San Francisco Arts Commission
Advance Payment Policies & Procedures

July 2026

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 Francsico artists and arts organizations in order to "move San Francisco arts funding toward cultural equity," "address needs in the arts community…determined by a cultural services allocation plan,"[1] and provide a stable, dependable resource for nonprofit arts and culture organizations committed to supporting the full spectrum of art and culture in San Francisco. 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, including those representing historically marginalized communities, to assist them in carrying out the grant plan outlined in their contract. 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 plan.

SFAC leadership and grant program 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;

[1] Proposition E, November 2018.

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- Promoting cultural enrichment and community engagement through events and general operating support;
- Enabling grant recipients to facilitate services to historically marginalized communities; and
- Promoting San Francisco's diverse and unique communities by supporting the arts through equitable grantmaking.

SFAC will consider requests for advance payments to provide resources to cover initial costs subject to the following limitations.

Any advance may only be made to a grantee who is in good standing and compliant with all City and SFAC requirements and policies.

Advances will be limited to one of the following options:

Option 1: [2]

For competitive grants awarded to organizations with annual budgets up to and including $2 million, the maximum allowable advance amount shall not exceed the total of the first three months' actual expenditures of the previous fiscal year, if applicable, or 50% of the total contract, whichever is less. This limit applies per contract.

For competitive grants awarded to organizations with annual budgets over $2 million, no advances will be permitted.

For competitive grants awarded to individual artists, the maximum allowable advance amount outstanding at any time shall not exceed the total of the first three months' actual expenditures of the previous fiscal year, if applicable, or 50% of the total contract, whichever is less. Upon full expenditure of the initial advance and approval of required reporting and documentation, SFAC may make a second advance to an individual artist of up to 40% of the total contract. These limits apply per contract.

For sole source grants awarded to City-owned cultural centers pursuant to San Francisco Administrative Code Section 21G.8(c), the maximum allowable advance amount outstanding at any time shall not exceed the total of the first three months' actual expenditures of the previous fiscal year, if applicable, or 50% of the total contract, whichever is less. Upon full expenditure of the initial

[2] For grants for which the first three months' actual expenditures of the previous fiscal year cannot be compared to the subsequent year due to differing grant deliverables, such as for project-based grants, or different reporting schedules in accordance with the terms of ART's CBO Payment Processing Policy, the relevant percentage maximum for the applicable category of grantee will apply.

advance and approval of required reporting and documentation, SFAC may make a second advance to a cultural center of up to 25% of the total contract. These limits apply per contract.

For any sole source grant awarded to a grantee other a City-owned cultural center pursuant to San Francisco Administrative Code Section 21G.8(c), permitted advances, if any, will follow the applicable limitations set forth above for competitive grants and will be based the type and annual budget of the sole source grantee.

Option 2:

Advance payments may only be used for pre-approved, eligible expenditures as determined by the contract.

Criteria for Advance Payments: Approval of any advance payment is contingent upon meeting eligibility criteria, including:

- The grantee must justify the need for an advance of grant funds through submission of a written advance request outlining specific challenges faced in the absence of an advance payment.
- The grantee must be in good standing and compliant with all SFAC and City policies and requirements, including all local, state, and federal requirements to be a City supplier.

Priority will be given to 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, including updating grant tracking systems (Airtable Salesforce, and/or Peoplesoft, as appropriate).

How Grantees Submit an Advance Payment Request to SFAC

Requests for advance payments must be made in writing to the Director of Community Investments or the Director of Grants for the Arts, as appropriate, 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

Grantees receiving an advance 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

Task	Responsible Party	Description
Submit written request	Grantee	Submit a written advance request to the Director of Community Investments, or the Director of Grants for the Arts, as appropriate, 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	Program Staff	Ensure the request contains all required information and that the proposed advance complies with SFAC policy.
Draft repayment plan	Program Staff	Create a repayment schedule indicating how the advance will be repaid from future invoices.

Task	Responsible Party	Description
Review and evaluate advance justification	Program/Finance Staff	Review grantee's financial condition, proposed use of funds, and justified need for advance.
Submit request and repayment plan for SFAC approval	Program Staff	Submit advance request to SFAC leadership for approval.
Review and approve request	Director of CI or Director of GFTA (or such other titles as may be assigned to those roles/functions); then Deputy Director of Finance & Administration	SFAC 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	Program 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 grant tracking systems	Program Staff	Update grant tracking systems (Airtable Salesforce, Peoplesoft, as appropriate) with the advance amount and repayment schedule, and track repayments.

Task	Responsible Party	Description
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	Program 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 upon receipt of June 15 quarterly report and if required expense documentation has not been provided by end of fiscal year, reclassify appropriate advance amounts in the general ledger.
Report monitoring and compliance	Grantee, Program 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 reflected in the advance request. Refer to SFAC departmental Payment Processing Policy for invoice documentation requirements.

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, program 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. 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 expended and required reporting on the advanced funds received, reviewed, and approved prior to processing of any final payment of amounts due under the grant agreement. 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.

Appendix

The table below summarizes the maximum allowable advance payment percentage for each grantee category under Option 1, and the maximum grant amounts currently awarded in each category.

Grantee Category	Maximum Advance Payment	Current Maximum Grant Amount
Competitive grant to Organization with budget ≤ $2M	Up to 50%	$450,000
Competitive grant to Organization with budget > $2M	0%	$450,000
Competitive grant to Individual Artist	Up to 50% during first 12 months of grant term; then up to 40% upon approval of interim report and required documentation	$50,000[3]
Sole source grant to City-owned Cultural Center	Up to 50% initial advance; then up to 25% upon approval of interim report and required documentation	$145,000 to $850,000[4]
Sole source grant to grantee other than City-owned Cultural Center	Same limit as if grant were competitive	Varies

[3] One Artistic Legacy Grant ("ALG") of $100,000 is awarded each year to an individual artist who has been living and practicing their craft in San Francisco for the last 25 consecutive years or more; all other grants to individual artists are for a maximum amount of $50,000. The ALG grantee would be eligible for the Maximum Advance Payments for competitive grants to individual artists as stated in this policy.
[4] Cultural Center grants noted here are estimates based on current Hotel Tax projections; actual amounts may exceed this range.