

Pacific Crest Youth Arts Organization

Fiscal Policies and Procedures

Board of Directors

Pacific Crest Youth Arts Organization

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Table of Contents

- I. Disbursements 4**
 - I.a. General.....4**
 - I.b. Types of Disbursements.....4**
 - I.b.1. Official Agreements, Contracts and Leases 4
 - I.b.2. Prepayments to Vendors 4
 - I.b.3. Professional Services 4
 - I.b.4. Political Contributions and Payments to Other Charitable Entities 4
 - I.b.5. Capital Equipment 5
 - I.b.6. Petty Cash..... 5
 - I.b.7. Student Refunds 5
- II. Disbursement Procedures..... 5**
 - II.a. Check Authorization.....5**
 - II.b. Checks5**
 - II.c. Bank Reconciliations6**
 - II.d. Sales and Use Tax6**
 - II.e. Credit Card.....6**
 - II.f. Expense Reimbursement (Other than Travel)6**
 - II.g. Check Request6**
 - II.h. Petty Cash Reimbursement.....7**
 - II.i. Local Mileage Reimbursement7**
- III. Purchasing..... 7**
- IV. Cash Receipts 7**
 - IV.a. General.....7**
 - IV.b. Authorized Pacific Crest Cashiers7**
 - IV.c. Types of Payments Accepted.....8**
 - IV.d. Change Funds (Cash Boxes).....8**
- V. E-Commerce Policy..... 8**
 - V.a. General.....8**
 - V.b. Principles.....9**
 - V.c. Compliance Requirements/Guidelines9**
 - V.d. Fixed Assets.....10**
- VI. Insurance10**
- VII. Books of Original Entry.....10**

VIII. Grants and Contracts.....	10
IX. Budgets	11
X. Bad Debt	11
XI. Other.....	11

I. Disbursements

I.a. General

Valid expenditures are those, which are within the budgetary guidelines and are reasonable and necessary to conduct the business of Pacific Crest Youth Arts Organization. Primary responsibility to ensure that expenditures are reasonable and necessary rests with each budget manager, and ultimately with the Executive Director.

I.b. Types of Disbursements

I.b.1. Official Agreements, Contracts and Leases

Affiliations, leases or contracts committing Pacific Crest Youth Arts Organization to an action or monetary obligation must be approved by the Board of Directors and signed by the Executive Director. (See Bylaws Article 7, Section 2)

I.b.2. Prepayments to Vendors

Any request for the issuance of a Pacific Crest Youth Arts Organization payment to a vendor prior to the delivery of the goods or services is not allowable unless approved by the Executive Director.

In the case of a COD order, the requester accepts responsibility for receiving the merchandise and an invoice or receipt at the time the check is given to the vendor. The invoice or receipt must be forwarded to Business Manager immediately.

I.b.3. Professional Services

Pacific Crest Youth Arts Organization follows Internal Revenue Service guidelines for determining whether a specific relationship is employment or professional services.

If the person is currently an employee of Pacific Crest (or has been an employee within the current calendar year), they must be paid through payroll for all additional services rendered.

A copy of the contract, proof of insurance and a W-9 form must be on file with the Business Manager prior to the issuance of the initial payment to an individual for professional services.

All payments for professional services must be made directly to the individual by the Organization. Reimbursements to Pacific Crest employees for the payment of professional services are contrary to IRS regulations and will not be allowed

I.b.4. Political Contributions and Payments to Other Charitable Entities

Organization policy prohibits the expenditure of Organization funds to support a political campaign, political lobbying, a candidate for public office, or a political party. This would include dinners sponsored by a committee whose proceeds go to the benefit of a politician or political party. The Internal Revenue Code and Treasury Regulations indicate that if the Organization were to make such expenditures for political purposes, the Organization's tax exempt status could be jeopardized.

As part of its community involvement and societal and cultural goals, the Organization may participate in official events and fundraisers hosted by third parties including other nonprofit organizations. This

type of expenditure must be authorized in writing by the Executive Director and include justification or explanation as to the derived benefit in support of the Organization mission.

I.b.5. Capital Equipment

The Executive Director must preauthorize all purchases for capital equipment. Any capital purchases beyond the Capital Budget approved by the Board of Directors, must be first approved by the Board.

I.b.6. Petty Cash

A Petty Cash Fund is maintained by the Business Manager. Reimbursements may be requested for small expenditures. Original receipts must be attached to a request detailing the following:

- Date submitted
- Payee's name (Person to receive payment)
- Date of expense
- Description of expense
- Amount to be reimbursed
- Account number to be charged
- Appropriate approvals

Maximum reimbursement is \$25.00 per cash voucher per payee. Amounts in excess of this should be requested through the Executive Director. Transactions affecting a Cash Advance are not allowable through Petty Cash.

I.b.7. Student Refunds

All requests for refunds of credit balances on a student's account must be made by the Executive Director

II. Disbursement Procedures

II.a. Check Authorization

1. All invoices will be immediately forwarded to the Business Manager who will review them for accuracy.
2. Prior to payment, all invoices will be approved (indicated by initialing) by the Executive Director. By approving an invoice, the Executive Director indicates that it has been reviewed and authorizes a check.
3. The Business Manager will code the invoice with the appropriate account number.
4. The Business Manager will prepare checks on an as-needed basis.
5. Authorized signers on the bank account include the Executive Director, Board President, Business Manager, and the Treasurer.

II.b. Checks

1. The Business Manager will be responsible for all blank checks.

2. Checks shall be signed by the Business Manager. In his or her absence, checks may be signed by the Executive Director, Treasurer or President. All checks in the amount of one thousand dollars (\$1,000.00) or more shall require the signatures of the Business Manager and the Executive Director. In the absence of either the Business Manager or the Executive Director, the President or Treasurer will provide the second signature. (See Bylaws Article 7, Section 2)
3. Voided checks will have "VOID" written boldly in ink on the face and have the signature portion of the check torn out. Voided checks will be kept on file.
4. In no event will:
 - Invoices be paid unless approved by an authorized signer
 - Blank checks (checks without a date or payee designated) be signed in advance
 - Checks be made out to "cash," "bearer," "petty cash," etc.
 - Checks be prepared on verbal authorization unless approved by the Executive Director.

II.c. Bank Reconciliations

1. Bank statements will be received directly and opened by the Business Manager.
2. The Business Manager will reconcile the bank statements monthly.
3. The Board of Directors will be given copies of the bank statements upon request.

II.d. Sales and Use Tax

Pacific Crest Youth Arts Organization is not exempt from sales tax. Nonprofits are required by California law, as well as the laws of the various states in which Pacific Crest does business, to pay sales tax on all purchases of tangible personal property.

Only items that are purchased for resale are exempt from sales tax; however the Organization must collect sales tax when the items are sold.

II.e. Credit Card

(See Credit Card Policy)

II.f. Expense Reimbursement (Other than Travel)

A written request must be supported by a receipt or invoice showing that payment has been made, and must be approved by the Executive Director. Reimbursements for services performed by other individuals and political donations are not allowed.

II.g. Check Request

A written request should be issued for items not invoiced, such as conference registrations, honorariums, and cash advances. The check request must be approved by the Executive Director and must include the name and address of the payee, unless as in the case of a cash advance, the payee is an employee.

II.h. Petty Cash Reimbursement

Reimbursement from Petty Cash may be obtained for expenditures under \$25.00. The original receipts must be attached and the expense approved by the Executive Director. No transaction affecting a Cash Advance may be made through Petty Cash.

II.i. Local Mileage Reimbursement

The current reimbursement rate is 25 cents (\$0.25) per mile. The written request must include the departure point, the destination and purpose of each trip.

III. Purchasing

All purchases must be in alignment within the budget approved by the Board of Directors.

The Executive Director and all budget managers are responsible to know if purchases are within the budget and guidelines.

Invoice copies are turned into the Business Manager.

IV. Cash Receipts

IV.a. General

All staff are responsible to prevent the mishandling of Organization funds and to safeguard the handling of cash. Cash is considered to be any type of payment received, including coin, currency, checks, money orders, credit cards, electronic funds transfers, wire transfers and e-commerce payments. All cash received for deposit into a Pacific Crest account must be submitted to an authorized Pacific Crest cashier – as designated by the Business Manager. In return, the authorized Pacific Crest cashier will issue a numbered receipt, in addition to keeping at least one copy, or a log of the receipt.

The use of checking or other banking accounts by Organization personnel for depositing Organization cash is prohibited. All Organization bank accounts are authorized only by the Pacific Crest Board of Directors.

Only the Executive Director, Business Manager, or Operations Manager may accept cash from a student or on behalf of a student's account.

IV.b. Authorized Pacific Crest Cashiers

An authorized Pacific Crest cashier is defined as an individual or other entity, specifically designated by the Business Manager or Executive Director, to handle cash.

The authorized Pacific Crest cashiers are responsible for collecting, controlling, and accounting for cash receipts of the Organization and should have internal procedures to prevent the mishandling of Organization funds and to safeguard the handling of cash.

IV.c. Types of Payments Accepted

Pacific Crest Youth Arts Organization accepts the following forms of cash:

1. **Cash:** U.S. Currency or Coin.
2. **Check:** If a check is returned unpaid, the payer is responsible for the face amount of the check as well as a \$25.00 returned item fee. In addition, once an individual has written a check to the Organization which is returned unpaid, their check writing privileges with the Organization may be revoked. They will need to use an alternate method of payment.
3. **Credit Card:**
 - The Organization accepts Visa, MasterCard, American Express, and Discover
 - The payee must be the cardholder and show valid picture identification with the exception of payments made by mail or on-line.
4. **Electronic Fund Transfers (EFTs):** All Electronic Fund Transfers are processed by the Business Manager. The Business Manager must be notified, as soon as possible, when anticipating an incoming or outgoing EFT.
5. **Online Payments:** Electronic commerce (e-commerce) payments can currently be made through Pacific Crest's online store or Web-based payment forms. Links and forms have been imbedded on some of the web pages so that payments can be collected on-line.

IV.d. Change Funds (Cash Boxes)

Change funds or cash boxes can be provided to any Pacific Crest approved employee or volunteer. Change funds are requested by submitting a written request to the Business Manager a minimum of five (5) working days in advance of the date needed. Change funds are issued, as available, for a maximum amount of \$200.00, (unless an exception is granted by the Executive Director), in the combination of coin and currency specified on the request.

Change funds are returned to the Business Manager within one day of the final event for which the fund was issued. Money in excess of the change fund, revenue from the event, is deposited by the Business Manager. Change funds which are not returned within that time frame are charged, in full, to the requesting individual.

V. E-Commerce Policy

V.a. General

This policy governs the acceptance of payment cards (e.g. Visa, MasterCard, American Express, and Discover) as well as, ACH transactions by the Organization. Being able to provide these payment options to customers, students, parents and donors, comes with significant responsibility to maintain account holders' and cardholders' information securely and to mitigate the risk of fraud. In regards to payment cards, the Organization, as a merchant, must adhere to strict security guidelines established by the Payment Card Industry and the banking networks or face significant financial penalties. In addition to such penalties, any compromise of cardholder or account holder information undermines public confidence in the Organization's ability to maintain appropriate stewardship over confidential

information entrusted to it. Lack of compliance in a single area of the Organization could jeopardize the Organization's ability to accept credit cards in any area.

V.b. Principles

The following key principles will be included in detailed revenue processing and deposit standards, some of which are as follows:

1. Electronic processing is the preferred methodology for handling student tuition payments.
2. Payment options will be linked directly to the Organization's primary e-commerce vendors and current merchant relationships as a general rule to ensure timely recording of transactions and expedite the prompt reconciliation of general ledger and bank accounts.
3. Although cash is an accepted form of payment, its use is discouraged. The Organization's goal is to limit cash due to the inherent internal controls risks.
4. All revenue processes will be characterized by separation of duties. No one person will have complete control over a revenue processing transaction from initialization to reconciliation.
5. Only the Business Manager may process revenue and make deposits.
6. All employees involved in revenue processing must complete the mandatory training programs.
7. No copies of credit cards, listings of credit cards with complete account information are to be stored in any Organization database or file. The storage of truncated numbers, in approved formats, is permissible.

V.c. Compliance Requirements/Guidelines

- A. It is against Organization policy to store credit card numbers on any computer, server or database.
 1. Treat payment card receipts like you would cash.
 2. Keep payment card data secure and confidential.
 3. Restrict access to card data to "those who need to know."
- B. Documents containing cardholder data should be kept in a secure environment (i.e. safe, locked file cabinet, etc.) or after processed shredded in appropriate receptacles.
 1. Cardholder data must be transmitted securely. (i.e. encrypted)
 2. Email is not an approved way to transmit credit card numbers.
- C. Fax Transmittal of cardholder data is permissible only if the receiving fax is located in a secure environment
- D. Credit card receipts and supporting documentation containing credit card numbers should be securely stored for one year, but no longer.
 1. "Sanitize" account numbers on paper documents.
 2. Paper receipts should be destroyed so that account information is unreadable and cannot be reconstructed.
- E. Manual swipers or imprinters should be discontinued in usage and are no longer authorized for use.
- F. Technology changes that affect payment card systems are required to be approved by the Executive Director PRIOR to being implemented.
- G. Any new systems/software that processes payment cards are required to be approved by the Executive Director PRIOR to being purchased.
- H. Computer systems that process payment cards must be behind a firewall.

- I. Use and regularly update anti-virus software.
- J. Do not use vendor-supplied defaults for systems passwords and other security parameters.
- K. Computer systems that process payment cards must have the ability to monitor and track access to network resources and cardholder data.

V.d. Fixed Assets

The Executive Director will maintain an inventory log, which shall list a description of the item, date of purchase or acquisition, price or fair value of the item and its location.

The Executive Director will maintain the depreciation tables for all fixed assets.

The Business Manager will record all major equipment in the accounting system. Major equipment is defined as anything with a unit cost of \$500 or more and a useful life of more than one year. An entry will be made whenever property is disposed of or acquired.

VI. Insurance

Reasonable, adequate coverage will be maintained to safeguard the corporation.

The Board of Directors will review insurance policies before renewal.

The Secretary will maintain insurance policies in insurance files using the cloud-based application, BoardNetwork.org.

VII. Books of Original Entry

Adequate documentation will be maintained to support all general entries.

At the end of each month, the Executive Director will prepare finance reports as directed by the Board of Directors.

VIII. Grants and Contracts

The Board of Directors will carefully review each award and contract to ensure compliance with all financial and programmatic provisions. The Executive Director will maintain originals of all grants and contracts in a file. The Business Manager will prepare initial entries as appropriate to record each award.

The Executive Director will prepare financial reports to funding sources as required. It will be the responsibility of the Executive Director to ensure that all financial reports are submitted on time.

The Board President will review and approve all reports to funding sources.

IX. Budgets

The Executive Director will work with the Board Finance Committee to prepare the annual Operating and Capital budgets. The Board of Directors will approve the Operating and Capital Budgets at its Annual Meeting. Changes to those budgets may be made only by majority vote of the Board of Directors.

The Treasurer will ensure that budgets are on file.

X. Bad Debt

The Executive Director will determine when a student account is deemed uncollectible, and a posting of bad debt write-off will be made to the accounting system.

At the discretion of the Executive Director, accounts may be turned over to a third-party collection agency

XI. Other

The Treasurer will note all items in the minutes relating to finance and take appropriate action.

The Executive Director will be responsible for alerting the Treasurer and/or Board for compliance with Federal, State, and local regulations, including completion of tax forms, payroll taxes, sales taxes, etc.

All financial records will be retained for the time specified in the Board approved Document Retention and Destruction policy.