CITIZENS' ASSOCIATION „NESTO VISE", Trg Sabora bosanskog br. 36, 71000 Sarajevo

Rulebook

on Accounting, Internal Accounting Controls, Accounting Policies and Financial Operations

Pursuant to Article 25 of the Article of Citizens' Association "Nesto Više" and provisions of the BiH Accounting and Auditing Law (BiH Official Gazette no. 42/04) and the FBiH Accounting and Auditing Law (FBiH Official Gazette, no. 32/05), the Executive Director has enacted the following:

The Rulebook on Accounting, Internal Accounting Controls, Accounting Policies and Financial Operations

I - General Provisions

Article 1

This Rulebook defines the standards and procedures related to accounting, internal accounting controls, accounting policies and financial operations of the Citizens' Association "Nešto Više" (hereafter: the Association).

II - Accounting System

Article 2

The accounting system of the Association comprises a collection of data and information regarding the financial position and changes in the financial position of the Association, intended for both internal and external users.

Article 3

Business Records
Data and information on business transactions shall be recorded in in the business records which include:

- Journal
- General Ledger
- Subsidiary ledgers (book of incoming and outgoing invoices, book of fixed assets and inventory book)

The journal is a chronological record of all transactions.
The general ledger is a set of all business categories, with records of the status and changes in each of these categories.

Article 4

Bookkeeping
Bookkeeping, as well as the preparation and presentation of financial statements, are conducted following International Accounting Standards, International Financial Reporting Standards, and Accounting Policies established by this Rulebook.
The tasks of bookkeeping and the preparation and presentation of financial statements are outsourced to accounting service agencies (hereinafter referred to as external accountants) by service agreement.
The annual financial statements, in accordance with the law, are reviewed and signed by a certified accountant.

Article 5

Accounting Documents
The recording of business transactions in the accounting books is based on reliable accounting documents such as bank statements, payment orders for transactions through bank accounts, etc.
Accounting documents shall be prepared / reviewed / certified by individuals who, in accordance with the Responsibility Matrix, are responsible for their preparation / review / certification. The Responsibility Matrix is an integral part of this Rulebook.

Article 6

Accounting Software
Bookkeeping and the financial statements of the Association shall be managed using accounting software, which *inter alia* provides the following:
- Control of input data;
- Control of accuracy of data entered:
- Access to the changes and balance of the general ledger;
- Insight into the chronology of entries of business changes;
- Data storage and utilization;
- Accessibility and printing of data from the accounting books (journal, general ledger, subsidiary books);
- Data archiving;
- Generation of reports in accordance with legal requirements and donor requests.

Article 7

Retention of accounting books and documents
Accounting documents and financial records shall be kept in the premises of the Association for the following periods of time:
- Annual accounting reports, final payroll calculations, payroll lists for periods without final payroll calculations, purchase agreements for real estate acquisitions, financial statements, consolidated financial statements, audit reports, and all internal acts and decisions affecting financial operations shall be kept permanently.
- The journal and general ledger shall be kept for at least eleven years in their original form after the end of the business year.
- Documentation used for audits is kept for at least six years.
- Periodic reports, accounting documents used for entries, auxiliary books (invoices), documents from authorized financial institutions (bank statements), and other legally required documents are kept for at least five years.
- Periodic payment transaction records from authorized financial institutions are kept for at least five years.
- Auxiliary calculations, sales and control logs, etc., are kept for at least two years.

The retention period for accounting documents and business books begins on the last day of the business year to which the books refer and in which the data from the documents is entered.

Business books are maintained using computer software, and data protection measures are mandatory once a week.

III - Internal accounting controls

Article 8

The internal accounting controls of the Association aim to ensure the accuracy, reliability, and completeness of information related to business operations, to ensure compliance of the Association's financial operations with legal regulations and provisions of specific contracts, and to ensure the documentation and archiving of financial transactions that occur.

Article 9

The Matrix of Financial Responsibility
Internal accounting controls are carried out by individuals authorized to prepare, review, approve, and execute specific activities or financial transactions, as defined in the document Matrix of Responsibility. The Matrix of Responsibility is an integral part of this regulation.

Article 10

Control by external accountant

Individuals responsible for preparing accounting documents confirm by their signature that the accounting document is complete, accurate, arithmetically correct, and reflects the business transaction. These same individuals are obligated to provide the signed document and other documentation related to the incurred change to the external accountant for posting. The external accountant is required, after verifying the received accounting documents, to post the accounting documents one day per week.

Before posting, the external accountant performs a review of the accounting documents to ensure their completeness, accuracy, arithmetic correctness, and legality.

The external accountant responsible for bookkeeping must not be responsible for selecting contractors/suppliers.

Article 11

Financial review by Financial director (prior to the employment of a financial director, the term "financial director" refers to a person appointed by the Executive Director, e.g., Project Manager for the project they lead)
a) All costs shall be examined by the financial director in order to cross-check, considering that no expense can be approved by only one person.
b) The financial review shall ensure the following:
- That the expense is in line with the Association's policies and donor policies
- That the expense is approved in accordance with the matrix of authorized persons for approval
- That the calculations are accurate,
- That the expenses are within budget limits,
- That the supporting documentation is in order
- That expense coding is valid and accurate
- That funds are available.

Article 12

Review of documents by Project Managers

The project manager is responsible for approving payments and confirming the accuracy of the issued payment request with the signature. The project manager is also required to establish contracts with each consultant (supplier, if necessary) engaged for a specific project.

For the initial payment of any project invoice, the project manager must submit complete documentation required for payment to the finance department. This documentation includes: engagement contract or invoice, report on services rendered or delivery notes, payment order.

IV - Accounting policies

Article 13

Accounting policies are the principles adopted by the Association for the preparation and presentation of financial statements in accordance with International Accounting Standards (hereafter IAS).

Article 14

Intangible assets
Intangible assets are assets that can be identified as non-monetary and lacking physical characteristics, with a useful life of more than one year and an individual acquisition cost at the time of purchase exceeding 1,000 KM. Intangible assets are subject to amortization.
The initial valuation of intangible assets is based on the purchase price or cost. The amortization of intangible assets of the Association is calculated using the straight-line method at an annual rate as follows:

Intangible fixed assets - software for bookkeeping	20. 0%

Article 15

Real estates, plants and equipment
Real estates, facilities, and equipment include assets with a useful life of more than one year and an individual acquisition cost at the time of purchase of 1,000 KM or more. These assets encompass various items such as buildings, heating, ventilation, and air conditioning equipment, office furniture, computers, office equipment, firefighting equipment, vehicles (cars and jeeps), equipment for postal, telegraph, and telephone services, equipment for radio, television, and other electronic equipment, among others.
The initial valuation of real estate, facilities, and equipment is based on the purchase price or cost, following the International Financial Reporting Standards (IFRS).
Depreciation of real estate, facilities, and equipment is calculated using the straight-line method at an annual rate as follows:

Buildings	5,0%
Equipment for heating, ventilation and maintenance of premises	20.0%
Office furniture	20.0%
Computers, computer equipment, devices and office equipment	33.3%
Firefighting equipment	12.5%
Vehicles (passenger cars and jeeps)	15.0%
Postal, telegraph, and telephone traffic equipment	12.5%
Equipment for radio, TV and other electronic equipment	33.0%
Other equipment	20.0%

Article 16

Liabilities
Short-term liabilities are considered to be all obligations with a maturity of up to 12 months (1 year).
Long-term liabilities are considered to be obligations due for payment beyond a period of one year.
Liabilities in foreign currency, as well as liabilities with a currency clause, are evaluated on the day of preparing the financial statements based on the average exchange rate of the foreign currency on the day of preparing the financial statements. Differences calculated at that time are accounted for as expenses and revenues of the period.

Article 17

Assets and liabilities inventory
Inventory of assets and liabilities is conducted to reconcile the actual state of assets and liabilities with the records in the accounting books. The inventory of assets and liabilities is performed at the end of the financial year, i.e., on the last day of the financial year.

Article 18

Revenues and Expenses
Revenues include membership fees, donations from donors, interest income, fees, revenue from provided services, voluntary contributions, and other income recorded in accounting documents, regardless of the time of collection.
Expenses include costs arising from the usual activities of the Association.

Article 19

Classification of costs

Cost of projects can be direct or indirect.

Direct costs are those eligible expenses that are related to all activities necessary for project implementation. These are costs directly associated with the project, i.e., used exclusively for project purposes. They are determined according to established accounting practices. These costs should be incurred during the project duration.

Indirect costs are those eligible expenses that cannot be defined by project participants as directly involved in project implementation but can be identified and justified through cost accounting systems by being brought into direct connection with eligible project-related costs. They cannot include any eligible direct costs. They represent a fair allocation of the organization's overall fixed costs.

Article 20

The policy of cost allocation

The basis for allocating

The cost allocation policy in the Association will be based on the proportion of costs of individual projects within the planned expenses of the Association over the course of one year. This policy will be applied to manage all expenses, including space rental, small equipment, communications, goods, and bank fees. The allocation basis is established at the beginning of each calendar year and is adjusted with any change in the status of individual projects, such as whether they have started or ended.

Article 21

The method of calculating costs:

Actual costs

The Association uses the method of "Proportion of costs of individual projects within the planned expenses of the Association over one year" as the basis for fair allocation of the organization's indirect costs. If any individual cost is not approved by the donor for a particular project, that project is excluded from the allocation calculation. In other words, if office rent is not approved in a specific project, the allocation is only conducted for projects that have this expense approved. The basis for cost allocation is the documentation method used to measure the extent of benefits received when distributing common costs among various partners. This basis should distribute costs in a fair and reasonable manner without altering the results.

Article 22

Levels of allocation:

1. Costs that are incurred specifically for a particular project must be directly charged to the specific project to which they pertain.
2. Costs that relate to more than one project must be allocated in a reasonable proportion to the benefit received by each project, ensuring that the costs associated with such allocation are not excessive relative to the benefits
3. General office costs that relate to all projects must be allocated to all projects according to the aforementioned fair allocation method.

Article 23

A methodology for certain categories of expenses:

Salaries, Contributions, and Taxes - Salaries shall be recorded for projects in accordance with the actual number of working hours spent on the project. The allocation shall not be based on budget estimates, but shall reflect the actual time determined on the basis of facts. When an employee works on multiple projects, the salary must be proportionally divided based on the time spent on each project. A precise timesheet/work hour report must be maintained for each employee. Allocation of salaries shall be calculated on a monthly basis.

Article 24

Overhead costs - Overhead costs generally include rent, premises, repairs and maintenance, security services, etc. The square footage used for each activity as a percentage of the total square footage of the premises (excluding administrative and common areas) is the preferred basis for allocating these costs. However, since projects frequently change within the Association, the aforementioned cost allocation method will also be used for these expenses.

Article 25

Communication - Whenever possible, offices should allocate communication costs directly to the project under which the expense was incurred. Mobile phones or phone cards assigned to employees must be charged based on the employee's salary during the given period. Communication costs that cannot be directly identified to a project should be allocated in the same manner as overhead costs.

Article 26

Equipment
Small equipment (non-consumable equipment and furniture with a lifespan of over one year and a unit price below 1,000 KM) can be allocated in the same manner as overhead costs.
General Equipment
Purchases of general equipment (non-consumable equipment and furniture with a lifespan of over one year and a unit price above or equal to 1,000 KM but below 5,000 KM) must be charged directly to the project. General equipment cannot be allocated. Only for depreciation calculations can allocation be used, i.e., the percentage in which it is used for a specific project. The above-mentioned allocation policy applies in this case as well.

Article 27

Office supplies - Goods purchased directly as aid within the project scope should be charged directly to the project.

Article 28

Vehicles - Operational vehicle expenses include fuel, repairs and maintenance, insurance, and registration. When vehicles are directly assigned to a project, the operational expenses of that vehicle can be charged directly to the project. For shared vehicles, operational vehicle expenses should be allocated based on usage per project. Project usage can be determined from the vehicle's destination/mileage records (logbook). The decision on the amount of reimbursement and the method of calculation for the expenses mentioned in this article is made at the beginning of each calendar year.

Article 29

Bank commissions - Whenever possible, commissions should be allocated to projects in the same proportion as the costs they relate to. If commissions cannot be directly tied to a project, i.e., if the commission is related to several projects, then the same allocation should be applied as for the incurred expense.

Article 30

Program Costs - Program costs should be directly identified and charged to the project. If a program cost is not directly recognizable, it is necessary to consider the facts and conditions when allocating the cost.

Article 31

Calculation example: The rent in the amount of BAM 800

Basis of allocation: Participation of individual project costs in the planned expenses of the Association during one year

Project (code)	Participation of individual project costs in the planned expenses of the Association during one year	% Calculation	Percentage
XXX	500	500/1800	27,77%
YYY	400	400/1800	22,22%
ZZZ	900	900/1800	50%
Total	1800		100%

V - Financial operations

Article 32

The financial management of the Association encompasses tasks related to securing funding (the association's income), the flow of financial documentation, financial information, banking transactions and payments, reconciling account balances, financial planning, financial reporting, tax calculation and payment, contributions, and other fees, as well as payroll calculation and disbursement, all in accordance with the legal regulations governing this area.

Article 33

Business Funding

When performing the tasks outlined in Article 32 of this Rulebook, the employees of the Association are required to adhere to regulations in the field of financial management, the Law on Accounting, as well as other regulations, decisions, orders, and instructions governing this area.

Article 34

Revenues of the Association are:
- Membership fees;
- Voluntary contributions and donations from individuals and legal entities, both foreign and domestic, in cash, services, or property of any kind;
- Income from interest, dividends, capital gains, rents, fees, and similar sources of passive income;
- Revenue generated through the achievement of the Association's goals and activities, as specified in the Association's statute;
- From other legally permissible sources.

Only the Executive Director of the Association, by their decision or signature on a payment request, can approve all expenses related to membership fees and other income of the Association.

Article 35

The procedure of documentation flow
The procedure of documentation flow shall be set up as follows:

- Upon receipt, the document is received by the **administrato**r, who records it in the logbook in chronological order and then forwards it to the Executive Director or the Financial Director.
- Based on instructions or notes from the Executive Director or the Financial Director, the document is then filed in the central archive, and if necessary, a copy is made and stored in a separate file.
- Upon the employment of a new staff member, they are registered in the employee register, and their employee file is established, including a copy of their diploma, employment contract, work record book (where required), and registration with the Pension and Health Insurance Fund, which is then securely stored.

Article 36

The flow of financial information
The reporting procedure is established as follows
- **Administrative Officer** reports to the financial director and accountant upon receipt of the accounting documentation.
- The accountant reports to the financial director on completed financial transactions and the timeliness of accounting documentation.
- The financial director reports to the executive director.
- The accountant and administrative officer are
required to consult with the financial director.

Article 37

Bank transactions

Bank accounts for the implementation of program objectives may be opened in multiple banks. In the bank with which the Association operates, at least two signatures of authorized signatories are deposited. Every bank transaction must be approved and authorized by two individuals.
The executive director authorizes individuals to deposit their signatures. The executive director is authorized for all bank accounts.

Article 38

Bank Payment

No payment will be executed without appropriate approval from the executive director in the form of a signature on the invoice, proforma invoice, payment request, or instructions given to the financial director. The signature of the financial director or executive director must be on the page where the total amount of the invoice is stated.
The instruction to the bank for the transfer of funds for payment (request) and the cash payment order must have the signature of one authorized person and approval from the executive director, financial director, or project manager.
The external accounting department is responsible for maintaining the incoming invoice ledger, where they input basic information (invoice date, supplier name, invoice number, invoice amount).

Financial Officer - The financial officer fills out electronic payment orders for payments via bank accounts. When it comes to salary and contribution payments, it is necessary to provide the necessary documentation and salary specifications to the competent tax authority.

Article 39

Card transactions

The Association uses two types of business cards: cash and merchandise. Cash business cards are Association's cards tied to individuals used for paying expenses incurred during association operations. All staff members who possess a card and make payments are required to submit an invoice, a receipt, and a payment request to the Association's finance department. Merchandise cards are associated with official vehicles and are used for purchasing fuel. Upon each refueling, the employee is obligated to obtain a receipt/confirmation of refueling and submit it to the association's finance department. The finance department then compares the attached receipts/confirmations with the monthly invoices issued by the companies with which the association has fuel supply contracts.

Article 40

Cash transactions

Employees who use cash payments are required to provide a receipt for each expense incurred and to fill out a request for payment reimbursement. After submitting the receipt and having the payment request approved, the incurred expense is reimbursed by depositing the amount into the employee's bank account. The same procedure applies to the reimbursement of travel expenses for employees.

Article 41

Bank account reconciliations

Bank account reconciliations are performed at the end of each month, no later than the 15th of the following month, using accounting and bank statements for each account. Bank reconciliations will be carried out by the accountant and the financial director.

Article 42

Financial Planning

The preparation of financial plans involves the Director, the Financial Director, and project coordinators.
The financial plan is based on the needs of service users, potential users, and the mobilization of passive users of services.
As part of the agenda for the annual Association Assembly, the Association discusses and adopts the indicative financial plan for the current year.
The financial plan is based on the project budget. For the organization's management, the financial plan, along with the activity plan, serves as a guideline for achieving program goals.
The financial plan for the procurement of fixed assets is based on the approved budget from donors and needs. Before implementing the plan, it's essential to verify whether the allocated funds are available in the account to ensure the organization's financial sustainability.

Article 43

Financial Reporting

The basic criteria for financial statements are:
Understandability, Relevance, Materiality, Reliability, Faithful representation, Substance over form, Neutrality, Prudence, Completeness, Comparability, Timeliness.

Financial Reporting for the Association Assembly:
During the annual Association Assembly, the annual financial report is presented. The financial report should be presented before the statutory deadline for submission to state authorities so that there is enough time for corrections if decisions affecting changes to the balance sheet or income statement are made.
Financial reports represent the financial picture of past events, as they contain only the financial effects of business events that have occurred. Based on the information contained in financial reports, their users make decisions.

Financial reporting to donors is regulated by contract. The contract specifies the reporting technique and deadlines. Photocopied financial documentation may be included as an attachment to financial reports. Financial reports for different donors are prepared by the Project Manager or Financial Director of the Association.

Financial Statements to State Authorities:
In accordance with the Law on Accounting and Accounting Standard 1, the Association is obliged to prepare and present the following financial statements:
- Balance Sheet
- Income Statement
- Statement of Cash Flows

Financial statements are supplemented by accompanying notes that enhance understanding of financial information. Financial statements for state authorities are prepared and certified by an external accountant with their signature and stamp. Forms for preparing financial statements are prescribed by competent institutions. In addition to the above statements, the following forms are also submitted:
- Special data on salaries and the number of employees
- Statement of changes in capital
- Calculation of special water fees, membership fees for tourist associations, and membership fees for chambers of commerce.

According to the Law on Accounting, NGOs must submit financial statements at the end of the year (annual financial statement) by the end of February of the following year for the previous year.

Article 44

The responsibility for financial operations:

The Executive Director of the Association and the Financial Director are responsible for managing the funds in the accounts with the authorized payment organization, except when the management of funds in the account falls under the domain of another authorized person.
The Executive Director of the Association is responsible, through subordinates, for:
- Monitoring financial flows,
- Settling obligations within the agreed-upon deadlines by issuing orders or other payment instruments.

If the inability to supervise the activities outlined in this article is due to the fault of other individuals or departments, those individuals or the managers of those departments are responsible.

Article 45

The direct responsibility for financial operations lies with the employees directly performing the relevant tasks as follows:
- For conducting financial transactions through accounts, the responsible person assigned to these tasks (Executive Director / Financial Director).
- For untimely submission of payment orders to the authorized organization for conducting payment transactions, and for untimely payment of obligations by other means, the responsible person assigned to these tasks.
- The accountant is responsible for payroll calculation.
- If the responsible person receives a written order from the immediate supervisor or other superior authority to act contrary to the provisions of this Rulebook or regulations governing the financial operations of legal entities, they are not responsible for acting contrary to the provisions of this Rulebook or regulations. If these actions are repeated, the responsible person must inform the Executive Director of the Association in writing.
- Management officials responsible for the financial operations of the Association have the same responsibility as the Executive Director for actions taken, orders issued, document certification, and other matters when performing duties as deputies. The Executive Director of the Association cannot be held accountable for these actions.

(The "Responsibility Matrix" document lists the individuals responsible for signing and controlling various tasks. The Responsibility Matrix is an integral part of this Regulation.)

VI - Transitional and Final Provisions

Article 46

This Rulebook enters into force on Jan 01, 2021.

Article 51

This Rulebook shall be regularly updated to reflect current policies and procedures, and its amendments will be made in the manner and procedure for its adoption.

In Sarajevo, Dec 31, 2020

Number: 51-sa-20

Aleksandar Bundalo

Executive Director