



## BOARD OF DIRECTOR POLICIES

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## I. Board of Director Job Description

The Board will support the work of the Southern Arizona Arts and Cultural Alliance and provide mission-based leadership and strategic governance. While day-to-day operations are led by the Southern Arizona Arts and Cultural Alliance's chief executive officer (CEO), the Board-Executive Director relationship is a partnership, and the appropriate involvement of the Board is both critical and expected. Specific Board Member responsibilities include:

### **Leadership, governance and oversight**

- Serving as a trusted advisor to the CEO as s/he develops and implements Southern Arizona Arts and Cultural Alliance's strategic plan
- Reviewing outcomes and metrics created by the Southern Arizona Arts and Cultural Alliance for evaluating its impact, and regularly measuring its performance and effectiveness using those metrics; reviewing agenda and supporting materials prior to board and committee meetings
- Approving the Southern Arizona Arts and Cultural Alliance's annual budget, financial reports, and material business decisions; being informed of, and meeting all, legal and fiduciary responsibilities
- Contributing to an annual performance evaluation of the CEO
- Assisting the CEO and board chair in identifying and recruiting other Board Members
- Partnering with the CEO and other board members to ensure that board resolutions are carried out
- Serving on committees or task forces and taking on special assignments
- Representing the Southern Arizona Arts and Cultural Alliance to stakeholders; acting as an ambassador for the organization
- Ensuring the Southern Arizona Arts and Cultural Alliance's commitment to a diverse board and programming that reflects the communities the Southern Arizona Arts and Cultural Alliance serves

### **Fundraising**

The Southern Arizona Arts and Cultural Alliance's Board Members will consider the organization a philanthropic priority and make annual gifts, when possible, that reflect that priority. So that the Southern Arizona Arts and Cultural Alliance can credibly solicit contributions from foundations, organizations, and individuals, the Southern Arizona Arts and Cultural Alliance expects to have 100 percent of Board Members make an annual contribution that is commensurate with their capacity.

### **Board terms/participation**

The Southern Arizona Arts and Cultural Alliance's Board Members will serve a three-year term to be eligible for re-appointment for one additional term. Board meetings will be held as current Board directives needs and committee meetings will be held in coordination with full board meetings.

### **Qualifications**

This is an extraordinary opportunity for an individual who is passionate about the Southern Arizona Arts and Cultural Alliance's mission and who has a track record of board leadership. Selected Board Members will have achieved leadership stature in business, government, philanthropy, or the nonprofit sector. His/her accomplishments will allow him/her to attract other well-qualified, high-performing Board Members.

*Ideal candidates will have the following qualifications:*

- Extensive professional experience with significant executive leadership accomplishments in business, government, philanthropy, or the nonprofit sector
- A commitment to and understanding of the Southern Arizona Arts and Cultural Alliance's beneficiaries, preferably based on experience
- Savvy diplomatic skills and a natural affinity for cultivating relationships and persuading, convening, facilitating, and building consensus among diverse individuals
- Personal qualities of integrity, credibility, and a passion for improving the lives of the Southern Arizona Arts and Cultural Alliance's beneficiaries

Service on the Southern Arizona Arts and Cultural Alliance's Board of Directors is without remuneration, reimbursement or compensation.

## II. Board Governance Policy

### Purposes of this Policy

To provide a framework within which directors and officers of the Board of the Southern Arizona Arts and Cultural Alliance will be guided in the execution of their fiduciary duties on behalf of the Southern Arizona Arts and Cultural Alliance.

To help assure awareness by directors and officers of the Board of the Southern Arizona Arts and Cultural Alliance of their basic fiduciary duties under state law and of their obligations related to federal tax exemption granted to the Southern Arizona Arts and Cultural Alliance.

To help assure that the decisions and conduct of the directors and officers of the Board of the Southern Arizona Arts and Cultural Alliance are at all times consistent with their duties and obligations and with the charitable mission of the Southern Arizona Arts and Cultural Alliance.

### Obligations of the Board and Individual Directors

*Mission:* The Southern Arizona Arts and Cultural Alliance is operated exclusively for the exempt purpose established in its mission, and shall engage primarily in activities which further that mission.

#### **Directors' Role**

The directors are those persons with voting power on the Board of Directors responsible for the operation and governance of the Southern Arizona Arts and Cultural Alliance. All corporate powers are exercised by or under the authority of the Board and the affairs of the Southern Arizona Arts and Cultural Alliance are managed under the direction of the Board.

The directors do not manage the day-to-day affairs of the Southern Arizona Arts and Cultural Alliance, but delegate that function to others. Directors must, however, exercise reasonable and prudent oversight with respect to corporate officers, agents and employees to whom such affairs are delegated.

In the performance of his or her duties, a director may rely on information and reports received from officers or employees of the Southern Arizona Arts and Cultural Alliance whom the director reasonably believes to be reliable and competent in the matters presented, as well as on professional advisors (e.g. attorneys, public accountants) and other persons with regard to matters the director reasonably believes are within the person's professional or expert competence. A director may also rely upon a committee of the board of which the director is not a member, as to matters within its jurisdiction, if the director reasonably believes the committee merits confidence.<sup>3</sup>

#### **Duty of Care**

(i) A director shall discharge his or duties as a director, including duties as a member of a committee:

- (a) In good faith;
- (b) With the care of an ordinarily prudent person in a similar position would exercise under similar circumstances; and
- (c) In a manner the director reasonably believes to be in the best interests of the Southern Arizona Arts and Cultural Alliance;

(ii) The duty of care implies a duty of reasonable inquiry. Each director is obligated to ask questions and demand information to allow that director to have sufficient information and understanding to make decisions he or she reasonably believes are in the Southern Arizona Arts and Cultural Alliance's best interests.

(iii) A director is not acting in good faith if the director has knowledge concerning the matter in question that makes reliance on advice from employees, officers, advisors and consultants, or other directors or board committees unwarranted.

#### **Duty of Loyalty**

(i) Each director is obligated to exercise an undivided and unselfish loyalty to the Southern Arizona Arts and Cultural Alliance. Each director must exercise his or her obligations and powers in the best interests of the Southern Arizona Arts and Cultural Alliance and its charitable mission, not in his or her own interests or in the interests of another person or entity (even if charitable in nature).

(ii) Each director must serve the best interests of the Southern Arizona Arts and Cultural Alliance and may not narrow his or her board role to serving the interests of a particular member, non-voting affiliate, or narrow segment or constituency within the community of nonprofit organizations served by the Southern Arizona Arts and Cultural Alliance.

(iii) Each director shall fully comply with the Southern Arizona Arts and Cultural Alliance's conflict of interest policy and code of ethics.

(iv) Each director must refrain from taking corporate opportunities that rightfully belong to the Southern Arizona Arts and Cultural Alliance. A corporate opportunity is a business or personal opportunity that is known to the director because of his or her position as a director. A director may not personally benefit from an opportunity that rightfully belongs to the Southern Arizona Arts and Cultural Alliance. Each director is obligated to affirmatively protect the interest of the Southern Arizona Arts and Cultural Alliance and to refrain from doing anything that would deprive the Southern Arizona Arts and Cultural Alliance of profit or advantage which the director's skill or ability might bring to it.

### ***Obedience to Purpose***

(i) Each director is obligated to further the mission of the Southern Arizona Arts and Cultural Alliance, to be faithful to its purposes and goals, and to act in conformity with all laws affecting the Southern Arizona Arts and Cultural Alliance.

### **Manner of Governing**

The Board shall enforce upon itself whatever discipline is needed to govern with excellence and cultivate a sense of group responsibility. The Board, not the staff, is responsible for governing with excellence. The Board will use the expertise of individual members to enhance the ability of the Board as a body, rather than allowing individual expertise of directors to substitute for judgments that should be made by the Board as a body.

The Board shall follow the Bylaws in implementing a governance structure and operations that are accountable to the Southern Arizona Arts and Cultural Alliances' members and its mission. In particular, it shall do the following:

Establish standing committees with charters and require that directors actively participate in such committees in accordance with the committee charters. Conduct regularly scheduled board meetings and expect that directors will attend (unless they have an excused absence) and actively participate.

Adopt and monitor policies that assure adequate oversight of the affairs of the Southern Arizona Arts and Cultural Alliance, including of its officers and employees, adequate implementation of its programs, and compliance with the law.

The Board shall assess its performance and the performance of individual directors at least annually. This self-assessment shall include monitoring of Board and director performance against policies related to governance and to relationships to the Executive Director and staff. This assessment may be conducted by a committee of the Board initially, especially with regard to the performance of individual directors, but the Board shall engage in a discussion and self-assessment of its performance at least annually.

The Board shall engage in periodic evaluation of whether it is fulfilling its obligations by asking for member input or by conducting a survey of the community and stakeholders and of parties interested in the nonprofit arts community in Arizona.

Each year the Southern Arizona Arts and Cultural Alliance conducts an annual community survey, which garners feedback from the local arts and cultural communities, individual artists and the larger creative sector. The surveys are posted and open for all members of the community to participate in. The Board of Directors will actively engage in the review of these surveys, in an effort to make more informed decision making, and program evaluation. All results from the survey are posted online on the Southern Arizona Arts and Cultural Alliance website.

The Board shall direct, control and inspire the Southern Arizona Arts and Cultural Alliance through careful organizational planning to assure that the Southern Arizona Arts and Cultural Alliance is effectively pursuing its mission. The Board shall review its organizational plan at least annually and shall update it as needed to effectively pursue the Southern Arizona Arts and Cultural Alliances charitable mission.

## **Board Compensation and Reimbursement Policy**

It is the policy of the Southern Arizona Arts and Cultural Alliance to not provide reimbursement for volunteer board members for travel related expenses, including transportation, hotels, and food. If you believe that an expense merits reimbursement for expense on behalf of a Board related expense, these expenses must be reasonable and necessary, as well as job-related, and must be pre-approved in writing by the Governance Committee.

## **III. Board of Director Conflict of Interest Policy**

Conflict of Interest Policy and Annual Statement For Directors and Officers and Members of a Committee with Board Delegated Powers. (2005 Arizona Revised Statutes - Revised Statutes §38-503 Conflict of interest)

### **Article I -- Purpose**

1. The purpose of this Board conflict of interest policy is to protect the Southern Arizona Arts and Cultural Alliance's interests when it is contemplating entering into a transaction or arrangement that might benefit the private interests of an officer or director of the Southern Arizona Arts and Cultural Alliance or might result in a possible excess benefit transaction.
2. This policy is intended to supplement, but not replace, any applicable state and federal laws governing conflicts of interest applicable to nonprofit and charitable organizations.
3. This policy is also intended to identify "independent" directors.

### **Article II -- Definitions**

1. Interested person -- Any director, principal officer, or member of a committee with governing board delegated powers, who has a direct or indirect financial interest, as defined below, is an interested person.
2. Financial interest -- A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:
  - a. An ownership or investment interest in any entity with which the Southern Arizona Arts and Cultural Alliance has a transaction or arrangement,
  - b. A compensation arrangement with the Southern Arizona Arts and Cultural Alliance or with any entity or individual with which the Southern Arizona Arts and Cultural Alliance has a transaction or arrangement, or
  - c. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Southern Arizona Arts and Cultural Alliance is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial. A financial interest is not necessarily a conflict of interest. A person who has a financial interest may have a conflict of interest only if the Board or Executive Committee decides that a conflict of interest exists within reasonable parameters, in accordance with this policy.

The Board of Director designated committees, reviews annually all possible conflicts of interests as it may pertain to individual directors, sponsors and donors. All related party transactions for Board Members and Committee Members, both income in the form of donations or sponsorships and expenses, are listed in the 990 CPA reviewed filings and disclosed annually to the independent CPA Review. This includes both organizations for which a Board of Director or a Committee Members is employed for, or independently employed.

3. Independent Director -- A director shall be considered "independent" for the purposes of this policy if he or she is "independent" as defined in the instructions for the IRS 990 form or, until such definition is available, the director --
  - a. is not, and has not been for a period of at least three years, an employee of the Southern Arizona Arts and Cultural Alliance or any entity in which SAACA has a financial interest;

b. does not directly or indirectly have a significant business relationship with the Southern Arizona Arts and Cultural Alliance, which might affect independence in decision-making.

c. is not employed as an executive of another corporation where any of the Southern Arizona Arts and Cultural Alliance's executive officers or employees serve on that corporation's compensation committee; and

d. does not have an immediate family member who is an executive officer or employee of the Southern Arizona Arts and Cultural Alliance or who holds a position that has a significant financial relationship with SAACA.

### **Article III -- Procedures**

1. Duty to Disclose -- In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the Board or Executive Committee. Disclosures are made on the organizations annual 990 filings.

2. Recusal of Self – Any director may recuse himself or herself at any time from involvement in any decision or discussion in which the director believes he or she has or may have a conflict of interest, without going through the process for determining whether a conflict of interest exists.

3. Determining Whether a Conflict of Interest Exists -- After disclosure of the financial interest and all material facts, and after any discussion with the interested person, he/she shall leave the Board or Executive Committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining Board or Executive Committee members shall decide if a conflict of interest exists.

#### **4. Procedures for Addressing the Conflict of Interest**

a. An interested person may make a presentation at the Board or Executive Committee meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.

b. The Chairperson of the Board or Executive Committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.

c. After exercising due diligence, the Board or Executive Committee shall determine whether the Southern Arizona Arts and Cultural Alliance can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.

d. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the Board or Executive Committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the Southern Arizona Arts and Cultural Alliance's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination, it shall make its decision as to whether to enter into the transaction or arrangement.

#### **5. Violations of the Conflicts of Interest Policy**

a. If the Board or Executive Committee has reasonable cause to believe a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.

b. If, after hearing the member's response and after making further investigation as warranted by the circumstances, the Board or Executive Committee determines the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

### **Article IV – Records of Proceedings The minutes of the Board and all committees with board delegated powers shall contain:**

a. The names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a

conflict of interest was present, and the Board's or Executive Committee's decision as to whether a conflict of interest in fact existed.

b. The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection with the proceedings in the form of meeting minutes.

#### **Article V – Compensation**

a. If compensation, awarded contracts, or other professional services can benefit a Board of Director directly, or indirectly, they must be reported on the annual 990 statement.

#### **Article VI – Annual Statements**

1. Each director, principal officer and member of a committee with Board delegated powers shall annually sign a statement which affirms such person:

a. Has received a copy of the conflict-of-interest policy,

b. Has read and understands the policy,

c. Has agreed to comply with the policy, and

d. Understands the Southern Arizona Arts and Cultural Alliance is charitable and in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

2. Each voting member of the Board shall annually sign a statement which declares whether such person is an independent director.

3. If at any time during the year, the information in the annual statement changes materially, the director shall disclose such changes and revise the annual disclosure form.

4. The Executive Committee shall regularly and consistently monitor and enforce compliance with this policy by reviewing annual statements and taking such other actions as are necessary for effective oversight.

**Article VII – Periodic Reviews To ensure that the Southern Arizona Arts and Cultural Alliance operates in a manner consistent with charitable purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews shall be conducted.** The periodic reviews shall, at a minimum, include the following subjects:

a. Whether compensation arrangements and benefits are reasonable, based on competent survey information (if reasonably available), and the result of arm's length bargaining.

b. Whether partnerships, joint ventures, and arrangements with management organizations, if any, conform to Southern Arizona Arts and Cultural Alliance's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes and do not result in inurement or impermissible private benefit or in an excess benefit transaction.

#### **Article VIII – Use of Outside Experts**

When conducting the periodic reviews as provided for in Article VII, the Southern Arizona Arts and Cultural Alliance may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the Board of its responsibility for ensuring periodic reviews are conducted.

## IV. Board Code of Ethics

### Introduction

As a matter of fundamental principle, the nonprofit community should adhere to the highest ethical standards because it is the right thing to do. As a matter of pragmatic self-interest, the community should do so because public trust in our performance is the bedrock of our legitimacy. Donors and volunteers support charitable organizations because they trust them to carry out their missions, to be good stewards of their resources, and to uphold rigorous standards of conduct.

The Southern Arizona Arts and Cultural Alliance and other nonprofit organizations must earn this trust every day and in every possible way. But organizations are, at base, people, and it is up to the people of the nonprofit sector—board members, executive leaders, staff and volunteers—to demonstrate their ongoing commitment to the core values of integrity, honesty, fairness, openness, respect, and responsibility.

The nonprofit sector comprises a diverse array of organizations large and small, those that make grants and those that raise funds from the public, those that operate at the community and state level. That diversity is one of the abiding strengths of the nonprofit sector.

Each organization in the nonprofit sector should have a formally adopted code of ethics with which all of their trustees, staff and volunteers are familiar and to which they adhere. This Southern Arizona Arts and Cultural Alliance Code of Ethics is such a document.

Adherence to the law is the minimum standard of expected behavior. Nonprofit organizations must do more, however, than simply obey the law. We must embrace the highest standards of integrity. Transparency, openness and responsiveness to public concerns must be integral to our behavior.

### Statement of Values

Any code of ethics is built on a foundation of shared values. The Southern Arizona Arts and Cultural Alliance values:

- The role of nonprofits in society (including relevance and outcomes)
- Innovation and excellence (including partnerships, collaboration, and commitment)
- Diversity and inclusiveness
- Accountability and transparency (including openness, honesty, trust and integrity)

These values lead directly to the Code of Ethics that follows. The values inform and guide the actions that Southern Arizona Arts and Cultural Alliance should take in developing our policies and informing their practices.

### The Code of Ethics

*A. Personal and Professional Integrity* of the Southern Arizona Arts and Cultural Alliance staff, board members and volunteers shall act with honesty, integrity and openness in all their dealings as representatives of the organization. The Southern Arizona Arts and Cultural Alliance promotes a working environment that values respect, fairness and integrity.

#### *B. Mission*

The Southern Arizona Arts and Cultural Alliance shall have a clearly stated mission and purpose, approved by the Board of Directors, in pursuit of the public good. All programs shall support that mission and all who work for or on behalf of the organization will understand and be loyal to that mission and purpose. The mission shall be responsive to the constituencies and communities served by the Southern Arizona Arts and Cultural Alliance and of value to the society at large.

#### *C. Governance*

The Southern Arizona Arts and Cultural Alliance shall have an active governing body, the Board of Directors, which is responsible for setting the mission and strategic direction of the organization and oversight of the finances, operations, and policies of the organization.



#### *The Board of Directors:*

Ensures that its board members have the requisite skills and experience to carry out their duties and that all members understand and fulfill their governance duties acting for the benefit of the Southern Arizona Arts and Cultural Alliance and its public purpose; Has a conflict of interest policy that ensures that any conflicts of interest or the appearance thereof are avoided or appropriately managed through disclosure, recusal or other means; and Is responsible for the hiring, firing, and regular review of the performance of the President & CEO, and ensures that the compensation of the chief executive officer is reasonable and appropriate; Ensures that the President & CEO and appropriate staff provide the governing body with timely and comprehensive information so that the governing body can effectively carry out its duties; Ensures that the organization conducts all transactions and dealings with integrity and honesty; Ensures that the organization promotes working relationships with board members, staff, volunteers, and program beneficiaries that are based on mutual respect, fairness and openness; Ensures that the organization is fair and inclusive in its hiring and promotion policies and practices for all board, staff and volunteer positions; Ensures that policies of the organization are in writing, clearly articulated and officially adopted; Ensures that the resources of the organization are responsibly and prudently managed; and, Ensures that the organization has the capacity to carry out its programs effectively.

#### *D. Legal Compliance*

The Southern Arizona Arts and Cultural Alliance will be vigilant in compliance with laws, regulations and applicable conventions that govern and regulate our organization.

#### *E. Responsible Stewardship*

The Southern Arizona Arts and Cultural Alliance shall manage its' funds responsibly and prudently. This should include the following considerations: It spends a reasonable percentage of its annual budget on programs in pursuance of its mission; It spends an adequate amount on administrative expenses to ensure effective accounting systems, internal controls, competent staff, and other expenditures critical to professional management; the Southern Arizona Arts and Cultural Alliance compensates staff, and any others who may receive compensation, reasonably and appropriately; the Southern Arizona Arts and Cultural Alliance has reasonable fundraising costs, recognizing the variety of factors that affect fundraising costs; the Southern Arizona Arts and Cultural Alliance will maintain an appropriate level of funds to maintain our mission and purpose and not accumulate excessive reserve funds; the Southern Arizona Arts and Cultural Alliance ensures that all spending practices and policies are fair, reasonable and appropriate to fulfill the mission of the organization; and, All financial reports are factually accurate and complete in all material respects.

#### *F. Openness and Disclosure*

The Southern Arizona Arts and Cultural Alliance shall provide comprehensive and timely information to the public, the media, and all stakeholders and is responsive in a timely manner to reasonable requests for information. All information about the Southern Arizona Arts and Cultural Alliance will fully and honestly reflect the policies and practices of the organization. Basic informational data about the organization, such as the Form 990, reviews and compilations, and CPA reviewed financial statements will be posted on the Southern Arizona Arts and Cultural Alliance website or otherwise available to the public. All solicitation materials accurately represent the organization's policies and practices and will reflect the dignity of program beneficiaries. All financial, organizational, and program reports will be complete and accurate in all material respects.

#### *G. Program Evaluation*

The Southern Arizona Arts and Cultural Alliance will regularly review program effectiveness and have mechanisms to incorporate lessons learned into future programs. The Southern Arizona Arts and Cultural Alliance is committed to improving program and organizational effectiveness and develops mechanisms to promote learning from its activities and the field. The Southern Arizona Arts and Cultural Alliance will be responsive to changes in its field of activity and the needs of its constituencies and annually solicits feedback in the form of community surveys and personal outreach.

#### *H. Inclusiveness and Diversity*

The Southern Arizona Arts and Cultural Alliance shall have a policy of promoting inclusiveness and its staff, board and volunteers reflect diversity in order to enrich its programmatic effectiveness. The Southern Arizona Arts and Cultural Alliance shall take meaningful steps to promote inclusiveness in its hiring, retention, promotion, board recruitment and constituencies served.

### *I. Fundraising*

The Southern Arizona Arts and Cultural Alliance shall raise funds from the public and from donor institutions and be truthful in solicitation materials. The Southern Arizona Arts and Cultural Alliance will respect the privacy concerns of individual donors and expends funds consistent with donor intent. The Southern Arizona Arts and Cultural Alliance shall disclose important and relevant information to potential donors.

In raising funds, the Southern Arizona Arts and Cultural Alliance will respect the rights of donors, as follows:

- To be informed of the Southern Arizona Arts and Cultural Alliance mission, the way the resources will be used and their capacity to use donations effectively for their intended purposes;
- To be informed of the identity of those serving on the Southern Arizona Arts and Cultural Alliance governing board and to expect the board to exercise prudent judgment in its stewardship responsibilities;
- To have access to the most recent Southern Arizona Arts and Cultural Alliance financial reports;
- To be assured their gifts will be used for the purposes for which they were given;
- To receive appropriate acknowledgement and recognition;
- To be assured that information about their donations is handled with respect and with confidentiality to the extent provided by the law;
- To expect that all relationships with individuals representing organizations of interest to the donor will be professional in nature;
- To be informed whether those seeking donations are volunteers, the Southern Arizona Arts and Cultural Alliance employees or hired solicitors; To have the opportunity for their names to be deleted from mailing lists that the Southern Arizona Arts and Cultural Alliance may intend to share; and, To feel free to ask questions when making a donation and to receive prompt, truthful and forthright answers.

### *Afterword*

While the Southern Arizona Arts and Cultural Alliance has given its approval to this document, it will continue to be reviewed and revised as necessary.

## V. Board Training and Orientation Process

### BOARD ORIENTATION

Every new elected member of the Southern Arizona Arts and Cultural Alliance Board of Directors needs thorough orientation to his role and to the expectations that the board places upon him.

#### Vital elements

For board member orientation, these elements consist of the following:

- Structure — Timing, sessions, materials
- Key individuals — Governance committee, chair, chief executive, and Executive Director
- Board members — New recruits, present members

#### Structuring orientation

Board member orientation is not a one-time event. It starts during cultivation and continues after a new member's first board meeting. When recruiting candidates, a Board of Director will introduce the candidate to the organization, explain why you are interested in the Director candidate, and discuss board service in general. After the recruit has accepted the Board invitation to join the board, an orientation session is conducted that covers everything a new member needs to know about serving the organization.

#### Tool of the trade

With participation between the Executive Director and the Governance Committee, an accepted Board Book will be established as a permanent reference tool, it includes all the facts and documents that are important for board work. This manual will exist in both an electronic and printed.

The board manual should include at least the following documents:

- List of all board members, their terms, and their contact information; a short biography of the chief executive; an organizational chart
  - Description of board member responsibilities; job descriptions of the officers; all committee charters and a list of members
  - Articles, bylaws, Form 990, board-related policies, liability insurance
  - A short organizational history, highlighting the key historical events; mission statement; fact sheet about the industry
- Keep the manual current by updating needed pages in hard copies or electronically

#### Trainers

The Governance Committee will be responsible for orchestrating recruitment as well as helping board members perform at their best. The governance committee plans the orientation process and involves all the players in it.

As the leader of the board, the chair also is intricately involved in orienting new board members. The board chairs words motivate, and presence serves as an example. By chairing the orientation session, the chair brings clarity to his role and authority. Because the Executive Director knows the organization best, they will remain the most suitable person to introduce the organization and its purpose. When appropriate, the Executive Director may bring in outside experts to talk about relevant industry issues, legal matters, or other subjects to help everyone grasp their expectations better.

#### Take-aways of orientation

Orientation is the first opportunity for all board members to get to know each other. Good for camaraderie and group dynamics, it also prepares the newcomers for their first board meeting by enabling them to hit the ground running. It sends a message that board service is serious business. Orientation is a fundamental service the organization offers to its leaders and overseers: it prepares everyone for the work ahead and sends a message that support is available.

#### Learning after orientation

By making orientation a formal process, the organization has taken the important first step in educating its board members. Going forward, the governance committee and the Executive Director should ensure that the board embeds learning opportunities into routine governance work as well.

## Board Orientation Checklist

New Board members receive written notice of their election to the board stating dates their term begins and ends, regular meeting dates, times, places, and information about the board orientation process.

### Board Orientation Process:

- Special meeting for new Board members
- Orientation packet/manual
- Personal phone call or meeting with an experienced Board member
- Follow up personal contact after first three months of Board service

### Board Orientation Packet:

- List of all board members, their terms, and their contact information; a short biography of the chief executive; an organizational chart
- Description of board member responsibilities; job descriptions of the officers; all committee charters and a list of members
- Articles, bylaws, Form 990, board-related policies, liability insurance
- A short organizational history, highlighting the key historical events; mission statement; fact sheet about the industry

### Board Orientation Meeting:

- Opportunity for personal introductions among new and experienced Board members.
- More formal introduction of new Board members by the nominating committee, highlighting background and credentials for new members
- Brief presentations by experienced Board members explaining Board role and procedures
- Brief presentation by staff about scope of agencies services
- Structured opportunity for small group discussion by interest areas (i.e. financial, personnel, programs, planning, fundraising)
- Clear statement of expectations of Board members, including role in agency fundraising
- Open-ended opportunity for questions from new Board member

### Personal Contact with Experienced Board Member:

- Discussion of new Board member preferences for committee assignment
- Brief explanation of upcoming significant Board decisions or events
- Specific commitment to greet the new Board member at the next Board meeting and provide personal introductions to Board members with common interests

### Follow Up Contact After Three Months of Service:

- Opportunity for general comments about Board service or involved committees so far
- Request for feedback in orientation process

## VI. Board Contract and Agreement

### Southern Arizona Arts and Cultural Alliance

#### BOARD OF DIRECTOR CONTRACT

I, \_\_\_\_\_, understand that as a member of the Board of Directors of the Southern Arizona Arts and Cultural Alliance, I have a legal and ethical responsibility to ensure that the organization does the best work possible in pursuit of its goals. I believe in the purpose and the mission of the organization, and I will act responsibly and prudently as its steward.

#### *As part of my responsibilities as a board member:*

1. I will interpret the organization's work and values to the community, represent the organization, and act as a spokesperson.
2. In turn, I will interpret our constituencies' needs and values to the organization, speak out for their interests, and on their behalf, hold the organization accountable.
3. I will attend at least 75 percent of board meetings, committee meetings, and special events.
4. Each year, but no later than the end of each calendar year and without having to be asked, I will make a personal financial contribution at a level that is meaningful to me.
5. I will actively participate in one or more fundraising activities.
6. I will excuse myself from discussions and votes where I have a conflict of interest.
7. I will stay informed about what's going on in the organization. I will ask questions and request information. I will participate in and take responsibility for making decisions on issues, policies, and other matters. I will not stay silent if I have questions or concerns.
8. While I am a member of this board, I will make every effort to vote in every public election.
9. I will work in good faith with staff and other board members as partners toward achievement of our goals.
10. If I don't fulfill these commitments to the organization, I will expect the board president or chair of the Governance Committee to call me and discuss my responsibilities with me.

#### *In turn, the organization will be responsible to me in the following ways:*

1. I will be sent, without having to request them, quarterly financial reports and an update of organizational activities that allow me to meet the "prudent person" standards of the law. (The "prudent person rule," applied in many legal settings in slightly differing language, states that an individual must act with the same judgment and care as, in like circumstances, a prudent person would act.)
2. Opportunities will be offered to me to discuss with the executive director and the board president the organization's programs, goals, activities, and status; additionally, I can request such opportunities.
3. The organization will help me perform my duties by keeping me informed about issues in the industry and field in which we are working and by offering me opportunities for professional development as a board member.
4. Board members and staff will respond in a straightforward fashion to questions that I feel are necessary to carry out my fiscal, legal, and moral responsibilities to this organization. Board members and staff will work in good faith with me toward achievement of our goals.

5. If the organization does not fulfill its commitments to me, I can call on the board president and executive director to discuss the organization's responsibilities to me.

Signed: by \_\_\_\_\_, Board Member

Date \_\_\_\_\_

and by \_\_\_\_\_, Chair of the Board of Directors

Date \_\_\_\_\_

## VIII. Risk Management Policies

The Southern Arizona Arts and Cultural Alliance will review the below checklist annually, by the Governance Committee, to review the compliance of the organization in issues related to the management of exposed risks to the organization.

### Directors and Liability ("D&O") Insurance

The Southern Arizona Arts and Cultural Alliance will maintain an active, annually renewing Directors and Liability ("D&O") insurance policy. The key distinction with directors and officers liability is that it is intended to cover wrongful acts that are "intentional," as opposed to "negligent" events or acts covered under General Liability. These actions may be in error and wrong, but they are, nonetheless, "intentional" acts. The insurance coverage will include a directors and officers insurance policy will include broad coverage for all types of employment related actions, including wrongful termination, harassment, discrimination, failure to hire, etc.

### Risk Management Checklist for the Southern Arizona Arts and Cultural Alliance

- \_\_\_ Are new board members formally oriented to the mission as well as the programs and activities of the organization?
- \_\_\_ Are board members educated about programs and activities of the organization both in orientation as well as periodically throughout the year so that they are able to make informed decisions based on current activities and emerging challenges facing the organization?
- \_\_\_ Does the board review the mission statement regularly and compare it to the activities and programs of the organization to ensure that the organization's resources are being expended in fulfillment of the mission?
- \_\_\_ Does the board maintain contemporaneous records (minutes) of meetings and keep the records indefinitely in an easy-to-access location for ready reference? Do the board meeting minutes document the decisions made, highlighting the major points of fiscal or strategic import, but not detailing the discussion?
- \_\_\_ Are decisions/actions of committees that have authority to act in place of the full board also recorded contemporaneously?
- \_\_\_ Are dissenting votes recorded by name of trustee who dissented?
- \_\_\_ Does the board have operating procedures for such actions as elections and removal of board members, notice of meetings and amendments to bylaws?
- \_\_\_ Are the operating procedures and bylaws followed?
- \_\_\_ Is the board aware of the confidential nature of many of its discussions?
- \_\_\_ Is there a spokesperson designated by the board for communication(s) with the media? Are other board members aware that they should not speak to the media but should refer inquiries to the spokesperson?
- \_\_\_ Does the board explore options before arriving at a decision? Does the board ask: "What could go wrong? What will we do about it? How will we pay for it?"



## Financial Policies

### I. Introduction

### II. Division of Responsibilities

- Board of Directors
- Executive Director
- Operations Manager

### III. Chart of Accounts and General Ledger

### IV. Cash Receipts

### V. Inter-Account Bank Transfers

### VI. Cash Disbursements & Expense Allocations

### VII. Credit Card Policy and Charges

### VIII. Accruals

### IX. Bank Account Reconciliations

### X. Petty Cash Fund

### XI. Property and Equipment

### XII. Personnel Records

### XIII. Payroll Processing

### XIV. End of Month and Fiscal Year End Close

### XV. Financial Reports

### XVI. Fiscal Policy Statements

### XVII. Credit Card Handling

### I. Introduction

The purpose of this manual is to describe all accounting policies and procedures currently in use at the Southern Arizona Arts and Cultural Alliance 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 Southern Arizona Arts and Cultural Alliance 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. Reviews Executive Director's performance annually and establishes the salary



4. Two members of the board will be appointed by the board to be authorized signers on the bank accounts
5. Reviews and approves all contracts over (\$10,000)
6. Reviews and approves all non-budgeted expenditures over (\$5,000)
7. Reviews and advises staff on internal controls and accounting policies and procedures
8. Determines whether the organization should have an audit and, if so, chooses and contracts with the auditor

#### **Executive 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. Reviews and approves all grant submissions
6. Approves inter-account bank transfers
7. Is on-site signatory for all bank accounts
8. Opens all bank statements, reviews for any irregularities, and reviews completed monthly bank reconciliations
9. Oversees the adherence to all internal controls
10. Approves all program expenditures
11. Monitors program budgets
12. Reviews and approves all reimbursements and fund requests
13. Reviews all incoming and outgoing invoices
14. Monitors grant reporting and appropriate release of temporarily restricted funds
15. Oversees expense allocations
16. Monitors and makes recommendations for asset retirement and replacement

#### **Operations Manager**

1. Overall responsibility for data entry into accounting system and integrity of accounting system data
2. Manages Accounts Receivable
3. Manages Accounts Payable
4. Reconciles all bank accounts
5. Manages the petty cash fund
6. Receives and opens all incoming mail except bank statements
7. Monitors and manages all expenses to ensure most effective use of assets
8. Reviews, revises, and maintains internal accounting controls and procedures
9. Reviews all financial reports
10. Processes payroll through Focus HR, reviews all payrolls and is responsible for all personnel files
11. Processes invoices and prepares checks for signature, mails checks
12. Makes bank deposits, processes all inter-account bank transfers
13. Reviews and manages cash flow
14. Maintains general ledger
15. Prepares monthly and year-end financial reports
16. Assists Executive Director with the development of annual and program budgets

The Southern Arizona Arts and Cultural Alliance may utilize the support for Financial Accounting activities with the approved support of designated volunteers and other management staff as designated by the Executive Director. Approved agents will be subjected to background checks or additional security measures, as determined by the Executive Director or the Board of Directors.

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

The Southern Arizona Arts and Cultural Alliance 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). The Operations Manager is responsible for maintaining the Chart of Accounts and revising as necessary. The Chart of Accounts is attached to this manual as an addendum.

The general ledger is maintained using our accounting software. All input and balancing is the responsibility of the Operations Manager with final approval by the Executive Director.

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

#### **IV. Cash Receipts**

Cash receipts generally arise from:

1. Booth Fees
2. Ticket Sales
3. Contracts and Grants
4. Direct donor contributions
5. Fundraising activities and events

The principal steps in the cash receipts process are:

The Operations Manager receives incoming mail. The Operations Manager and Executive Director are the only two positions that may open mail. The Operations Manager opens, date stamps, and distributes the mail. The Operations Manager makes a copy of each check and stamps all checks "for deposit only,". The checks are kept in a locked cabinet until processed for deposit.

Weekly (or more often if necessary), the Operations Manager enters all checks onto a deposit slip and takes it to the bank for deposit. A copy of the deposit slip is attached to the deposit detail. The deposits are put in a file to attach to the bank statement.

All cash received will be counted, verified, and signed off by the Operations Manager and another available staff member. The cash will immediately be posted using the appropriate allocation. A receipt for cash received over \$50 will be given to the paying party and a copy kept for internal purposes. The cash will be kept in a locked, secure location. Cash will be deposited when cash balance exceeds \$1,000.

##### **Cash Handling**

All cash offsite and onsite is counted in a secure area, preferably a locked room, where there are no distractions or interruptions. For high volume onsite events and programs, rotate service on the counting team. The Southern Arizona Arts and Cultural Alliance will provide envelopes for cash onsite.

#### **V. Bank Checking Account Balance**

The Operations Manager monitors the balances in the bank accounts to determine when there is a shortage or excess in the checking account. The Operations Manager notifies the Executive Director of same.

#### **VI. Cash Disbursements & Expense Allocations**

Cash disbursements are generally made for:

1. Performers
2. Event expenses
3. Payments to vendors for goods and services
4. Lease payments: Office space, copier, phones, credit card processing machine
5. Taxes/license fees
6. Staff training and development
7. Memberships and subscriptions
8. Meeting expenses
9. Employee reimbursements
10. Marketing/promotional materials

Payments are processed as needed. Invoices will be processed and paid by the due date. 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. Performer Contracts
3. Purchase request
4. Employee expense report or reimbursement request

Every employee 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, gratuities, 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 Executive Director 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

**The Operations Manager processes all payments and:**

1. Immediately enters them into the Accounts Payable module
2. Prints checks according to allocation and payment date
3. Submits checks with attached backup documentation to Executive Director for approval and signature
4. Mails checks and appropriate backup documentation
5. Attaches check stub to invoice for filing in the appropriate file

## **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 the Southern Arizona Arts and Cultural Alliance receives funds.

The receipts for all credit card charges will be given to the Operations Manager within two (2) weeks of the purchase along with proper documentation. The Operations Manager will verify all credit card charges with the monthly statements. A copy of all charges will be attached to the monthly credit card statement when submitted to the Executive Director for approval and signing.

A report of the Executive Director's credit card usage will be provided to the Board Chair and the Board Treasurer monthly.

## **VIII. Accruals**

To ensure a timely close of the General Ledger, the Southern Arizona Arts and Cultural Alliance may book accrual entries. Some accruals will be made as recurring entries.

## **IX. Bank Account Reconciliations**

1. All bank statements are given unopened to the Executive Director. The Executive Director reviews the statements for unusual balances and/or transactions.
2. The Executive Director gives the statements to the Operations Manager 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 Operations Manager will verify that voided checks, if returned, are appropriately defaced and filed.
4. The Operations Manager will investigate any checks that are outstanding over six months.
5. The Operations Manager will attach the completed bank reconciliation to the applicable bank statement, along with all documentation.
6. The reconciliation report will be reviewed, approved, dated, and initialed by the Executive 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 \$250 and is kept in a locked file cabinet at all times. Cash on hand in the petty cash fund will not be kept in an excess of \$1,000.
2. The Operations Manager 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 Operations Manager 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 Operations Manager will periodically count the cash in the petty cash fund.
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

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 of capitalized assets is done yearly by the organization's CPA.

1. A Fixed Asset Log is maintained by the Operations 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 Executive Director.
3. Annually, a physical inspection and inventory will be taken of all fixed assets and reconciled to the general ledger balances.
4. The Operations 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 with guidance by the CPA.

## **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, termination data where applicable, a signed confidentiality agreement, a signed acknowledgement of receipt of Employee Handbook, an emergency contact form, and other forms as deemed appropriate by the Executive Director or Operations Manager.
2. All employees will fill out an I-9 form and submit the allowable forms of identification to the Operations Manager.
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 prepared by all staff on the approved form and submitted bi-weekly for non-exempt hourly employees and monthly (on the 31<sup>st</sup> of each month) for exempt employees. 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 and the Executive Director or Operations Manager for submission.
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 Employment Information Form and signed by the Executive Director before the change can be made.
6. The Operations Manager will submit the SAACA timesheet in a timely manner to Focus HR for payroll processing.
7. Paychecks and/or paycheck receipts are delivered to SAACA by courier and distributed by the Operations Manager biweekly along the pay schedule. If the pay dates fall on a weekend or holiday the paychecks will be distributed the day before.
8. 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.
9. 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.
10. The Operations Manager will review payroll expenditures and allocations monthly.
11. All quarterly federal and state payroll reports are prepared by Focus HR.
12. All W-2 statements are issued to employees by Focus HR.
13. All 1099 Forms are created and distributed by the Operations Manager.

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

1. The Operations 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 Operations 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, accounts receivable and payable accounts match outstanding amounts due and owed.
3. At the end of the fiscal year, the Operations Manager or outside CPA will prepare the annual Return for Organization Exempt from Income Tax (IRS Form 990). The return will be presented to the CEO, the Board Finance Committee, and the Board Chair for their review and approval. The Operations Manager will then file the return with the Internal Revenue Service by the annual deadline.
4. 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 Operations Manager will prepare the monthly and annual financial reports. 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 Finance Committee and Board of Directors for review and approval.

#### **XVI. Fiscal Policy Statements**

1. All cash accounts (except petty cash) owned by the Southern Arizona Arts and Cultural Alliance 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 Executive Director.
6. Reimbursements will be paid upon complete expense reporting and approval using the official (Organization) form. Reimbursements to the Executive Director will be authorized by the Board Chair.
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. All volunteer time shall be recorded as in-kind donations.
9. The Executive Director and one designated Board and staff member are the signatories on the Southern Arizona Arts and Cultural Alliance bank accounts. Disbursements exceeding (\$5,000) require a second signature by an authorized board or staff member. Checks over \$10,000 require approval from the Board of Directors.
10. Bank statements will be reconciled monthly. All bank statements will be given unopened to the Executive Director for review.
11. Correction fluid and/or tape will never be used in preparing timesheets or any accounting documents.
12. 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.

#### **XVII. Credit Card Handling**

The Southern Arizona Arts and Cultural Alliance will take all appropriate measures to protect credit card numbers used to make payments to the organization.

##### **Access to Customer Credit Card Data**

1. Access is authorized only for the Southern Arizona Arts and Cultural Alliance personnel who are responsible for processing or facilitating credit card transactions.
2. Only authorized Southern Arizona Arts and Cultural Alliance personnel may process credit card transactions or have access to documentation related to credit card transactions.
3. A copy of this policy shall be read and signed by authorized personnel on initial employment and annually thereafter.
4. Signed policies shall be maintained in the employee's file.

##### **Transmission of Credit Card Information**

1. Credit card information shall only be accepted online, by telephone, physical mail, or in person.
2. Use of email or instant messaging shall not be used.

##### **Online Payments**

1. All online payments are processed via a payment gateway and merchant processor. No credit card information is transmitted to the Southern Arizona Arts and Cultural Alliance.
2. Additional information regarding Southern Arizona Arts and Cultural Alliance selected payment gateway and merchant processor may be obtained by contacting the Southern Arizona Arts and Cultural Alliance.

##### **Telephone Payments**

1. When recording credit card information submitted via telephone, the information may be written by hand.
2. The credit card data will be entered online for processing. Once online submission of the credit card data is confirmed, any written record of the data shall be obscured or shredded immediately.

**Card Present Transactions (Point of Sale)**

1. A picture ID is required.
2. A receipt is provided to the customer.
3. The credit card receipt will show no more than the last five digits of the credit card number.

**Retention**

1. There shall be no physical retention of the credit card data.
2. All transaction documentation and merchant receipts shall be stored in a secure (locked) area only for as long as is necessary for proper recording of the transaction.

**Destruction**

1. All credit card information will be obscured with security black out ink or destroyed upon successful processing.
2. No credit card information will be stored on file, or kept for longer than 7 business days prior to processing.
3. All transaction documentation and merchant receipts shall be shredded when the retention period has expired



## **FUNDRAISING POLICIES**

- I. Fundraising Policy**
- II. Donor Bill of Rights**
- III. Gift Acceptance Policy**

### **I. FUNDRAISING POLICY**

The Board of Directors of the Southern Arizona Arts and Cultural Alliance recognizes that the Southern Arizona Arts and Cultural Alliance engages in fundraising and solicitation activity from time to time. In order to comply with federal, state and local laws, as well as applicable ethical norms regarding fundraising activity, the Board has established this fundraising policy.

#### **OVERSIGHT**

All fundraising activity for the Southern Arizona Arts and Cultural Alliance is supervised, coordinated and directed by the Executive Director and Development Director. The Board shall annually review all fundraising activity by the Southern Arizona Arts and Cultural Alliance.

#### **USE OF FUNDRAISING PROFESSIONALS**

Third parties not directly affiliated with the Southern Arizona Arts and Cultural Alliance must have written permission from the Executive Director prior to any solicitation on behalf of the Southern Arizona Arts and Cultural Alliance. Third party fundraisers engaged by the Southern Arizona Arts and Cultural Alliance must be registered with appropriate state and local authorities, and their representation of organization must be evidenced by a written agreement approved by the Southern Arizona Arts and Cultural Alliance.

#### **TRUTH AND ACCURACY**

All solicitation and fundraising materials and other communications to donors and the public shall clearly identify the Southern Arizona Arts and Cultural Alliance and be accurate and truthful.

The Executive Director and Development Director shall review fundraising or solicitation materials prior to publication for: material omissions or exaggerations of fact, use of misleading photographs, or any other communication which would tend to create a false impression or misunderstanding; and; any statements or content that would tend to create unrealistic donor expectations of what the donor's gift will actually accomplish.

#### **DONOR ACKNOWLEDGMENT**

The Southern Arizona Arts and Cultural Alliance shall provide all donors with specific acknowledgments of charitable contributions, where applicable, in accordance with legal requirements for proper donor substantiation and the organizations disclosure.

#### **SUPERVISION AND TRAINING**

The Southern Arizona Arts and Cultural Alliance shall provide appropriate training and supervision of the people soliciting funds on its behalf, whether employees or third party representatives, including training to attempt to avoid use of techniques that are coercive, intimidating or intended to harass potential donors.



The Southern Arizona Arts and Cultural Alliance shall attempt to avoid accepting a gift from or entering into a contract with a prospective donor which would knowingly place a hardship on the donor, or place the donor's future well-being in jeopardy.

#### **COMPENSATION**

The Southern Arizona Arts and Cultural Alliance shall pay contracted or internal staff fundraisers no more than reasonable compensation for their services. [The Southern Arizona Arts and Cultural Alliance shall not compensate internal or external fundraisers based on a commission or a percentage of the amount raised.]

#### **DONOR PRIVACY POLICY**

The Southern Arizona Arts and Cultural Alliance respects the privacy of donors.

1. The Southern Arizona Arts and Cultural Alliance shall not sell or otherwise make available the names and contact information of its donors, except where disclosure is required by law [without providing them an opportunity at least once a year to opt out of the use of their names and contact information].
2. [The Southern Arizona Arts and Cultural Alliance shall not send mailings on behalf of other organizations.]
3. The Southern Arizona Arts and Cultural Alliance shall provide a clear, prominent and easily accessible privacy policy on any of its websites that tells visitors:
  - i. What information, if any, is being collected about them and how this information will be used;
  - ii. How to access personal information collected and request correction;
  - iii. How to inform the Southern Arizona Arts and Cultural Alliance that the visitor does not wish his/her personal information to be shared outside the organization; and
  - iv. What security measures the Southern Arizona Arts and Cultural Alliance has in place to protect personal information.

#### **COMPLIANCE WITH LAW**

In addition to any other requirements of this policy, all fundraising activities for the Southern Arizona Arts and Cultural Alliance shall be conducted in accordance with applicable law.

## **II. DONOR BILL OF RIGHTS**

The Southern Arizona Arts and Cultural Alliance adheres to the Association of Fundraising Professionals (AFP) Donor Bill of Rights.

Philanthropy is based on voluntary action for the common good. It is a tradition of giving and sharing that is primary to the quality of life. To ensure that philanthropy merits the respect and trust of the general public, and that donors and prospective donors can have full confidence in the nonprofit organizations and causes they are asked to support, we declare that all donors have these rights:

1. To be informed of the organization's mission, of the way the organization intends to use donated resources, and of its capacity to use donations effectively for their intended purposes.
2. To be informed of the identity of those serving on the organization's governing board, and to expect the board to exercise prudent judgment in its stewardship responsibilities.
3. To have access to the organization's most recent financial statements.
4. To be assured their gifts will be used for the purposes for which they were given.
5. To receive appropriate acknowledgement and recognition.

6. To be assured that information about their donation is handled with respect and with confidentiality to the extent provided by law.
7. To expect that all relationships with individuals representing organizations of interest to the donor will be professional in nature.
8. To be informed whether those seeking donations are volunteers, employees of the organization or hired solicitors.
9. To have the opportunity for their names to be deleted from mailing lists that an organization may intend to share.
10. To feel free to ask questions when making a donation and to receive prompt, truthful and forthright answers.

### **III. GIFT ACCEPTANCE POLICY**

Acceptance of any contribution, gift or grant is at the discretion of the Southern Arizona Arts and Cultural Alliance. The Southern Arizona Arts and Cultural Alliance will not accept any gift unless it can be used or expended consistently with the purpose and mission of the Southern Arizona Arts and Cultural Alliance.

No irrevocable gift, whether outright or life-income in character, will be accepted if under any reasonable set of circumstances the gift would jeopardize the donor's financial security.

The Southern Arizona Arts and Cultural Alliance will refrain from providing advice about the tax or other treatment of gifts and will encourage donors to seek guidance from their own professional advisors to assist them in the process of making their.

The Southern Arizona Arts and Cultural Alliance will accept donations of cash or publicly traded securities. Gifts of in-kind services will be accepted at the discretion of the Southern Arizona Arts and Cultural Alliance.

Certain other gifts, real property, personal property, in-kind gifts, non-liquid securities, and contributions whose sources are not transparent or whose use is restricted in some manner, must be reviewed prior to acceptance due to the special obligations raised or liabilities they may pose for the Southern Arizona Arts and Cultural Alliance.

The Southern Arizona Arts and Cultural Alliance will provide acknowledgments to donors meeting IRS substantiation requirements for property received by the charity as a gift. However, except for gifts of cash and publicly traded securities, no value shall be ascribed to any receipt or other form of substantiation of a gift received by the Southern Arizona Arts and Cultural Alliance.

The Southern Arizona Arts and Cultural Alliance will respect the intent of the donor relating to gifts for restricted purposes and those relating to the desire to remain anonymous. With respect to anonymous gifts, the Southern Arizona Arts and Cultural Alliance will restrict information about the donor to only those staff members with a need to know.

The Southern Arizona Arts and Cultural Alliance will not compensate, whether through commissions, finders' fees, or other means, any third party for directing a gift or a donor to the Southern Arizona Arts and Cultural Alliance.



## ORGANIZATION POLICIES

- I. Advocacy and Lobbying Policy
- II. Record Retention Policy
- III. Joint Venture & Collaboration Policy
- IV. Annual Report
- V. Program Evaluation

### I. Advocacy and Lobbying Policy

*Criteria for Implementing Advocacy and Public Policy*

The following criteria will be used by the Southern Arizona Arts and Cultural Alliance in considering whether SAACA should engage in policy advocacy on a particular issue:

**Impact:** Does this issue affect the interests of the Southern Arizona Arts and Cultural Alliance Mission, Vision and activities in a significant way?

**Support:** Is there, or do we reasonably anticipate there will be, a general support among the patrons, supporters and stakeholders on the position to be taken?

**Credibility:** Would the Southern Arizona Arts and Cultural Alliance as an organization be perceived as a legitimately concerned and appropriate advocate for the position to be taken?

#### Statement of Policies and Procedures:

I. The Southern Arizona Arts and Cultural Alliance may take and implement appropriate organizational positions on legislative or other public policy issues which:

1. Have statewide application or effect; or
2. Have local or limited application but are determined to have statewide policy significance;

and

1. Have general relevance to the creation, management, operation, administration and well-being of nonprofit organizations in the State of Arizona, or
2. Are of broad, community-wide importance, and are likely to have such a significant impact on the people and causes nonprofits and individual artists serve that it is appropriate for the voice of the nonprofit and arts sector to be represented in the policy debate.

Except as noted in I. above, the Southern Arizona Arts and Cultural Alliance should not take or implement positions on legislation or other public policy issues which are limited in application to a particular subject matter (i.e.,

education, human services, arts, etc.) of the nonprofit sector; Should the Southern Arizona Arts and Cultural Alliance decide not to take a position on a particular issue, it may, nevertheless, provide limited legislative monitoring and updates to members on the status of the issue; In cases where there is not agreement among Southern Arizona Arts and Cultural Alliance supporters, patrons and stakeholders on a policy position on a significant issue affecting nonprofits, the arts community or individual artists, the Southern Arizona Arts and Cultural Alliance may play a role in providing information to both members and legislators on the various opinions within the sector; The Southern Arizona Arts and Cultural Alliance will maintain an updated Advocacy Plan and review annually.

## II. Record Retention Policy

The Southern Arizona Arts and Cultural Alliance (“Southern Arizona Arts and Cultural Alliance”) takes seriously its obligations to preserve information relating to litigation, audits, and investigations.

The information listed in the retention schedule below is intended as a guideline and may not contain all the records the Southern Arizona Arts and Cultural Alliance may be required to keep in the future. Questions regarding the retention of documents not listed in this chart should be directed to the Executive Director.

No records specified in any legal hold may be destroyed, even if the scheduled destruction date has passed, until the legal hold is withdrawn in writing by the Executive Director.

| File Category                     | Item                                                         | Retention Period                  |
|-----------------------------------|--------------------------------------------------------------|-----------------------------------|
| <b>Corporate Records</b>          | Bylaws and Articles of Incorporation                         | Permanent                         |
|                                   | Corporate resolutions                                        | Permanent                         |
|                                   | Board and committee meeting agendas and minutes              | Permanent                         |
|                                   | Conflict-of-interest disclosure forms                        | 4 years                           |
| <b>Finance and Administration</b> | Financial statements (audited)                               | 7 years                           |
|                                   | Auditor management letters                                   | 7 years                           |
|                                   | Payroll records                                              | 7 years                           |
|                                   | Check register and checks                                    | 7 years                           |
|                                   | Bank deposits and statements                                 | 7 years                           |
|                                   | Chart of accounts                                            | 7 years                           |
|                                   | General ledgers and journals (includes bank reconciliations) | 7 years                           |
|                                   | Investment performance reports                               | 7 years                           |
|                                   | Equipment files and maintenance records                      | 7 years after disposition         |
|                                   | Contracts and agreements                                     | 7 years after all obligations end |
|                                   | Correspondence — general                                     | 3 years                           |
|                                   | <b>Insurance Records</b>                                     | Policies — occurrence type        |
| Policies — claims-made type       |                                                              | Permanent                         |
| Accident reports                  |                                                              | 7 years                           |
| Safety (OSHA) reports             |                                                              | 7 years                           |
| Claims (after settlement)         |                                                              | 7 years                           |
| Group disability records          |                                                              | 7 years after end of benefits     |
| <b>Real Estate</b>                | Deeds                                                        | Permanent                         |
|                                   | Leases (expired)                                             | 7 years after all obligations     |

|                        |                                                                                                                         |                                                        |
|------------------------|-------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|
|                        |                                                                                                                         | end                                                    |
|                        | Mortgages, security agreements                                                                                          | 7 years after all obligations end                      |
| <b>Tax</b>             | IRS exemption determination and related correspondence                                                                  | Permanent                                              |
|                        | IRS Form 990s                                                                                                           | 7 years                                                |
|                        | Charitable Southern Arizona Arts and Cultural Alliances Registration Statements (filed with Minnesota Attorney General) | 7 years                                                |
| <b>Human Resources</b> | Employee personnel files                                                                                                | Permanent                                              |
|                        | Retirement plan benefits (plan descriptions, plan documents)                                                            | Permanent                                              |
|                        | Employee handbooks                                                                                                      | Permanent                                              |
|                        | Workers comp claims (after settlement)                                                                                  | 7 years                                                |
|                        | Employee orientation and training materials                                                                             | 7 years after use ends                                 |
|                        | Employment applications                                                                                                 | 3 years                                                |
|                        | IRS Form I-9 (store separate from personnel file)                                                                       | Greater of 1 year after end of service, or three years |
|                        | Withholding tax statements                                                                                              | 7 years                                                |
|                        | Timecards                                                                                                               | 3 years                                                |
| <b>Technology</b>      | Software licenses and support agreements                                                                                | 7 years after all obligations end                      |

**Electronic Documents and Records.**

Electronic documents will be retained as if they were paper documents. Therefore, any electronic files that fall into one of the document types on the above schedule will be maintained for the appropriate amount of time. If a user has sufficient reason to keep an e-mail message, the message should be printed in hard copy and kept in the appropriate file or moved to an “archive” computer file folder. Backup and recovery methods will be tested on a regular basis.

**Emergency Planning.**

The Southern Arizona Arts and Cultural Alliance’s records will be stored in a safe, secure, and accessible manner. Documents and financial files that are essential to keeping the Southern Arizona Arts and Cultural Alliance operating in an emergency will be duplicated or backed up at least every week and maintained off-site.

**Document Destruction.**

The Executive Director is responsible for the ongoing process of identifying its records, which have met the required retention period, and overseeing their destruction. Destruction of financial and personnel-related 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.

The organization maintains both physical and digital records dating back to a minimum of 10 years, and maximum of 15 years.

**Compliance.**

Failure on the part of employees to follow this policy can result in possible civil and criminal sanctions against the Southern Arizona Arts and Cultural Alliance and its employees and possible disciplinary action against responsible individuals. The Executive Director and Board Chair will periodically review these procedures with legal counsel or the Southern Arizona Arts and Cultural Alliance's certified public accountant to ensure that they are in compliance with new or revised regulations.

### **III. Joint Venture and Collaboration Policy**

#### **Purpose**

Joint and collaborative ventures represent an opportunity and a risk to the Southern Arizona Arts and Cultural Alliance. The purpose of this policy is to establish standards for the Organization's participation in joint ventures to advance the organization's mission while preserving its tax-exempt status. The Southern Arizona Arts and Cultural Alliance will refer to this policy when making decisions for the organizations joint collaborations and ventures on programming and services.

#### **Joint and Collaborative Ventures**

A joint venture or similar arrangement, based on a definition below, (or a "venture or arrangement") means any joint ownership or contractual arrangement through which there is an agreement to jointly undertake a specific business enterprise, investment, or exempt-purpose activity or program without regard to (1) whether the organization controls the venture or arrangement, (2) the legal structure of the venture or arrangement, or (3) whether the venture or arrangement is treated as a partnership for federal income tax purposes, or as an association, or corporation for federal income tax purposes. Ventures or arrangements that meet both of the following conditions are excluded from this definition:

1. 95% or more of the venture's or arrangement's income for its tax year ending with or within the organization's tax year is described in Sections 512(b)(1)-(5) (including unrelated debt-financed income).
2. The primary purpose of the organization's contribution to, or investment or participation in, the venture or arrangement is the production of income, fundraising, services or appreciation of property.

#### **Definitions**

- Co-sponsorship: Two or more organizations share (although not always equally) in providing a program or service.
- Affiliation: A loosely connected system of two or more organizations with a similar interest(s).
- Federation/Association: An alliance of member organizations established to centralize common functions.
- Coalition: Independent organizations that usually share a political or social change goal.
- Consortium: Organizations and individuals representing customers, service providers, and other agencies who identify themselves with a specific community, neighborhood or domain.
- Network: Organizations that share resources for mutual benefit, such as service provision.
- Joint Venture: A legally formed alliance in which member organizations maintain joint ownership (generally through a joint governance board) to carry out specific tasks or provide specific services.
- Acquisition: One organization acquires a program or service previously administered by another organization.
- Divestiture: One organization "spins off" a program or service to another organization.
- Collaboration: Includes information sharing, program coordination, and joint planning. Organizations involved in collaboration remain independent with full decision-making power.
- Administrative Consolidation: Typically aimed at increasing efficiency, includes formal agreement for contracting, exchanging, or sharing services. Organizations involved in administrative consolidations share decision-making powers.
- Joint Programming: A restructuring where organizations share the launch and management of one or more programs. Organizations involved in joint programming share decision-making powers for the program while maintaining their independence in managing their own programs.

#### **Policy**

##### **Protection of Tax-exempt Status**

If management is pursuing or considering a joint venture, management shall negotiate, in its transactions and arrangements with other members of the venture or arrangement, such terms and safeguards as are adequate to

ensure that the Organization's state and federal exempt status is protected.

Specifically, the Organization shall require that the venture or arrangement not engage in activities that would jeopardize the Organization's exemption (such as political intervention or substantial lobbying for a Section 501(c)(3) organization).

**Control**

The Organization shall maintain control over the venture or arrangement sufficient to ensure that the venture furthers the exempt purpose of the Organization.

**Priority of Tax-exempt Purpose**

The Organization shall require that the venture or arrangement gives priority to its exempt purposes over maximizing profits for the other participants.

**Arm's Length Standard**

All contracts entered into with the Organization shall be on terms that are at arm's length or more favorable to the Organization.

**Reporting**

The joint venture operating agreement shall require that the Organization receive timely and properly prepared information as is necessary for the Organization to prepare and timely file its annual IRS Form 990.

**Procedure**

**Negotiation**

The venture or arrangement will be negotiated by management who, at their discretion, will consult with legal counsel.

**Approval**

The venture or arrangement will be approved by [insert approving body or insert reference to other approval policy]. The proposal shall include a statement as to why it is important for the Organization to participate in the joint venture in order to advance the Organization's mission and a statement of the scope of the relationship, particularly as to how financial risks and rewards will be shared. The proposal shall also indicate whether income from the joint venture will be subject to treatment as unrelated business income and whether the joint venture's real property will be subject to state and local property taxes.

**Classification of Entities**

To ensure the proper classification of entities pursuant to this policy, the Executive Director shall annually submit to the Board of Directors a list of entities classified as included joint ventures, collaborations and excluded investment ventures.

**IV. Annual Report**

The Southern Arizona Arts and Cultural Alliance is proud to highlight its accomplishments and provide financial summary information. As a leader in the Arts and Cultural communities we take very seriously our responsibility to demonstrate steadfast alignment with mission and superior fiscal responsibility.

The Southern Arizona Arts and Cultural Alliance will produce an annual report no later than six months following the financial close of each Fiscal year. The report will include the below highlights, in December of each year. The report will be made public via email and on the organization website.

**The Annual Report will include:**

1. Program accomplishments and summary of program activities
2. Testimonies of support from program participants
3. Financial Summary
4. Thank You to all corporate, individual and partnering organizations
5. A Call for support

## **V. Program Evaluation**

The Southern Arizona Arts and Cultural Alliance has made an ambitious commitment to quality program evaluation - the systematic collection and analysis of information and evidence about program and event performance and impact. The Southern Arizona Arts and Cultural Alliance uses evaluation findings to inform decisions, improve program effectiveness, be accountable to stakeholders, and support organizational learning. Strengthening evaluation and transparency are part of the Southern Arizona Arts and Cultural Alliance commitment to our mission and vision.