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General Statement

The The Arts Alliance Financial Policies & Procedures Manual is approved and revised periodically by the board. It is understood that in addition to board approved policies, this document also includes many general guidelines. Staff may, at the discretion of the president/CEO, follow stricter procedures where circumstances warrant or make minor modifications to procedures or deadlines to address unique circumstances where approved by the president/CEO. For example: electronic records may be substituted for paper originals or copies where allowed by law. Calendar dates may be adjusted to account for holidays, weekends or other circumstances provided that legal obligations are met.

In no circumstances shall policies and procedures related to board reporting, audits or reviews, gift acceptance or legal obligations be waived or modified without advance approval of the board.

Policy Statement

The The Arts Alliance, Inc. (The Arts Alliance) is committed to responsible financial management. The entire organization including the board of directors, administrators and staff will work together to ensure that all financial affairs of the organization are addressed with care, integrity and in the best interests of The Arts Alliance and the public it serves.

The policy and procedural guidelines contained in this Manual are designed to:

1. protect the assets of The Arts Alliance;
2. ensure the maintenance of accurate records of The Arts Alliance’s financial activities;
3. provide a framework of operating standards and behavioral expectations;
4. ensure compliance with federal, state and local legal and reporting requirements; and
5. be transparent.

The president/CEO, under the direction and supervision of the board of directors and finance committee, has the responsibility for administering these policies and ensuring compliance with procedures that have been approved by the board of directors. Financial policies can be changed, as needed, by a majority vote of the board of directors, or by the executive committee acting on behalf of the board. Financial procedures can be similarly changed by the board, the executive or the finance committee, or by the president/CEO acting within the guidelines of financial policies. In addition, the business manager, because of his or her financial responsibilities and obligation to ensure the accuracy of The Arts Alliance’s accounting records, is responsible for working with the president/CEO to ensure compliance with The Arts Alliance’s financial policies and procedures.

Every administrator and staff member with financial related responsibility is expected to be familiar with and operate within the parameters of these policies and guidelines.

Line of Authority

1. The Arts Alliance’s board of directors (board) holds the primary responsibility of ensuring the organization’s financial stability by providing oversight on its fiscal health budget, investments and management. The board has the authority to execute any policies it deems to be in the best interest of the organization within the parameters of the organization’s articles of incorporation, bylaws and federal, state and local law. Any changes to The Arts Alliance’s Financial Policies and Procedures voted on by the board will not only be inserted into the minutes, but copies of the changes will be recorded and inserted into this Financial Policies and Procedures Manual.

2. The executive committee - consisting of the chair, vice-chair, treasurer, secretary and president/CEO of the corporation and other directors named by a resolution of the board of Directors, as provided by statute, the Articles of Incorporation or the Bylaws, may exercise, when the board is not in
session, all of the powers of the board of directors in the management of the organization except as otherwise prohibited in the Bylaws.

3. Treasurer and the finance committee - May exercise all powers and authority of the board in management of the business and affairs of the corporation as indicated and provided by statute, the Articles of Incorporation or the Bylaws and these Financial Policies and Procedures.

4. President/CEO - The president/CEO is responsible for ensuring that the policies of the board are followed and ensuring that proper financial management procedures and policies are implemented according to The Arts Alliance’s policies and procedures manual. The authorities and responsibilities of the president/CEO include the following:
   a. develop both short and long range financial objectives for presentation to and approval by the board;
   b. develop an annual budget for the board’s approval;
   c. make spending decisions within the parameters of the approved budget;
   d. hire, promote, set salary levels for and terminate personnel; and
   e. delegate financial operations to additional staff.

5. Finance Manager - has whatever authority may be designated by the president/CEO and has the responsibility to maintain the financial records of The Arts Alliance and to fulfill other duties related to financial policies and procedures as outlined in this Financial Policies and Procedures Manual. The business manager holds responsibility for day-to-day bookkeeping tasks. In the performance of his/her duties, the business manager will endeavor to comply with Generally Accepted Accounting Principles and applicable 501(c)3 laws and principles. The business manager works with the finance committee as it oversees the execution of an annual financial audit or review to verify the accuracy of The Arts Alliance’s financial data.

6. Additional Staff - The president/CEO shall have authority to assign financial responsibilities to additional staff, as needed, within the parameters of these financial policies and within the directives of the board of directors.

Fiscal Management

1. The Arts Alliance’s Fiscal Period: The fiscal period for The Arts Alliance shall be January 1 to December 31.

2. Accounting Method: The The Arts Alliance utilizes the business accrual basis of accounting that recognizes revenues when they have been earned and expenses when they have been incurred.

3. Accounting Software: The Arts Alliance uses QuickBooks Premier Nonprofit Edition to maintain the financial records. Only the president/CEO and business manager have access to accounting software.

4. Chart of Accounts: The Arts Alliance shall maintain a chart of accounts that conforms to Generally Accepted Accounting Principles and can be used to accurately record The Arts Alliance’s financial position and code receipts and disbursements to the proper accounts. Non-standard journal entries will be discussed with The Arts Alliance’s auditors to ensure proper accounting treatment.

Authorizations

1. Bonds, contracts and obligations - the board chair, vice-chair and president/CEO may sign and execute all authorized bonds, contracts or other obligations in the name of The Arts Alliance within the parameters of the organization’s articles of incorporation, bylaws and federal, state and local laws (unless otherwise provided by resolution of the board.)
2. Check signers/disbursement approval– The following individuals have been designated as authorized check signers by the board: the chair, vice-chair, treasurer, secretary, president/CEO and when appropriate, at the recommendation of the president/CEO and approval of the board, one staff member. Copies of board resolutions and specimen signatures of authorized individuals will be filed with each financial institution where The Arts Alliance maintains one or more accounts.

3. The Arts Alliance keys, passwords or financial information – Staff maintains a list of staff, board members, volunteers and others who have authorization for access to The Arts Alliance keys, passwords or financial information or who have responsibility for performing bookkeeping or financial duties on behalf of The Arts Alliance. The Arts Alliance may change such authorizations at any time, for any reason.

4. All passwords will be kept secure and at least two board members (including the treasurer) will have knowledge of where the passwords are kept, in case something happens to the president/CEO and the business manager and the board needs to get access.

Policies on Safeguarding Assets

1. The finance committee shall provide fiscal oversight in the safeguarding of the organization’s assets and shall have primary responsibilities for ensuring that all internal and external financial reports fairly present its financial condition.
   a. A proper filing system will be maintained for all financial records. Confidential records will be kept secure.
      i. Important, non-replaceable documentation will be kept in a locked file. These documents will be scanned and filed on The Arts Alliance’s server and backed up “in the cloud” by NPServ.
      ii. The president/CEO and business manager will hold keys. All confidential physical files will be maintained in locking file cabinets or locking drawers, which will remain locked when not in use.
      iii. Only staff members authorized by the president/CEO will have access to the file cabinet keys.
      iv. Only staff authorized by the president/CEO will have access to the passwords to activate The Arts Alliance’s computers.

Annual Audit and Review Policy

1. An examination of The Arts Alliance’s financial statements alternatively as a full audit one year and a review every other year, shall be conducted in accordance with Generally Accepted Accounting Principles annually by an independent CPA qualified to express an opinion of the fairness of presentation of the organization’s financial statements. In addition to an annual audit or review, the auditing CPA will be responsible for the preparation of the IRS Form 990 and filing the annual Michigan License to Solicit Donations application.

2. Based on the recommendations of the finance committee, the board of directors may request that the president/CEO solicit bids from qualified CPA firms to perform the organization’s annual audit. These bids shall be presented to the finance and executive committees for review, who shall recommend a firm to the board of directors. Formal board approval will be required prior to engagement of services. The Arts Alliance must change auditors (though not necessarily auditing firms) at least every five years. Therefore, The Arts Alliance will consider requesting bids from qualified CPA firms every three to five years.

3. The finance committee will supervise the execution of the audit and will delegate responsibilities to the president/CEO and business manager to assist and provide information to the auditors as
needed in the performance of the audit. The findings of this examination and any accompanying recommendations shall be presented to the finance and executive committees.

4. The finance and executive committees shall recommend the audit report to the full board for examination and approval.

5. The final audit or review will be made available to the general public upon request. The board of directors, upon the advice of the finance committee or by its own discretion, may order a mid-year audit of the organization’s finances whenever there is a change in personnel who have fiscal responsibilities or whenever there are significant events that may warrant an audit.

Risk Management & Insurances

1. Policy: Reasonable, adequate coverage will be maintained to safeguard the assets of the Corporation, including property and liability insurance, workers compensation, employee dishonesty, directors and officer’s liability insurance and other insurance as deemed necessary.

2. Procedures: At least once per year, the president/CEO and the business manager will initiate an examination of the adequacy of The Arts Alliance’s insurance coverage. Such examination will involve conversations with the finance and executive committees to ascertain the board’s opinions regarding The Arts Alliance’s insurance needs. The president/CEO or business manager will then contact The Arts Alliance’s insurance agent and other appropriate insurance companies and initiate insurance coverage that will meet The Arts Alliance’s agreed-upon insurance requirements.

3. The business manager is responsible for the day-to-day management of insurance requirements and insurance paperwork and will report to the president/CEO with any important insurance related issues or problems.

Budget Development & Management:

1. Developing a budget is an ongoing process and the president/CEO, together with the business manager and other department heads, should work together to prepare realistic budgets for The Arts Alliance.

2. The president/CEO must submit a formal annual budget at least once per year to the finance committee before the first board meeting of the year. The finance committee will review the budget and submit it to the full board for consideration and approval.

3. Budgets are reviewed periodically by the finance committee and can be adjusted as circumstances may dictate. The board may ask the president/CEO to revise the budget, or prepare a new budget for consideration. Or, the president/CEO may inform the board that a revised, or new, budget should be considered. In any case, once a budget is ultimately approved by the board, the president/CEO, together with the business manager, will continually monitor the budget and inform the board if actual financial performance varies significantly (usually defined as 10% or more) from the budget.

Recordkeeping

1. The business manager is responsible for keeping accurate and timely financial records using QuickBooks Premier - Nonprofit Edition software.

2. Financial data is saved on the business manager’s computer hard drive and backed up to The Arts Alliance’s network server. The Arts Alliance’s network server is automatically backed up to the cloud via NPServ, The Arts Alliance’s IT service provider.

3. Only the business manager and the president/CEO will have access to the passwords required to log into the computer software that contains The Arts Alliance’s financial information.
Financial Reporting

1. Within 10 days after the close of the financial period (month-end or year-end), the business manager will prepare and present a detailed QuickBooks generated detailed monthly balance sheet and profit & loss report to the president/CEO for review and/or corrections.

2. Once corrections are completed, the business manager will prepare for distribution monthly and year-to-date financial reports including a balance sheet, income statement and statement of cash flows.

3. The president/CEO will complete a final review of each report before the business manager distributes the reports to the finance committee for monthly review and their quarterly meetings.

4. At each board meeting, the financial reports, together with updates on the budget and variances from the budget will be presented to the full board of directors so that the reports can be used to monitor the financial affairs of the organization. The president/CEO will inform the finance committee of any significant variances (normally defined as 10% or more) between the budget and actual reports. In addition, monthly and year to date financial reports for each department are provided to department heads.

Bank Reconciliation Procedures

1. The business manager will enter into QuickBooks daily all deposits, withdrawals, checks written and any other transactions affecting the bank account balance and will save and maintain all receipts and paperwork related to changes in the bank accounts.

2. Once per month, the business manager will reconcile the bank statements to QuickBooks and notify the president/CEO of any discrepancies.

3. The business manager will give the reconciliations and all supporting documentation to the president/CEO to examine and approve.

4. The business manager will produce a list of all outstanding checks over 90 days old and will give a copy of the list to the president/CEO. The business manager will investigate the outstanding checks and the reasons they are outstanding and report the results of the investigation to the president/CEO.

5. A copy of the bank reconciliation will be provided to the board treasurer to examine and review. If any inaccuracies or concerns are found, the treasurer should notify the president/CEO immediately to investigate and resolve. If that action is not satisfactory, further investigation is the responsibility of the treasurer.

The Arts Alliance Asset Management

1. Cash on Hand: The Arts Alliance cash will be held in an interest bearing account at an FDIC insured financial institution. If The Arts Alliance has more than $250,000 in any one bank, The Arts Alliance will consider whether to distribute these assets among several banks, if possible, to maximize FDIC insurance coverage of The Arts Alliance’s cash assets.

2. Capital Assets
   a. As directed by the board and president/CEO, The Arts Alliance’s business manager will maintain records on all securities and fixed assets.
   b. Assets, such as equipment, furniture, software, etc. shall be defined as a capital asset with a unit cost of $1,000 or more and a useful life of more than one year. Assets costing more than $1,000 will be capitalized. Assets costing less than $1,000 will be expensed at the time of purchase.
c. Inventory - The business manager will maintain an inventory log of all furniture, electronic equipment, software, etc. (unless the cost of the item is incidental), which shall provide a description of the item, date of purchase or acquisition, disposal dates and place, price or fair value of the item and its location. A copy of the purchase invoice should also be available and maintained for each item.

d. A depreciation schedule shall be prepared by an independent CPA annually for the audited financial statements for assets which cost $1,000 or more when purchased.

e. Whenever possible, the purchase of capital assets shall be funded through the use of accumulated cash. If sufficient cash is not available, the purchase can be financed, as approved by the board of directors.

Accounts/Pledges Receivables

1. The business manager is to maintain accurate records in QuickBooks of all accounts receivable including grant and pledge receivables. These records will be accurate, complete and maintained in a manner to indicate the due date(s) and the length of time the customers’/funders’ debt has been outstanding.

2. The business manager will prepare a monthly status report on all outstanding receivables and submit the report to the president/CEO for review. The business manager and president/CEO will discuss past due invoices and collection procedures and the business manager will initiate collection proceedings as authorized by the president/CEO.

3. The business manager prepares all billings for submission to the appropriate payer in a timely manner – except pledges and/or grants receivables (see below). In addition, the business manager will put the following phrase on the invoice: “Payment is due upon receipt of the invoice and is past due 30 days after the date of the invoice.”

4. Invoicing for pledge and grant receivables is the responsibility of the president/CEO.

5. The business manager maintains complete records in QuickBooks of the amounts of all pledges/grants receivable outstanding and all pledges/grants receivable paid, as well as all donations paid.

6. The business manager and development manager examine their respective records of grants and pledges receivable at least every three months, comparing them for accuracy.

The Arts Alliance Liabilities Management

1. Accounts Payables

a. All accounts payable invoices are date stamped when received and promptly submitted to the business manager, who will record all invoices in QuickBooks as accounts payable and place the invoices in the unpaid open invoices file.

b. The business manager will monitor daily and keep the president/CEO advised of, the due date of accounts payable invoices.

c. All invoices must be reviewed by the president/CEO for approval of payment.

d. Upon approval of payment, the business manager will cut the checks for payment.

e. All cut checks, together with supporting documentation, are submitted to a person authorized by the board of directors to sign checks.
2. **Borrowing: Short and Long Term Loans**
   
a. Short-term loans are or could become due within 12 months. Terms for long-term loans typically go beyond 12 months.

b. From time to time it may be necessary for The Arts Alliance to borrow funds from outside sources to fund operations and expansion. This may be necessary because of the seasonality of income from fees, donations and sales and due to major expansions or revisions of The Arts Alliance programs. Borrowing of funds shall be done within the following guidelines:

c. Borrowing shall be within approved limits as set by the board of directors from time to time.

d. The best available interest rates, in terms of borrowing shall be sought.

e. The majority of borrowing will be done at short-term conditions due to the seasonal nature of income. Long-term borrowing will be done only for two reasons: if rates are favorable and are beneficial to The Arts Alliance over the short-term rates; or, if for other reasons, the board approves long-term borrowing over short-term borrowing. In either case, all long term borrowing must be approved by the board.

f. Copies of board approved investment related resolutions, applications and specimen signatures of authorized individuals are held on file at each financial institution where The Arts Alliance holds accounts.

g. At least three signatures, which must consist of the board treasurer and a second board member and a third authorized signer to be designated by the board, are required to enter into a loan agreement (with the exception of short term loans, company credit cards, or lines of credit approved by the board, where the president/CEO can be designated by the board as the signer). In similar fashion, three signatures are required to endorse, assign, transfer, mortgage or pledge bills receivable, warehouse receipts, bills of lading, stocks, bonds, real estate or other property now owned or hereafter owned or acquired by The Arts Alliance as security for sums borrowed and to discount the same, unconditionally guarantee payment of all bills received, negotiated, or discounted and to waive demand, presentment, protest, notice of protest and notice of non-payment.

h. If The Arts Alliance decides to borrow from a board or staff member or any other The Arts Alliance stakeholders, The Arts Alliance will create a promissory note for the amount borrowed, no matter the amount, signed by an authorized signer other than the lending individual. One copy of the promissory note must be given to the person loaning the money to The Arts Alliance and another copy filed at The Arts Alliance. If the amount borrowed is more than $5,000, the promissory note must be signed by at least two authorized signers, one of whom must be a Board member other than a Board member who currently has a loan outstanding with The Arts Alliance. Even if the amount borrowed is less than $5,000, The Arts Alliance would prefer that promissory notes be signed by two authorized signers. In addition, until the loan is repaid by The Arts Alliance, the board should carefully monitor for potential conflicts of interest. For example, if a board member loans money to The Arts Alliance, that board member should abstain from discussion or board votes in regards to their loan.

i. When a staff person, president/CEO, board member or other stakeholder uses their personal credit card for qualifying The Arts Alliance expenses, it’s important to recognize that such credit card purchases are, in fact, a loan to The Arts Alliance. However, under most circumstances, this “loan” does not require a promissory note, nor should such “loans” lead to significant concerns about conflicts of interest. If any balance remains due after 120 days, a written promissory note following the rules indicated above will be executed.

**Cash Management (includes cash, checks, creditcards)**
1. Initials Required: Any staff member who processes financial information must approve by initialing all financial documents they manage or handle, except for checks, invoices, letters or other documents that will be sent to people outside of The Arts Alliance.

2. Copies of financial related documents sent to people outside of The Arts Alliance will be made and kept in The Arts Alliance’s files.

**Cash Receipts and Deposits**

1. Cash receipts are received through the mail, online, by telephone or by fax. All receipts will be deposited intact. No disbursements will be made from cash or check receipts prior to deposit.

2. Cash receipts procedures – Please reference the Daily Deposit Procedures (Appendix C)

3. Cash Receipts Recordkeeping
   
   a. The business manager is responsible for recording all cash/check/credit card deposits in QuickBooks (amount, date received, account number, Name, etc.).
   
   b. Copies of all receipts and deposit tickets are kept together and reconciled with the bank statements once per month. The reconciled statements, together with the deposit documentation, are given to the president/CEO for inspection.

4. Payroll Policies & Controls – As of 2013, The Arts Alliance does not have employees, but instead leases/contracts employees from Artrain. However, The Arts Alliance will nonetheless maintain policies and procedures regarding employee payroll, in the event that The Arts Alliance, in the future, has an active payroll.

   a. Personnel files for all current employees are to be maintained and kept secure at The Arts Alliance’s main office.

   b. The board of directors sets the compensation package for the president/CEO. The president/CEO sets the compensation personnel for all other employees. A memo indicating hiring compensation packages, wage and/or benefit changes are required for each employee. Changes in payroll data (i.e., pay changes) are approved by the board or president/CEO before files and salary payments are changed or updated.

   c. Personnel files will be maintained in a secure environment at the organization’s office for all employees. Personnel files include a signed letter of hire (the “New Hire Memo”), approval of changes in compensation and benefits, an I-9 immigration form, withholding forms for taxes, deferred compensation, medical insurance and flexible spending account information, retirement accounts information, new employee form, resume/vitae, employee performance reviews, correspondence as well as beginning date of employment and termination date and other relevant information related to employment with The Arts Alliance, as permitted or required by law.

   d. The Arts Alliance will use a payroll processing service to process its employee payroll. The payroll processing service will prepare payroll direct deposit of payroll (as appropriate) for salaried and hourly employees, quarterly reports of payroll, FICA and Medicare liabilities and withholding and year end W-2 and W-3 reports of annual salaries. In addition, the payroll service will deposit withholding taxes with the appropriate government agencies. The business manager will ensure that W-2s are distributed to employees, that relevant government forms prepared by the payroll service and sent to The Arts Alliance for processing are sent to appropriate government agencies and that any withholding taxes not paid by the payroll agency are properly paid. The president/CEO will periodically monitor the payment of tax liabilities.
e. All hourly employees will be required to complete a bi-weekly time report; including hours worked and/or paid leave, to be approved by their supervisor for submission to the business manager by noon on the Monday following the close of the pay period.

Cash Disbursements

1. Separation of Duties:
   a. The check signer(s) must not be the person who writes checks or who does the bookkeeping.
   b. Bank statements are reconciled by the business manager monthly. The bank statements and reconciliation reports are examined and approved by the president/CEO. A copy of the bank statement and reconciliation report is then sent to the treasurer.
   c. After the business manager processes payroll, all payroll reports and accompanying documentation are carefully examined by the president/CEO for accuracy and approval.
   d. The business manager is responsible for preparing summary and detail reports of payroll billings, receipt of payments for billings, disbursals and deposits. The president/CEO will examine these reports for accuracy.
   e. The business manager will process the deposits and the president/CEO will examine all documentation regarding deposits for accuracy.

2. All disbursements, except petty cash, are paid for by check or company credit card. Substantiating receipts, purchase orders or invoices must accompany all disbursement requests or expenditures. No invoices, or any other expenses, will be paid for with cash, except for expenses of insignificant amounts that can be paid from the petty cash fund.

3. Expenditures authorized by the board will be recorded in the board meeting minutes.

4. Because The Arts Alliance sometimes writes checks for very large amounts, the finance committee should consult regularly with the president/CEO regarding large purchases. In addition, the finance committee should carefully study financial reports at least once per month and be aware of The Arts Alliance’s budget needs.

5. Purchasing Authority
   a. Staff should make only purchases that are routine, expected or budgeted and must present receipts for all purchases to the business manager. If any staff member consistently makes unnecessary, unexpected or unbudgeted purchases, the staff person’s purchasing authorization may be revoked. If a staff person wishes to make a purchase which is not routine, expected or budgeted, they should speak with the president/CEO for authorization before making the purchase.
   b. Purchases up to $1,000: Authorized staff may make purchases up to $1,000 for budgeted supplies and services. Formal bids are not required for these purchases, but every effort should be made to secure the best possible price.
   c. Purchases over $1,000: For purchases over $1,000, approval is required from the president/CEO for budgeted services or supplies. Staff will be responsible to ensure that all conditions and specifications of a contract, bid or order have been satisfactorily fulfilled and will be responsible for timely follow-up of these purchases.

6. All cash disbursements paid for with checks may only be signed by authorized check signers.
   a. Disbursements less than $2,000 - The Arts Alliance prefers that all checks be signed by two authorized signers however, in the case that a check is for less than $1,000 one signature will suffice for time sensitive payments.
b. Disbursement greater than $2,000 - must be signed by two authorized signers. The deliberate splitting of vouchers or invoices which have the sole purpose or effect of meeting the parameters of this authority is expressly prohibited.

7. Checks
   a. All checks are pre-numbered, used in sequence, and accounted for monthly. Blank checks are kept in a locked cabinet.
   b. No checks may be written to “cash” or “bearer.
   c. The checks print in three (3) parts:
      i) The original and one voucher are sent with the check to the payee.
      ii) The bottom voucher copy is attached to supporting documentation and filed numerically.
      iii) Invoices should be marked “Paid” once they are paid.
   d. All voided checks must be defaced, marked “VOID” in large black lettering and retained in numerical order. The bottom voucher of the check is torn off, marked “VOID” in large black lettering and attached to the appropriate bank statement upon reconciliation.

8. Check/payment disbursal procedure
   a. The business manager prepares checks for invoices, using pre-numbered checks in sequential order.
   b. The checks, with supporting documentation are forwarded to the president/CEO or another authorized check signer(s). The president/CEO or authorized check signer reviews all checks and supporting documentation prior to signing checks.
   c. After the checks are signed, the business manager attaches the bottom check voucher to the support documentation and mails all checks.
   d. The business manager will file a copy of the check voucher with supporting documentation attached, alphabetically by vendor and by month.

Expense Reimbursements
If an authorized signer is being reimbursed for their own, personal reimbursable expenses, the authorized signer may not sign a check made out in his or her own name. Only another authorized signer (or two authorized signers if the amount is over $2,000) may sign such checks.

1. To qualify for expense reimbursement each employee will complete a monthly expense reimbursement form with receipts or other supporting documentation to be approved by their supervisor. Once approved the form and documentation should be given to the business manager for processing. The expense reimbursement form should be submitted within 30 days of the purchase or the reimbursement may be rejected. Reimbursement for qualifying expenses will be made in the employee’s paycheck, unless the employee requests an alternative reimbursement option (subject to approval by the president/CEO).

Credit card policies:
1. It is recognized by the board of directors that the use of credit cards is, at times, the most efficient and effective method for organizational approved expenditures.
2. The president/CEO has the authority to assign or revoke credit card privileges for staff at any time for any reason.
3. The president/CEO and his/her designees are authorized to use a company credit card for The Arts Alliance business purchases only.
4. All staff members with credit card privileges are required to provide proper documentation for all purchases placed on the credit card. Documentation will include charge and sales receipts for each transaction. All documentation for transactions shall be presented to the business manager for approval and will be reconciled with the statement from the credit card provider.

**Policies regarding petty cash:**

1. $200 in petty cash is kept in the office for everyday incidentals. A petty cash tracking form is used to record purchases and all purchases should be recorded on the form. In addition, when petty cash disbursals are made, receipts for each disbursal are to be placed in the petty cash box. Cash that is in the box plus receipts in the box should always add up to $200.00.

2. If petty cash is taken for future use, record the information on the Petty Cash Borrowing Form. When the borrower returns with the purchase, complete the borrowing form by checking the Receipt/Change Returned portion of the form and put the receipt in the box.

3. Each petty cash box should be balanced and reconciled by the business manager reconciled once per month. When the balance of cash in the box drops to $50.00, a check will be issued to bring the petty cash to $200.00.

**Addendum Policies**

The following schedules and procedures are components of this *Financial Policies and Procedures*

1. Record Retention Schedule
2. Calendar of Forms, Reports, and Tasks Due throughout the Year
3. Cash/Credit Card Receipt Processing
4. Gift Acceptance Policy
# APPENDIX A

## RECORD RETENTION SCHEDULE

<table>
<thead>
<tr>
<th>Type of Document</th>
<th>Minimum Requirement</th>
<th>Digital Files</th>
<th>Hard Copies Files</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>On Server</td>
<td>On Site</td>
<td>Offsite</td>
</tr>
<tr>
<td>Audit reports</td>
<td>Permanently</td>
<td>Permanently</td>
<td></td>
</tr>
<tr>
<td>Bills of sale</td>
<td>Permanently</td>
<td>current &amp; past 2 years or if project/asset is current and undepreciated</td>
<td>3+ years permanent</td>
</tr>
<tr>
<td>Checks (for important payments and purchases)</td>
<td>Permanently</td>
<td>current &amp; past 2 years</td>
<td>3+ years permanent</td>
</tr>
<tr>
<td>Contracts (still in effect)</td>
<td>Permanently</td>
<td>current &amp; past 2 years</td>
<td>3+ years permanent</td>
</tr>
<tr>
<td>Correspondence (legal and tax)</td>
<td>Permanently</td>
<td>current &amp; past 2 years</td>
<td>3+ years permanent</td>
</tr>
<tr>
<td>Deeds and bills of sale</td>
<td>Permanently</td>
<td>current &amp; past 2 years</td>
<td>3+ years permanent</td>
</tr>
<tr>
<td>Depreciation Schedules</td>
<td>Permanently</td>
<td>current &amp; past 2 years</td>
<td>3+ years permanent</td>
</tr>
<tr>
<td>Financial Statements</td>
<td>Permanently</td>
<td>current &amp; past 2 years</td>
<td>3+ years permanent</td>
</tr>
<tr>
<td>Insurance appraisals</td>
<td>Permanently</td>
<td>current &amp; past 2 years</td>
<td>3+ years permanent</td>
</tr>
<tr>
<td>Insurance claims</td>
<td>Permanently</td>
<td>current &amp; past 2 years</td>
<td>3+ years permanent</td>
</tr>
<tr>
<td>Minute books, bylaws and charter</td>
<td>Permanently</td>
<td>current &amp; past 2 years</td>
<td>3+ years permanent</td>
</tr>
<tr>
<td>Mortgages</td>
<td>Permanently</td>
<td>current &amp; past 2 years</td>
<td>3+ years permanent</td>
</tr>
<tr>
<td>Patents and related Papers</td>
<td>Permanently</td>
<td>current &amp; past 2 years</td>
<td>3+ years permanent</td>
</tr>
<tr>
<td>Retirement and pension records</td>
<td>Permanently</td>
<td>current &amp; past 2 years</td>
<td>3+ years permanent</td>
</tr>
<tr>
<td>Tax returns and worksheets</td>
<td>Permanently</td>
<td>current &amp; past 2 years</td>
<td>3+ years permanent</td>
</tr>
<tr>
<td>Trademark registrations and copyrights</td>
<td>Permanently</td>
<td>current &amp; past 2 years</td>
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</tr>
<tr>
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<td>Description</td>
<td>Years Coverage</td>
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<td>------------------</td>
<td>------------------------------------------</td>
<td>----------------</td>
</tr>
<tr>
<td>Accounts payable ledgers and schedules</td>
<td>7 years</td>
<td>current &amp; past 2 years</td>
<td>3+ up to 7</td>
</tr>
<tr>
<td>Bills, collectible</td>
<td>7 years</td>
<td>current &amp; past 2 years</td>
<td>3+ up to 7</td>
</tr>
<tr>
<td>Contracts, Employee</td>
<td>7 years</td>
<td>current &amp; past 2 years</td>
<td>3+ up to 7</td>
</tr>
<tr>
<td>Contracts, Vendor (expired)</td>
<td>7 years</td>
<td>current &amp; past 2 years</td>
<td>3+ up to 7</td>
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<tr>
<td>Expense Analyses/expense</td>
<td>7 years</td>
<td>current &amp; past 2 years</td>
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<td>Distribution schedules</td>
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<tr>
<td>Inventories of products, materials</td>
<td>7 years</td>
<td>current &amp; past 2 years</td>
<td>3+ up to 7</td>
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<td>and supplies</td>
<td></td>
<td></td>
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<tr>
<td>Invoices (to customers, from vendors)</td>
<td>7 years</td>
<td>current &amp; past 2 years</td>
<td>3+ up to 7</td>
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<td>Leases Current</td>
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<tr>
<td>Leases Expired</td>
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<td>Payroll records and summaries</td>
<td>7 years</td>
<td>current &amp; past 2 years</td>
<td>3+ up to 7</td>
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<tr>
<td>Personnel applications and terminations</td>
<td>7 years after termination</td>
<td>current &amp; past 2 years</td>
<td>3+ up to 7</td>
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<td>Personnel benefit records</td>
<td>7 years after termination</td>
<td>current &amp; past 2 years</td>
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<td>Personnel contracts</td>
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<td>Personnel garnishments</td>
<td>7 years after termination</td>
<td>current &amp; past 2 years</td>
<td>3+ up to 7</td>
</tr>
<tr>
<td>Timesheets</td>
<td>7 years</td>
<td>current &amp; past 2 years</td>
<td>3+ up to 7</td>
</tr>
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<td>Withholding tax statements</td>
<td>7 years</td>
<td>current &amp; past 2 years</td>
<td>3+ up to 7</td>
</tr>
<tr>
<td>Insurance policies, surety</td>
<td>10 years</td>
<td>current &amp; past 2 years</td>
<td>3+ up to 10</td>
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<tr>
<td>Personnel injury claims and settlements</td>
<td>10 years after 1st disclosure</td>
<td>current &amp; past 2 years</td>
<td>3+ up to 7</td>
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<tr>
<td>Category</td>
<td>Retention Period</td>
<td>Current &amp; Past</td>
<td>Beyond 2 Years</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>------------------</td>
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<td>----------------</td>
</tr>
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<td>Bank deposit slips</td>
<td>3 years</td>
<td>current &amp; past 2 years</td>
<td>3+ up to 7</td>
</tr>
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<td>Bank Reconciliations</td>
<td>3 years</td>
<td>current &amp; past 2 years</td>
<td>3+ up to 7</td>
</tr>
<tr>
<td>Bank statements</td>
<td>3 years</td>
<td>current &amp; past 2 years</td>
<td>3+ up to 7</td>
</tr>
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<td>Correspondence (general)</td>
<td>3 years</td>
<td>current &amp; past 2 years</td>
<td>N/A</td>
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<tr>
<td>Employment applications</td>
<td>3 years after employee leaves</td>
<td>current employees only</td>
<td>All</td>
</tr>
<tr>
<td>Insurance Policies (expired)</td>
<td>3 years after expiration</td>
<td>current &amp; past 2 years</td>
<td>All</td>
</tr>
<tr>
<td>Internal audit reports</td>
<td>3 years</td>
<td>all</td>
<td>N/A</td>
</tr>
<tr>
<td>Correspondence, personal</td>
<td>1 year</td>
<td>all</td>
<td>N/A</td>
</tr>
</tbody>
</table>
APPENDIX B

ANNUAL CALENDAR OF FORMS, REPORTS & TASKS DUE

January:

☐ January 1: An updated statement of creditable coverage must be handed out to all employees eligible for health insurance benefits. This is a document that concerns Medicare prescription coverage eligibility, which can be found on the Health and Human Services website (www.hhs.com). The business manager should have received an e-mail from The Arts Alliance’s insurance agent, Hylant, probably in November, regarding the requirements for this document. Copies of these forms for the previous years are on the server (admin/administration/general/personnel/guidelines and benefits/benefits info).

☐ January 1-31: Begin preparations for the annual audit or review as requested by the auditors each year. The indicated reports and documentation should be forwarded to the auditors as soon as possible.

☐ By January 20: Pay Michigan withholding taxes. In addition, if The Arts Alliance has employees in other states, those states’ withholding taxes are due each month. (Exact due date will vary by state).

☐ By January 25: File IRS forms 941 & 940 wage detail reports for each state. (This information comes from the payroll processing service).

☐ By January 25: File the Michigan quarterly payroll report. (This information comes from payroll processing service).

☐ By January 25: File the quarterly unemployment contribution report and make any payments due to the 501 Alliance (the current unemployment vendor. This information comes from the payroll processing service.

☐ By January 31: IRS forms 1099MISC sent to vendors and contractors. This includes all vendors who are not incorporated. If the vendor is incorporated, the 1099MISC is not required. Every vendor who did business with The Arts Alliance in the previous year and is not incorporated must receive a form 1099MISC. The vendor’s federal employer identification (EIN) number or social security number on the 1099MISC. If a vendor’s employer identification number is not on record, send the form W-9, Request for Employer Identification Number, to the vendor.

☐ By January 31: W-2 forms are due to the employees.

☐ By January 31: Update the Central Contractor Registry at www.sam.gov. The username and password is found on the network, in admin, admin general, general admin and office, office documents, usernames and passwords.

February:

☐ By February 20: Pay Michigan withholding taxes. In addition, if The Arts Alliance has employees in other states, those states’ withholding taxes are due each month, as well. (Exact due date will vary by state).

☐ By February 28: Copies of IRS form 1099MISC, sent to the Internal Revenue Service and to each applicable state in which the vendor resides and/or conducts business.

☐ By February 28: The W-3 form (which summarizes the wage information from all the employees’ W-2s) is due to the IRS.

March:
By March 20: Pay Michigan withholding taxes. In addition, if The Arts Alliance has employees in other states, those states’ withholding taxes are due each month, as well. (Exact due date will vary by state).

April:

- By April 20: Pay Michigan withholding taxes. In addition, if The Arts Alliance has employees in other states, those states’ withholding taxes are due each month, as well. (Exact due date will vary by state).
- April 25: File IRS form 941. (This information comes from payroll processing service).
- By April 25: File the wage detail reports for each state. (This information comes from payroll processing service).
- By April 25: File the Michigan quarterly payroll report. (This information comes from payroll processing service).
- By April 25: File the quarterly unemployment contribution report and make any payments due to the 501 Alliance (the current unemployment vendor. This information comes from the payroll processing service.

May:

- May 15: IRS tax form 990 due (or a 90 day extension request must be filed by this date.)
- By May 20: Pay Michigan withholding taxes. In addition, if The Arts Alliance has employees in other states, those states’ withholding taxes are due each month, as well. (Exact due date will vary by state).

June:

- By June 20: Pay Michigan withholding taxes. In addition, if The Arts Alliance has employees in other states, those states’ withholding taxes are due each month, as well. (Exact due date will vary by state).
- June 30: Michigan charitable solicitation license form is due (or an extension request if the audit is not done, which will extend the due date to December 31). The actual due date of the Michigan charitable solicitation license request is July 31, but the form must be submitted 30 days before the actual due date.

July:

- By July 20: Pay Michigan withholding taxes. In addition, if The Arts Alliance has employees in other states, those states’ withholding taxes are due each month, as well. (Exact due date will vary by state).
- By July 25: File IRS form 941, and wage detail reports for each state. (This information comes from payroll processing service).
- By July 25: File the Michigan quarterly payroll report. (This information comes from payroll processing service).
- By July 25: File the quarterly unemployment contribution report and make any payments due to the 501 Alliance (the current unemployment vendor. This information comes from the payroll processing service.

August:

- Finish the audit by August at the latest.
By August 15: IRS Tax form 990, if not yet submitted, or 90 day extension must be filed.

By August 20: Pay Michigan withholding taxes. In addition, if The Arts Alliance has employees in other states, those states’ withholding taxes are due each month, as well. (Exact due date will vary by state).

Complete Cultural Data Project Filing

**September:**

- Begin preparing the budget for the next year – follow budget procedure.
- By September 20: Pay Michigan withholding taxes. In addition, if The Arts Alliance has employees in other states, those states’ withholding taxes are due each month, as well. (Exact due date will vary by state).

**October:**

- Have the budget for the next year ready for the finance committee.
- October 1: File Michigan Nonprofit Corporation Information Update, also known as the “Annual Report.”
- By October 20: Pay Michigan withholding taxes. In addition, if The Arts Alliance has employees in other states, those states’ withholding taxes are due each month, as well. (Exact due date will vary by state).
- By October 25: File IRS form 941. (This information comes from payroll processing service).
- By October 25: File the wage detail reports for each state. (This information comes from payroll processing service).
- By October 25: File the Michigan quarterly payroll report. (This information comes from payroll processing service).
- By October 25: File the quarterly unemployment contribution report and make any payments due to the 501 Alliance (the current unemployment vendor. This information comes from the payroll processing service).

**November:**

- Submit next year’s budget to the board for adoption.
- Notify staff regarding upcoming health insurance open enrollment period in December.
- By November 15: IRS tax form 990 (if not yet submitted).
- By November 20: Pay Michigan withholding taxes. In addition, if The Arts Alliance has employees in other states, those states’ withholding taxes are due each month, as well. (Exact due date will vary by state).
- November 30: If the license to solicit donations has not yet been filed, and you have gotten an extension to December 31 to file the form, then the license to solicit is due (30 days before December 31).

**December:**

- Health care open enrollment: Notify eligible staff that this is the time when they can make changes in their health plan. They must either sign that they do want health insurance or sign that they don’t. The form to sign is found on the server, under admin/admin general/personnel/guidelines and benefits/benefits info.
Flexible spending plan open enrollment. This form, found on the server under admin/admin general/personnel/guidelines and benefits/benefits info, must be distributed to the whole staff, and they must either sign whether they want the benefit or sign that they don’t want it. In addition, you can print out the document which explains what the flexible spending plan is, to distribute to the staff.

Distribute list of the next year’s paid holidays.

Create the statement of creditable coverage which will be due in January to employees with health insurance. This is a document concerning Medicare prescription coverage eligibility, which can be found on the Health and Human Services website (www.hhs.com). You will receive an e-mail from The Arts Alliance’s insurance agency, Hylant, regarding the requirements for this document. In addition, you can find the forms for the previous years on the server (admin/administration general/personnel/guidelines and benefits/benefits info).

By December 20: Pay Michigan withholding taxes. In addition, if The Arts Alliance has employees in other states, those states’ withholding taxes are due each month, as well. (Exact due date will vary by state).

By December 31: File the Michigan License to Solicit Donations form (if not yet submitted).
APPENDIX C
CASH, CHECK, CREDIT CARD RECEIPT PROCESSING

1) Upon receipt of payment, check or gift
   a) Cash receipts are given immediately for all cash received.
   b) Write the name of the payee, the amount of the check, the date and your name in the incoming gifts register.
   c) Using “For Deposit Only” stamp provided by the bank, endorse the back of all checks.

2) Make two copies of each
   a) Payment forms (checks, credit card forms) that accompany gift.
   b) Any accompanying documents (i.e. acknowledgement requests, matching forms).
   c) Paper clip the copies of the payment form and accompanying documents to the original check.
   d) Place the checks and document copies in the deposit folder (Clear plastic folder) in date order, oldest in the front.

3) Electronic Processing of Checks (financial manager)
   a) Run checks through check scanner by following the directions for check scanning (located in the incoming revenue (Orange) folder).
   b) Clip the checks together. Attach a post-it note with the date the checks were received/deposited. Destroy any checks deposited electronically after 90 days.

4) Manual Processing of Checks
   a) If check or cash needs to be deposited manually, physical deposits of cash and checks will be made at least two times per week at the bank.
   b) Prepare a deposit slip listing each check by name and the amount of the check.
   c) Take deposit slip and checks to the bank.
   d) A copy of the deposit slip from the Bank is compared and attached to the corresponding receipts and given to the business manager.

5) Credit Card Processing
   a) Processing on Credit Card Machine
      - Select Sale on merchant machine.
      - Key in credit card number, select Enter.
      - Select either “1” for The Arts Alliance or “2” The Arts Alliance then select Enter
      - Follow the steps the merchant machine takes you through, entering the payment amount, verification code, address (digits only) and zipcode. THE MORE INFORMATION YOU ARE ABLE TO PROVIDE, THE LOWER OUR FEE!
      - Print the Merchant copy and Customer copy for each transaction.
        - Staple customer copy with no signature line to the development file copy.
        - Staple merchant copy to the business manager’s copy
      - REPEAT steps above for additional credit card payments.
b) Close Batch by selecting the purple “More” button, then selecting SETTLEMENT.
   - Verify amount equals the total of the credit cards processed
   - Select enter, one receipt will print out; tear it off.
   - Select enter again, a smaller receipt will print out, tear it off and staple to the first settlement receipt.
   - Attach both settlement receipts to the Business Manager’s copy.

6) Prepare The Daily Deposit Report
   a) Go to: My Network Places/Admin/Admin General/Revenue/Daily Deposit Report template
   - Remember to always include the date (located in the A2 box).
   - Enter checks/gifts into daily deposit form, recording account type.
   - Under the check column (A6-13) enter the check number, same with Credit cards, etc.
   - Under the description column, enter the person/company full name.
   - Enter gift into appropriate account type.
   - In Excel, HIDE all columns that are unused.
   b) To save information:
      - Go to: Save as: Word
      - My Network Places/Admin/Admin General/Revenue/Daily Deposit Records/ [Year/ month]
      - Save as: Daily Deposit Report [date]
      - Save/Close
   c) Print three(3) copies of the Daily Deposit Report and distribute:
      - President/CEO:
        - Daily deposit report
      - Development Director:
        - Daily deposit report
        - Original gift forms + copy of all checks/payments
   d) Finance Manager:
      - Deposit Detail Report (from Bank of Ann Arbor web processing)
      - Daily Deposit Report
      - Credit Card machine settlement report- if applicable
      - A copy of all checks/forms/ credit card receipts/etc.
Appendix D

GUIDELINES ON SOLICITATION AND ACCEPTANCE OF CHARITABLE & PHILANTHROPIC GIFTS

1. The seeking of charitable and philanthropic funds from individuals, corporations and foundations, etc. will be accomplished with dignified, ethical, business and recognized fund development practices. Appeals to entities having a current or potential commercial relationship with The Arts Alliance will be conducted in the spirit of philanthropy with no suggestion of withdrawing current or promising a future business relationship.

2. The Arts Alliance’s staff, volunteers and persons employed or contractually retained by The Arts Alliance shall refrain from all undue pressure when seeking gifts from potential donors. The responsibility of every The Arts Alliance representative is to create conditions of opportunity, not obligation, in assisting the donor to fulfill their philanthropic purposes.

3. All information relating to current and prospective donors including amount of gift, size of estate, beneficiaries, next-of-kin or family relationships will be kept in strict confidence. No information will be publicly released unless written or verbal permission is obtained from the donor.

4. Publicity regarding life estates, trusts and bequests will not be released without the written consent of the donor during their lifetime.

5. Prospective donors, particularly those wishing to make a substantial gift, shall be advised to seek the counsel of their attorney and or financial consultant on matters relating to estate planning and tax liability. The Arts Alliance shall also seek the counsel of its attorney - if needed - before executing certain kinds of documents with donors.

6. Gifts of instruments creating endowments should, when possible, include a contingency savings clause redirecting the gift within The Arts Alliance in the event that the stated gift purpose becomes obsolete or contrary to law.

GENERAL GUIDELINES REGARDING ACCEPTANCE OF GIFTS

1. Charitable gifts will be accepted for unrestricted and restricted use. Restricted funds will be established according to the need as defined by the board of directors and/or the president/CEO.

2. The Arts Alliance will carefully consider whether to accept the following gifts:
   a. Planned gifts which are funded with any asset other than cash, cash equivalents and publicly traded securities.
   b. Life insurance policies with outstanding or continuing premium payment or loan obligations (including, without limitation, split dollar life insurance policies).
   c. Gifts of tangible personal property that cannot either be immediately used by The Arts Alliance or be readily liquidated at reasonable cost.

3. The following gifts will not be accepted:
   a. Gifts which do not meet the guidelines provided by legal counsel or which could jeopardize The Arts Alliance’s tax-exempt status.
   b. Gifts where the cost to accept, administer, manage or dispose of them does or could exceed the current or future value of the gift.
   c. Gifts that have the potential to expose The Arts Alliance to any liability (whether criminal or civil), or would violate any law, rule or regulation of any governmental or quasi-governmental authority.
d. Gifts whose acceptance would reflect poorly on The Arts Alliance, or raise legal, ethical, policy or practical concerns for The Arts Alliance.

GUIDELINES ON GIFTS OF CASH

1. Gifts in the form of checks or cash, intended for The Arts Alliance should be sent to The Arts Alliance’s office on the day they are received.

2. All gifts of checks or cash receipts received will be deposited in a financial institution as soon as possible and no later than the first day of business day after their receipt.

3. Procedures for Handling Cash and Checks - refer to Appendix C - CASH, CHECK, CREDIT CARD RECEIPT PROCESSING

4. In instances where the specific use is unclear or inappropriate, the available details about the gift should be brought to the immediate attention of The Arts Alliance’s president/CEO or CEO.

5. Upon receipt of any cash gift of $10,000 or more IRS Form 8300 will be completed by The Arts Alliance’s president/CEO (or the assigned staff) and forwarded to the Internal Revenue Service.

6. The Arts Alliance will provide all donors a gift acknowledgment letter including “quid pro quo contributions”. A quid pro quo contribution is payment made partly as a contribution and partly for goods or services provided to the donor by The Arts Alliance. An example of a quid pro quo contribution occurs when a donor gives The Arts Alliance $100.00 for a concert ticket valued at $40.00. In this example, $60.00 would be deductible.

   a. The written gift acknowledgement statement must:

   i) Inform the donor that the amount of the contribution that is deductible for federal income tax purposes is limited to the excess of any money (and the value of any property other than money) contributed by the donor over the value of goods or services provided by The Arts Alliance and,

   ii) Provide the donor with a good-faith estimate of the value of the goods or service that the donor received.

   iii) Include The Arts Alliance’s Tax/Employer Identification Number (TIN/EIN): 23-7099789

GUIDELINES ON GIFTS OF SECURITIES

1. Gifts of readily marketable securities will be accepted by The Arts Alliance.

   a. Donated securities should be sent by certified or registered mail, or hand delivered. A stock power of attorney form, signed by the donor and naming The Arts Alliance as transferee, should be sent in a separate envelope, again using certified or registered mail.

   b. Donors may instruct their broker or agent to transfer securities to The Arts Alliance as gifts. The donors should instruct their broker to "immediately notify The Arts Alliance of the gift and to request instructions for correct handling of the securities. Securities and certificates do not need to be issued in the name of The Arts Alliance. Only signed stock "power of attorney" are required by The Arts Alliance to effect title transfer.

   c. The Arts Alliance’s Broker of Record (as of 2.21.20 The Arts Alliance has no Broker of Record)

   Company Name ________________________________________________________________
   Contact Name_________________________________ Title__________________________
   Address________________________________________________________ ST Zip________
   Contact phone_________________________ Contact email__________________________
d. The Arts Alliance will maintain a copy of all contents and the instructions of security gifts transmitted, including the envelope in the donor's file. The postmark on the envelope determines the date for computing the value of the gift for the donor's charitable deduction.

e. Upon receipt of marketable securities the following dispositions may occur by recommendation of the The Arts Alliance board or president/CEO.

i) As a general policy, the securities will be sold immediately upon receipt through a broker selected by The Arts Alliance. If restricted by the donor, the cash realized will be applied to the appropriate fund in accordance with their wishes. If there is no donor restriction, it will be placed in the unrestricted fund.

ii) In selected instances, with The Arts Alliance board or president/CEO’s approval, the securities may be retained by The Arts Alliance for their dividend in paragraph 1, above. If determined to be advantageous, the dividends realized may be applied to a Dividend Reinvestment Plan to purchase additional stock. When sold, the cash received will be applied as in paragraph 1, above.

f. The Arts Alliance’s business manager, upon direction of the board or president/CEO:

i) may authorize the sale of any security in whole or in part to fund approved projects or programs. The proceeds of sale shall be applied, as in paragraph 1, above.

2. Gifts of securities that will not be accepted.

a. Securities which, in the opinion of The Arts Alliance’s board or president/CEO, have no apparent value, or whose value is non-assessible, (excepting the exercise price on warrants for publicly traded securities) or in any way could create a liability for The Arts Alliance.

b. Non-publicly traded stocks which have not been appraised by a qualified, independent appraiser, or approved by The Arts Alliance’s board or president/CEO for gifting.

2. Valuation and Gift Acknowledgement - donor recognition of gifts of stocks, bonds, debentures, etc., regularly traded on an exchange will be valued at the mean between the high and low prices at which the security was traded on the date of acceptance. If there were no sales on that date, the value shall be determined by taking the weighted average of the means between the highest and lowest sales on the nearest dates before and after the date of acceptance.

GUIDELINES ON GIFTS OF REAL PROPERTY

1. Procedure For Initial Processing of Potential Gifts

a. The Arts Alliance’s president/CEO will have overall responsibility for handling inquiries, negotiating with donors, assembling the documentation, presenting the gift for acceptance to the The Arts Alliance president/CEO and/or board and marketing real property gifts. All inquiries regarding real property will be referred to or coordinated with The Arts Alliance’s president/CEO.

2. Authority to Negotiate - The Arts Alliance’s president/CEO will have the authority to negotiate with donors, retain appraisers, surveyors, Realtors and other technical consultants and to execute agreements subject to The Arts Alliance approval. Assuming such activities follow approved procedures and assuming such agreements follow the form approved by The Arts Alliance's legal counsel, this authority to act will not require review or further approval.

3. Board of Directors's Responsibility - In all instances of gifts of real property, the board of directors has final determination of accepting or rejecting the gift.
4. Evaluation of Potential Gifts
   a. Property and report form: Upon initial inquiry, potential donors will be asked to complete a property inquiry form and return it to The Arts Alliance’s president/CEO with appropriate maps and documentation.
   b. Liens and encumbrances: Property which is subject to liens, unpaid mortgages, deeds of trust, judgment liens, unpaid taxes or assessments, mechanics’ liens or other encumbrances will be evaluated as “bargain sales”. (A bargain sale is an arrangement whereby a donor offers property to The Arts Alliance at a price significantly below its market value.)
   c. Properties subject to encumbrances will be considered for acceptance only if evaluation convincingly demonstrates that the property can be sold at a price which exceeds the aggregate amount of the encumbrances and any costs associated with satisfying them.

5. Field evaluation: If initial information indicates that an offer is serious and if the property seems potentially profitable, a member of The Arts Alliance staff or an authorized representative will visit the property. A representative may be a local realtor as The Arts Alliance’s president/CEO may deem appropriate.
   a. The purpose of the visit will be:
   b. To identify any potential problems not evident from initially supplied information.
   c. To identify any environmental conditions that would argue against The Arts Alliance sale of property.
   d. To identify any potential environmental problems (such as the presence of toxic chemicals or other pollution). The EPA Checklist will serve as the basis for this analysis. If any indications of possible pollution exist, The Arts Alliance’s president/CEO will decide either to forego the gift or to retain consultants to undertake more detailed analysis.

6. Market evaluation: Whenever practicable, arrangements will be made to have a realtor analyze the property to evaluate the existence of a market for such property. The Arts Alliance’s president/CEO may, at their opinion, request that the donor provide such an evaluation from a realtor acceptable to The Arts Alliance’s president/CEO.

7. Expense budget: The Arts Alliance’s president/CEO (or the assigned staff) will prepare a budget outlining all the projected expenses associated with the acceptance of all proposed real property. The budget will include consideration of the factors set forth.

8. Authority to Accept Real Property: Upon completion of the evaluation, The Arts Alliance’s president/CEO will present the proposed gift to the board of directors. The board of directors will have the final authority to accept or refuse a real property gift.

9. Authority to Refuse Gifts of Real Property: The board of directors may refuse any offered real property, that is judged not to be in the best interests of The Arts Alliance.

10. Procedure for Accepting Real Property
    a. Prior to agreeing to accept the gift of any real property The Arts Alliance will obtain title certification. Prior to acceptance, The Arts Alliance’s president/CEO shall consider the need for title insurance and require such insurance in appropriate cases. When deemed appropriate, The Arts Alliance may purchase title insurance with approval of the The Arts Alliance’s president/CEO.
    b. Prior to, or upon transfer of title to The Arts Alliance, the donor and The Arts Alliance will sign an agreement (approved by legal counsel) stating the terms of the gift, which shall specify that there are no restrictions of The Arts Alliance’s right to use or convey the property.
c. Prior to, or upon transfer of the property to The Arts Alliance, The Arts Alliance will purchase sufficient insurance to protect the The Arts Alliance from losses due to physical damage or liability claims that might arise.

d. The Arts Alliance will have an appraisal prepared by a professional real estate appraiser (appraisers should be certified by Member Appraisal Institute) for the purpose of determining the market value of the property. When deemed appropriate, The Arts Alliance may accept a statement by a realtor in lieu of a formal appraisal.

e. The Arts Alliance may request physical and environmental inspections be conducted and a survey of the property be completed if necessary.

f. Responsibility of the Donor
   i) The donor will be responsible for complying with all applicable legal requirements.
   ii) The donor will be responsible for obtaining his/her own appraisal for the purpose of establishing the value of the gift for federal income tax purposes.
   iii) Donors will be encouraged to discuss contemplated bequest of real property before finalizing their Wills. Property that is bequeathed to the The Arts Alliance will be evaluated like other real property gifts.
   iv) The donor will provide a statement certifying that to the donor's knowledge no hazardous waste or materials have been used or stored on the property.
   v) The donor is responsible for providing to The Arts Alliance form 8283, together with evidence of filing such form with the IRS.

g. What The Arts Alliance Will Not Do
   i) Except in extraordinary circumstances, The Arts Alliance will not pay for legal assistance, appraisals or other services on behalf of the donor. In the event that The Arts Alliance does contemplate making such payments in connection with a proposed conveyance, the property may be evaluated as though it were subject to liens and encumbrances (Paragraph IV. B.).
   ii) The Arts Alliance will not establish or corroborate the value of any property for the purpose of substantiating the donor’s income tax charitable deduction.

h. Marketing Real Property
   i) After accepting real property, arrangements will be made to sell the property through a qualified real estate professional.
   ii) Local zoning ordinances, land-use plans and community attitudes will be considered in marketing real property.
   iii) While it is anticipated that in most circumstances the sale price will equal or exceed the appraised value of the property, the terms of the sale will take into account current market conditions, availability of financing and other factors.
   iv) Any offer that is below 70 percent of the appraised value must be approved by the board of directors.
   v) Any financing offered by The Arts Alliance to a purchaser shall be approved by the board of directors. Such terms must be secured by a mortgage or deed of trust on the property. The priority of such mortgage with respect to other liens or encumbrances will be within the discretion of the board of directors, provided that, if such mortgage does not have first
priority, then the total value of all liens or encumbrances shall not exceed 50 percent of the actual sale price (including the lien of The Arts Alliance).

i. Internal Procedures
   i) All files pertaining to real property will be maintained by The Arts Alliance’s president/CEO (or the assigned staff).
   ii) Deeds to real estate properties will be stored in The Arts Alliance finance files and duplicate copies will be maintained by The Arts Alliance.

GUIDELINES ON GIFTS OF PERSONAL PROPERTY

1. Gifts of Works of Art and Other Collectibles
   a. Art and other collectibles purchased and self-created, will be accepted with the following conditions:
      - No commitment will be made to keep the art or other collectibles if not suitable for The Arts Alliance display.
      - The Arts Alliance retains the right to sell the gift.
      - If a work of art or other collectibles have appreciated since being acquired by the donor, the donor will be informed that the gift may not be related to The Arts Alliance's "charitable purpose" and that the same tax deduction may be less than if given to an art museum.
      - It is the donor’s responsibility to secure, arrange or pay for appraisals to establish their charitable income tax deduction.
      - Unless an independent appraisal is provided, the gift will be carried on The Arts Alliance’s financial records at $1.00.
      - Recognition of the gift will be the same as for others with no special or individual plaques displayed on the work itself unless otherwise authorized by The Arts Alliance.
      - Enter the gift into the log of non-cash contributions file.

2. Gifts of Automobiles and Other Vehicles
   a. Automobiles and other types of vehicles with a minimum retail book value of $2,500 will be acceptable by The Arts Alliance only if they are in working order and easily salable.
   b. The Arts Alliance retains the right to sell the gift.
   c. The asset value of vehicles will be determined by the retail “blue book” price.
   d. The Arts Alliance will sell the vehicles to a wholesale dealer in an “as is” condition with the condition on the sale that The Arts Alliance is to be held harmless for all representation or condition.
   e. The Arts Alliance will advise the potential donor of the following IRS requirements:
      i) The donor must complete IRS Form 8283 if the total claimed value exceeds $500. (Copy of Form 8283 found in this manual.)
      ii) The donor must have a written appraisal by a qualified appraiser on all gifts in excess of $5,000.
         (1) A qualified appraiser cannot be the donor, an The Arts Alliance’s president/CEO, an The Arts Alliance director or persons employed by or related to the donor or The Arts Alliance.
(2) The qualified appraiser will be required to certify Form 8283 for the donor.

(3) The appraiser agrees that his fee was not based upon a percent of the appraised value.

f. The Arts Alliance’s president/CEO (or the assigned staff) will complete Section B, Part I (Form 8283) (Donee Acknowledgment) if properly completed by the donor.

g. The Arts Alliance is required to complete IRS Form 8282 (Donee Information Return) and send a copy to the donor and the IRS under the following conditions:

h. The Arts Alliance sells, transfers or disposes of the property within two years after the date of the receipt of the contribution if the original value declared exceeded $500.

i. Enter the gift into the log on non-cash gifts contributions file.

3. **Gifts of Watercraft and Marine Items**

   a. Watercraft and other marine items will be acceptable by The Arts Alliance only if they are in working order and easily salable. Prior to acceptance, The Arts Alliance or its assignee will make a physical inspection.

   b. The Arts Alliance retains the right to sell the gift.

   c. The asset value of the watercraft will be determined by the retail price in the “Official Marine Guide” and/or any other recognized marine appraisal guide. However, if the value of the gift is more than $5,000, it is the donor’s responsibility to secure, arrange or pay for appraisals to establish their charitable income tax deduction. The appraisal must be made by a competent appraiser.

   e. The Arts Alliance will assume the cost of maintenance, insurance mooring and storage from the date of acceptance forward.

   f. The Arts Alliance will insure the watercraft for its appraised value upon receipt of proof of ownership.

   g. The Arts Alliance may use this appraisal to determine a reasonable asset value for The Arts Alliance books and a suggested retail sales price. The Arts Alliance may request a second independent appraisal or may require its own appraisal prior to establishing gift value.

   h. The Arts Alliance will obtain three bids from watercraft and marine dealers for the item.

   i. The Arts Alliance will sell all watercraft to the highest bidder in an “as is” condition, with the condition of the sale that The Arts Alliance is to be held harmless for all representations or condition.

   j. The Arts Alliance will advise the potential donor of the following IRS requirements:

   i) The donor must complete IRS Form 8283 if the total claimed value exceeds $500. (Copy of Form 8283 is found in this manual.)

   ii) The donor must have a written appraisal by a qualified appraiser on all gifts in excess of $5,000.

   (1) A qualified appraiser cannot be the donor, The Arts Alliance’s president/CEO, an The Arts Alliance board member or person employed by or related to the donor or The Arts Alliance.

   (2) The qualified appraiser will be required to certify Form 8283 for the donor.

   iii) The Arts Alliance’s president/CEO (or the assigned staff) will complete section B, Part I (Form 8283) (Donee Acknowledgment) if properly completed by the donor.
iv) The Arts Alliance is required to complete IRS Form 8282 (Donee Information Return) and send a copy to the donor and the IRS under the following conditions:

(1) The Arts Alliance sells, transfers or disposes of the property within two years after the date of the receipt of the contribution if the original value declared exceeded $500.

(2) Enter the gift into the log of non-cash contributions file.

4. Gifts of Aircraft

a. Aircraft will be accepted under the following conditions:

i) The owner has an airworthy certificate for the aircraft from the Federal Aviation Authority (F.A.A.) and there are no outstanding liens on the aircraft.

ii) The owner will furnish the last annual inspection report and log books for the airframe and engine.

iii) The owner will furnish The Arts Alliance an affidavit that he/she is the rightful owner of the aircraft and the log books are correct.

b. The Arts Alliance will verify with the F.A.A. that the aircraft is free of liens prior to acceptance.

c. The Arts Alliance will assume the cost of maintenance, storage and insurance from the date of acceptance forward.

d. It is the donor’s responsibility to secure, arrange or pay for appraisals to establish their charitable income tax deduction. The appraisal must be made by a competent and recognized appraiser.

e. The Arts Alliance may use this appraisal to determine a reasonable asset value for The Arts Alliance’s books and a suggested retail sales price. The Arts Alliance may request a second independent appraisal or may require its own appraisal prior to establishing gift value.

f. The Arts Alliance will advise the potential donor of the following IRS requirements:

i) The donor must complete IRS Form 8283 if the total claimed value exceeds $500.

ii) The donor must have a written appraisal by a qualified appraiser on all gifts in excess of $5,000.

   (1) A qualified appraiser cannot be the donor, The Arts Alliance’s president/CEO, an The Arts Alliance board member or person employed by or related to the donor or The Arts Alliance.

   (2) The qualified appraiser will be required to certify Form 8283 for the donor.

   (3) The appraiser agrees that his fee was not based upon a percent of the appraised value.

g. The Arts Alliance’s president/CEO (or the assigned staff) will complete Section B, Part I (Form 8283) Donor Acknowledgment if properly completed by the donor.

h. The Arts Alliance is required to complete IRS Form 8282 (Donee Information Return) and send a copy to the donor and the IRS under the following conditions:

   (1) The Arts Alliance sells, transfers or disposes of the property within two years after the date of the receipt of the contribution if the original value declared exceeded $500.

   i) Enter the gift into the log of non-cash contributions file.

5. Gifts of Furniture and Other Miscellaneous Personal Property
a. General provisions of accepting any gift rests with the The Arts Alliance’s president/CEO (or the assigned staff) under the following conditions:
   i) They are easily salable.
   ii) They are useful to The Arts Alliance.
   iii) The Arts Alliance will retain the right to sell the item.

b. Other considerations before deciding to accept or reject gifts of personal property will be:
   i) Cost of selling.
   ii) Storage cost.
   iii) Transportation cost.
   iv) Maintenance and repair
   v) Location of property.

c. A valid independent appraisal will be provided by the donor to:
   i) Determine the donor’s charitable income tax deduction.
   ii) Establish an asking price for resale.
   iii) Establish the value for carrying the assets on the The Arts Alliance’s records.

d. The Arts Alliance will advise the potential donor of the following IRS requirements:
   i) The donor must complete IRS Form 8283 if the total claimed value exceeds $500.
   ii) The donor must have a written appraisal by a qualified appraiser on all gifts in excess of $5,000.
      (1) A qualified appraiser cannot be the donor, The Arts Alliance’s president/CEO, an The Arts Alliance board member or person employed by or related to the donor or The Arts Alliance.
      (2) The qualified appraiser will be required to certify Form 8283 for the donor.
      (3) The appraiser agrees that his fee was not based upon a percent of the appraised value.

e. The Arts Alliance’s president/CEO (or the assigned staff) will complete Section B, Part I (Form 8283) Donee Acknowledgment if properly completed by the donor.

f. The Arts Alliance is required to complete IRS Form 8282 (Donee Information Return) and send a copy to the donor and the IRS under the following conditions:
   (1) The Arts Alliance sells, transfers or disposes of the property within two years after the date of the receipt of the contribution if the original value declared exceeded $500.

g. Enter the gift into the log of non-cash contributions file.