



GUNNISON COUNCIL FOR THE ARTS

POLICY ON FINANCIAL PROCEDURES

**Adopted by the Board in 4/08
Amended by the Board on 11/18/09
Amended by the Board on 8/29/12**

The purpose of this document is to set forth the policies and procedures under which the finances of Gunnison Council for the Arts (GCA) will be managed. It is the intent of GCA, a public charity, to establish a financial management system that is simple, efficient, and meets the needs of the Internal Revenue Service, the State of Colorado, and any public or private funding source. Unless otherwise indicated, it is the responsibility of the Executive Director or his/her designee, to carry out these procedures. These financial procedures shall follow generally accepted accounting principles.

The Gunnison Council for the Arts (hereinafter referred to as GCA) also is licensed with the State of Colorado to do business as the "Gunnison Arts Center". The financial policies and procedures of the GCA also are the financial policies and procedures of the Arts Center.

BUDGET

The fiscal year of GCA shall be from January 1 to December 31, as established in the GCA By-laws. The Executive Director, with input from the Finance Committee, shall prepare a draft annual budget for the following year, for review by the Board of Directors in September, and for final consideration by the Board of Directors in November. The budget will be prepared based on previous year's actual costs and other pertinent information, and must be consistent with the goals of GCA's strategic plan. Input from GCA's committees and program councils will be used in budget preparation.

Beginning with the 2013 budget, GCA will establish a contingency line item of 5% percent of the total budget to cover the costs of unexpected items.

This budget will include a projection of operations/administrative and program expenditures by line item. Projected revenues shall be included in this budget. The Board of Directors will adopt the annual budget at its December meeting. While a budget is a guide and is not binding, it may only be modified during the year by a majority of the Board of Directors, in response to major changes in the internal or external environment.

Prior to each regularly scheduled meeting of the Board of Directors or Executive Committee, the Finance Committee, with the Executive Director, will review financial records and the budget and will provide to that body a report of financial status . At least quarterly, the Treasurer will

review the General Ledger. At least quarterly, the Treasurer will provide to the Board a balance sheet, profit and loss statement, and budget to actual statement.

BANK DEPOSITORY & POLICIES

1. Depository

The Executive Director and the Finance Committee shall designate a primary financial institution as its depository of funds. Additional depositories may be designated as deemed appropriate.

It is the policy of GCA to seek maximum investment potential with its funds. GCA has the authority to maintain money market accounts, checking accounts and other interest-bearing insured accounts consistent with its non-profit status and in the interest of the well-being of the organization. To insure maximum investment potential, the Executive Director, with the advice and consent of the Executive Committee, is authorized to transfer funds into interest bearing accounts that are FDIC insured. Withdrawals from investment accounts may be made by the Executive Director, with the advice and consent of the Executive Committee, in the form of transfers to the checking account or other interest bearing accounts.

2. Receipt of Funds

Any funds received by GCA shall be deposited into the appropriate account in a timely fashion, generally within three working days of receipt. The staff will devise a system so that when cash is collected it can be counted/verified by more than one person. Checks received will be tracked by photocopy or scan of the check and will be recorded in the GCA's QuickBooks accounting system and reflected in financial reports to the Board of Directors.

Thank you letters and tax receipts shall be created and sent within one week of the receipt of a gift/donation.

Because the GCA has been designated by Region 10 Economic Development as a qualifying non-profit within an Enterprise Zone, funds donated to GCA for programs can provide tax credits, as well as tax deductions, to donors. Rules of the Enterprise Zone program specify that paperwork for such donations must be submitted to Region 10 no later than 3 months after the donation of \$50+ (cash donations) or \$100+ (in-kind donations). This paperwork is submitted to Region 10 by GCA's bookkeeping firm. When Region 10 certifies donation, the bookkeeping firm provides the certification to GCA staff who in turn mails it to the donor.

3. Signatures

Checks written on GCA accounts shall require the signature of the Executive Director, the Board President, first Vice-President or the Secretary of the Board. If GCA has hired a Deputy Director, that person may also be authorized to sign checks. All checks of \$1,500 or more require two signatures from the above list.

The Executive Director may not sign checks to himself or herself even if they are less than \$1,500. The Executive Director may, however, be one of the two signers of checks of \$1,500 or more.

4. Wire Funds or Cashier's Checks

If funds are to be wired or a cashier's check requested, a money transfer form must be completed. This form will include who to call, where to transfer funds from, the general ledger number, where to transfer funds, how much to transfer, and the reason for the transfer of funds. The money transfer form will be signed by the Executive Director. The executive director is authorized to use on-line banking for transactions and transfers not to exceed \$1,500.

CASH RESERVE, RESTRICTED ACCOUNTS, AND INVESTMENTS

1. Cash Reserve

GCA will attempt to maintain a cash reserve at or above \$50,000. It is intended to be used only in the case of emergency. The Executive Committee and the Executive Director must jointly recommend to the board any withdrawal from this account and at least 2/3 of the board members present must approve the withdrawal in a board meeting at which a quorum is present. Authorization is for one withdrawal only and subsequent withdrawals must be requested in the same way.

Donors to the cash reserve fund may express their wishes about the use of their money. These wishes must be in writing. Donors should understand that their gift becomes the property of the GCA and is under the control of the GCA board. However, should they have wishes about the best use of their money, GCA will do its best to honor these wishes and keep donors informed.

2. Restricted Accounts

Donors may make a gift for restricted purposes, such as scholarships. In this case, the gift will be placed into a separate account, and can only be used for this purpose. Only with the donor's explicit written permission may funds be used for another purpose. In the event that the original purpose is no longer relevant, GCA will discuss with the donor the best use of the funds. The final page of this document is a form to be completed by the donor of a restricted gift.

3. Investments

- a. The cash reserve may be used to generate investment dollars and may be placed with a fund manager. In this case, the Finance Committee will review the investment allocation annually with the fund manager. The committee may investigate other managers and may recommend to the board that the funds be switched to the control of another manager.
- b. The Gunnison Council for the Arts is the beneficiary of an endowment held at the Community Foundation of the Gunnison Valley. The fund was created with

\$100,000 from two generous donors. The donors have specified that GCA cannot access distribution from this endowment until the principle has reached \$175,000. It should be noted that these funds – a permanent endowment – are “owned” as well as managed by the Community Foundation.

CAPITAL ASSETS

1. Administration

The Executive Director is authorized to initiate, evaluate, and approve capital expenditures, insurance, leases, maintenance agreements, and purchase of service agreements (e.g. accounting, legal) for goods and services included in the approved annual budget up to \$5,000. All transactions will be reported to the Board of Directors as part of the regular financial report.

Capital expenditures of \$10,000 or more require prior Board approval. Expenditures included in the annual budget are considered approved by the full Board upon approval of the annual budget. When an expenditure is anticipated to exceed \$10,000, the Executive Director is instructed to obtain at least two quotes prior to Board consideration. This paragraph does not supersede signatory provisions.

2. Fundraising

The Executive Director is authorized to initiate, evaluate, and approve fundraising expenditures for goods and services included in the approved annual budget up to \$5,000. All transactions will be reported to the Board of Directors as part of the regular financial report. This paragraph does not supersede signatory provisions.

DISBURSEMENTS

1. General Procurement

Whenever feasible, GCA will seek to make purchases within its service area as a means of indicating its support to the local economy.

2. Staff/Board Expenses

GCA may reimburse its Board and staff for expenses incurred during the normal course of conducting business if reimbursements are in the budget.

All staff travel must be approved in advance by the Executive Director. A board member's reimbursable travel expenses and any reimbursable travel expenses incurred by the Executive Director must be approved by the Treasurer if under \$250 or by a board vote if \$250 or more. If travel has been approved, mileage will be reimbursed at the allowable Internal Revenue Service rate. Meals will be reimbursed at a maximum rate of \$35.00 per person, per day. Meals during which business was conducted or meals due to overnight travel will be considered allowable business expenses with receipt.

Lodging expenses, meal expenses, and miscellaneous charges for parking, taxi, etc., should be accompanied by a receipt marked with the correct General Ledger number. Expenses will be paid according to the regular check-cutting schedule using GCA's expense form. All employee expense forms shall be reviewed and signed by the Executive Director prior to payment.

3. Payment of Vendors

The Executive Director, or his/her designee ("Business Designee") is responsible for drafting checks and securing the necessary signatures. Generally, the Executive Director will be one of the signatories. Those checks needing second signatures will be signed by the signatories enumerated above.

All invoices shall be reviewed and initialed by the Executive Director prior to payment. All disbursements of GCA funds shall be made through the appropriate checking account. Signatory authority is referenced above.

All disbursements shall be documented by invoice indicating the purpose of the expenditure. A monthly report, showing all invoices paid in the previous two months, will be submitted to the Finance Committee and approved by the Board at their next meeting.

A vendor may choose to waive payment/donate a good or service. In this case, GCA will request an invoice, marked "donation" or "waived" for the GCA records of in-kind donations. In the event that the donor does not provide this documentation, staff will record the donation (if it is estimated to be more than \$100) and note that the vendor is prepared to attest that it was a donation and affirm its value. Records of such in-kind donations will be kept.

4. Petty Cash

A fund of \$125 shall be maintained as Petty Cash. Receipts are required for reimbursement. Payable receipts are attached to deposit slips. Petty cash shall be placed in a locked location at the close of business.

LOANS AND DEBTS

The Executive Committee may, in emergency circumstances, recommend to the Board of Directors that it is prudent to secure a loan or line of credit. Any loans of this nature must be repaid as promptly as possible, with payments made regularly. At least annually, the Executive Committee shall review the repayment process to ensure that loans are being repaid in a timely and prudent manner.

ACCOUNTING PROCEDURES

GCA shall operate using QuickBooks for accrual basis accounting. Only users authorized by the Executive Director have the ability to post entries to the accounting software. The Executive Director, with Board of Directors approval, may enter into a contract with a bookkeeping firm to manage GCA books.

1. General Ledger

Each account as listed in the Chart of Accounts will be found in this ledger. At the end of the fiscal year, the Business Designee will print out a final ledger for audit and retention purposes.

In the General Ledger is a listing of the date, check number, payee, and amount of each check written in chronological order by check number. Checkbook registers will be used for listing checks written on miscellaneous accounts. To obtain a list of all deposits and withdrawals for an account or general ledger number, a report from the fiscal system may be run. This report will show the cash balance as of the last posting date.

2. Cash Disbursements

In the General Ledger, disbursements will show each payee, date, source, and account to which the expense will be charged. Approved documentation is required for each check issued. A copy of the check written will be attached to the corresponding invoice. All invoices will be approved by the Executive Director.

3. Cash Receipts

Each cash receipt will show date received, payer, amount, and account or Fund to which it will be credited. A copy of all checks received should be kept to document the deposit. All checks received will be endorsed immediately with "For Deposit Only to the account of GCA" with the bank account number and the name of the bank on the endorsement.

4. Payroll System

The payroll system records the gross amount earned by each employee, the amount withheld for Federal, State, and FICA taxes, and the net amount paid to the employee. The Business Designee shall prepare appropriate 941 deposits, tax payments and quarterly reports.

5. Bank and Investment Reconciliations

At least quarterly, the banks statements and QuickBooks accounts are reconciled by the Business Designee, and reviewed by the Finance Committee.

Investment statements will be reconciled quarterly and reviewed by the Finance Committee.

6. Monthly Board Reports

Monthly, the Board of Directors shall review the following reports, presented by the Finance Committee:

- Profit and Loss statement Balance Sheet
- Budget to Actual statement

7. Depreciable Assets

Assets with a dollar value of \$1000 or more at the time of purchase will be set aside as a depreciable asset. All expenditures less than \$1000 will be considered an office expense for the current fiscal year.

AUDITS

1. Audit Committee

An Audit Committee shall be established by the GCA Board of Directors that is in compliance with Sarbanes-Oxley guidelines. No member of the staff or board with check-signing authority shall serve on the Audit Committee nor shall any member of the Executive Committee. The Audit Committee shall include at least two people, one of whom is a finance expert not on the Board.

2. Role of Committee

The roles of the Audit Committee are to (1) select and monitor the work of an Certified Public Accountant to complete an audit; (2) reinforce the board's understanding of the role of the independent auditors and the nature and limitations of their work, and (3) the importance of accounting, financial and operating controls to the successful management of the organization. The Audit Committee shall be responsible for scheduling the audit and presenting the report to the Board of Directors. The Executive Director is responsible for forwarding the audit and IRS Form 990 to appropriate offices.

3. Frequency of Audit

The audit shall be undertaken every other year. Although not advisable, the Board may elect to conduct a financial review in lieu of an audit if circumstances warrant. The Board may elect to conduct a financial review in the off year if circumstances warrant.

RETENTION OF RECORDS

In accordance with Federal, State, and funding contract requirements, GCA shall retain appropriate financial records. A schedule of records to be retained, and when they may be discarded, in accordance with federal Sarbanes-Oxley law, will be found in the GCA Policy Book.

SECURITY OF FINANCIAL RECORDS

The GCA makes every effort to keep client financial information secure. No credit card information is kept for more than one week, and access to bookkeeping is accessible only to the Executive Director and the Business Manager, if any, or to the firm contracted to do GCA bookkeeping. The financial records of the GCA are kept in secured files.

TAXES AND FILINGS

1. Taxes

GCA shall pay all tax bills promptly.

2. Unrelated Business Income Tax

GCA may be liable for payment of Unrelated Business Income Tax (UBIT) when all or part of the Gunnison Arts Center is rented for activity outside the mission of the GCA.

Any and all business announcements placed in any GCA publication or displayed in the Gunnison Arts Center or around any GCA activity must acknowledge the GCA or the Gunnison Arts Center, and must conform to IRS guidelines. Any business announcement not conforming to the above criteria may be subject to UBIT.

Records will be kept of all income that may be liable for UBIT per policy found in the GCA Policy Book.

3. Property Tax

Generally, GCA is exempt from property tax. Records of any building use that is unrelated to the mission of the GCA shall be kept, including date, the space(s) used, the organization or individual using the space, length of usage, and the fee paid to the GCA for this usage. GCA requires all building users who rent or borrow space in GCA to complete a rental form; the facility use procedures and form include the size of each rentable space and the rental fee. These records will be retained per GCA document retention policy.

4. Filings

The Executive Director shall ensure that all filings that are required by the Federal Government such as the IRS Form 990, by the State Government such as the Charitable Solicitation filing, and any local filings and final reports to granting agencies are submitted promptly and accurately.

GIFT ACCEPTANCE POLICY

Gifts of money, real estate, art or other goods shall be accepted per the Gift Acceptance Policy found in the GCA Policy Book.

FISCAL AGENCY

The Board of Directors of GCA may consider serving as the fiscal agent for artists and arts organizations who may be seeking grant funding. GCA recognizes that, in such as case, GCA is accountable for the grant, including bookkeeping, fund monitoring and final reporting. In the event that GCA enters into such a relationship with an artist or arts organization, the written memo of understanding, signed by both parties, shall specify each party's responsibilities and expectations, and shall include the conditions under which the relationship is terminated.

TRANSPARENCY

It is the GCA's intent that all members of the Board of Directors and the staff shall be aware of all policies related to finances and the handling of finances. Policies shall be updated as necessary by action of the Board of Directors upon recommendation of the staff and Finance Committee.

The Annual Report, the list of Board of Directors, the current strategic plan, the most recent audit and the 990 are posted on the GCA website.



GUNNISON COUNCIL FOR THE ARTS

RESTRICTED FUNDS STATEMENT OF UNDERSTANDING

The Gunnison Council for the Arts has received \$_____ from _____ . The donor(s) has requested that these funds be named the _____ for the benefit of GCA. Distributions from the endowment will be used to ____ (state purpose – describe in detail) .

ADMINISTRATION

These funds and all future additions, made by all interested parties, shall be subject to the provisions of this instrument. If in the opinion of the Gunnison Council for the Arts Board of Directors, future circumstances change so that the purposes for which the endowment is established become illegal, impracticable, or no longer able to be carried out to meet the needs of The GCA, said Board of Directors may designate an alternative use for the endowment payout to further the objective of The GCA in the spirit of its original purpose.

INVESTMENT, PAYOUT AND REINVESTMENT

These funds may be merged or commingled with other funds held by the Board of Directors of the Gunnison Council for the Arts for investment purposes in accordance with the endowment policies of the GCA. Funds distributed from the endowment in a year may be retained and expended for the purposes of the endowment in subsequent years, or may be reinvested, at the discretion of the Board of Directors of the Gunnison Council for the Arts as a permanent addition to the principal of this quasi endowment.

ACCEPTED ON BEHALF OF THE GUNNISON COUNCIL FOR THE ARTS BOARD OF DIRECTORS
BY:

Board Member Signature

Date

Printed Name and Title

ACKNOWLEDGED BY THE DONOR:

Donor Signature

Date

Printed Name