



Accounting Policies & Procedures

Approved by the Finance Committee of Cain Center for the Arts 2017

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Statement of Purpose

The purpose of the accounting policies manual is to facilitate and ensure proper accounting policies are followed and internal controls are maintained by the Cain Center for the Arts.

Management of Cain Center for the Arts recognizes the importance of internal accounting and administrative control systems in establishing accountability to contributors and other grantor agencies.

Management's perceptions of its responsibilities for the internal control environment are:

- Maintaining an attitude of internal control consciousness throughout the organization
- Ensuring adherence to the policies detailed in this manual

Introduction

The accounting policies manual has two major objectives:

- Provision of a logical approach to the execution of policies related to recording financial transactions
- Ensuring that adequate internal controls are maintained in the organization.

Accounting Policies

This manual provides guidelines for recording and reporting financial transactions. Step-by-step procedures for handling transactions are outlined in the Work Instructions for each function.

Internal Control

Internal control includes methods and procedures adopted by management to ensure that:

- resources are used consistent with laws, regulations, and organizational policy
- resources are safeguarded against loss and misuse
- reliable accounting and operating data is obtained and fairly disclosed in reports

The internal control and structure of an organization consists of a control environment, an accounting system, and control procedures. Control features are built into the organizational and personnel practices; financial and budgetary reporting; fiscal monitoring; and the design of the accounting system.

Adherence to the policies and procedures set out in this manual are useful tools for maintaining a sound financial management system. However, changes in the conditions may warrant modifications to these procedures.

General Policies

Fiscal Year

The fiscal year of Cain Center for the Arts is the twelve-month period beginning July 1 and ending June 30.

Revenue Recognition

Contributions are recognized as revenue when the gift is both reasonably assured of being received and when the amount to be received is determinable.

Gifts will be recognized as revenue when the donor makes payment or when the donor notifies Cain Center for the Arts of the amount of the gift in writing, whichever comes first.

Events will be recognized as revenue when Cain Center for the Arts receives notification of event sponsorship or when it is possible to reasonably determine the value of ticket or registration revenue.

In-Kind gifts of goods or services used in the course of operations that would otherwise have to be purchased by Cain Center for the Arts are recorded as In-Kind Revenue. Invoices and/or Donation Receipts for these types of goods & services in excess of \$100 or more (i.e. maintenance services, gift cards, office equipment, etc.) are given to the Accounting Firm for recording into IntAcct. In-Kind donations for high volume/low value items (i.e. pantry goods, cleaning supplies, toiletry items, etc.) are not recorded as In-Kind Revenue.

Expenditures

Expenditures are recorded on an accrual basis.

Capital Assets Purchased

Capital items purchased for a value of \$1000.00 or more are capitalized and depreciated over the estimated useful life of the asset. A listing of Fixed Assets is maintained in Intacct.

Tax Status

Cain Center for the Arts is registered as a nonprofit North Carolina Corporation and has obtained 501 (c) (3) status. IRS Form No. 990 must be filed with the IRS before the fifteenth day of the fifth month (November 15th) following the end of the fiscal year. From time to time the organization may choose to extend at the discretion of the board as allowable by law.

Control Environment

Organization and Personnel Practices

Cain Center for the Arts has an organization chart that defines the composition and structure of the governing body, the executive personnel, and the staff. The organization structure has been developed in such a manner that it facilitates planning, directing, and controlling operations.

The authority and responsibility within the organization is appropriately assigned.

The members are appointed to the Board and any related committees on the basis of the by-laws.

As specified by the by-laws, meetings of the Governing Board and/or committees are conducted on a periodic basis.

Conflict of Interest

Cain Center for the Arts has a Conflict of Interest Policy to protect the interest of Cain Center for the Arts when it is contemplating entering into a transaction or arrangement that might benefit the private interest of a board member or employee of the organization. Board members and employees of Cain Center for the Arts owe a duty of loyalty to the organization which requires that in serving Cain Center for the Arts they act, not in their personal interests or in the interests of others, but rather solely in the interests of Cain Center for the Arts.

This stated conflict of interest policy requires all board members, officers, and key staff members who could influence a decision to disclose any self-interest they may have in any transactions affecting Cain Center for the Arts. Cain Center for the Arts requires that any conflicts or potential conflicts be reported to the board chairman or the staff member's supervisor immediately.

Such conflicts will be submitted in writing and reviewed in the board meeting and documented in board minutes.

Conflicts of Interest that must be considered are outlined below:

- An ownership interest in a vendor that Cain Center for the Arts buys goods or services from. Receiving anything that could be deemed a kickback from a third party dealing with Cain Center for the Arts – including personal gifts or favorable term loans.

- Owning stock or property or other proprietary interests in a third party that deals with Cain Center for the Arts, or holding interest in real-estate that the organization may consider leasing or buying.
- Using Cain Center for the Arts non-profit status or resources including personnel, equipment and supplies for things other than Cain Center for the Arts programs or activities.
- Spending staff time during normal business hours on personal business or working for others to receive compensation for services for individual transactions that involve or work to the detriment of Cain Center for the Arts.
- Contact with donors, funders, participants or other supporters, media, other non-profits and associations that may influence or cause harm to Cain Center for the Arts operational policies and procedures.

Please refer directly to the *Conflict of Interest Policy* in the Cain Center for the Arts Board of Directors Handbook.

Whistle Blower Protection

Officers, directors and employees of Cain Center for the Arts are expected to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. Written policies regarding internal controls will be consistently followed and enforced by Cain Center for the Arts Board of Directors.

- **Reporting Responsibilities and Procedure**

Cain Center for the Arts has an open door policy and suggests that employees share their questions, concerns, suggestions or complaints with their supervisor. Employees, donors, and board members of Cain Center for the Arts are required to report any concerns regarding inappropriateness with the entity's financial management. Complaints or concerns by employees may be addressed by the Executive Director. Should the complaint involve the Executive Director or a Board member, such complaints are to be directed to the entity's designee who should also serve as a member of the Executive Committee of the Board. For purposes of Cain Center for the Arts this designee will be the entity's Chairman of the Finance Committee.

- **No Retaliation**

No punishment for reporting problems or concerns - including firing, demotion, suspension harassment, failure to consider the employee for promotion, or any other kind of discrimination is allowed. Even if the claims are unfounded, the entity will not reprimand the employee. All complaints will be investigated thoroughly and appropriate action taken and documentation provided. Cain Center for the Arts Board of Directors shall be advised of complaints, findings of the investigation and corrective action. Anyone filing a complaint concerning a violation or suspected violation of the Code of Conduct or Conflict of Interest must be acting in good faith and have reasonable grounds for believing the information disclosed indicated a violation. Any allegations that prove not to be substantiated and which prove to have been made maliciously or knowing to be false will be viewed as a serious disciplinary offense, up to and including termination of an employee or board member.

- **Confidentiality**

Violations or suspected violations may be submitted on a confidential basis by the complainant or may be submitted anonymously. Reports of violations or suspected violations will be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation. The complainant will receive acknowledgment of the receipt of the complaint.

- **Accounting and Auditing Matters**

Cain Center for the Arts's Executive Director or designee will notify the Finance Committee of any concerns or complaints regarding the organization's accounting practices, internal controls or auditing and work with the committee until the matter is resolved.

- **Handling of Reported Violations**

The Cain Center for the Arts's Executive Director or designee will notify the person who submitted a complaint and acknowledge receipt of the reported violation or suspected violation. All reports will be promptly investigated and appropriate corrective action will be taken if warranted by the investigation.

Financial and Budgetary Reporting

Budgeting

Expenditures incurred by Cain Center for the Arts are subject to budgetary controls.

Budgets are required for:

- Operating funds
- Capital funds
- Acquisition of property and equipment

Budgets should be sufficiently detailed to provide meaningful comparison with actual results. Budgets are prepared by the GWOAS (Greer Walker Outsourced Accounting Solutions), the Executive Director, other department leaders, and the Finance Committee based on historical analysis of spending, projected new expenses, historical income trends, and new revenue goals. Each year Department Heads submit budget requests to the Executive Director. The Executive Director then approves or adjusts the budget requests and compiles them into the overall budget for the Organization. The Board of Directors approves the overall budget for the upcoming fiscal year typically during the May full board meeting. This will be declared the official budget for the next fiscal year. Each Department Head is then responsible for ensuring that their department operates within their allotted budget. Department Heads are given monthly financial information beginning in July, specific to their department, so they are aware of their expenses in relation to their budget and to ensure that expenses posted to their line items are appropriately classified. Beginning in January, the Executive Director in conjunction with GWOAS prepares projections for each department based on their year-to-date expenses and expectations for the rest of the year to ensure that the Organization will be able to meet cash flow for the remainder of the year. Each Department Head reviews these projections and provides feedback and adjustments as necessary. Financial performance and projected budgets are reviewed by the board of directors at their monthly meetings. The presentation format used in the budget preparation will be the same as those used in preparing financial statements. Periodic review and comparison of budgeted expenditures versus actual is performed by the Governing Board. The management staff has the responsibility to investigate significant differences and report to the Governing Board. Any potential overruns of budget line items or the total budget should be reviewed, and appropriate steps should be taken to obtain approval of budget modifications in a timely manner. In order to compare actual results to prior results and current budgets, interim financial statements are prepared.

Financial Statements

Cain Center for the Arts maintains a self-balancing, double entry, accounting system which records all assets, liabilities, restrictions, revenues, expenses, and meets all current generally accepted accounting principles (GAAP).

Within ten (10) business days after the close of the month, the following statements are generated:

- Balance Sheet
- Statement of Revenues and Expenses
- Bank Account Reconciliation

The bank statements are received digitally by the Executive Director. The Executive Director saves, prints, reviews, and signs the bank statements. The Executive Director then files the document digitally and physically. The Executive Director flags any unusual items and discusses with the GW OAS. The statements are then discussed with GW OAS for reconciliation and review of any unusual items. The Finance Committee Chair executes quarterly reviews the bank statements and reconciliations.

Letter of Engagement

Each year, a CPA firm selected by the Finance Committee and approved by the Board of Directors provides a letter of engagement which is reviewed by the GW OAS and the Executive Director. The letter states the terms of the annual audit. The letter is signed by Finance Committee Chair or Board President and is returned to the CPA firm.

Audit

The CPA firm supplies Cain Center for the Arts with a prepared by client (PBC) list of all documents and schedules needed for the field work. GW OAS in conjunction with the Executive Director completes all items on the PBC list prior to field work.

The initial draft of Audited Financial Statements is reviewed by the GW OAS, Cain Center for the Arts's Executive Director and the Finance Committee. The CPA firm presents the final draft as well as the management letter to Cain Center for the Arts's Board of Directors once reviewed by the Finance Committee. The approved draft is reviewed by Cain Center for the Arts's Board of Directors for a final vote of approval.

For purposes of the audit, the auditing CPA firm will be reviewed for changes every 5 years.

IRS Form 990

The IRS Form 990 information is gathered by the GW OAS in conjunction with the Executive Director and given to the GW Tax Department. GW OAS fills out any questionnaires received from the CPA firm. GW Tax Department completes the Form 990.

The initial draft of the Form 990 is reviewed by GW OAS, Executive Director, and the Finance Committee. Once the Finance Committee has approved the draft, the Form 990 is forwarded to Cain Center for the Arts's Board of Directors for final review and approval prior to the IRS filing.

Accounting Systems

Cain Center for the Arts's financial statements are maintained by GWOAS on a cloud based accounting system Intacct. The Executive Director and finance committee members have access to view financial data through independent logins.

All cash receipts and disbursements are centralized. The major components of the accounts and records are the:

- General Ledger
- Cash Receipts
- Support, Contributions, Donations, and Grants
- Misc. Accounts Receivable
- Payroll
- Property and Equipment
- Accounts Payable
- Debt

For Fiscal management purposes, all supporting documentation for disbursements if filed by the vendor to which the disbursement is made.

Supporting documentation includes:

- Payment request authorization (if applicable)
- Vendor invoice
- A copy of the check stub
- Packing slip for merchandise received (if applicable)

Access to the files stored in the accounting system is restricted by prescribed security detailed under **Electronic Data Processing (EDP) Controls**.

Accounting Policies and Procedures

Cain Center for the Arts accounting policies and procedures are categorized into major system areas which include:

- Mail
- Cash Receipts
- Misc. Accounts Receivable
- Petty Cash
- Bank Reconciliation
- Cash Management
- Cash Disbursements and Procurement
- Expense Reimbursements including Travel Expense & Travel Advance
- Credit Cards
- Expense Allocations
- Competitive Bids
- Payroll and Fringe Benefits
- Allowable Costs
- Unallowable Costs
- Property Management/Depreciation
- Manual Journal Entries
- Revenue Write-Offs
- Write off of Old Checks
- Gift Acceptance Policy
- In-Kind & Stock Gifts
- Endowment Spending Policy
- Contract Signature
- Documents Requested from the Public
- Documentation Retention
- Electronic Data Processing (EDP) Controls

Mail

All incoming mail is collected at the PO box and delivered to the Executive Director.

Contributions

Cain Center for the Arts solicits individual and corporate contributions. Once CCA has a written commitment^[1] for a donation, the amount is recorded as a receivable in their Donor Software. The information/documentation (batch) is then given to the Executive Director for review. Once the Executive Director has reviewed and approved or noted any concerns, the pledge is given to the GW OAS to record in the general ledger (Intacct) and file.

As donations and payments on pledges are received, the amounts are recorded in Donation Software, then the check is given to the Executive Director for deposit with a scanned copy provided to GW OAS for recording in the general Ledger.

The Finance and Development Departments, reconcile general ledger amounts and deposits to Development's records quarterly. ^[2] ^[3]

Acknowledgments are prepared by the Development Department within 7-14 days of receiving the gift, pledge, or payment on the pledge. Once prepared, acknowledgments are signed by the Executive Director and, if over \$1,000.00, the Board Chair. All donors receive an acknowledgment.^[4] After the acknowledgments are signed, they are returned to Development to be mailed.

Town of Cornelius Grants

Cain Center for the Arts has an agreement with the Town of Cornelius (TOC) to initially fund the organization. Grant requests are made quarterly. Funds are wired to the CCA bank account. The Executive Director will notify GW OAS of the deposit so that the revenue is recorded in the general ledger.

See Financial Reporting for bank reconciliation procedures.

[1] Promises to give are supported by a written commitment.

[2] The donation tracking software is reconciled to the general ledger.

[3] Receipts recorded in GL are supported by a deposit to bank account.

[4] Invoices are sent to pledge donors.

Cash Disbursements and Procurement

All disbursements, except petty cash, are made by check or bill.com from the general operating account. Manual checks will be maintained by the Executive Director. Checks are pre-numbered and used in numerical sequence. Checks are prepared from vendor invoices and check request forms, not from statements. Spoiled check (i.e. torn checks, checks written incorrectly, misprinted checks) will be marked VOID, the signature area destroyed and the check retained in the Accounts Payable files.

When a check is needed but the amount is unknown, the requestor will fill out a Check Request Form. The payee and the date fields are completed and the check is signed. The requestor must provide a receipt for the purchase to the Executive Director within 24 hours.

The Executive Director must approve all Vendor Invoices, Employee Reimbursements, or any Check Request prior to disbursement. Unanticipated purchases of \$500 or over must be discussed with the Executive Director and Board President or Treasurer prior to the purchase. The Board of Directors grants the Executive Director authority to make expenditures that are not budgeted up to \$1,000.

Disbursements are made weekly, except payroll checks which are issued monthly via the payroll system. The full name of individuals and companies (i.e. not initials) will be used on all checks. Checks are forwarded to the Executive Director for signature along with all supporting documentation. All checks are signed by the Executive Director. Checks written to any of the above mentioned individuals must be signed by another individual other than the check recipient.

Wire transfers of any amount are initiated by the Executive Director/Treasurer. The Executive Director must verify and confirm the amount of the wire for transmission and Bank personnel.

Wage & Tax Statements (W2) will be issued annually by the Payroll Service for wages earned.

Misc. Income Statements (1099) will be issued annually per IRS guidelines for vendor disbursements.

Expense Reimbursements

Cain Center for the Arts will reimburse staff and volunteers for work related expenses, including travel expenses, incurred personally in conjunction with the operations of the organization.

Documentation of the expense must be submitted when the reimbursement request is made and can be in the form of a receipt, paid invoice or other approved IRS documentation such as a mileage log.

An Expense Reimbursement Form should be completed on a monthly basis and submitted with proper documentation to the Executive Director for approval. Expense Reimbursements for the Executive Director require approval by Cain Center for the Arts Board President or Treasurer. The approved Expense Reimbursement Form and documentation are then forwarded on to GWOAS for auditing and reimbursement.

For out of town travel, staff is expected to travel in the most reasonable and cost effective manner. Travel will require pre-approval by the Executive Director. Documentation for Meals and Entertainment must include attendees and purpose.

Travel advances may be requested using a Check Request Form. The travel advance must be pre-approved by the Executive Director. Travel advances are recorded as an employee advance when the check for the advance is disbursed. Adjustment of expenditures in the books will be made when the report for actual expense is received. A report for actual expenses must be submitted with receipts or other forms of acceptable backup to the employee's supervisor along with any unspent funds. The report, backup and funds will then be forwarded to the Finance Manager for processing.

Travel for entertainment or tourism and expenses for personal entertainment (i.e. movies or room charges) are not reimbursable.

Detailed receipts must be turned in for all meals. If meals (breakfast, lunch or dinner) are provided at a meeting/conference, Cain Center for the Arts will not reimburse for meals purchased (by choice of the employee).

Mileage reimbursement is at the current IRS rate.

The Executive Director and will be reimbursed at \$75 per month for cell phone use, the Managers will be reimbursed at \$50 per month for cell phone use, and the Administrative Staff (at the Executive Director's discretion) will be reimbursed at \$25 per month for cell phone use by submitting such amount on the monthly Expense Reimbursement Form.

Credit Cards

It is the policy of Cain Center for the Arts to issue company credit cards to the Executive Director and designated staff to be used on an "as-needed" basis for purposes of budgeted company

business. Other staff members may be issued a company credit card at the discretion of the Executive Director.

The Executive Director has the ability to make a charge of \$1,500.00 per transaction. The credit limit for the Executive Director is \$5,000. The Development Associate and the Administrative & Marketing Assistant have the ability to make charges of \$500 per transaction. Purchases of \$500 or over must be communicated electronically with the Executive Director prior to purchase.

Staff members are required to obtain receipts for all credit card purchases. Credit Card receipts should be retained by the cardholder. Upon receiving the monthly Credit Card Statements, the cardholder will reconcile the statement and receipts. Reconciled Credit Card Statements will be submitted to the Executive Director for approval and then forwarded to the GWOAS for auditing and payment.

Expense Allocations

Expenses are allocated based on the department and use of the expense. When an expense is recorded to Accounts Payable, the purpose of the expense is examined as well as the user to determine the general ledger account as well as the department. Most expenses will be allocated 100% to one department (i.e. Admin, Center Ops, etc.), but on occasion an expense may be allocated between more than one department if required or if indicated on the invoice or receipt.

Payroll related expenditures will be allocated 100% to one department per employee based on the nature of the employee's job description.

If any expense is questionable as to the correct department, the staff member initiating the expense and the Executive Director will be consulted to determine the correct department allocation.

Functional allocation among program, fundraising, and general management will be completed for yearend audit.

Outsourced Accounting Solutions

Overview and Procedures for Accounts Payables and Related

Company: Cain Center for the Arts

Guide Date: September 8, 2017

OAS Director: Beth Allen

Phone: 704.353.8238

Email: Beth.Allen@greerwalker.com

Overview

OAS manages the accounts payable process with an online AP platform called Bill.com. Documents delivered to Bill.com, either by email (corneliusarts@bill.com) or website/app uploads, are processed weekly by the OAS team. Expense approvals are routed to the Development Associate for first approval and reviewing appropriate budget (capital vs. operating) and then to the Executive Director. The processing is then reviewed and released weekly by an OAS manager. Below are further details and steps that we need your assistance with in the process.

If an expense is over \$1,000, the invoice will need a second approval by the Board Treasurer or Board President before payment is released.

Vendor Invoices and Statements

All vendor invoices and statements can be emailed or uploaded to your Bill.com Inbox. Documents emailed to your Bill.com Inbox will be organized and reviewed by the GreerWalker OAS team for appropriate treatment. Please don't hesitate to email or call your OAS contacts with questions or urgent matters. Emailing standard AP documents to Bill.com directly will help keep information organized and speed-up processing. To cut down on your time and energy, we would like to eventually have all vendors emailing their statements directly to your Bill.com Inbox. We encourage you to reach out to your vendors and suppliers as you receive invoices and statements to update them with your new email delivery preference and Bill.com email address. Also, any new vendors should be given your Bill.com email address for invoicing and statements. Documents sent to your Bill.com Inbox are reviewed and processed by the OAS team at the beginning of each week for the prior week's activity. This starts an expense approval sequence with your designated personnel. Please schedule time either later in a given week or first thing on Mondays to insure all AP documents within your office are sent to your Bill.com Inbox.

Vendor Payments and Purchases

After the designated personnel have reviewed and approved AP documents, an OAS manager will release payments to vendors based on approved scheduling and cash flow demands. If there is an urgent item needing processed, please send vendor documents to your Bill.com Inbox and then email or call your OAS contact to notify. Once scheduled, payments are processed from the Bill.com facility and routed in the appropriate payment method: ACH transfer, check by mail or check by UPS for expedites. For quick and efficient payment processing, we encourage all vendors to accept the Bill.com epayment solution (ACH transfer). To setup vendors for epayment, please provide us with the vendor contact information including email address and we will send them Bill.com instructions for secure ACH setup.

Bills – Reviewing/Approving/Denying in Bill.com

**All reviewers and approvers will receive log in credentials (staff, Treasurer, and President)*

To approve or deny an individual bill:

1. Hover over Payables and select Approve
2. In the Review column, click the icon next to the bill
3. On the Approval page, click Approve or Deny

To approve or deny several bills sequentially:

1. Hover over Payables and select Approve
2. Next to Bills, click Slide show Approval
3. On the Approval page, click Approve, Deny, or Skip

To approve several bills at once:

1. Hover over Payables and select Approve
2. Select the bills
3. Click Approve
4. On the confirmation, click OK

Manual Check/Check Request Form

- o The Check Request form acts as official documentation when vendor invoices or statements are not present.
- o When vendors provide goods or services without generating an invoice, please complete the Check Request form with the appropriate vendor and expense information as documentation to start the AP process mentioned above.
- o Indicate if and how the payment is being handled: to be paid through Bill.com, to be paid through printed check, already paid electronically, or already paid with manual check.

Petty Cash

- When small purchases are required, petty cash may be utilized.
- When cash is given to employees or contractors, please require receipts for purchase and return remaining cash to a petty cash safe/lockbox.
- Maintain purchasing receipts for month end archives.
- At the end of each month, the designed personnel will report petty cash spending and balances to GreerWalker OAS through a Petty Cash Report emailed to your Bill.com Inbox. Please request this report from your OAS contact if it is needed (if petty cash is utilized).

Employee and Vendor Expense Reports

- When employees or vendors purchase organization supplies and goods, Expense Reports should be used to document and reimburse for the transactions.
- An employee or vendor should complete one Expense Report each time they would like reimbursement for expenses recently accumulated. This is usually once per month, but may be more frequent if reimbursement is needed.
- Submit completed Expense Reports and all receipts to your Bill.com Inbox.
- If it is common for an employee to submit an expense report, we recommend having the employee sign-up for Bill.com epayments.

Bank Reconciliation

It is the policy of Cain Center for the Arts to reconcile all bank accounts as part of the monthly closing. The Executive Director will open & approve all bank statements. Using the approved statements, the GWOAS will reconcile each account through the *Cash Management* module in Intacct. Any additional entries that need to be posted are approved by the Executive Director. Completed reconciliations are submitted to Cain Center for the Arts's Executive Director & Board Treasurer for approval. Checks outstanding will be investigated by the Finance Manager. It is the policy of Cain Center for the Arts that other general ledger reconciliations, including pledges receivable, contribution revenue, and accounts payable be performed and reviewed on a monthly basis to ensure financial reports generated by the accounting system are accurate and as meaningful as possible. These reconciliations will be signed or initialed by the Finance Manager and submitted to the Executive Director, and Board Treasurer for approval so that responsibility can easily be determined.

Cash Management

Cain Center for the Arts will maintain up to six (6) bank accounts. All of these reserves or funds can be used for either Operating or Capital emergency needs in the event of any sudden and unexpected nature when no other funding exists to cover.

- *Operating Cash* - Maintain one month expenses for routine, monthly bill payment and all overage goes to the Operating Reserves Account.
Investment: This cash should stay invested in very low risk, very liquid type investments.
- *Operating Reserve* - Provides a measure of safety to ensure Cain Center for the Arts is able to pay normal and regularly recurring administrative and operating expenses especially in times of economic uncertainty (To Be Determined by Board). This reserve would cover Administrative costs, Communications and Marketing, Volunteer Services and Center operations. It would not be intended to cover Development and Fundraising

(these expenses would be covered by income generated from corresponding activity) and In-kind expenses (these are non-cash).

- Donation (Program) Reserved - Donations that are given to support specific programs or purposes shall be maintained in this account.
- Capital Reserve - Donations made specifically for capital improvement purposes shall be maintained in this account. Funds in this account will be transferred to the Town of Cornelius per the Management Services Agreement with the Town of Cornelius. Examples of capital improvements include, but are not limited to: brick and mortar construction, FF&E, improvements.
- Maintenance Reserve - The Finance Committee will recommend a policy to the Board of Directors when this becomes valid. Items that would be considered here would be those items related to the maintenance of the center but could be capitalized or expensed. All expenditures from this account must be approved by the Finance Committee.
- *Investments: All reserve accounts should stay invested in low risk, highly liquid investments/accounts. These investments could include CD's, short maturity bonds, and cash.*
- General Endowment Fund - The Finance Committee will recommend a policy to the Board of Directors when this becomes valid. This fund can be used for either Operating or Capital emergency needs in the event of any sudden and unexpected nature when no other funding exists to cover. In addition the fund can be used for Capital projects if approved by the full board, but still keeping its minimum balance in the account.
- *Investment: This account should be invested with a time horizon of 3+ years. Investments that could be included in the account include but are limited to Mutual Funds, Stocks, Bonds, Exchange Traded Funds, Insurance Deposit Accounts, cash & closed ended funds.*

Financial firms that carry excess reserves have an extra measure of safety in the event of sudden loan losses or cash withdrawals by customers. This may increase the attractiveness of the company that holds the excess reserves to investors, especially in times of economic uncertainty.

Cain Center for the Arts's Board President, Treasurer, and Executive Director may sign checks on the Operating Account based on the following criteria:

Competitive Bids

Quotes for major expenditures as required. This includes:

Capital Purchases and Projects - Two to three quotes are required for all capital purchases or projects exceeding \$5,000.

Regular Supply Vendors (i.e. office supplies, cleaning products, etc.) - These vendors are evaluated every two to three years, and if determined necessary, the Office Manager shall seek comparable pricing information from a minimum of two vendors.

Ongoing Service Contracts (i.e. maintenance, laundry, housekeeping, etc.) - Ongoing agreements are evaluated every two to three years. Quotes must be secured from a minimum of two vendors.

Professional Services (i.e. accounting, legal, investment, etc.) - Two to three quotes are required for one time projects costing in excess of \$5,000. Ongoing agreements are evaluated every two to three years, and if determined necessary, the Executive Director shall seek comparable pricing from a minimum of two qualified providers.

Printing and Mailing - Two to three quotes are required for all expenditures exceeding \$3,000. Projects that are repeated regularly (i.e. letterhead, envelopes, guest registration cards) are evaluated annually.

Fundraising Related Merchandise & Promotional Items - Two to three quotes are required for all purchases exceeding \$3,000. Reordering of items from the same vendor is allowed for two to three years without re-bidding.

Event Expenses - Two to three quotes are required for fundraising events and other event related expenditures exceeding \$5,000 unless additional vendors for the same or similar service/items are not available.

Other - One time or contracted expenditures exceeding \$5,000 require two to three quotes. The Executive Director approves quotes for budgeted expenditures. The appropriate Board Committee approves ongoing contractual agreements and considers any non-budgeted expenses.

Payroll and Fringe Benefits

Time Sheets (used by hourly employees) specify the date and actual hours worked. All time sheets must be signed by employees and the employee's supervisor to indicate supervisory approval. The Executive Director approves time sheets. All overtime is to be pre-authorized by the Executive Director.

A *PTO Request form* is used by all employees to track time away from work and use of benefits (sick, vacation, etc.).

GWOAS prepares payroll for the automated payroll service and transmits it to the payroll processing company.

The Executive Director reviews and approves payroll reports received from the automated payroll service.

GWOAS distributes payroll check stubs to the appropriate staff members.

Any change in the salary or rate of pay is authorized by the Executive Director. Changes for the Executive Director must be approved by Cain Center for the Arts Board of Directors.

Each year during December, GWOAS will request the annual Service Organization Control (SOC 1) Report from our payroll provider. This will ensure that all payroll processes and financial reporting are effective through the controls provided in the SOC 1 report.

Property Management/Depreciation

Capitalized assets, including but not limited to property and equipment, are defined as any item valued at \$1000.00 or more at the time of acquisition and either having a life of its own or extends the life of a previously owned capitalized asset.

Capitalized assets acquired will be recorded separately in a Fixed Asset Module or Intacct on a historical cost basis.

A physical inventory is performed, reconciled, and documented annually by CCA staff with GWOAS.

Cain Center for the Arts shall safeguard equipment against loss, damage, or theft by providing adequate facilities, security, and insurance coverage.

GWOAS Books depreciation and building amortization annually based on the Year-End Journal entries supplies by the CPA as part of the Audit.

Manual Journal Entries

During the monthly review of the financial statements, reclass entries are often discovered. One common type of entry is to reclass pre-paid expenses (i.e. event deposits, insurance, etc.). A manual entry is needed to record the transaction in the General Ledger.

On a monthly basis, a *Prior Month Manual Journal Entries* report is generated and provided to the Executive Director for approval.

Revenue Write-offs

It is the policy of Cain Center for the Arts to evaluate receivables on an individual basis to determine the appropriate course of action. Write-offs include items such as returned checks. Write-offs must be approved by the Executive Director. Each month a report of the prior month's write offs is generated and approved by the Executive Director.

Returned checks deposited into Cain Center for the Arts accounts are written off with review and approval by the Executive Director. If the actual check is received from the bank, the check is mailed to the donor with a letter stating that the check was returned. No attempt to collect the money is made. Cain Center for the Arts assumes the cost of all fees associated with returned checks.

Write-Off of Old Checks

It is the policy of Cain Center for the Arts to indicate contact with the payee if checks over 2 months old to determine the status of the check in question. If the Payee wishes to have the check reissued, a stop payment is initiated on the initial check and a replacement check is disbursed per Cain Center for the Arts Check Disbursement procedures. If contact is not successful or if the payee does not intend to cash the check, the check and invoice are voided in the Accounts Payable module in Intacct and if applicable reported as unclaimed property to the State.

Gift Acceptance Policy

Campaign Gift Acceptance Policies

Introduction

In properly counting gifts and pledges for a capital campaign, it is paramount that accounting standards be established in accordance with IRS regulations for tax-exempt organizations and in a manner widely accepted by management. The following standards meet the guidelines as defined by the IRS.

Standards for Reporting Pledges

1. Oral pledges should not be reported in campaign totals. If special circumstances do occur, a letter should be written to the individual making the oral pledge to document the commitment, place a copy of the written commitment in the donor's file, and obtain approval from the management.

2. Pledges of cash should be confirmed by letter of intent or completed pledge card from the donor and should commit to specific dollar amount that will be paid according to a fixed time schedule.

Standards for Reporting Gifts

Cash

Report cash at full values as of the date received by the institution.

Securities

The Organization will sell immediately any gift of marketable securities. The donor will be given credit for the average of the high and low quoted selling price on the date the donor relinquished control of the assets to the institution. This is in accordance with IRS regulations.

Real Property

The Organization will exercise caution when accepting gifts of real property to ensure that only gifts that are easily convertible to cash or of actual value to the institution are included in campaign totals. Gifts with a fair-market value exceeding \$5,000 should be counted at the value placed on them by a qualified independent appraiser as required by the IRS for valuing non-cash charitable contributions. The donor must be willing to pay for a level 2 environmental study and must be responsible for any tax liabilities or land use fees during the time prior to the Organization selling and/or utilizing the property.

Planned Gifts (Charitable Trusts, Annuities, Bequests, etc.)

Planned gifts will be reviewed on a case-by-case basis with a recommendations going to the Board of Directors for approval. If approved, a value will be assigned in accordance with IRS regulations.

All approved planned gifts must be irrevocable. The Organization must be named as owner and beneficiary in all life insurance gifts.

IN-KIND & STOCK GIFTS

In-Kind Contributions of services will be reviewed on a case by case basis with recommendations going to the Board of Directors for approval prior to commencement of any

services rendered. If approved, value will be assigned based on scope of work and time spent by service provider and a written approval will be issued.

Cain Center for the Arts defines “Gift In-Kind” as: 1) the free or discounted use of utilities, services, or other long-lived assets from the legal owner of the property; and 2) a utility, service, or long-term asset that Cain Center for the Arts would expense as an operational requirement (i.e., telephone, landscaping, pest control, courtesy van, etc.). The value of the benefit received is measured at fair value and the entire contribution is recorded as revenue in the period the contribution is received or pledged. All donors will receive a receipt for the In-kind donation, however it is the individual donor’s responsibility to assign a value (invoice and non-invoice) for charitable contribution tax deduction.

ENDOWMENT SPENDING POLICY

Cain Center for the Arts Endowment will endeavor to ensure, to the degree reasonably possible, that the endowment funds with which it is entrusted keep pace with inflation so that the original purpose of the donor(s) in establishing the endowment fund can be met in perpetuity. Toward that end, Cain Center for the Arts Endowment has adopted the following spending policy, which will apply to all endowed funds unless a particular donor has otherwise stipulated spending restrictions.

1. In adopting this policy, Cain Center for the Arts Endowment seeks an appropriate balance among three goals:
 - To provide current programs with a predictable and stable stream of revenue.
 - To ensure that the real value (defined as purchasing power) of the revenue stream does not decline over the long term.
 - To ensure that the real value of the endowment assets does not decline over the long term.

2. Authorized expenditures during Cain Center for the Arts’s current fiscal year shall be five percent (5.0%) of the average total market value of the endowment for the trailing three-year period ending December 31. In the event the average annualized total return for the trailing three-year period fails to equal or exceed 5.0%, Cain Center for the Arts Endowment shall distribute Net Income (defined as interest, dividends and other Income receipts from investments less expenses) until such time as the trailing three-year return again equal or exceeds 5.0%.

3. In making distributions, Cain Center for the Arts Endowment is authorized to use the Net Income in excess of the fund’s Historic Dollar Value (i.e. corpus).

The Historic Dollar Value shall be determined in accordance with the Organization following the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) which was enacted in 2006 and provides guidance for not-for-profits on the management and investment of endowment funds and provides rules on spending from endowment funds.

4. Cain Center for the Arts Endowment Committee shall have discretion over whether or not distributions are made. If it is determined that a distribution is not needed in a current fiscal year, the Committee may waive the distribution for the year.

5. Any exceptions or changes to this spending policy shall be made only upon the written approval of Cain Center for the Arts Board of Directors.

CONTRACT SIGNATURE POLICY

It is the policy of Cain Center for the Arts to authorize the Executive Director to sign contracts as long as the financial implications of the contract are included in the annual budget or board approved expenditures. Contracts for unbudgeted expenditures, as well as financial contracts for investments and/or loans, require appropriate approval and signatures of at least two of the following: Executive Director, Cain Center for the Arts’ Board President or Board Treasurer.

DOCUMENT REQUESTS FROM THE PUBLIC

The most current Audited Financial Statements and IRS Form 990 shall be available and will be made available to the public upon request.

RECORD RETENTION & DESTRUCTION

Cain Center for the Arts shall retain records for the period 7 years of their immediate or current use, unless longer retention is necessary for historical reference or to comply with contractual or legal requirements. Records and documents outlined in this policy includes paper, electronic files (including e-mail) and voicemail records regardless of where the document is stored, including network servers, desktop or laptop computers and handheld computers and other wireless devices with text messaging capabilities.

ELECTRONIC DATA PROCESSING (EDP) CONTROLS

The following control procedures are used to ensure the greatest level of security for the data maintained on Cain Center for the Arts’s network.

- Utilize user ID and passwords for access to the server
- Utilize user ID and passwords for access to hosted software (i.e., Donor Software, Intacct, online banking, etc.)
- Establish user level securities that limit access to directories/files on the server
- Establish user level securities that limit read/write access to hosted software

