TERRAFORMING

Financial Management and Internal Control Procedures

Administrative and Financial Capacity Framework

Effective date: 20 February 2025
Revision date: July 2026
Review cycle: Annually and whenever legal, organisational or donor requirements change

1. Purpose and governing rules

This procedure explains how Terraforming plans, approves, pays, records, monitors and reports organisational and project funds. It applies to all members, representatives, employees, project personnel, consultants and volunteers who manage or use Terraforming's resources.
It is read together with the Statute, particularly Articles 9–13 and 17–20, the Anti-corruption Policy, the Procurement Routines, Serbian law and each donor agreement. Nothing in this procedure may override the Statute or mandatory law. Where compatible requirements differ, the stricter rule applies.

1.1 Core principles

- Funds are used only for approved organisational or project purposes.
- Every cost must be necessary, reasonable, eligible, approved, documented and recorded.
- Project funds must be traceable from receipt to payment, accounting and reporting.
- Personal use, double funding, fraud, corruption and undisclosed conflicts of interest are prohibited.
- As far as practical, initiation, checking, approval, payment and recording are divided between different people or independently checked.
- Records are kept securely and made available for legitimate governance, donor, statutory or audit review.

2. Roles and authority

2.1 Governance bodies

The Assembly adopts the work plan, financial plan, annual activity and financial reports, this procedure and other general acts. The Steering Board oversees the Director and decides matters not assigned to another body. The Supervisory Committee controls financial operations, reports irregularities to the Steering Board and reports to every Assembly session.

2.2 Director and authorised representatives

The Director manages operations, concludes contracts, applies for funding, approves budgets, commitments and payments, appoints the accounting service and decides on employment and professional engagement. The Director's own employment is decided by a majority of all Steering Board members. The Director reports to the Steering Board and submits a financial report to the Supervisory Committee at least annually.

Under Article 10 of the Statute, the Director represents Terraforming and acts as financial principal. In the Director's absence, the Programme Manager, as Deputy Director, represents Terraforming and signs financial documents. If both are absent, only a third representative authorised by the Assembly may act. As at June 2026, the registered representatives are Milenko Stanišić (Director), Nevena Bajalica (Programme Manager) and Nemanja Stevanović (third representative). Bank access must match the current registration and bank mandate.

2.3 Project managers

Project managers prepare project budgets, check whether costs are necessary and eligible, collect supporting documents, monitor spending and coordinate donor financial reports. They do not approve or execute payments. They submit complete payment requests to the Director or, where the Director has already approved the cost, to the accounting service.

2.4 External accounting service

The Director engages an external certified accounting service to keep the official accounts, process payroll, taxes and social contributions, advise on accounting treatment, reconcile records and prepare annual financial statements. It also executes approved bank payments as described in Section 4. Its compliance role does not replace the Director's approval or the Supervisory Committee's oversight.

2.5 Separation, conflicts and delegation

Financial duties are separated as far as practical. If the Director is the payee, beneficiary or otherwise conflicted, the Director may not approve the underlying decision alone; the

Steering Board or Assembly decides according to its competence. The Director may assign professional, financial, legal or administrative tasks in writing, but may not transfer powers reserved by the Statute. Access rights, cards and equipment are revoked or returned when an authorisation or engagement ends.

3. Budgeting, funding and monitoring

3.1 Annual and project budgets

The Director coordinates the annual work plan and draft financial plan, with support from the Programme Manager and accounting service. The Supervisory Committee reviews the financial information and submits the financial plan and report to the Assembly, which adopts them.
Project managers prepare realistic project budgets covering activities, tax treatment, donor categories, procurement, exchange rates, implementation periods and any co-financing. The Director approves project budgets within the Assembly-adopted plans. No cost may be committed outside an approved budget without documented approval, and the same cost may never be claimed from more than one donor.

3.2 Budget monitoring and changes

Each project has an internal budget tracker showing payments, committed costs, remaining balances, co-financing, partner transfers and exchange-rate effects. Higher-value or higher-risk projects are reviewed monthly; other active projects are reviewed at least quarterly and before major commitments or reports. Project managers report expected variances, cash-flow risks and possible ineligible costs to the Director.

The Director may approve reallocations that remain within the adopted financial plan and donor rules. Written donor approval is obtained when required. Material changes to the annual financial plan are submitted to the Assembly. Figures used in reports are checked against the accounts, bank records and supporting documents.

3.3 Sources and use of funds

Terraforming may receive membership fees, contributions, donations, gifts, subsidies, grants, programme fees, income from expert advice and product sales, and income from its registered activity “Other education” (85.59). International grants accounted for almost all funding in 2025 and 2026. Funds and any profit are used only for statutory objectives, operating costs or project co-financing. Terraforming is responsible for its obligations with its own assets, and the Steering Board decides on any annual surplus in accordance with law.

4. Expenditure and payment procedure

The documentation required for a transaction must be proportionate to its value and risk and must always meet legal and donor requirements.

1. **Identify and check the need.**
   The responsible person confirms the purpose, result and budget line. The project or programme manager checks eligibility, timing, donor rules and available funds.

2. **Apply procurement rules.**
   Goods and services are selected under the Procurement Routines, donor rules, value-for-money principles and conflict-of-interest requirements.

3. **Collect documents.**
   The payment request includes the purpose, project and budget line; a valid invoice, contract, order, ticket or similar document; evidence of delivery or activity; and any donor-required timesheet, attendance, travel or procurement record.

4. **Approve.**
   The Director approves the commitment and payment. During the Director's absence, approval follows the authorised-representative order in Section 2.2.

5. **Execute.**
   Most planned bank transfers are executed through online banking by the accounting service after the Director's approval. Before payment, the service checks the approval, documents and compliance with law, accounting and tax rules, donor conditions and internal procedures. It suspends a payment until any problem is resolved.

6. **Record and reconcile.**
   The accounting service records each bank or card payment against the relevant project and budget line. Bank and card statements are normally reconciled monthly with the accounts and supporting documents. Differences and missing documents are investigated promptly.

5. Payment methods and third parties

5.1 Bank accounts and debit cards

Terraforming holds RSD, EUR and USD accounts with UniCredit Bank Serbia. Donor funds are received into the appropriate account, and recipient bank details are verified before the first payment and whenever they change. Bank credentials, authentication devices, cards and PINs must not be shared.

Terraforming has two debit cards: one held by the Director and one by the Programme Manager. They are used for authorised, budgeted operational or project costs such as service orders, online services, supplies and travel. Personal use is prohibited. The cardholder records the purpose and submits an invoice, fiscal receipt or equivalent evidence. Online purchases use reputable suppliers; lost or compromised cards are reported immediately. Cash withdrawals are exceptional and require prior approval and full documentation.

5.2 Cash, advances and reimbursements

Terraforming has no petty-cash float and operates almost entirely without cash. Cash is used only for a small necessary cost that cannot reasonably be paid by bank or card, such as a city-bus ticket. The available receipt or ticket must be kept. If none is available, a signed expense note records the date, amount, currency, purpose and project. Such a cost is charged to a grant only if the donor and accounting rules allow it.

Cash advances are exceptional, approved in advance and settled within ten working days after the activity, with unused funds returned. Approved reimbursements are paid by bank transfer.

5.3 Suppliers, partners and regranting

Suppliers are paid against an appropriate contract, order, invoice or e-invoice and evidence of delivery. Partner transfers require donor permission and a written agreement covering tasks, budget, bank details, reporting, supporting documents, unused funds and verification rights. Terraforming reviews partner expenditure before including it in donor reports. Terraforming does not provide grants, financial prizes, scholarships or other financial support to third parties unless a donor agreement expressly allows it and separate written procedures have been approved. Payments for contracted goods or services and authorised partner transfers are not regranting.

6. Accounting, tax, currency and reporting

6.1 Accounting and records

The external accounting service keeps the official books under Serbian law and applicable accounting standards. Transactions must be traceable to their source documents, bank or card statement, project, donor and budget category. Records are stored in organised electronic and, where required, paper files for the longer of the periods required by Serbian law or the donor agreement.

6.2 VAT, payroll and statutory obligations

Terraforming is not registered in the VAT system (tax number 106791153). The accounting service and responsible manager check the tax treatment and donor VAT rules for each grant and purchase. VAT is claimed only when it is non-recoverable and eligible. Personnel payments require valid contracts, approved remuneration, work or time records and available budget. The accounting service calculates and processes taxes and social contributions.

6.3 Currency conversion

Budgets and donor reports use the currency and exchange-rate source required by the donor, such as InforEuro. Actual conversions are made through UniCredit Bank at the commercial rate set by the Bank on that date; Terraforming cannot influence it. The Bank's rate is normally less favourable than the reference reporting rate, so small negative differences may arise. Terraforming covers the shortfall and does not charge it to the donor unless the grant expressly allows this. Bank records and the rate, date and reporting source are retained.

6.4 Financial and annual reporting

Project managers coordinate donor financial reports with the Director and accounting service. Reported costs must fall within the eligible period, relate to approved activities and be supported by donor-required records. Annual activity and financial reports and the next-year plan follow the responsibilities in Sections 2 and 3. Statutory annual financial statements are filed with the Serbian Business Registers Agency and made available to members.
Terraforming cooperates with authorised donor checks, monitoring visits and audits. Findings are reviewed by the competent body, the Director and relevant managers, and corrective action is documented.

7. Integrity, review and exceptions

Procurement follows the Procurement Routines and donor rules. Personnel disclose conflicts of interest and withdraw from the relevant decision. Bribes, kickbacks, improper gifts, theft, falsification and misuse of funds are prohibited. Related-party transactions require disclosure, independent approval and reasonable terms. Suspected wrongdoing is handled under the Anti-corruption Policy and reported to donors or authorities when required.

This procedure is reviewed annually and after material legal, organisational, banking, donor or risk changes. The Director, Steering Board or Supervisory Committee may propose amendments, which the Assembly adopts as a general act. Exceptions must be lawful, necessary, rare and documented. The Director approves them unless conflicted, in which case the Steering Board or Assembly decides. No exception may override the Statute, law or donor conditions.

Appendix A. Organisational facts and grant-capacity evidence

Capacity item	Terraforming status
Legal status	Non-profit association registered in Serbia; founded in 2008; current registration dated 4 July 2010.
Registration	Registration number 28024410; tax number 106791153; not registered in the VAT system.
Statute and policies	Statute adopted on 18 March 2023, available in Serbian and English; Anti-corruption Policy and Procurement Routines in force.
Representatives and staff	As at June 2026: Milenko Stanišić, Nevena Bajalica and Nemanja Stevanović; four permanent employees, including the Director.
Governance and oversight	Assembly-adopted work and financial plans and annual reports; Steering Board oversight; Supervisory Committee financial control.
Banking	RSD, EUR and USD accounts with UniCredit Bank Serbia; two debit cards, held by the Director and Programme Manager.
Funding profile	Almost all funding in 2025 and 2026 came from international grants.
Grant experience	Experience with EU, IHRA, EVZ, Claims Conference, Swedish Institute, Visegrad Fund and other donors.
Financial systems	External certified accounting service, project budget trackers, monthly bank/card reconciliation and documented payment controls.
Annual statements	Prepared and filed under Serbian law; publicly available through the Serbian Business Registers Agency.