
Foundation for Promoting Arts
Education, Inc.
California Not For Profit Entity

Fiscal Policies and Procedures Manual

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1. GENERALLY ACCEPTED STANDARDS OF FISCAL MANAGEMENT

Non-profits are required to meet generally accepted accounting standards of the United State of America. It is now generally accepted that the primary responsibility for the fair presentation of financial statements rests with the reporting management of an organization. Accordingly a process must be affected by a Foundation's Board and/or other personnel and designed to provide reasonable assurance regarding the achievement and maintenance of the following standards:

1. A fiscal year balanced budget that clearly supports achievable mission as defined in the Articles of Incorporation and approved by the Foundation in the form of a budget board resolution.
3. Proper and accurate accounting records for all cash equivalent transactions, including actual cash. Accounting information should be relevant, reliable, comparable and consistent and must be available for the preparation of reliable financial statements.
4. Demonstrate compliance with Federal and state laws/regulations, State Board and other compliance requirements.
5. Maintenance of documentation that outlines internal controls on business practices and operation.
6. Execution of transactions in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on public funds.
7. Safeguard of all funds, property, and other assets against loss from unauthorized use or disposition.
8. Documentation from the Foundation that supports its financial statements and that reflect its financial position/condition, results of operations or changes in net assets and where appropriate, cash flows for any fiscal period/year.
10. Any necessary corrective action plans on any audit findings must be filed in writing and proposed changes must be implemented in the subsequent fiscal year.

2. CASH/CHECK HANDLING POLICY

BOARD POLICY

In the course of normal business, many activities, (fundraising, concerts, etc.) involve the receipt of cash and checks to be deposited in the FPAE's bank account upon receipt. All cash and checks must be deposited within fourteen (14) days – cash received from a fundraising event may not be retained outside of the FPAE's bank account to hold for future fundraising projects, for example. Since the foundation receives cash and checks from a variety of sources for a wide range of activities, extra care must be taken at all stages of the deposit process to ensure accurate records and proper accounting controls are maintained.

PROCEDURE FOR RECEIVING CASH/CHECKS

- a. FROM VOLUNTEER EVENTS: For each fundraising or other event in which cash or checks will be collected, a Volunteer Coordinator will be designated, who will be responsible for collecting and holding all cash and checks for the purpose of the fundraising activity. The Volunteer Coordinator may be a board member but is not required to be so. The Volunteer Coordinator shall maintain a written record of each donation, purchase and/or transaction at the time the transaction is made, with a receipt provided to the donor showing the date, amount, and nature of the payment. At no time shall cash received for an event be used to cover immediate expenses.

After the event, the Volunteer Coordinator shall use the written record maintained at the time of receipt to prepare a Deposit Summary, itemizing the amount of each check and cash amount as well as a total of each category, with copies of all checks and a record of cash amounts attached. The transactions listed in the Deposit Summary must match up with the written record of donations discussed in the above paragraph.

The Volunteer Coordinator will then give the deposit packet (including all cash, checks, and the Deposit Summary) to the Board Secretary or Treasurer no later than close of business on the next available business day, and both parties must verify and agree on the amounts shown in the deposit packet while in each other's presence, placing their signature in a visible area of the deposit packet (does not need to be a separate sheet). The Board Officer then holds the funds in safekeeping until a bank deposit can be made, but in no case longer than 14 days.

After deposit, a copy of the bank deposit receipt, copies of all deposited checks, and notations indicating the nature of the deposit amount, shall be faxed to the financial service provider, with the original kept in the school office. Additional copies may be provided to authorized individuals responsible for tracking volunteer activities, as approved by the Director.

- b. FROM MAIL RECEIVED OR CASH/CHECKS DROPPED OFF AT Redding School of the Arts OFFICE: Mail received at the school must be opened in the presence of at least two individuals; either two FPAE board members or 1 RSA staff member and 1 FPAE board member. For any cash or checks received in the mail, the FPAE Secretary or school designee shall prepare a deposit packet itemizing the amount, source, and purpose of each payment, with a designated office staff member acting as verifier and second signatory on the deposit packet. If multiple items are received at the same time for the same purpose, they may be summarized in a single deposit packet as long as each payment is itemized as described above. The document packet should then be held in the office lockbox or other secure location until it can be deposited.

For cash/checks dropped off at the front desk by hand, the person dropping off the amount shall place the cash/checks in a deposit envelope, together with a note or form detailing the name of the person and the purpose and amount of the deposit, and seal and sign the deposit envelope. An office staff member must then immediately place the envelope in the office lockbox, where it will be processed along with the next batch of received mail as described above.

PROCEDURE FOR STORING CASH/CHECKS

All cash and checks must be kept in a locked safe for safekeeping when not under the immediate supervision of the FPAE officer or School Designee. The school safe should be used for this purpose. Cash and checks may not under any circumstances be left in the office or volunteer area unattended. Although the frequency of deposits must be balanced with other school needs, all efforts should be made to ensure quick turnaround and deposit of checks and cash received by the school.

PERSONS RESPONSIBLE FOR HANDLING CASH/CHECKS

In order to maintain proper accounting controls, at least two people shall be involved in all transactions involving deposit of cash/checks. These two people shall be either two FPAE officers or one RSA administrator/designee and one FPAE board member. The Secretary or RSA designee will be responsible for ensuring proper documentation is in place verifying the source, amount, and itemization of amounts received, preparing and making bank deposits, and placing all items to be deposited in safekeeping prior to deposit.

3. PURCHASING POLICY

BOARD POLICY

Purchasing: All FPAE purchases and expenditures must be pre-approved. Recurring expenses such as monthly rent, copier lease payments, or other periodic payments for which overall approval has already been granted do not require individual approval.

Invoicing & Receipt: All purchases must be accompanied by an invoice or receipt, depending upon the nature of the item and the purchase method. For payments made using a credit/debit card, a receipt shall be obtained and/or printed at the time of purchase. Checks may never be made out to “Cash” or “Bearer” unless accompanied by a signed statement by a Director indicating no other reasonable method was available for payment of the good/service, and the memo of the check clearly indicates exactly what was being purchased. Checks cannot be signed without all information completely filled out on the individual check.

Checkbook & Debit/Credit Card: Any FPAE checkbook or debit/credit card should be kept under locked supervision in the School’s office at all times. Any debit/credit card must bear the names of both FPAE and designee.

PROCEDURE FOR APPROVING PURCHASES

- a. Any desired purchase must have backup evidenced by:
 1. Purchase Requisition approved online through Approved online purchasing system by FPAE; OR
 2. Other written evidence of approval through Board minutes.
- b. Documented evidence of Board approval must be obtained prior to payment – reimbursements will not be acceptable unless specifically exempted by Board from this reimbursement policy.
- c. If the item is purchased directly by the Capital Campaign Manager, a receipt must be obtained at the time of purchase and provided to the Secretary or Treasurer as set forth in “Invoice/Receipt Policy” below.
- d. A Warrant and Deposit Report will be included in each quarterly Board packet as a consent agenda item, listing all warrants paid in the prior quarter.

Invoicing and Receipt Procedure

The Secretary will fax receipts to the Treasurer, retaining the original at the school as backup documentation. For businesses or individuals seeking payment, an invoice must be provided prior to payment. Upon payment of invoices, the invoice shall be stamped "PAID", initialed, and dated prior to filing.

Procedure for Contracts and Agreements

All contracts or agreements, including those for ongoing services, shall be negotiated by a designated Board Representative to obtain such services in the most efficient and cost-effective manner and in the best interests of the Foundation. All such agreements must clearly define the scope of services to be performed, and the price for such services. A file shall be maintained by secretary containing all documentation related to the reason for the contract/agreement as well as any research showing that the purchase is in the best interests of the Foundation, including but not limited to any alternate bids received for the good/service. The Board may also recommend changes or revisions pending final approval. Any modifications or changes to existing contracts/agreements shall be made only in writing.

Procedure for Handling Invoices and Vendor Requests

- a. All invoices received via mail should be delivered to the Foundation box, Secretary or designee will make and file a copy of all invoices.
- b. If the invoice is for a smaller item and/or an immediate payment necessary (not to exceed \$250) for FPAE function, the Treasurer may authorize on-site payment and pay for such item immediately via check. However, use of purchase orders and payment via invoice should be utilized whenever possible to ensure an accurate paper trail.

Procedure for the Receipt of Ordered Goods

All ordered goods MUST be shipped to the School's main address, even during times of school closure during vacations and holidays. If goods are expected to be received during periods when school is closed, a staff member shall be directed to contact the appropriate shipping provider and instruct them to re-deliver the goods when school is again open. Staff members shall not receive ordered goods during school closures unless arrangements are approved by the RSA Director so that the below receiving procedure is adhered to even during school closure.

When ordered goods are received at the school, an RSA staff member will ensure that the items received match the packing slip. The staff member should sign the packing slip if all delivered items are accounted for so that all items are marked as received. If any discrepancy exists between the packing slip and the goods as delivered, the FPAE Secretary should be informed immediately. When invoices are received the Secretary/Treasurer will only pay for the portion of the order shown as "received".

4. BUDGETING AND CASH FLOW MANAGEMENT POLICY

BOARD POLICY

Budgets: Cash flow management involves tracking actual and projected revenues, expenditures, and cash receipts and disbursements to ensure that sufficient cash is available to meet all financial needs when due, and that sufficient available reserves are maintained as a contingency in the event of unforeseen financial setbacks.

Ending Balance: At each fourth quarter meeting, Foundation's goal is to maintain a unrestricted ending cash balance at or above 5.0% of total expenditures during the fiscal year just ending, not including capital acquisitions or debt repayment.

CURRENT PROCEDURE

Budget Structure

Foundation's annual budget includes a Statement of Activities that shows projected revenues, expenditures, and changes in net position for the fiscal year beginning July 1 and ending June 30 of the following year.

Annual Budget

Prior to July 1 of each year, the Projected Annual budget will be presented to the Board for final approval.

Budget Development and Oversight Calendar and Responsibilities

FPAE will develop and monitor its budget in accord with the annual budget development and monitoring calendar as specified below.

January – February

- Ongoing monitoring and revision of current year budget. [*Board Treasurer and President*]

March – April

- Develop rough planning budget for upcoming fiscal year, including projected revenue and expenses.
- Ongoing monitoring and revision of current year budget. [*Board Treasurer and President*]

May – June

- Board will review revenue projections and fine-tunes the upcoming fiscal year budget to accommodate any changes. This budget will include quarterly cash flow projections.
- The Board reviews and formally adopts a budget for upcoming fiscal year before July 1.
- Ongoing monitoring and revision of current year budget. [Board Treasurer, Finance Committee, and Director]

July – August

- Books for prior fiscal year are closed, all transactions are posted, and records assembled for audit. [Secretary and Treasurer]

September – December

- Independent auditor performs audit of the just-closed fiscal year and prepares audit report for submission to the FPAE Board.
- The Audit Committee of the Board reviews a copy of the audit. Secretary or Treasurer addresses any audit exceptions or adverse findings. Audit report and any follow-up plans are submitted to the FPAE board.
- Federal and State filing requirements are met.
- Ongoing monitoring and revision of current year budget. [Treasurer and President]

5. VOLUNTEER BUDGETS AND SPENDING POLICY

BOARD POLICY

For volunteer or fundraising events, costs may be paid either directly by FPAE or as reimbursement to volunteers. It is recommended that for those costs paid for by a volunteer, a single volunteer for each event be designated, to reduce paperwork and approval tracking. This volunteer may be (but is not required to be) the Volunteer Coordinator.

All reimbursements must be approved by Board prior to payment; reimbursements will not be granted for items purchased without Treasurer or Secretary approval. In all cases, it is recommended that volunteers receive approval from an FPAE officer before making any purchases – if not pre-approved, volunteers run the risk of not being reimbursed for costs expended, if the cost is not deemed by an officer to be an eligible costs.

Any reimbursement request must be accompanied by valid receipts for all items (with the exception of mileage). For mileage reimbursements, a log must be included showing specifics of travel. Line items on credit card statements are not sufficient documentation for volunteer reimbursement.

CURRENT PROCEDURE

Volunteer Budgets

- a. For large-scale and/or extended timeframe fundraising activities conducted (as opposed to through a separate nonprofit PTO), it is recommended that such activities have an itemized operating budget. This budget shall be prepared by the Volunteer Coordinator, or jointly by members of the Volunteer Committee in charge of such event.
- b. The Board shall determine during initial discussions of the event whether a separate operating budget is required, and if so, shall direct staff to coordinate such budget activities.
- c. As discussed in Section 2, each volunteer or fundraising activity must be headed by a Volunteer Coordinator chosen for such activity, who shall be responsible for coordinating all receipts of funds and payment of all costs with the Secretary.

Event Summary

At the Board's discretion, for larger fundraising events the Board may request that an "Event Summary" be prepared at the conclusion of the event. The Event Summary summarizes all income and expenses in connection with that event, and shows the "event profit" (all event revenues less all event expenditures). No specific format for the Event Summary is required as long as the relevant information is made clear. This Event Summary may be presented to the Board as a specific agenda item.

6. INVENTORY AND FIXED ASSETS POLICY

BOARD POLICY

In order to properly track all capitalized and non-capitalized assets, an inventory must be maintained for all items with a value of \$500 or more. This Inventory Record shall include the asset description, location, and ID tag/serial number, and for items exceeding \$5,000, shall reference the corresponding entry in the Fixed Asset Register for capitalized assets (see below). All inventoried items shall be tagged with a unique identification tag.

CURRENT PROCEDURE

Fixed Asset Register

Assets with a value of \$500 or more are considered “fixed assets”, meaning they are included as assets on the FPAE’s balance sheet (rather than as expenses such as books and supplies) and the cost of these assets is spread out over the useful life of the asset. This process is called “capitalization”, and involves including the value of the asset on the Foundation’s balance sheet at acquisition, and charging a portion of the item’s value as “depreciation” each year over its useful life. In order to properly account for capitalized assets, a Fixed Asset Register must be maintained for all capitalized assets, and shall include asset description, location, ID tag/serial number, acquisition date, cost, accumulated depreciation and useful life. The financial service provider is responsible for maintaining the fixed asset register.

Procedure for Recording Inventory and Fixed Assets

When any item is acquired with a cost basis of \$500 or more, an entry shall be made in the Inventory Record showing asset description, location, and ID tag/serial number, and a numbered identification tag shall be affixed to the item.

When the item (or group of items) that is purchased has a useful life of one year or more and has a cost of \$500 or more (or is part of a system (i.e., a computer network) that has a collective cost of \$500 or more), the item should be entered into the Inventory Record as described in the above paragraph, and three additional steps must also be taken:

- a. A notation is made in the Inventory Record that this item is a fixed asset;
- b. The financial service provider is informed that a specific purchase meets the qualifications of a fixed asset;
- c. The financial service provider makes an entry in the Fixed Asset Register containing all information in the above paragraph, plus acquisition date, cost, and useful life.

Annual Inventory

At the end of each fiscal year upon a date determined by the Treasurer, a comprehensive physical inventory shall be conducted of all inventoried assets of \$500 or more (including but not limited to fixed assets), reconciling the Inventory Record, the Fixed Asset Register, and the information in the general ledger to match the results of the physical inventory.

7. DEBT MANAGEMENT POLICY

BOARD POLICY

The purpose of this policy is to enhance FPAE's ability to manage its debt in a fiscally conservative and prudent manner. The effects of decisions regarding types of borrowing, covenants and terms, interest rates, and payment structure directly impact FPAE's continuing operation. The FPAE has thus established this Debt Management Policy to provide goals and guidelines for the Foundation's borrowings.

CURRENT PROCEDURE

1. The Treasurer is responsible for administering and maintaining FPAE's current obligations under direction of the Board.
2. No new debt shall be incurred without approval of the Board.
3. All approved annual budgets shall include timely repayment of all outstanding debt, or include a reasonable repayment plan for such debt if timely repayment is not possible.
4. Prior to incurring any new borrowing, the Treasurer shall prepare a financial analysis showing the effect of the borrowing on current and future operations. The Foundation may not borrow if a reasonable financial analysis cannot show timely repayment of all obligations including the planned borrowing.
5. The Foundation will seek financing options that are at the lowest interest cost and in the best interests of the Foundation.
6. FPAE will take all practical precautions and proactive measures to avoid borrowing decisions that can negatively impact current or future operations.
7. FPAE will determine the term, rates, and covenants that will best fit within the overall existing debt structure at the time any new debt is incurred.
8. FPAE will explore, assess risk, and implement innovative structuring ideas when they are consistent with the above goals.

8. BANKING POLICY

BOARD POLICY

All bank accounts shall be established in the name of Foundation for Promoting Arts Education with prior board approval of the initial authorized signers. Annually with respect to all existing bank accounts, the Board shall review and approve all authorized signers and approve the continuing need for each account.

All loans or similar agreements shall be negotiated by the Treasurer to obtain such services in the most efficient and cost-effective manner, using the same procedures as described in “3. PURCHASING POLICY – Procedure for Contracts and Agreements” above. All such agreements must clearly define all terms under which the School will be obligated and the price for such services.

CURRENT PROCEDURE

Signatures

All checks shall have two signatures for processing payments.

Reconciliations

All bank statements will be reconciled monthly by the Treasurer who does not generally participate in cash handling or signing. The original bank statement will be received at the school, the Secretary will approve reconciled bank statements who will sign and date reconciliation.

9. FUNDRAISING, GRANT SOLICITATION, and DONATION RECOGNITION

All fundraising or grant solicitation activities on behalf of FPAE must be approved in advance by the Board. The Board shall be informed of any conditions, restrictions, or compliance requirements associated with the receipt of such funds, including grants or categorical programs sponsored by the state or federal government. The Board shall be notified no later than the next regular board meeting of the award or receipt of any funds and shall approve the receipt of any grants, donations, or receipts of fundraising proceeds prior to their deposit in the Foundation's accounts.