



**Financial Procedures Manual**  
**Version 1.0**

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**Document Release Log**

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## I. Introduction

This document describes all fiscal and accounting policies and procedures currently in use at The Arizona Masterworks Chorale, Inc. (“AMC” or “the Corporation”) to ensure that assets are safeguarded; wishes of grant-makers and donors are complied with; and finances are managed with accuracy, efficiency, and transparency.

All The Arizona Masterworks Chorale, Inc., Officers and Directors are expected to know and comply with the policies and procedures in this manual. These policies will be reviewed annually, revised as needed, and approved by the Treasurer and the Board of Directors.

## II. Division of Responsibilities

Persons in the following roles shall have ongoing fiscal and accounting responsibilities:

### **Board of Directors**

1. Individually and together have the fiduciary duties of care and loyalty.
2. Maintain the corporation’s accounting controls, policies, and procedures, and any operational controls deriving therefrom.
3. Review and approve all budgets, and track actual performance vs. estimates.
4. Review and approve contracts of \$5,000 or more.
5. Determine whether the Corporation’s financial statement should be formally audited, reviewed, or compiled.

### **President**

1. Review and approve all financial reports and cash flow projections.
2. Execute contracts under \$5,000, and grant and sponsorship submissions.
3. Monitor financial reporting and grant management.

### **Treasurer**

1. Have charge of and be responsible for all funds, securities, bank and other accounts, receipts, disbursements, and properties of the Corporation.
2. Keep full and accurate records of all receipts and disbursements in the books of the corporation and regularly report on the financial condition of the Corporation.
3. Create and track a comprehensive Corporation budget by Performance Year, including estimates of all expenses, and earned and contributed revenues.
4. Record all Artistic Agreements and other corporate contracts.
5. Track project, committee, or other budgets, and actual performance vs. estimates.
6. Track In-Kind donations of goods or services and time donated by volunteers
7. Ensure proper use of donor restricted funds.
8. Prepare and submit all external financial reports required from the Corporation.
9. Maintain this Financial Procedures Manual, with the approval of the Board.

### **Committee Chairs**

1. Create and track budgets for committee-specific activities.
2. Under the committee charter, receive and disburse funds for committee activities.

3. Regularly report committee financial status to the Board of Directors.

### **Grant Managers**

1. Create and track budgets for grant applications as required by the grant maker.
2. Under terms of the grant, receive and disburse funds for covered activities.
3. Prepare and submit grant final reports as required by the grant maker.

### **Accountant**

AMC may retain the services of an outside CPA or CPA firm for the purpose of preparing tax returns and other financial reports, and providing financial advice to the Corporation.

## **III. Bank Accounts and Chart of Accounts**

The Corporation's books and general ledger are maintained by the Treasurer.

### **Bank Accounts**

The Arizona Masterworks Chorale, Inc. maintains accounts at a Federally Chartered bank for all its cash assets, including commingled restricted and non-restricted funds.

In addition, a PayPal Bank account and a Cash account are maintained for temporary holding of monies used in certain transactions and events. The President, Treasurer, and at least one designated Director shall be the signatories the Corporation's bank accounts and have access to online banking.

### **Chart of Accounts**

The Chart of Accounts (COA) is a set of Revenue and Expense "distribution accounts" specific to AMC's operational needs and the needs of its financial statements and reporting. It is structured so that financial statements can be shown by natural classification (i.e., revenue or expense type) as well as by functional classification (e.g., program/earned revenue vs. contributed revenue vs. operations). The Treasurer is responsible for maintaining the Chart of Accounts and revising it as necessary.

## **IV. Revenue**

### **Cash Receipts**

All funds received by the Corporation are considered "cash receipts," from:

#### **Earned Income**

- a. Admission ticket sales
- b. Contract Services provided to outside entities
- c. Advertising sales in concert programs, on the AMC website, etc.
- d. Merchandise sales

### **Contributed Income**

- a. Personal donations from individuals, including fundraising activities such as online giving campaigns, and raffles
- b. Grants, sponsorships, and donations from government entities, corporations, small businesses, or foundations
- c. In-kind donations qualified as tax-deductible
- d. Chorister dues and fees

Contributed income is classified as either unrestricted or general operating support (“GOS,” usable for of any expense of the Corporation), or restricted (for use only as designated by the donor). Restricted contributions can be temporary, for a specific project, or permanent, such as an endowment.

Cash Receipts include revenue from electronic funds transfer (EFT) or automated clearing house (ACH) payments that are directly deposited in the Corporation’s bank account. All cash receipts shall be recorded in the Corporation’s books and accounting system and allocated to the appropriate distribution accounts. All contributed income shall be recorded and a receipt issued to the donor, and records of contributions by each donor shall be maintained. For the purpose of this section, any government entity, business, or foundation will be tracked as a donor.

In-kind donations not qualified as tax-deductible, such as professional services, volunteer hours, or other work performed on behalf of AMC, shall be reported and tracked.

### **Receipts Management Process**

Cash or checks received at an event or by postal mail shall be deposited via a counter transaction, mobile deposit, or at a bank ATM within two (2) business days of receipt. Funds received via other channels and not directly deposited (e.g., via PayPal) shall be transferred to checking within two (2) business days of receipt

## **V. Disbursements and Expense Allocations**

Payment and reimbursement requests shall be submitted to the Treasurer and paid in due course depending on the stated terms. Payments shall be made by check, debit card, electronic funds transfer (EFT), or automated clearing house (ACH) transaction. Cash (currency) disbursements shall be limited to use in box office banks for making change for cash ticket or merchandise purchases (see Section VII Petty Cash Fund, below).

All disbursements shall be recorded in the Corporation’s accounting system, including the payee’s name, address, and contact information, and the appropriate expense account(s). Expenses that impact more than one cost center (e.g., advertising, fundraising, program, etc.) shall be spread across multiple expense accounts using a shared cost method, in consultation with the operational managers involved.

Cash payments shall not be made unless no other means of delivering payment to the payee is possible. In no case shall cash payments be made with the intent or effect of keeping the payment “off the books” for either the payee or the Corporation.

## VI. Credit and Debit Cards

The Corporation holds no credit cards. The Board of Directors may authorize certain Directors or Officers to carry a Corporate debit card, to be used for appropriate business expenses. All debit card information (holder name and address, card number, expiration, CVV, etc.) shall be recorded by the Treasurer.

## VII. Petty Cash Fund

A temporary petty cash fund, or “cash account,” may be created for currency used as an event box office bank to make change for sales of admissions or merchandise paid by cash. Petty cash for this purpose is obtained by withdrawal of currency from the Corporation’s checking account by debit card, and recorded as a transfer from the Corporation’s checking account to its cash account.

After an event, all currency, including event proceeds and remaining petty cash, will be re-deposited in the checking account. The amount withdrawn prior to the event will be recorded as a transfer from the cash account back to checking, and the remainder deposited to checking with the appropriate distribution account (ticket sales, merchandise sales, cash donations, etc.) and event code. After an event, the net balance in the cash account shall be zero.

The production manager of an event is responsible for appropriate handling of box office bank cash, and its return and deposit in the Corporation’s checking account.

## VIII. Property and Equipment

Corporation property shall be defined as all items purchased, leased, rented, loaned or donated by or to the Corporation for its use. Fixed assets are the tangible and intellectual property and equipment owned by the Corporation, including the AMC Music Library (in printed or electronic form, including audiovisual recordings); musical gear (instruments, music stands, accessories, etc.); production and publicity gear (conductor’s podium, signage, sound systems, etc.); office equipment (furniture, computer hardware and software, computer peripherals, etc.); and other similar items.

The Treasurer shall maintain a Fixed Asset Log, including as possible the date of acquisition, asset description, purchase or donation information, cost or fair market value, donor or funding source, identification number, and the life of the asset. The Fixed Asset Log shall be updated whenever such an asset is acquired or disposed of.

The Treasurer shall maintain an Inventory Log of merchandise for sale by the Corporation, such as concert CDs, DVDs, T-Shirts, and any other items that are offered for at Chorale performances, via an online store, or any other means. The Inventory Log shall be updated as stock is depleted and/or replenished.

## IX. Personnel Records

Finance-related personnel records comprise Artistic Agreements, W-9 forms, payroll records, and other data as deemed appropriate by the Board of Directors. All personnel files, whether maintained in hard copy or electronic form, are to be kept in a secure storage and accessed only by authorized personnel.

## X. Payroll Processing

The Arizona Masterworks Chorale, Inc. has no employees and therefore does not perform payroll processing in the traditional sense. Contractors, as defined in the AMC By-Laws, are engaged under an Artistic Agreement (contract) that specifies the services and scope of work for which they are engaged, and the fees, expenses, and other compensation to be paid. Each contractor shall provide a completed W-9 form.

### **Featured Artists**

A production manager shall identify the Featured Artists to receive one-time payments in a Featured Artist Payroll Spreadsheet, including the artist's name and address, a description of the event and service provided, the amount to be paid, the account(s) to be recorded, the form of payment (check, debit card, EFT, etc.), and the date on which payment is to be made.

The Payroll Spreadsheet shall be submitted to the Treasurer at least seven (7) calendar days in advance of the earliest payment due date. The Treasurer will process payments in a timely manner and record each payment in the Corporation's books.

### **Continuing Contractor Roles**

Contractor roles for which fees are paid regularly through a Performance Year by either regular stipend or on a per-service basis, shall be identified on a Continuing Roles Spreadsheet maintained by the Treasurer, including the monthly or per-service fee, and the number of services performed as appropriate. The Treasurer will process continuing payments in a timely manner per the terms of each role's Artistic Agreement, and record each payment in the Corporation's books.

### **Tax Reporting**

Contractors whose compensation during a calendar year meets or exceeds the minimum amount set by the IRS shall be issued a form 1099-MISC by the required date.

## XI. End of Month and Fiscal Year-End Reporting

### **Month-End Reporting**

1. The Treasurer shall review all revenue and expenditures during each calendar month to verify agreement between bank statements and the Corporation's books.
2. The Treasurer will prepare and submit to the Board of Directors a monthly report, including the Corporation's current balance sheet; a narrative of significant monthly

receipts and expenditures; all known upcoming revenue and expenses; and actual cash flow vs. cash flow estimated in the season budget.

### **Fiscal Year-End Reporting**

1. The Treasurer will prepare and submit to the Board of Directors an annual management report for the Fiscal Year, including the Corporation's year-end balance sheet; a summary of activities by COA distribution accounts; a narrative of any significant receipts or expenditures and any Corporation property obtained or disposed of; and month-by-month cash flow performance to budget (estimates vs. actuals).
2. The Treasurer shall prepare and file the Corporation's tax returns as required by federal, state, or other law.
3. The Treasurer shall update the Corporation's Cultural Data Project/Data Arts financial profile and any other similar profiles or databases to which the Corporation subscribes.

## **XII. Definitions**

**Audits:** An audit provides the highest level of assurance on an organization's financial statements. An audit provides assurance that an organization's financial statements are free of material misstatement and are fairly presented based upon the application of generally accepted accounting principles. An audit includes:

- confirmation with outside parties
- testing selected transactions by examining supporting documents
- completing physical inspections and observations
- considering and evaluating the internal control system of the organization

**Reviews:** A review provides limited assurance on an organization's financial statements. During a review, inquiries and analytical procedures present a reasonable basis for expressing limited assurance that no material modifications to the financial statements are necessary; they are in conformity with generally accepted accounting principles. This "does it make sense" analysis is useful when the organization needs some assurance about their financial statements, but not the higher level of assurance provided by an audit.

**Compilations:** A compilation provides no assurance on an organization's financial statements. The CPA takes financial data provided by the nonprofit and puts them in a financial statement format that complies with generally accepted accounting principles. There are no testing or analytical procedures performed during a compilation.