

Lansing Art Gallery & Education Center
Financial Policies 2020

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Policy Statement

Lansing Art Gallery & Education Center is committed to responsible financial management. The entire organization including the Board of Directors and staff will work together to make certain that all financial matters of the organization are addressed with care, integrity, and in the best interest of Lansing Art Gallery & Education Center.

The policy and procedural guidelines in this handbook are designed to:

1. Protect the assets of the Lansing Art Gallery & Education Center;
2. Ensure the maintenance of accurate records of the Lansing Art Gallery & Education Center's financial activities;
3. Provide a framework of operating standards and behavioral expectations; and,
4. Ensure compliance with federal, state, and local legal and reporting requirements.

The Executive Director of the Lansing Art Gallery & Education Center has the responsibility for administering these policies and ensuring compliance with procedures that have been approved by the Board of Directors. Exceptions to written policies may only be made with the prior approval of the Board of Directors. Changes or amendments to these policies may be approved by the Board of Directors at any time. A complete review of the policies shall be conducted every two years.

Every Board and Staff Member with financial-related responsibility is expected to be familiar with and operate within the parameters of these policies and guidelines. Current job descriptions will be maintained for all employees, indicating financial duties and responsibilities.

Fiscal Management

- The fiscal year for the organization shall be July 1 through June 30.
- Accounting Method: the business accrual basis of accounting recognizes revenues when they have been earned and expenses when they have been incurred.
- Accounting Software: QuickBooks maintains our financial records.
- Chart of Accounts: Lansing Art Gallery & Education Center shall maintain a chart of accounts that conforms to Generally Accepted Accounting Principles and can be used to accurately record our financial position and code receipts and disbursements to the proper accounts.

- Lansing Art Gallery & Education Center will utilize the modified accrual basis of accounting that recognizes at year-end, revenues when they have been earned and expenses when they have been incurred. The use of modified accrual basis accounting allows Lansing Art Gallery & Education Center to record and recognize prepaid expenses and prepaid or deferred income. In addition, revenue relating to the current year but not collected until the next year is reflected on the statement of financial position as accounts receivable, and on the statement of activities on the statement of financial position as accounts payable and on the statement of activities as expense.
- Non-standard journal entries will be discussed with our auditors to ensure proper accounting treatment.

Line of Authority

The Board of Directors collectively have the authority to establish any policies it deems to be in the best interest of the organization within the parameters of the organization's articles of incorporation, bylaws, or federal, state, and local law. The Board of Directors will establish the salary and compensation for the Executive Director, as well as an evaluation procedure related to fiscal responsibility.

The Executive Director's authority designated by the Board of Directors:

- authority to make spending decisions within the parameters of the approved budget
- employ and terminate personnel
- determine all other salary levels
- create and amend operating procedures and controls
- make decisions regarding the duties and accountabilities of personnel and delegation of decision-making authority
- enter into contractual agreements within board designated parameters
- make monthly reports to the Board of Directors
- the ability to delegate financial operations to additional staff.

Financial Controls

Annual Budget and Monitoring

- The Executive Director, together with the Finance Committee, shall annually develop operating and capital budgets for the next fiscal year.
- These budgets shall be submitted at the May board meeting to the Board of Directors for adoption prior to the start of the fiscal year.
- The Executive Director is responsible for monitoring and maintaining the integrity of the budget.

Cash Disbursements

- The Executive Director has (a) expenditure approval up to the parameters set by the annual operating budget as approved by the Board, and (b) single signature authority up to and including \$10,000.

Check Signing

- The following individuals are designated as check signers: Executive Director and Executive Committee including Board President, Vice President, Treasurer, and Secretary. The Executive Director will be the primary check signer.

- Copies of specimen signatures of authorized individuals will be filed with each financial institution where Lansing Art Gallery & Education Center maintains an account.

Credit Card Purchases

- 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.

- Lansing Art Gallery & Education Center Executive Director and their designees are authorized to use a company credit card for association business only with zero cash advance option.

- The Executive Director is the only authorized staff member that is allowed to open business credit cards/accounts in the name of the Lansing Art Gallery & Education Center and which employees shall receive access for their use.

- The Executive Director will be responsible for credit card issuance and is responsible for accounting, monitoring, and retrieval and for the generally overseeing compliance with the credit card policy.

- Any credit card issued under this policy may only be used for the purchase of goods or services as it relates to the official business of the Lansing Art Gallery & Education Center.

Software

- Lansing Art Gallery & Education Center uses an independent third party vendor to process credit card payments. The bookkeeper will use an approved software program for accounting purposes. Software will not be depreciated.

Deferred Income and Expenses (Prepaid)

- Lansing Art Gallery & Education Center recognizes deferred income and expenses (except grants payables and grant receivables) at the end of the fiscal year to keep its accounting accurate for each fiscal year.

Audit

- An examination of the Lansing Art Gallery & Education Center's financial statements shall be conducted in accordance with "generally accepted auditing standards" annually by an independent CPA qualified to express an opinion of the fairness of presentation of the organization's financial statements. The findings of this examination and any accompanying recommendations shall be presented to the Board of Directors. The final audit will be made available to the general public and on Lansing Art Gallery & Education Center's website.
- The Board of Directors may request quotations from qualified CPA firms to perform the organization's annual audit. Formal Board approval will be required prior to engagement of services. In addition to an annual audit, the auditing CPA will be responsible for the preparation of the IRS Forms and the Charitable Solicitation License.
- The Board of Directors may order a mid-year audit of the organization's finances when deemed necessary and/or whenever there is a change in personnel who have fiscal responsibilities.
- Best practice suggests that the Board of Directors shall solicit bids for new auditors every seven years.

Borrowing

From time to time it may be necessary for Lansing Art Gallery & Education Center 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 Lansing Art Gallery & Education Center programs. Borrowing funds shall be done within the following guidelines:

- Borrowing shall be within approved limits as set by the Board of Directors.
- The best available interest rates for borrowing shall be sought.
- 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 if rates are favorable and beneficial to Lansing Art Gallery & Education Center over the short-term rates.
- Copies of Board approved investment related resolutions, applications, and specimen signatures of authorized individuals will be filed with each financial institution where Lansing Art Gallery & Education Center maintains an account.

Capital Expenditures

- Equipment and Furniture shall be defined as a capital expense with a unit cost of \$5,000 or more and a useful life of more than one year. Equipment costing more

than \$5,000 will be capitalized. Equipment costing less than \$5,000 will be expensed.

Chart of Accounts

- The Executive Director, Treasurer, and Bookkeeper will develop an accurate chart of accounts.
- The Chart of Accounts is used to code receipts and disbursements to the proper accounts.

Contractors and Consultants

- Consideration will be made of internal capabilities to accomplish services before contracting for them.
- Written contracts that clearly define the scope of work, deliverables, and terms and conditions will be maintained for all contracts and consultant services.
- The qualifications of contractors and consultants and reasonableness of fees will be considered in the hiring process.
- The Board of Directors must approve audit and other significant contracts.
- Contracts over \$600 will receive an IRS MISC form by January 31st of each year, prepared by the Bookkeeper.
- Three bids will be required for contractual services over \$10,000.

Electronic Transactions

As allowed by the State of Michigan approved Act No. 738 of the Public Acts of 2002 authorizing the use of electronic transactions by designated officers of the local government, the Lansing Art Gallery & Education Center will be allowed to use electronic transactions to conduct business.

Financial Reporting and Statements – Monthly

- It is the policy of Lansing Art Gallery & Education Center to prepare monthly financial statements that will include the Statement of Financial Position and Statement of Activities compared to budget. Financial reports shall be presented to the Board of Directors at each of its meetings so that the approved operating budget can be used to monitor the financial affairs of the organization.

Grants and Contracts

- It will be the responsibility of the Executive Director to oversee all grant applications, contracts, and reports.

In-Kind Donations

- All In-kind donations of time and materials will be annually documented in the annual audit.

Insurance

- Reasonable, adequate coverage will be maintained to safeguard the assets of the corporation. Such coverage will include property, workers compensation, and other insurance as deemed necessary.

Investment Policy

- A comprehensive Investment Policy may be adopted as a stand-alone policy of the Lansing Art Gallery & Education Center.

Leases – Office and Equipment

- The Executive Director shall review leases prior to submission to the Board of Directors for approval.
- All leases, clearly delineating terms and conditions, will be approved by the Board of Directors and signed by the Executive Director. Copies of leases will be retained on file.

Payroll, Time Keeping, and Personnel Records

- All personnel salaries/wage rates are authorized by the Executive Director. All changes in employment are likewise authorized by the Executive Director based on the approved budget.
- The Executive Director maintains all personnel records. Personnel files are to be maintained at organizations' primary location for all employees for a minimum of seven years after the employee has been terminated.

Petty Cash Fund

- The petty cash fund is maintained on an imprest basis, secured, and not to exceed \$200.
- The Executive Director is responsible for oversight of the ongoing process of identifying records, that have met the required retention period, and overseeing their destruction. Destruction of financial, personnel-related, and other sensitive documents will be accomplished by shredding.
- Document destruction will be suspended immediately, upon any indication of an official investigation or when a lawsuit is filed or appears imminent. Destruction will be reinstated upon conclusion of the investigation.

- Failure to follow this Policy can result in possible civil and criminal sanctions against the Lansing Art Gallery & Education Center and possible disciplinary action against responsible individuals. The Executive Director and Board of Directors will periodically review these procedures with legal counsel and the Lansing Art Gallery & Education Center's certified public accountant to ensure that they are in compliance with new or revised regulations.

Safeguarding Assets

- The Executive Director shall have primary responsibility for ensuring that proper Financial Management procedures are maintained and that the policies of the Board are carried out.
- The Board of Directors shall provide fiscal oversight in the safeguarding of the assets of the organization and shall have primary responsibilities for ensuring that all internal and external financial reports fairly present its financial condition.
- A proper filing system will be maintained for all financial records.
- Actual income and expenditures will be compared to the budget on a monthly basis.
- Bank statements are promptly reconciled on a monthly basis by the bookkeeper.
- Documents on all securities and fixed assets will be maintained.

Separation of Duties

- Financial duties and responsibilities must be separated so that no one employee has sole control over cash receipts, disbursements, payroll, reconciliation of bank accounts, etc.
- The check signer(s) must not be the person who writes checks or who does the bookkeeping.
- Bank statements are reconciled by someone other than the check signer or writer.
- Deposit documentation and reconciliations are prepared by a person other than the one recording the receipts.

Tax Reporting and Payment

- The Board of Directors will authorize preparation of Form 990 and the License to Solicit for the State of Michigan. The Board of Directors will also authorize the Executive Director and/or an appropriate officer of the Lansing Art Gallery & Education Center to sign these documents.
- Copies of the above tax and licensing reports will be maintained and available for public inspection and/or copying.

· Payment of State and Federal payroll taxes will be paid promptly.