimbursing ArtStream for the cost of the ticket within one year of the ticket's original date.
- D. Use of staff cars, taxis, airport and hotel shuttle services and bus and subway transportation shall be reimbursable expenses and should be selected on the basis of lowest cost, while taking into account circumstances such as mobility, accessibility, time of day, and personal safety.
- E. The use of rental cars requires advance authorization. Unless otherwise authorized, rental cars shall be selected according to lowest cost available.
- F. Hotel accommodation expenses will be reimbursed at the lowest single available rate. When sharing a double occupancy room, ArtStream will reimburse individuals at the lowest single available rate.
- G. Meals will be reimbursed at:
 - \$10 - breakfast
 - \$12 - lunch
 - \$25 - dinner

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\$47 - total daily meal allowance

- H. Generally, it is expected that if a meal is served as part of an event or activity, reimbursement will not be provided.
- I. Reimbursement for pre-authorized business entertainment expenses on behalf of ArtStream will be approved if properly documented. Appropriate documentation includes the name(s) and affiliation(s) of the person(s) entertained and an explanation of the business purpose and nature of the relationship.
- J. ArtStream will reimburse mileage costs at the current, published federal government rate when a personal car is used for ArtStream business, if requested. Documentation of mileage shall cite the start-and-end points and reason for the trip. If requested, a tool like mapquest may be used.
- K. In general, personal telephone calls are not considered reimbursable expenses. The use of cell phones to avoid hotel telephone surcharges is strongly encouraged.
- L. Personal expenses, such as in-room movies, service bars, etc. will not be reimbursed.
- M. If a board or staff member's family member(s) accompany him/her to an ArtStream function, the board or staff member will be responsible for any additional costs incurred by the family member(s), including travel, hotel and meals.
- N. Reimbursement for pre-authorized personal assistant services necessary for attendance at a required ArtStream event will be approved if properly documented. Appropriate documentation includes an invoice from a personal care provider.

XVII. Teaching Artist Reimbursement

Policy:

Expenses related to class or rehearsal artistic supplies may be reimbursed by ArtStream based on the signed contract and pre-approval. An expense voucher must be submitted with appropriate documentation, no later than one (1) month after the activity.

Procedure:

- A. Expense vouchers should be submitted to ArtStream as part of Teaching Artist's hourly regular invoice.

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