

# CMA

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Department: Corporation

Policies and Procedures: Finance Policy

## **ACCOUNTING POLICIES AND PROCEDURES**

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## **I. Introduction**

The purpose of this manual is to describe all accounting policies and procedures currently in use at Council of Magickal Arts and to ensure that the financial statements conform to generally accepted accounting principles; assets are safeguarded; guidelines of grantors and donors are complied with; and finances are managed with accuracy, efficiency, and transparency.

All Council of Magickal Arts's staff with a role in the management of fiscal and accounting operations are expected to comply with the policies and procedures in this manual.

These policies will be reviewed annually and revised as needed by the staff and approved by the Executive Director and Finance Committee of the Board of Directors.

## **II. Division of Responsibilities**

The following is a list of personnel who have fiscal and accounting responsibilities:

### ***Board of Directors***

1. Reviews and approves the annual budget
2. Reviews annual and periodic financial statements and information
3. Two members of the board will be appointed by the board to be authorized signers on the bank accounts
4. Reviews and approves all contracts over \$10,000 not related to festival.
5. Reviews and approves all non-budgeted expenditures over \$1,000 not directly related to festival or reoccurring expenses.
6. Reviews and advises staff on internal controls and accounting policies and procedures
7. Determines whether the organization should have an audit and, if so, chooses and contracts with the auditor

### ***Finance Director***

1. Reviews and approves all financial reports including cash flow projections
2. Sees that an appropriate budget is developed annually
3. Reviews and signs all issued checks and/or approves check signing procedures
4. Reviews and approves all contracts under \$10,000
5. Approves inter-account bank transfers
6. Is on-site signatory for all bank accounts
7. Reviews bank statements, reviews for any irregularities, and reviews completed monthly bank reconciliations
8. Oversees the adherence to all internal controls
9. Approves all program expenditures
10. Monitors program budgets
11. Reviews all payrolls and is responsible for all personnel files
12. Reviews and manages cash flow
13. Reviews and approves all reimbursements and fund requests
14. Assists Board of Directors with the development of annual and program budgets
15. Reviews all incoming and outgoing invoices
16. Manages the petty cash fund
17. Monitors and manages all expenses to ensure most effective use of assets
18. Oversees expense allocations
19. Reviews, revises, and maintains internal accounting controls and procedures
20. Initiates donor thank you letter acknowledgements

21. Reviews all financial reports

***Bookkeeper***

1. Overall responsibility for data entry into accounting system and integrity of accounting system data
2. Maintains general ledger
3. Prepares monthly and year-end financial reports
4. Reconciles all bank accounts
5. Manages Accounts Receivable

***Corporate Officer (Accounts Payable)***

1. Processes invoices and prepares checks for signature
2. Makes bank deposits
3. Mails vendor checks
4. Processes all inter-account bank transfers
5. Receives and opens all incoming accounting department mail
6. Monitors and makes recommendations for asset retirement and replacement

### **III. Chart of Accounts and General Ledger**

Council of Magickal Arts has designated a Chart of Accounts specific to its operational needs and the needs of its financial statements. The Chart of Accounts is structured so that financial statements can be shown by natural classification (expense type) as well as by functional classification. The Finance Director is responsible for maintaining the Chart of Accounts and revising as necessary.

The general ledger is automated and maintained using our accounting software. All input and balancing is the responsibility of the bookkeeper with final approval by the Finance Director.

The Board of Directors should review the general ledger on a periodic basis for any unusual transactions.

## **IV. Cash Receipts**

Cash receipts generally arise from:

1. Ticket Sales
2. Direct donor contributions
3. Fundraising activities

The principal steps in the cash receipts process are:

The Corporate Officer receives incoming mail and distributes the mail. The Corporate Officer/Accounts Payable enters all checks into a log, stamps all checks "for deposit only," and makes an electronic copy of each check. The checks are kept in a locked cabinet until they are processed and deposited.

Weekly (or more often if necessary), the Corporate Officer submits the following to the Bookkeeper for processing: the endorsed checks, the deposit log book, and the correct account allocation for each deposit. The Bookkeeper processes the deposit in the accounting software. A copy of the deposit slip is attached to the deposit. The deposits are put in a file to attached to the bank statement. The deposit log book is returned to the Corporate Officer.

All cash received will be counted, verified, and signed off by the Corporate Officer and another available staff member. The cash will immediately be posted using the appropriate allocation. A receipt will be given to the paying party and a copy kept for internal purposes. The cash will be kept in a locked, secure location and deposited within 72 business hours.

## **V. Inter-Account Bank Transfers**

The Corporate Officer monitors the balances in the bank accounts to determine when there is a shortage or excess in the checking account. The Corporate Officer recommends to the Finance Director when a transfer should be made to maximize the potential for earning interest. The Corporate Officer is directed in writing by the Finance Director when to make a transfer and in what amount. A copy of the transfer is given to the Finance Director.

## VI. Cash Disbursements & Expense Allocations

Cash disbursements are generally made for:

1. Payments to vendors for goods and services
2. Taxes/license fees
3. Staff training and development
4. Memberships and subscriptions
5. Meeting expenses
6. Reimbursements to Volunteers
7. Marketing/promotional materials

Checks are processed weekly. Invoices submitted to the Corporate Officer by Wednesday will be processed and paid by Friday of the same week. Checks can be prepared manually within one day, but this should be limited to emergency situations.

Requests for cash disbursements are submitted to Accounting in three ways:

1. Original invoice
2. Purchase request (submitted on approved form)
3. Staff expense report or reimbursement request

All invoices must have the account code written on them and approved by the Corporate Officer prior to being submitted to accounting.

Every staff reimbursement or purchase request must be documented on the approved form with travel authorization, receipts, nature of business, program allocation, and funding source (if applicable) before approving for reimbursement as follows:

**Lodging** - an itemized receipt from the hotel detailing all charges, the person(s) for whom the lodging was provided, and the specific business purpose.

**Meals and Entertainment** - a receipt must be provided showing the cost of food, beverage, and gratuities, including the names of every person for whom food or beverage was provided, and the specific business purpose.

**Other Expenditures** - a receipt from the vendor detailing all goods or services purchased (including the class of service for transportation) and the specific business purpose.

The Finance Director AND Corporate Officer reviews all requests for payment and:

1. Verifies expenditure and amount
2. Approves for payment if in accordance with budget
3. Provides or verifies appropriate allocation information
4. Provides date of payment taking into account cash flow projections
5. Submits to the Bookkeeper for processing

6. Bookkeeper enters payments/disbursements into the Accounts Payable module
7. Corporate Officer prepares checks according to allocation and payment
8. Submits checks, with attached backup documentation, to Finance Director for approval. All checks in excess of \$1,000 not related to Festival expenses or reoccurring expenses, must be authorized by the Board of Directors
9. Electronic payments are made by Corporate Officer with Finance Director approval. Documentation will be provided to Bookkeeper using method for checks
10. Marks invoice "paid"
11. Corporate Officer Mails checks and appropriate backup documentation
12. Files all backup documentation in the appropriate file
13. Runs an accounts payable aging at the middle and end of each month and submits to the Finance Manager to assure timely payment of all invoices

## **VII. Credit Card Policy and Charges**

All staff members who are authorized to carry an organization credit card will be held personally responsible in the event that any charge is deemed personal or unauthorized. Unauthorized use of the credit card includes: personal expenditures of any kind; expenditures which have not been properly authorized; meals, entertainment, gifts, or other expenditures which are prohibited by budgets, laws, and regulations, and the entities from which Council of Magickal Arts receives funds.

The receipts for all credit card charges will be given to the Corporate Officer within one (1) week of the purchase along with proper documentation. The Corporate Officer and Bookkeeper will verify all credit card charges with the monthly statements. A record of all charges will be given to the Bookkeeper with applicable allocation information for posting. A copy of all charges will be attached to the monthly credit card statement when submitted to the Finance Director for approval.

The Finance Director's credit card usage will be provided to the Board of Directors as requested.

## **VIII. Accruals**

To ensure a timely close of the General Ledger, Council of Magickal Arts may book accrual entries. Some accruals will be made as recurring entries.

## **IX. Bank Account Reconciliations**

1. The Finance Director reviews the bank statements monthly for unusual balances and/or transactions.
2. The Bookkeeper reviews the bank statements for timely reconciliation as follows: a comparison of dates and amounts of deposits as shown in the accounting system and on the statement, a comparison of inter-account transfers, an investigation of any rejected items, a comparison of cleared checks with the accounting record including amount, payee, and sequential check numbers.
3. The Corporate Officer will verify that voided checks, if returned, are appropriately defaced and filed.
4. The Bookkeeper will investigate any checks that are outstanding over six months.
5. The Bookkeeper will attach the completed bank reconciliation to the applicable bank statement, along with all documentation.
6. The reconciliation report will be reviewed and approved by the Finance Director.
7. All Board Members will have viewing access to all bank accounts and the accounting software.

## **X. Petty Cash Fund**

Petty cash funds are maintained by the organization. The funds are to be used for miscellaneous or unexpected purchases and the same approval procedures apply as mentioned in the cash disbursement section.

1. The petty cash fund will be maintained during the festivals.
2. The Corporate Officer and Finance Director oversees the petty cash fund.
3. All disbursements made from petty cash are acknowledged in writing by the receiving party.
4. All money returned to the petty cash fund is counted and verified by the Corporate Officer or Finance Director and another staff member. Receipts for items purchased with petty cash must be included with the return and should include appropriate account allocations as well as supervisor approval.
5. The Corporate Officer and/or the Finance Director together will periodically count the cash in the petty cash fund during Festival
6. No checks will be cashed by the petty cash fund.

# **XI. Property and Equipment**

Property and equipment includes items such as:

1. Office furniture and equipment
2. Computer hardware
3. Computer software
4. Leasehold improvements
5. Land Maintenance Equipment

It is the organization's policy to capitalize all items which have a unit cost greater than one thousand dollars (\$1,000). Items purchased with a value or cost less than one thousand dollars (\$1,000) will be expensed in the period purchased.

The depreciation period for capitalized assets is as follows:

Computer Hardware	36 months
Office Equipment	60 months
Office Furniture	60 months
Computer Software	36 months
Land Maintenance Equipment	60 months
Leasehold improvements	Length of lease

1. A Fixed Asset Log is maintained by the Corporate Officer and Bookkeeper including date of purchase, asset description, purchase/donation information, cost/fair market value, donor/funding source, identification number, life of asset.
2. The Log will be reviewed by the Finance Director.
3. Annually, a physical inspection and inventory will be taken of all fixed assets and reconciled to the general ledger balances.
4. The Director Finance and Corporate Officer shall be informed via email of any change in status or condition of any property or equipment.
5. Depreciation is recorded at least annually. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Any impaired assets discovered during the inventory will be written down to their actual value.

## **XII. End of Month and Fiscal Year-End Close**

1. The Finance Director will review and sign off on all month- and year-end journal entries. They will be printed and filed for audit trail purposes.
2. At the end of each month and fiscal year end, the Corporate Officer will review all balance sheet accounts including verification of the following balances: cash accounts match the bank reconciliations, fixed assets accounts reflect all purchases, write-downs and retirements, accounts receivable and payable accounts match outstanding amounts due and owed.
3. The income and expense accounts review will include reconciliation to amounts received and expended and verification that payroll expenses match the payroll reports including federal and state payroll tax filings.
4. Once the final monthly and fiscal year-end financial statements are run, reviewed, and approved by the Corporate Officer and Finance Director, no more entries or adjustments will be made into that month or year's ledgers.
5. At the end of the fiscal year, the Corporate Officer will provide the outside CPA with all financial information. The CPA will prepare the annual Return for Organization Exempt from Income Tax (IRS Form 990). The return will be presented to the Board of Directors for review. The Finance Director will instruct the Corporate Officer to file the return with the Internal Revenue Service by the annual deadline.
6. All other appropriate government filings including those required by the state tax board and attorney general's office will be completed and filed with the appropriate agency.

### **XIII. Financial Reports**

The Bookkeeper will prepare the monthly and annual financial reports for distribution to the Finance Director and Corporate Officer. The reports will include: balance sheet, statement of income and expenses, budget versus actual report for each program which has an established budget, a budget versus actual report for the organization, accounts receivable aging, accounts payable register and aging, cash flow projection, and any other requested reports.

Periodic and annual financial reports will be submitted to the Board of Directors for review and approval.

## **XIV. Fiscal Policy Statements**

1. All cash accounts (except petty cash) owned by Council of Magickal Arts will be held in financial institutions which are insured by the FDIC. No bank account will carry a balance over the FDIC insured amount.
2. All capital expenditures which exceed one thousand dollars (\$1,000) will be capitalized.
3. Employee or public personal checks will not be cashed through the petty cash fund.
4. No salary advances will be made under any circumstances.
5. No travel cash advances will be made except under special conditions and pre-approved by the Finance Director.
6. Reimbursements will be paid upon complete expense reporting and approval using the official Council of Magickal Arts form. Reimbursements to the Finance Director will be approved by the Board of Directors.
7. Any donated item with a value exceeding \$50 will be recorded and a letter acknowledging the donation will be sent to the donor within two weeks of the receipt of the donation.
8. The Finance Director and the Corporate Officer are the signatories on Council of Magickal Arts' bank accounts. Disbursements not related to festival expenses or reoccurring expenses exceeding \$1,000 require approval from the Board of Directors.
9. Bank statements will be reconciled monthly. All bank statements will be reviewed by the Finance Director
10. Correction fluid and/or tape will never be used in preparing any accounting documents.
11. Accounting records will be kept in locked file cabinets in the Corporate office and only parties with financial responsibility will have access to the keys.
12. When possible, all transactions will be performed electronically
13. All Board Members will be given View access to bank accounts and accounting software
14. All Board Members, Officers and staff that handle finances will be covered under a Faithful Performance Bond
15. The Finance Director with approval of the Board of Directors may create an Accounts Payable Staff Position to fulfill the Corporate Officer's financial responsibilities in the event the Corporate Officer is unable to perform the duties outlined. This position may be a paid position with approval of the Board of Directors. The position must be formally approved by the Membership at the next Business Meeting to become a permanent position.