

# Cherry Creek Chorale

## Accounting Policies & Procedures Manual Effective May 1, 2019

Adopted by the Board of Directors April 22, 2019

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# Accounting Policies and Procedures Manual

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1. Introduction
  - a. This manual has been prepared to document the internal accounting procedures for the Cherry Creek Chorale (CCC). Its purpose is to ensure:
    - i. assets are safeguarded,
    - ii. financial statements are in conformity with generally accepted accounting principles
    - iii. finances are managed with responsible stewardship
  - b. All personnel with a role in the management of the CCC's fiscal operations are expected to uphold the policies in this manual. It is the intention of the CCC that this accounting manual serves as our commitment to proper, accurate financial management and reporting
2. Fiscal Year
  - a. The fiscal year of the CCC is July 1 to June 30.
3. Segregation of Duties
  - a. The following is a list of personnel who have responsibility within the CCC:
  - b. Board of Directors
    - i. Monthly / Ongoing
      1. Provides good stewardship of financial assets.
      2. Reviews all financial reports monthly, at monthly board meetings
      3. Reviews and approves all unbudgeted and/or non-contractual expenditures over \$500
      4. Reviews and approves all capital asset purchases, excluding music.
      5. Reviews and approves any contracts with financial obligations
      6. Reviews and approves the distribution of credit cards/debit cards
    - ii. Annually
      1. Reviews and approves budgets annually, at the Annual Board Meeting
      2. Reviews and approves all asset accounts annually, at the July meeting
      3. Reviews and approves any changes to Accounting Policies and Procedures Manual annually, at the July Meeting
    - iii. Oversight
      1. Ensures Treasurer is qualified, understands and can analyze financial statements. Authorizes an independent review (outside CPA) of financial records as needed
      2. Enacts Board Resolutions to authorize/de-authorize personnel with responsibility and access to checking, savings, investment accounts
      3. Enacts Board Resolutions to open/close any financial accounts, including checking, savings, and investment accounts
      4. Requires a bi-annual inventory and reconciliation of all assets
        - a. Equipment Assets
        - b. Library Assets
        - c. Other Assets
    - iv. Complies with authorized spending authority
  - c. Board President
    - i. Provides good stewardship of financial assets.
    - ii. Ensures adequate Liability & Storage insurance is maintained
    - iii. Ensures delegation of duties in the absence of an Executive Director or Treasurer
    - iv. Complies with authorized spending authority.

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- d. Executive Director
  - i. Provides good stewardship of financial assets.
  - ii. Compiles Box-Office Settlement report after every event
  - iii. Complies with authorized spending authority
  - iv. Files Annual Report with the CO Secretary of State
  - v. Prepares Staff Contracts
  - vi. Prepares Collaborator Agreements
  - vii. Manages Comp Ticket disbursements
- e. Treasurer
  - i. Reviews accounting records
    - 1. Reconciles the general ledger monthly
    - 2. Reconciles all bank statements monthly
    - 3. Ensures all financial accounts are FDIC insured with the exception of accounts created to hold donations of stock, and no account contains more than \$100,000.
  - ii. Prepares the annual budget for approval by Board of Directors
  - iii. Reviews all invoices, ensuring adequate documentation is provided to substantiate all payments
    - 1. Ensures all payments have prior approval of Board of Directors and/or Committee Chairperson and are reasonable and customary for the mission of the Cherry Creek Chorale
    - 2. Signs all checks, ensuring prior approval was received from Board of Directors for any unbudgeted and/or non-contractual payment over \$50.
  - iv. Deposits all receipts in a timely manner not to exceed 30 days
  - v. Reconciles all credit card accounts
  - vi. Reviews all financial reports
    - 1. Profit and Loss
    - 2. Balance Sheet
    - 3. Monthly/ Annual variance to budget
    - 4. Year-over-Year comparison
    - 5. Ad hoc reporting as requested by Board of Directors
  - vii. Prepares Monthly Treasurer's report to Board of Directors
    - 1. Monthly and YTD income, with variances from budget
    - 2. Monthly and YTD expenses, with variances from budget
    - 3. End-of-month balances of all financial accounts
  - viii. Complies with authorized spending authority as determined by the Board
  - ix. Checks PO Box on a regular basis and distributes mail as appropriate
- f. Bookkeeper
  - i. Maintains accounting records
    - 1. Maintains all accounting records in accordance with generally accepted accounting principles

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2. Records are kept on a cash basis (income and expenses are posted in the period received, not the period earned)
      3. Updates QuickBooks records monthly
      4. Backs up computer records monthly
      5. Maintains paper records in an organized manner
      6. Maintains and reconciles the general ledger monthly
      7. Reconciles all bank statements monthly
      8. Provides Financial Records to Accountant for preparation of Tax Returns
      9. Prepares 1099's
    - ii. Processes all invoices, ensuring adequate documentation is provided to substantiate all payments
      1. Ensures all payments have appropriate reviews, approvals and account coding by Committee Chairs/Directors or Officers
      2. Prepares all checks, ensuring proper approval was obtained
    - iii. Prepares all payments to contractors, ensuring adequate documentation is provided to substantiate all payments
    - iv. Prepares all financial reports
      1. Profit and Loss
      2. Balance Sheet
      3. Monthly/ Annual variance to budget
      4. Year-over-Year comparison
      5. Ad hoc reporting as requested by Board of Directors
  - f. Box Office Manager (volunteer)
    - i. Oversight of Box-Office procedures at every event
    - ii. Counts Box-Office cash
    - iii. Receipts all Box-Office funds to Treasurer after ewach concert
    - iv. Assists in reconciliation of Box-Office Report
  - g. Accountant
    - i. Prepares Annual Tax reports (990)
    - ii. Prepares and submits annual CO & Federal Charitable Organization Filing as required
4. Cash Receipts Procedures
- a. Treasurer (or designee):
    - i. Receives all incoming mail
    - ii. Receives Box Office Receipts from Box Office Manager
    - iii. Reconciles Box Office
    - iv. Ensures all deposits are made in a timely manner
    - v. Maintains cash and check documentation to substantiate all deposits, in an organized manner (Binder sorted by month/year)
    - vi. All deposits are made into the primary operating checking account
  - b. Bookkeeper
    - i. Maintains cash and check documentation to substantiate all deposits, in an organized manner (Binder sorted by month/year)

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- ii. Transfers excess funds into money market account as directed by Treasurer following Board Approval
- iii. Records all deposits in the current period, and into unrestricted funds accounts unless otherwise directed by the Board or the Donor. The CCC does not record any accounts receivable entries for future or expected income

## 5. Cash Disbursements Procedures

- a. Executive Director:
  - i. Authorized for debit card purchases under \$500, or with prior approval of Board, for reasonable and customary expenses in accordance with the mission of the CCC
  - ii. Delivers receipts to Treasurer in a timely manner
- b. Treasurer :
  - i. Receives all incoming mail
  - ii. Reviews back-up documentation and signs all checks or delegates to other account signer as necessary.
  - iii. Verifies all purchases are reasonable and customary
  - iv. Receives invoices, reviews for approval by Committee Chairperson or approves as necessary.
- c. Bookkeeper
  - i. Receives all receipts or invoices Treasurer or Authorized personnel
  - ii. Receipts must be submitted within 45 days of purchase for reimbursement
  - iii. Reimbursements will not be made without a receipt
  - iv. Verifies all purchases are reasonable and customary
  - v. Prepares and mails check payments for all authorized invoices and reimbursements
  - vi. All disbursements are made by check, signed by Treasurer or any authorized personnel as approved by Board Resolution
  - vii. Maintains invoice documentation to substantiate all disbursements, in an organized manner (Binder sorted by month/year)
  - viii. All disbursements are made from the checking account

## 6. Accounts Payable

- a. The CCC remits all accounts payable items in the current period unless otherwise directed by the Board or the Donor. There should be no Accounts Payable balance in the general ledger

## 7. Reconciliations

- a. Cash Flow
  - i. CCC shall maintain a minimum of 3 months cash reserves of reasonable and customary expenses between its operating and savings bank accounts at all times. In the event that balances fall below that amount, the Treasurer shall notify the Board President immediately.
  - ii. CCC shall adopt a net-positive or break-even budget/income statement, with the exception of the planned purchase of capital assets or non-operating expenses using Retained Earnings.
- b. Reconciliation of Cash Accounts (checking and savings accounts)

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- i. Bank Statements are to be received online by the Bookkeeper and Treasurer. The Executive Director shall also have access to these on-line reports
    - ii. Bank Statements are to be reconciled to Quickbooks accounting software on a monthly basis
    - iii. Each entry is reviewed for proper date, amount, ledger account, check sequence, and signature
    - iv. All discrepancies are reported to the Board in the monthly Treasurer's report
    - v. Any discrepancy over \$500 is reported to the Board President immediately
    - vi. An investigation is made for all items rejected by the bank
    - vii. An accounting is made for all checks in sequence, reviewing authorized signatures, irregular endorsements and alterations. Voided checks are reviewed and properly mutilated. Un-cashed checks outstanding for more than 6 months are investigated and written off
    - viii. The Treasurer reports all findings in the monthly Treasurer's report
  - c. Reconciliation of All Other General Ledger Accounts
    - i. Each month the Treasurer should review all Income Statement and Balance Sheet accounts
      - 1. Assets
      - 2. Liabilities
      - 3. Income/Accounts Receivable
      - 4. Expenses/Accounts Payable
      - 5. Payroll/Independent Contractor liabilities
    - ii. Treasurer reconciles the bi-annual inventory and reconciliation of all assets to the general ledger
      - a. Equipment Assets
      - b. Other Assets
- 8. Purchases
  - a. General Operating expenses are approved on an annual basis by the Board of Directors' approval of the Operating Budget
    - i. Executive Director, Treasurer, or special designees are authorized to make purchases on behalf of the CCC for pre-approved items. The Board of Directors will pre-approve any special designees
  - b. Contracts
    - i. The Board President, Executive Director, or special designee are authorized to sign contracts on behalf of the CCC with prior approval of the Board of Directors. The Board of Directors will pre-approve any special designees. Including but not limited to facility rental agreements and Collaborative Artist Agreements for CCC performances and Annual Staff Contracts
  - c. Debit Card Purchases
    - i. Only Executive Director or Board approved personnel shall carry CCC Debit Cards in their names. Board Resolutions are required to authorize new personnel
    - ii. Purchases are authorized only for reasonable and customary expenses of the CCC
    - iii. Receipts must be provided to Treasurer for all expenses on a monthly basis
    - iv. Individuals holding debit cards shall not provide the account number to or authorize others to use their card.

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- v. In every case, the individual holding the card will be held responsible in the event that any charge is deemed personal or unauthorized
  - d. Capital Expenditures
    - i. For all major capital expenditures, such as computers, printers, musical instruments, or furniture, two bids must be obtained for all purchases exceeding \$1,000 prior to a purchasing decision or exception made by the Board. All bids must be presented to the Board of Directors for approval
  - e. Consultants
    - i. Contracts with consultants will include rate and schedule of pay, deliverables, time frame and other information such as a work plan
    - ii. For example, if the CCC hires a consultant to write a grant proposal, a copy of the timeline of deliverables and the final version of the grant proposal shall be provided in both Word and PDF versions shall be kept on file by the Development chair
- 9. Fixed Asset Management
  - a. A permanent property log or database is to be maintained by the CCC Librarian for all music assets purchased by the CCC. A copy of the log shall be provided to the Board of Directors upon request, and at least bi-annually
  - b. The log should include:
    - i. Date of purchase
    - ii. Description of item
    - iii. Received by donation or purchase
    - iv. Cost or fair market value on the date of receipt
  - c. Treasurer will maintain a log if Fixed Assets to include:
    - i. Date of purchase
    - ii. Description of item
    - iii. Received by donation or purchase
    - iv. Cost or fair market value on the date of receipt
    - v. Depreciation period if applicable
    - vi. Warranty period if applicable.
  - d. Bi-annually, a physical inspection and inventory of assets shall be taken by the Executive Director, Music Director and/or appropriate CCC Staff, and provided to the Board of Directors
  - e. The Board of Directors shall be informed of any material changes in the status of property and equipment. This includes any changes in location, sale of, damage of, scrapping of and/or obsolescence of items
- 10. Payroll
  - a. The CCC does not hire employees, but maintains a staff of contractors and volunteers for most functions
  - b. The Executive Director, Artistic Director/Conductor, Associate Conductor, Principal Accompanist, Assistant Accompanist, Cherry Tones Director, Music Librarian, Bookkeeper and Web & Communications Manager are independent contractors., Contracts are 1 year renewable contract terms
  - c. The CCC will hire musicians if the concert repertoire requires such services; rates arenegotiated by the Executive Director with input from the Artistic Director
  - d. The Executive Director is charged with the responsibility of maintaining personnel file records and copies of all contracts

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- e. Each personnel file should include W-9 information, such as name, address, and social security number
  - f. Records are kept in a secure location, and all electronic transmission of records are password-protected
  - g. Quickbooks is used to compile and report 1099 information at the end of the calendar year
11. Financial Reporting
- a. Monthly reports
    - i. The Bookkeeper will provide the current Balance Statement, Income Statement for the prior month and YTD, the budget-to-actual reports for all ledger accounts in the annual operating budget, and a cash flow projection to the Treasurer and Board President monthly.
  - b. Year-end reports
    - i. For the Annual Board Meeting in June shall provide a preliminary report of income and expenses and a Balance Sheet
    - ii. By August 31, all records will be reconciled by the Bookkeeper and reviewed by the Treasurer and a final report of income and expenses will be submitted to the Board of Directors
    - iii. By August 31, all records will be reconciled by the Bookkeeper and reviewed by the Treasurer and a final balance sheet of assets and liabilities will be submitted to the Board of Directors
    - iv. At the discretion of the Board of Directors, or at such time as the annual operating income of the CCC exceeds \$250,000, the CCC will contract with an independent financial auditor (outside CPA) to review year end reports
12. Grant Compliance
- a. It is the policy of the CCC to adhere to any restrictions imposed by its funders, both government and private. Therefore, CCC contractors, and volunteers are expected to bring any instances of non-compliance to the attention of the Board of Directors
  - b. When a new grant is received or renewed, the original copy of the executed grant is Maintained by the Development Chair, with a copy sent to the Treasurer
  - c. The Development Chair will maintain a permanent file for the grant, and maintain the contract along with any other financial correspondence regarding the grant
  - d. The CCC will never request grant funds to pay for the following costs:
    - i. Bad debt expense
    - ii. Contingencies
    - iii. Contributions or donations to others
    - iv. Entertainment expenses
    - v. Fines and penalties
    - vi. Interest, fundraising, and other financial costs.
13. Fiscal Policy Statement
- a. All cash accounts owned by the CCC will be held in financial institutions that are federally insured and have received a favorable CRA rating
  - b. All capital expenditures that exceed \$3000 will be capitalized on the books and records of the CCC and depreciated over a three-year period, unless otherwise stated by the Board of Directors
  - c. Paychecks and/or personal checks will not be cashed through the petty cash fund of the CCC
  - d. No salary advances will be made under any circumstances

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- e. No travel cash advances will be made except under special circumstances and pre-approved by the Board President and Treasurer
  - f. Any item whose value exceeds \$25.00 received via donation will be recorded in the books and records of the CCC
  - g. It is the policy of the CCC to reimburse out-of-pocket expenses only when supporting documentation has been presents for approved costs incurred
  - h. It is the goal of the CCC to maintain a minimum of 3 months cash reserves between its operating and savings accounts at all times. In the event that the balance falls below that amount, the Board of Directors must be immediately notified
  - i. A fully computerized ledger accounting system will be maintained
  - j. The, Treasurer, Board President and Executive Director are signors of all CCC bank accounts. The CCC does not require two-signatures on checks
  - k. Bank statements are reconciled monthly in order to validate all deposits and disbursements, and to account for any outstanding or lost checks
14. Annual Board Meeting Checklist
- a. During each annual meeting, the following procedures will be performed:
    - i. The Board of Directors will approve new signors to each bank account
    - ii. The Board of Directors shall approve any new and necessary bank accounts
    - iii. As required, new signors shall complete the appropriate signature cards
    - iv. Name, address, and telephone directory of board members and officers will be maintained by the Secretary
    - v. A review of the current financial procedures should be made and reaffirmed or revised
    - vi. All Financial institutions should be notified of any changes to the authorized signers of the accounts within 10 business days following the annual meeting or upon occurrence.
15. Computer System Backup Procedures
- a. The Bookkeeper is responsible for backing up the hard drive of the accounting system on a monthly basis to thumb drive or other approved storage device which may include "the cloud"
  - b. The Bookkeeper should secure all back up devices
  - c. Annually, the thumb-drive if used, should be compressed and stored in a secure location

*This document was reviewed, affirmed, updated as noted, and approved at the Annual Board Meeting of the Cherry Creek Chorale Board of Directors.*

Signed:  Board President

Attest:  Board Secretary

Date: 4/21/19