



San Francisco Arts Commission Advance Payment Policies & Procedures

March 2025

Purpose

Establish clear and effective guidelines in processing advance payment to grantees.

Policy

This policy identifies guidelines for advance payment at the San Francisco Arts Commission (SFAC). SFAC is establishing this policy to adhere to the City and County of San Francisco's (City's) guidelines related to advance payment to grantees in alignment with the Office of Controller Accounting Policies & Procedures, Section 4.4.4.1 Advance Payment to Grant Sub-Recipients (Community-Based Organizations).

SFAC makes grants to individual San Francisco artists and arts organizations with the goal to "move San Francisco arts funding toward cultural equity" and to "address needs in the arts community...determined by a cultural services allocation plan."¹ Where appropriate, pursuant to this policy SFAC may advance funds to grantees in order to minimize the financial burden imposed upon individual artists and small to medium sized arts organizations representing historically marginalized communities to assist them in carrying out their grant deliverables. Advance payments may be prioritized for small organizations that lack adequate financial resources to cover expenses upfront and for grant recipients with imminent events, exhibitions, or festivals to secure the necessary equipment and materials essential for the successful execution of the grant deliverables.

SFAC executives and the Community Investments (CI) staff will evaluate the requesting grantee's financial situation, proven track record of providing services, justified needs for advances, as well as compliance with the City's purchasing and contracting rules and regulations.

Eligible Expenses: Advance payments will support various goals aligned with the grant program's objectives, such as:

- Providing fair access to the information, financial resources, and opportunities vital to full cultural expression
- Ensuring the opportunity to be represented in the development of arts policy and the distribution of arts resources
- Promoting cultural enrichment and community engagement through events and general operating support
- Enabling grant recipients to facilitate services to historically marginalized communities

¹ Proposition E, November 2018.



Criteria for Advance Payments: SFAC will consider requests for advance payments to provide resources to cover upfront costs including: artist fees, production and exhibition fees (including venue rental, program supplies and materials, equipment rental), payments to subcontractors, insurance, and advertising fees. The maximum amount of funds advanced to any grantee during the term of the grant period is 25% of the total grant amount.

Advance payments are contingent upon meeting eligibility criteria, including:

- Submission of a written advance request outlining specific challenges that justify the need for an advance of grant funds.
- Priority for individuals and organizations lacking financial resources to cover upfront costs.

Contract Terms: The contract must explicitly define and allow advance payments, outlining specific requirements and conditions.

Periodic Reconciliation: SFAC and grantees will perform periodic reconciliation and control procedures to prevent overpayment, misuse, or loss of City funds. At year-end, total annual amounts will be reconciled against advanced payments and the scope of work.

Internal Controls: SFAC will implement internal controls to verify the appropriateness of advance payment requests, process payments, and maintain an accurate tracking system.

How Grantees Submit Advance Payment Request to SFAC

Requests for advance payments must be made in writing to the Director of Community Investments with a copy to SFAC's Deputy Director of Finance & Administration. The request must include:

- The proposed advance amount
- The purpose of the advance
- A justification for the requested advance outlining the specific challenges faced in pre-paying project costs

Advance Repayment

SFAC grantees will submit invoices on a quarterly basis. Any advanced funds will be deducted from the quarterly invoice following the advance. If the amount of the advance exceeds the amount of that invoice, any remaining advanced funds will be deducted from the next succeeding quarterly invoice. The full amount of the advance must be repaid prior to the close of the fiscal year or grant term in which the advance was provided. If the advance is not repaid by year-end or grant term the grantee will refund any outstanding balances.



Procedure

The roles and responsibilities listed in the procedure below are to ensure proper internal controls and segregation of duties.

Approval

<u>Task</u>	<u>Responsible Party</u>	<u>Description</u>
Submit written request	Grantee	Submit a written advance request to the Director of Community Investments, cc to Deputy Director of Finance & Administration. Include the proposed advance amount and justification outlining the specific challenges faced in pre-paying project costs.
Verify completeness of request	CI Staff	Ensure the request contains all required information and that the proposed advance complies with SFAC policy.
Draft repayment plan	CI Staff	Create a repayment schedule indicating how the advance will be repaid from future invoices.
Review and evaluate advance justification	CI Staff	Review grantee's financial condition, proposed use of funds, and justified need for advance.
Submit request and repayment plan for SFAC approval	CI Staff	Submit advance request to ART leadership for approval.
Review and approve request	Deputy Director of Programs, Director of CI, Deputy Director of Finance & Administration	ART leadership evaluates the advance payment request, considering financial viability and grantee's needs.
Approval by CON	Controller's Office (CON)	Controller's Office reviews and approves or denies advance request.



Notify grantee of final decision

CI Staff

Communicate approval or denial of advance payment request to grantee.

Execution

Task

Responsible Party

Description

Process payment

ART Finance Staff

Process the approved advance payment in PeopleSoft against the purchase order (PO) following all required steps.

Track repayment and update CMS

CI Staff

Update Salesforce with the advance amount and repayment schedule, and track repayments.

Process journal entry for advance

ART Finance Staff

Credit the expenditure account and debit the asset account (account 100056) for proper financial reporting.

Monitor repayment of advance

CI Staff

Deduct repayments from subsequent invoices as per the repayment plan.

Conduct regular reconciliations

ART Finance Staff

Perform quarterly reconciliations between internal tracking and financial records (e.g., Accounts Payable, PO balances).

End-of-year financial reconciliation

ART Finance Staff

Conduct year-end reconciliation and reclassify any unpaid advance amounts in the general ledger.

Report monitoring and compliance

Grantee, CI Staff

Grantee submits reports on fund usage; SFAC monitors compliance with the repayment schedule and grant deliverables.

Regular Meetings: SFAC will offer/schedule engagement opportunities for grantees to request meetings/check-ins to discuss the tracking and monitoring of the advance



payment, including reconciliation, repayment, and end-of-year processes or end of grant term reconciliation if the advance is not fully repaid.

Reporting Requirements: Grantees must provide quarterly reports to support that the advance conforms to the use of funds.

Advance Payment Log: SFAC will maintain an advance payment log to track all advance payments, their use, and repayments.

Payment Processing:

1. Once the contract or contract amendment is fully executed, CI Staff will request purchase order (PO) set up in PeopleSoft.
2. If the contract or contract amendment includes an advance payment provision and all required approvals for the advance payment request have been obtained, SFAC Accounting will process the advance payment in PeopleSoft against the PO. Do not use direct payment (payment without contract) to process advances. The fully executed contract/contract amendment, approvals, and related documents must be attached to the voucher as supporting documentation. The voucher entry will describe the payment as an advance in the description and comment field of the voucher. The month and year should also be included in the description. For example, "Advance to CBO: May 2025".
3. Process journal entry to reclass the advance payment made to CBO from the expenditure to asset account.
 - a. Use ledger group: CAFR_MOD and Accounting date of the voucher.
 - b. Credit the expenditure account and debit account 100056 (advances).
 - c. Enter the voucher id in the "Reference" field of the journal entry line for reporting purposes and to establish an audit trail.
4. When the actual expenses are incurred and invoices/receipts are submitted, attach all relevant documents, such as invoices and proof of payment, to voucher and process a reversal journal entry to recognize actual expenditures.
 - a. Use ledger group: CAFR_MOD and Accounting date of when all documentations are submitted.
 - b. Credit account 100056 (advances) and debit the expenditure account.
 - c. Enter the voucher id in the "Reference" field of the journal entry line for reporting purposes and to establish an audit trail.
 - d. Reference the JE # of the original reclass in the line description.
5. SFAC Accounting will monitor and track the advance payments.
 - a. Subsequent advances, up to the maximum threshold, will be processed if evidence of fully utilizing the prior advance is provided.
 - i. Advances should be properly and accurately accounted for in subsequent payments to prevent overpayment.
 - ii. Calculation of payment must be documented in Comment Section of the voucher and reference the voucher number for advance.
 - iii. Attach invoice package, authorization for payment and related supporting documents.
 - b. If the documents provided are insufficient to support the advance payment, any shortfall will be deducted from their next reimbursement request.



- c. Final payment should be processed only when all services have been rendered and properly invoiced, documented, and authorized; and detailed review has confirmed the accuracy of the contract's remaining balance. Advance payments should be fully recognized or expended at this point. If the Grantee is unable to fully expend the Advance Amount by the end of the Term, they must remit the Advance Repayment amount to the City by the last business day of the fiscal year.
 - i. SFAC Accounting will monitor and track advance payments; policy expanded to include steps regarding reconciliation and year-end reclass entries

Reconciliation and Year-End Reclassification: SFAC accounting staff will conduct regular reconciliations and year-end reclassifications to ensure accurate financial reporting.

- Quarterly reconciliation should be conducted to ensure internal tracking file matches with financial system, such as Accounts Payable payment history, PO balance and Contract Balance.
- If expense documentation for the advance payment has not been provided by the end of fiscal year, a reclassification general ledger entry will be processed for financial reporting purposes.
- Proper communication with the Controller's Office ACFR team regarding the financial reporting impact at year-end will be conducted.