



Nevada City School of the Arts



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 Nevada City School of the 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 Nevada City School of the Arts' 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 School Director, Business Manager and Treasurer 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 and budget revisions
2. Reviews annual and periodic financial statements and information, including School Director's monitoring reports
3. Reviews School Director's performance annually and establishes the salary
4. School Director, Assistant Principal and the Business Manager will be appointed by the board to be authorized signers on the bank accounts
5. Reviews and approves all service contracts, equal to and over **\$50,000**
6. Reviews and advises School Director on reporting of Executive Limitations Policies
7. Determines whether the organization should have an audit and approves a contract with proposed auditor suggested by School Director and Business Manager

School Director

1. Reviews and approves all financial reports including cash flow projections and updates
2. Sees that an appropriate budget is developed annually
3. Reviews and advises staff on internal controls and accounting policies and procedures
4. Reviews and signs all issued checks equal to and over **\$1,000** and/or approves check signing procedures
5. Reviews and approves all service contracts up to **\$50,000**, but not over.
6. Reviews and approves all non-budgeted expenditures
7. Reviews and approves all grant submissions
8. Reviews all bank statement and bank reconciliations approved by Business Manager
9. Is on-site signatory for all bank accounts
10. Oversees the adherence to all internal controls

Business Manager

1. Approves all program expenditures within budgeted amounts
2. Reviews and monitors program budgets
3. Approves payroll processing and is responsible for all personnel files
4. Reviews and recommends all Personnel Policy revisions, as suggested by attorney
5. Approves and reviews cash flow and bank balances
6. Reviews and approves all reimbursements, purchase requisitions and fund requests within budget



7. Processes all inter-account bank transfers
8. Assists School Director with the development of annual and program budgets
9. Approves all incoming and outgoing invoices
10. Reviews all petty cash funds provided by Accountant
11. Monitors and manages all expenses to ensure most effective use of assets
12. Monitors grant reporting and appropriate release of temporarily restricted funds
13. Oversees all revenue and expense allocations
14. Monitors and makes recommendations for asset retirement and replacement
15. Reviews, revises, and maintains internal accounting controls and procedures
16. Reviews all financial reports

Accountant

1. Overall responsibility for data entry into accounting system and integrity of accounting system data
2. Reviews invoices and prints checks for signature
3. Maintains general ledger and account reconciliations, including employee benefits, as needed
4. Prepares monthly and year-end financial reports for Business Managers approval
5. Reconciles all bank accounts
6. Reviews Field Studies Budgets with Accounting Technician
7. Reviews and monitors all expense & revenue coding for accuracy
8. Processes monthly timesheets and inputs payroll
9. Prepares and processes payroll entry into QuickBooks and STRS reporting to NCSoS
10. Manages and oversees all personnel and payroll changes, including new hire recruiting and onboarding
11. Manages changes to substitute information in Frontline software

Accounting Technician

1. Processes invoices, inputs expenses into accounting software and prepares checks for signature
2. Reviews budget for accurate expense account coding per most recent approved budget
3. Mails vendor checks
4. Manages Purchasing and receiving
5. Receives and opens all incoming accounting department mail, excluding bank statements
6. Receives checks, cash, and credit card payments and inputs into accounting software for deposit
7. Manages Accounts Receivable and sends out monthly statements to customers (donors)
8. Processes monthly timesheets for first review before payroll entry
9. Assists Business Manager with leases



III. Chart of Accounts and General Ledger

Nevada City School of the 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 (program vs. fundraising vs. administration). Account #'s are representative of object codes relating to SACS (Standardized Account Code Structure for government accounting). Class #'s are representative of resource codes for tracking of restricted and unrestricted funds. Department #'s are representative of the function/goal codes for tracking of program administration. The Accountant is responsible for maintaining the Chart of Accounts and revising as necessary with the approval of the Business Manager. The Chart of Accounts is attached to this manual as an addendum.

The general ledger is automated and maintained using our accounting software. All input and balancing is the responsibility of the Accountant with final approval by the Business Manager.

The Business Manager should review the general ledger on a periodic basis for any unusual transactions.



IV. Cash Receipts

Cash receipts generally arise from:

1. Apportionments and Grants, including State and Federal Funding
2. In-Lieu property taxes from local basic-aid school districts
3. Direct donor contributions
4. Fundraising activities

The principle steps in the cash receipts process are:

The Receptionist receives incoming mail and forwards it unopened to the Accounting Technician. The Accounting Technician opens and distributes the mail. The Accounting Technician enters all checks into the accounting software and stamps all checks "for deposit only". The checks are kept in a locked safe until deposited.

Daily, the Accounting Technician receives all cash, checks and credit card payments, enters them into the accounting software and prepares a deposit slip. The Accountant reviews the deposit and takes it to the bank for deposit. A printed deposit slip is attached to the deposit. The deposits are put in a file with a printed deposit summary, any back up documentation and the deposit receipt from the bank.

All cash received will be counted, verified, and issued a receipt by the Receptionist(s) and/or Accounting Technician. The cash will immediately be posted using the appropriate allocation by the Accounting Technician. 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 24 business hours.



V. Inter-Account Bank Transfers

Twice monthly the Business Manager will transfer the payroll funds from the General Checking Account to the Payroll Account. The amount is determined by the Payroll Journal Entry prepared by the Accountant.

Once quarterly the Business Manager will process and transfer state payroll taxes (SUI & SDI) through the EDD (Employment Development Department) website. This is completed through an ACH transfer set up securely on the EDD website.



VI. Cash Disbursements & Expense Allocations

Cash disbursements are generally made for:

1. Payments to vendors for supplies and services
2. Taxes/license fees
3. Staff training and development
4. Memberships and subscriptions
5. Meeting expenses
6. Employee reimbursements
7. Marketing/promotional materials
8. Program supplies and services

Checks are processed weekly. Invoices submitted to the Accounting Technician by Monday 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. Employee reimbursement request
4. Credit card purchases with receipts provided by authorized credit card holder

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

Every employee reimbursement or purchase request must be documented on the approved form with travel authorization, receipts, nature of business, and program allocation 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 – an itemized 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 – an invoice or receipt and/or packing slip from the vendor detailing all supplies or services purchased (including the class/department for supplies or services) and the specific business purpose.



The Accounting Technician processes all payments and:

1. Verifies expenditure and amount
2. Verifies appropriate allocation information
3. Verifies that there is room in the budget, if over budget sends to Business Manager and School Director for approval
4. Enters them into the Accounts Payable module
5. Prepares weekly Accounts Payable report
6. Submits payables, with attached backup documentation, to the Accountant for review
7. Mails check and appropriate backup documentation
8. Files all backup documentation with paystub attached in the appropriate file

The Accountant reviews all payments and:

1. Verifies account codes are correct
2. Verifies amounts are within budget
3. Verifies bank balances and prepares a weekly Accounts Payable Cash Flow Summary
4. Submits payables with all backup documentation to the Business Manager
5. Prints checks approved by the Business Manager
6. Submits checks, with attached backup documentation, to the Business Manager for signature. All checks equal to and in excess of **\$1,000** require a second signature from the School Director or an authorized staff member (Arts Director)

The Business Manager approves all payments and:

1. Reviews account coding
2. Reviews if in budget, if not submits payable to the School Director for approval
3. Approves weekly Accounts Payable Cash Flow Summary
4. Signs checks



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 Nevada City School of the Arts receives funds.

The receipts for all credit card charges will be given to the Accounting Technician within two (2) weeks of the purchase along with proper documentation. The Accounting Technician will verify all credit card charges with the monthly statements. All charges will be entered into the accounts payable module by the Accounting Technician with applicable allocation information for posting. A copy of all charges will be attached to the monthly credit card statement when submitted to the Business Manager and authorized card holder for approval and signing.

All credit card usage will be provided to the School Director for review and approval.



VIII. Accruals

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

Accruals to consider:

1. Monthly interest earned on checking accounts, certificates of deposits, apportionments and allocations from state & federal funding not received by end of year, etc.
2. Recurring expenses, including employee vacation accrual, prepaid corporate insurance, depreciation, health benefits, etc.



IX. Bank Account Reconciliations

1. All bank statements are given unopened to the Accountant. The Accountant reviews the statements for unusual balances and/or transactions and for timely reconciliation completes: 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.
2. The Accountant will verify that voided checks, if returned, are appropriately defaced and filed.
3. The Accountant will investigate, void and reissue any checks that are outstanding over six months.
4. The Accountant will attach the completed bank reconciliation to the applicable bank statement, along with all documentation.
5. The reconciliation report will be reviewed, approved, dated, and initialed by the Business Manager and School Director.



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 not exceed \$100 for receptionist(s) and \$750 for the Aftercare Program and is kept in a locked file cabinet.
2. The Accountant oversees the petty cash fund.
3. All disbursements made from petty cash are acknowledged in writing by the receiving party.
4. Once a month a petty cash reconciliation report is submitted to the Accounting Technician. The Accounting Technician verifies all receipts and cash balance. All receipts are processed through payables to replenish the petty cash.
5. 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. Building & Land improvements

It is the organization's policy to capitalize all items which have a unit cost equal to or greater than three thousand dollars (\$3,000). Items purchased with a value or cost less than three thousand dollars (\$3,000) 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
Building improvements	10 years

1. A Fixed Asset Log is maintained by the Accounting Technician and Business Manager 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 Business Manager.
3. Annually, a physical inspection and inventory will be taken of all fixed assets and reconciled to the general ledger balances.
4. The Business Manager shall be informed in writing 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. Personnel Records

1. All personnel files contain the following documents: an application and/or resume, date of employment, position and pay rate, authorization of payroll deductions, W-4 withholding authorization, and termination data where applicable, a signed confidentiality agreement, a signed acknowledgement of receipt of Personnel Policies, an emergency contact form, and other forms as deemed appropriate by the Business Manager.
2. All employees will fill out an I-9 form and submit the allowable forms of identification to the Accountant.
3. The completed I-9 forms will be kept in a secure location separate from the personnel files.
4. All personnel files are to be kept in a secure, locked file cabinet and accessed only by authorized personnel.



XIII. Payroll Processing

1. Timesheets are to be provided to all staff on the approved form and submitted **monthly on the date emailed out each month**. Exceptions to the submittal date may occur and will be communicated accordingly.
2. Timesheets are to be kept on a daily basis and completed in ink – unless prepared electronically.
3. Any corrections to timesheets are to be made by making a single line through the error and writing in the correction. Correction fluid and/or tape are not allowable.
4. Timesheets are to be signed and dated by the employee by the date due for submission to the Accounting Technician.
5. Any changes to the standing information of the payroll register from the prior period including addition of new employees, deletion of employees, or changes in base pay rate must be accompanied by an Employee Change Form and signed by the Business Manager before the change can be made.
6. The Accountant will input payroll in a timely manner and record sick time and any other information deemed necessary to properly reflect time worked or sick time taken.
7. The Business Manager will review timesheets and payroll entry then submit them to the School Director for approval before processing payroll.
8. Paychecks will be direct deposited, mailed or distributed by the Accounting Technician on the last day of each month. If the last day of the month falls on a weekend or holiday the paychecks will be distributed the day before.
9. If the employee requests that his/her check be turned over to a third party, the request must be made in writing prior to distribution.
10. Employees may choose direct deposit to a designated bank account. Their paycheck is deposited directly into the designated account on the payroll date. The employee will receive a verification stub.
11. The Business Manager will review payroll expenditures and allocations monthly.
12. All quarterly federal and state payroll reports will be prepared and filed appropriately.
13. All W-2 statements are issued to employees prior to January 31st of the following year for the prior calendar year.



XIV. End of Month and Fiscal Year-End Close

1. The Business Manager 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 Business Manager 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 Business Manager and School Director, no more entries or adjustments will be made into that month or year's ledgers.
5. At the end of the fiscal year, an outside CPA will prepare the annual Return for Organization Exempt from Income Tax (IRS Form 990). The return will be presented to the School Director, Business Manager, and the Board Chair for their review and approval. The Business Manager will then 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.



XV. Financial Reports

The Accountant will prepare the monthly and annual financial reports for distribution to the Business Manager. 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, expenditure report and any other requested reports.

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



XVI. Fiscal Policy Statements

1. All cash accounts (except petty cash) owned by Nevada City School of the 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 are up to and exceed **three thousand dollars (\$3,000)** 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 without prior approval from the School Director.
5. No travel cash advances will be made except under special conditions and pre-approved by the School Director.
6. Reimbursements will be paid upon complete expense reporting and approval using the official Nevada City School of the Arts form. Reimbursements to the School Director will be authorized by the Business Manager.
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 School Director, Business Manager and Arts Director are the signatories on Nevada City School of the Arts' bank accounts. Disbursements exceeding \$1,000 require a second signature by an authorized signer. Checks over **\$50,000** require approval from the Board of Directors if not already an approved budgeted expense.
9. Bank statements will be reconciled monthly. All bank statements and reconciliations will be given to the Business Manager for review.
10. Correction fluid and/or tape will never be used in preparing timesheets or any accounting documents.
11. Accounting and personnel records will be kept in locked file cabinets in the finance office and only parties with financial and/or HR responsibility will have access to the keys.