

FINANCIAL MANAGEMENT POLICY

1. Introduction and Governance Framework

1.1. Purpose and Scope

This Financial Management Policy establishes the principles, procedures, and controls governing the financial operations of Stichting Lex Populi ("the Foundation"). This policy ensures compliance with:

- Dutch Civil Code (Burgerlijk Wetboek), Book 2, Title 6 (Articles 285-304)
- Dutch Accounting Standards (Richtlijnen voor de Jaarverslaggeving - RJ)
- EU regulations applicable to non-profit organizations
- ANBI (Algemeen Nut Beogende Instelling) requirements under Dutch tax law
- Anti-money laundering (AML) and counter-terrorism financing (CTF) regulations
- This policy applies to all Foundation operations, including headquarters in the Netherlands and any international program activities.

1.2. Legal Framework

Stichting Lex Populi is established under Dutch law as a foundation (stichting) without members or shareholders. The Foundation is governed by:

- **Statutes (Akte van Oprichting and Statuten):** The notarial deed of establishment and articles of association
- **Dutch Civil Code Book 2, Title 6:** Governing the creation, governance, purpose, obligations, and dissolution of foundations
- **Dutch Corporate Income Tax Act (Wet op de Vennootschapsbelasting):** Regarding ANBI status and tax exemptions
- **EU Anti-Money Laundering Directives:** Applicable to the Foundation as a legal entity

The Supervisory Board bears ultimate responsibility for financial management and compliance. The Supervisory Board may delegate operational financial management to the Managing Director and Finance Manager but retains oversight and accountability.

1.3. ANBI Compliance and Transparency

The Foundation is committed to the highest standards of transparency and public accountability. Key ANBI obligations integrated throughout this policy include:

- **Public Benefit Test:** At least 90% of activities must serve the public interest (education, culture, healthcare, environmental protection, or general welfare)
- **Capital Test:** Assets must be limited to what is reasonably necessary for activities beneficial to the Foundation's objectives
- **Publication Test:** Required information must be published on the Foundation's website

- **Integrity Test:** Directors must act with integrity and in accordance with the Foundation's objectives

2. Accounting Policies

2.1. Accounting Standards and Basis

The Foundation maintains its books of account using accrual basis accounting in accordance with:

- **Dutch GAAP (NL GAAP):** Specifically, the Dutch Accounting Standards (Richtlijnen voor de Jaarverslaggeving) issued by the Dutch Accounting Standards Board (Raad voor de Jaarverslaggeving)
- **RJ 650:** Guidelines for annual reporting for non-profit institutions and fund-raising institutions
- **EU Accounting Directives:** As implemented in Dutch law

The Foundation may opt to use IFRS (International Financial Reporting Standards) as adopted by the EU for specific donor requirements, but Dutch GAAP is the default standard. The functional currency is the Euro (EUR). Transactions in foreign currencies are recorded at the exchange rate on the transaction date, with exchange gains/losses recognized in the income statement.

2.2. Chart of Accounts

The Foundation maintains a chart of accounts structured to:

- Segregate revenues and expenditures by funding source (donor/grant-specific accounts)
- Classify expenses by program activity and administrative/support functions
- Track restricted vs. unrestricted net assets
- Enable compliance with RJ 650 reporting requirements for ANBI institutions
- Support budgetary control over sponsored agreements and grants

The chart of accounts is maintained at a level of detail necessary for:

- Budgetary control and monitoring
- Donor reporting requirements
- ANBI financial statement preparation
- Tax compliance

The Finance Manager is responsible for maintaining and updating the chart of accounts, with Supervisory Board approval required for structural changes.

2.3. Basic Books of Account

The Foundation maintains the following basic books of account:

- **General Ledger (Grootboek):** All financial transactions by account code
- **Sub-ledgers:**
 - Accounts Receivable (Debiteuren)
 - Accounts Payable (Crediteuren)
 - Payroll and Personnel Records
 - Fixed Asset Register
- **Journals:**
 - Cash Receipts Journal (Inkomsten)

- Cash Disbursements Journal (Uitgaven)
- General Journal (Memoriaal)
- Program/Project Cost Ledgers: Detailed tracking of grant-specific expenditures

All books of account are maintained electronically using [Accounting Software Name], with automated backup procedures in place.

2.4. Revenue Recognition

Revenue is recognized in accordance with Dutch GAAP and RJ 650, distinguishing between:

Contribution Revenue (Donations and Grants):

- **Unrestricted contributions:** Recognized when received or when the promise is made (bij giftbelofte), provided collection is probable
- **Temporarily restricted contributions:** Recognized as net assets with donor restrictions; released from restriction when the purpose is met or time restriction expires
- **Permanently restricted contributions:** Recognized as permanent endowment (if applicable)

Investment Income

2.5. Cost Sharing and Matching Requirements

Cost sharing (eigen bijdrage) from non-grant sources is often required by donor agreements. The Foundation:

- Documents all cost-sharing commitments in grant agreements
- Tracks matching contributions (cash and in-kind) separately
- Values in-kind contributions at fair market value with supporting documentation
- Monitors cost-sharing achievement proportionally with grant expenditure
- Alerts the Managing Director of any anticipated shortfalls

Third-party in-kind contributions are pursued to maximize cost-sharing where permitted by donors.

2.6. Payroll and Personnel Costs

Payroll is processed in accordance with Dutch labor law and tax regulations:

- **Employment Contracts:** All employees have written contracts compliant with Dutch labor law
- **Compensation:** Set at competitive levels documented in the Remuneration Policy (see Section 7.3)
- **Timekeeping:** All employees complete timesheets recording hours worked and activity allocation
- **Payroll Taxes:** Withholding of wage tax (loonheffing), social security premiums, and pension contributions in compliance with Dutch Tax Authority (Belastingdienst) requirements
- **Cost Allocation:** Personnel costs allocated to programs based on time distribution records for employees working on multiple cost objectives

Documentation Requirements:

- Signed employment contracts
- Monthly timesheets (signed by employee and supervisor)

- Payroll registers and payslips (loonstroken)
- Proof of payment
- Pension and social security contribution records

2.7. Periodic Internal Financial Reporting

Financial management staff prepares periodic reports for internal management as applicable and requested by the Supervisory Board.

Reports are reviewed by:

- Managing Director
- Supervisory Board (at least annually)

These reports enable:

- Budgetary control and cost containment
- Early identification of over-expenditure risks
- Timely corrective actions (cost transfers, budget revisions)
- Cash flow management

2.8. External Financial Reporting

The Foundation prepares annual financial statements in accordance with RJ 650.

Annual Financial Statements include:

- Balance Sheet (Balans)
- Statement of Income and Expenditure (Staat van baten en lasten)
- Cash Flow Statement (Kasstroomoverzicht)
- Notes to the Financial Statements (Toelichting)
- Board Report (Bestuursverslag)

Filing Requirements:

- Filed with Chamber of Commerce (KvK) within [number] months of fiscal year-end (if size thresholds met)
- Published on Foundation website within 6 months of fiscal year-end (ANBI requirement)
- Submitted to donors per agreement terms

Audit Requirements:

- Statutory audit by registered accountant (RA) or accounting consultant (AA) if size thresholds under Title 9, Book 2 Dutch Civil Code are met
- Donor-required audits conducted as specified in grant agreements
- ANBI audit requirements are met

3. Internal Controls

3.1. Documentation Standards

All financial transactions must be supported by complete, accurate, and verifiable documentation:

- **Completeness:** Every transaction must have supporting documentation describing the nature, amount, date, and parties involved
- **Accuracy:** Documentation must accurately reflect the transaction

- **Verifiability:** Source documents should be from independent third parties where possible (invoices, receipts, contracts)
- **Contemporaneous:** Documentation created at or near the time of the transaction

Specific Requirements:

- All vendors must be checked against EU and Dutch sanctions lists and terrorism financing lists before engagement
- International transfers require additional documentation for AML/CTF compliance
- Digital copies are acceptable if they are complete, legible, and tamper-evident

3.2. Recording and Classification

Transactions are recorded promptly and classified properly:

- **Timeliness:** Recorded within [5] business days of occurrence
- **Classification:** Coded to correct general ledger accounts, cost centers, and grant/project codes
- **Period Cut-off:** Recorded in the correct accounting period (accrual basis)
- **Reconciliation:** Monthly reconciliation of all balance sheet accounts

3.3. Authorization and Approval Hierarchy

Financial transactions require authorization as required under the Procurement Policy. All authorizations must be documented (signature, electronic approval, or email confirmation).

3.4. Segregation of Duties

Key duties are separated to prevent errors and fraud. Minimum Separation Requirements include authorization (approving transactions) separated from Recording (accounting entries) and Custody (handling cash/assets)

Check signing/online banking authorization limited to individuals who do not:

- Post cash receipts
- Approve vouchers for payment
- Prepare payroll
- Reconcile bank statements

Small Office Exception: Where separation is impractical due to small staff size, compensating controls include the Supervisory Board review of bank reconciliations.

3.5. Competent Personnel and Supervision

LP maintains financial management competence through:

- **Recruitment:** Hiring based on relevant education and experience
- **Training:** Continuing professional development for financial staff
- **Supervision:** Regular review of financial staff work by Managing Director and Supervisory Board
- **Performance Reviews:** Annual performance evaluations

3.6. Access to and Accountability for Resources

Financial and physical resources are safeguarded:

- **Access Limitation:** Cash, bank accounts, and assets accessible only to authorized personnel with written delegation
- **Asset Register:** Fixed assets inventoried annually

- **Insurance:** Adequate coverage for assets, liability, and fidelity/crime
- **Security:** Secure storage for cash, checks, and sensitive documents

Misuse or misappropriation of resources is grounds for disciplinary action up to and including termination and legal prosecution.

3.7. Audit and Audit Resolution

Annual Audit:

- Financial statements audited by an independent registered accountant (RA) or accounting consultant (AA)
- Audit conducted in accordance with Dutch Standards on Auditing (Dutch GAAS) or ISA
- Auditor reports to the Supervisory Board

Donor Audits:

- Cooperate with audits by donor agencies, government bodies, and inspectors general
- Provide access to records and personnel as required by grant agreements

Audit Resolution:

- Audit findings reviewed promptly by Managing Director and Supervisory Board
- Management responses prepared within required timeframes
- Corrective action plans implemented
- Follow-up to ensure deficiencies are resolved

4. Cash Management

4.1. Banking Arrangements

The Foundation maintains banking relationships with reputable financial institutions:

- **Primary Bank:** [Rabobank, Netherlands]
- **Account Types:** Current account (betaalrekening), savings account (spaarrekening) for reserves
- **Authorization:** Bank mandates specify authorized signatories and signing requirements (single vs. dual signature based on amount)
- **Online Banking:** Secure access with two-factor authentication; user access reviewed quarterly

Banking Security:

- Monthly bank reconciliations performed by one staff and reviewed another staff or board member
- Bank statements received directly by Managing Director or Supervisory Board member (segregation of duties)
- No personal accounts used for Foundation business

5. Cost Charging and Expense Policies

5.1. Applicable Cost Principles

Costs charged to grants and donations must comply with:

- **Dutch Law:** Reasonable, necessary, and allocable costs
- **Donor Requirements:** Specific cost principles in grant agreements (e.g., EU grant regulations, US 2 CFR 200 for US government funds)

- **ANBI Requirements:** Costs must serve the public benefit purpose
- **LP Procurement Policy**

General Principles:

- **Allowable:** Costs necessary for performance of the funded activity
- **Reasonable:** Costs that a prudent person would pay under the circumstances
- **Allocable:** Costs that benefit the specific grant/project can be assigned to it
- **Consistently Treated:** Similar costs treated the same way across all funding sources

5.2. Allowable Costs and Expense Categories

Allowable Costs (typical):

- Personnel costs (salaries, benefits, payroll taxes)
- Travel and per diem (at standard rates)
- Equipment and supplies
- Subcontracts and consultant fees
- Indirect costs/overhead (if approved)
- Communication and office expenses

Unallowable Costs:

- Personal expenses
- Fines and penalties
- Political activities (for ANBI compliance)
- Costs outside grant period or budget line items

5.3. Screening of Charges to Grants and Donations

All charges to restricted funds are screened before posting:

- Budget Check: Against approved grant budget
- Allowability Check: Against donor cost principles
- Documentation Check: Adequate supporting documentation
- Timing Check: Within grant period

6. Source Documentation and Record Retention

Follow LP Record Retention Policy.

7. ANBI Transparency and Publication Requirements

7.1. Website Publication Obligations

As an ANBI, the Foundation must publish the following information on its website (lexpopuli.org):

Required Information:

- Name and address of the institution
- RSIN (fiscal number) and KvK registration number
- Supervisory Board members' names
- Policy plan (beleidsplan)
- Remuneration policy (bezoldigingsbeleid)
- Report of activities (verslag van de uitgeoefende activiteiten)
- Financial statements (financiële verantwoording)

- Contact information

Publication Timeline:

- **Financial statements:** Within 6 months of fiscal year-end
- **Policy plan:** Current version always available
- **Activity report:** Annual, within 6 months of year-end
- **Supervisory Board changes:** Within 4 weeks of change

7.2. Financial Statement Disclosure

ANBI financial statements published on the website must include:

- Balance sheet (balans)
- Statement of income and expenditure (staat van baten en lasten)
- Notes to the financial statements (toelichting)
- Breakdown of expenditures by activity/category
- Explanation of fund balance/ reserves policy

Format: PDF format, in Dutch and/or English (English acceptable for international stakeholders).

8. Amendments and Review

This Financial Management Policy is reviewed annually by the Supervisory Board. Amendments require Supervisory Board approval.