# AMERICAN CANYON ARTS FOUNDATION

## Board of Director's Policy Manual

## Fiscal and Budget Policies

**Adopted/Revised:**

**October 9, 2013**

## I. Purpose/Intent

Next to establishing its Mission, Vision and Values, the most important policies that the American Canyon Arts Foundation (ACAF) must adopt relate to the financial health and well-being of the organization. How it accounts for its cash and assets is critical to meeting its fiduciary responsibilities, not only to its members but to those that donate and invest in ACAF.

## II. Authority

Under Article Five, Section 3 of the By-Laws, the Board of Directors is responsible for the fiscal affairs of ACAF. In addition, the Board has the authority to establish policies under Article 12, Section 2 of the By-Laws, and approved this policy by adopting Resolution 2013-02.

## III. Policy

**Section One: Accounting Policies**

1. ACAF will use the cash basis for accounting. Generally, a single bank account is sufficient to account for restricted and unrestricted funds, provided the Chart of Accounts (and any related software) allows the ability to distinguish assets, liabilities, receipts and disbursements among the various restricted and unrestricted funds/programs.

2. There should be two signatures for any check issued. The Executive Committee members are the only officers to have signing authority. Whenever there is a change in the Executive Committee, such as immediately following a General Membership meeting, then the Board of Directors will adopt a Resolution, authorizing the new signatories.

3. Bank Statements must be reconciled monthly. The Treasurer shall verify all bank statement reconciliations, or, if the Treasurer performs the reconciliation, then the President shall verify the statement.

4. A Chart of Accounts shall be prepared by the Treasurer and adopted by Board Resolution. There should be Revenue and Expenditure Accounts in sufficient detail to allow the Board to adequately review and evaluate ACAF's financial condition, and to properly account for, and report on, ACAF's operations. In addition to line item accounts, individual cost centers, such as the Gallery or the Arts Extravaganza, shall also be established.

   Asset, Liability and Equity accounts should reflect professional accounting categorizations, such as current and long-term assets and liabilities; restricted and unrestricted fund balances, etc. As appropriate, individual ledger accounts should be established to assist in tracking specific long-term assets or liabilities.

5. Deposits should be made as soon as practical and information relating to the deposit attached to ACAF's copy of the deposit statement. Whenever possible, the person making the deposit should be different from the person posting the transaction into ACAF's general ledger.

6. Expenses should be adequately documented and approved in advance. Although reimbursing Members for reasonable expenses of the Foundation may be authorized, the preferred approach is for the bills and invoices to be paid directly by ACAF; or in the case of a donation by a Member, the dollar value of the item should be donated to ACAF and then ACAF pays the bill.

7. No outside audit or financial review is required as long as ACAF's annual revenues are $500,000 or less. If this threshold is exceeded, then a financial review by an outside accounting firm or professional should be conducted every three-five years. If ACAF's annual revenues exceed $2,000,000, then an outside audit shall be conducted for that year and any other year in which the $2,000,000 threshold is met. More frequent audits may be required due to a particular grant or funding source, or as required by law.

   The financial review or audit shall be conducted consistent with generally accepted accounting principles (GAAP). For audits required by the $2,000,000 threshold, the provisions of Government Code 12586 shall be followed, including the creation of an Audit Committee.

8. An annual summary of assets, liabilities and fund balances, along with an income statement of revenues and expenditures, shall be prepared and included in the Annual Report to be given to all Members at the Annual Meeting. Appropriate monthly financial reports shall be provided to the Board of Directors, including an Income Statement and a Budget-to-Actual Report.

**Section Two: Budget Policies**

1. An annual balanced budget shall be prepared by the Executive Committee and adopted by the Board of Directors by resolution. The annual budget should include at least one year of actual revenues and expenses; the current year budget and estimate; and the proposed budget to be adopted. The budget should include summaries by Program/Project, Restricted/Unrestricted Funds, and by major accounts.

2. In forecasting revenues and expenditures, the following principles should be used:

   a. Rely on prior year actuals: Generally, the best indicator of future results is a review of prior year activity.
   b. Conservative Estimating: If the amount cannot be reasonably projected, then *under* estimate revenues and *over*-estimate expenditures.
   c. Changes in Program or Policy: If the Board plans to add or delete a program or event, the budget should reflect that change, regardless of prior year activity. In short, the budget should financially reflect what the Board *intends* to do during the next budget cycle.

3. In preparing the annual budget, a contingency of five percent *should* also be included, in order to accommodate changes in either revenues or expenditures. However, if that is not possible, a cash flow report is to be prepared, consistent with section three below.

4. Budget adjustments may be approved by resolution of the Board of Directors. Such adjustments should be done when significant changes in revenues or expenditures are expected, such as receipt of an unplanned grant, when a new program is being approved, or if there are significant reductions in projected revenues.
5. Provided the budget is tracking reasonably well with actual receipts and disbursements, program/event chairs should be authorized to make expenditures consistent with the appropriations allocated to their program or event. Such expenses may be ratified later by the Executive Committee. Program/event Chairs are expected to use good judgment at all times, and make adjustments to their expenditures if revenues are not being received as well as planned.

**Section Three: Cash and Investment Policies**

1. In the event the five percent contingency cannot be established (see section two above), a monthly cash flow report should be prepared, to ensure ACAF can meet its financial obligations.
2. If and when ACAF has accumulated more cash in its checking account than it reasonably expects to need for cash flow purposes, investing such “idle funds” should be considered. Liquidity and Safety are the primary concerns. Safe and insured instruments, such as Certificates of Deposit (CD’s) should be used. The length of the CD should be based on a multi-year cash flow projection.
3. All cash investments, such as CD’s, shall be listed as separate line items in the Balance Sheet Report.

**Section Four: Finance and Accounting Manual**

1. A Finance and Accounting Manual will be created that provides more detailed information, including the Chart of Accounts, as well as forms, procedures, and reports to be used to account for ACAF’s assets and liabilities; revenues and expenses.