

19. Financial Management Policy¹⁶⁸

Dharma Gate Buddhist College (hereinafter: the College), in consideration of the applicable church and state legislation, establishes the following Financial Management Policy:

1. Scope of the Regulation

1.1. This Policy applies to all organizational units defined in the College's Organizational and Operational Regulations (hereinafter: SZMSZ), to all individuals engaged with the College through employment, work-related, or church service relationships, as well as to students and to the activities outlined in Section 2.

2. Definitions and Interpretative Provisions

Within the scope of this Policy, the following terms shall be understood as defined below:

2.1. Financial management, financial activity: the rational, efficient, and task-proportional planning of the College's available revenues and expenditures, as well as the organization and implementation of budget execution. Furthermore, the classification, necessity assessment, and control of expenditures, the efficient and proper utilization of available assets, and the preservation and growth of the College's property.

2.2. Core activities: educational and research functions carried out by the College in accordance with the responsibilities and service obligations set forth in its Deed of Foundation.

2.3. Business activity: commercially conducted, profit-oriented activity performed for compensation, provided it does not compromise the execution of the core activities.

2.4. Right of signature, warranting, and commitment: the authority to make decisions and take actions within the scope of one's designated competence.

2.5. Commitment: any legal declaration that gives rise to a financial, invoicing, work-related, employment, or other obligation on behalf of the College, in particular:

- – mandate
- order and its confirmation
- delivery and business contract
- lease agreement
- commitment for a public-interest purpose
- issuance of a business trip order
- program funding agreement
- legal statement establishing, modifying, or terminating an employment relationship
- grant or funding agreement.

2.6. Countersignature: the process of verifying the authenticity of the signature, ensuring the availability of funds, and checking the legality and procedural correctness of the commitment or warranting.

2.7. Warranting: the authorization of expenditure, the collection of revenue, or the settlement of accounts.

2.8. Budget: a financial plan for the fiscal year that details the College's projected revenues and expenditures, broken down by source, legal title, and intended use.

2.9. Budgetary framework: a sum of money allocated in the budget from a specified source for a designated purpose, set aside as a separate item.

2.10. Decentralized framework: the portion of the budgetary framework over which designated College bodies have independent decision-making authority.

2.11. Data-Based Management Information System (AVIR): a parallel digital and paper-based record that fully documents the College's economic activities.

2.12. State funding: funds provided in accordance with the allocations specified in the state

budget. 2.13. Church funding: funds disbursed based on the allocations set forth in the church budget.

2.14. Grant income: all revenue obtained by the College through the submission of grant applications.

¹⁶⁸ Adopted by the Senate by Resolution No. 42/2017. (10.05.) dated 5 October 2017.

- 2.15. Revenue from core activity: all income earned by the College in the course of performing its core activities.
- 2.16. Revenue from business activity: all income derived from business activities.
- 2.17. Significant deviation from the budget: an amount exceeding 10 (ten) percent of the total budget or the main budget lines.
- 2.18. Personal salary supplement: a salary supplement granted on an individual basis at the discretion of the employer, from a budget allocated specifically for this purpose.

3. Principles of Financial Management

- 3.1. The College manages its finances based on the budget approved by the Maintaining Church and the Senate.
- 3.2. It performs its core activities within the limits set in the budget, and to the extent and quality defined by the available church and state funding.
- 3.3. Expenditures exceeding the funding may only be covered from its own revenue. In justified cases, commitments exceeding the funding or against yet unrealized revenues may be assumed from the reserve fund.
- 3.4. All revenues and expenditures of the College form part of the budget.
- 3.5. In the budget, the total revenue and total expenditure must each separately balance for both the core activities and the business activities.
- 3.6. The College's revenue and expenditure appropriations may be modified during the year within its own authority, with the consent of the Maintaining Body, provided that the modification does not result in a significant deviation in the total revenue and expenditure, and if the revenue or expenditure affects business activities, and it does not cause a financial deficit.
- 3.7. Any mid-year changes to the budget must be explained in the textual part of the annual financial report.
- 3.8. The Rector submits a supplementary budget to the Senate and the Church Council if a significant deviation appears in the total amount of the current budget.
- 3.9. Assets managed by the College may be sold or have liens or usufruct rights established on them only with the written consent of the asset owner and the College's Maintaining Body.
- 3.10. Initiating real estate purchase or disposal, as well as taking out loans, requires the written consent of the Maintaining Body. The College may take out loans only with the written approval of its Maintaining Body; it may not assume guarantees, issue or accept bills of exchange, nor engage in dubious financial transactions.
- 3.11. With the consent of the Senate and the approval of the Maintaining Body, the College may establish or participate in the establishment of foundations, public benefit foundations, and public benefit companies. With the agreement of the College, the Senate, and the Church Council, the College may assume obligations for payments related to tasks performed by foundations, public benefit foundations, or public benefit companies, and may transfer funds, provided this aligns with the College's duties, scope of activities, and the provisions of its Deed of Foundation.
- 3.12. With the agreement of the Maintaining Body and the Senate, the College may establish or participate in the establishment of a business company (where its liability does not exceed its capital contribution) and conduct business activities, provided this does not harm its interests, it aligns with the College's spirit, and supports its activities.
- 3.13. The College may support its own employees' and students' representative organizations, as well as organizations that assist its educational, research, cultural, social, and sports activities, with amounts approved in the budget.
- 3.14. The College's financial management is based on the principle of gross accounting; therefore, income cannot be recorded as a reduction of expenses or as reimbursement of previous expenditures.
- 3.15. Employees of the College are required to reimburse the College for the use of its resources and services in connection with non-College-related tasks.
- 3.16. The College's headquarters and sites may only be registered as the headquarters or premises of businesses, associations, or foundations with the written permission of the Maintaining Body and the Rector.

4. Responsibility, Authority, and Competence

- 4.1. The College's financial management activities are carried out by the Economic Director in agreement with the Rector.
- 4.2. The Economic Director manages the central budgets in accordance with the relevant legislation and the provisions of the Organizational and Operational Regulations (SZMSZ), in agreement with the Rector.
- 4.3. The allocation of decentralized budgets is decided by the budget holders in agreement with the Economic Director. In urgent situations, to address the College's financial or liquidity problems, the Rector and Economic Director may temporarily utilize the resources of units holding decentralized budgets, provided they adhere to legal regulations.
- 4.4. Decentralized financial frameworks:
1. normative support for students
 2. normative research funding

3. note and textbook support
 4. appropriations allocated for program financing
 5. housing support
 6. the portion of personnel benefits separated from the state normative funding
 7. the portion of the state normative funding allocated for business trips, conferences, and further training
 8. revenues and expenditures from business activities.
- 4.5. Before authorizing payments or commitments, the signatory must ensure that the necessary financial coverage is available.
- 4.6. Documents related to warranting and commitments must be submitted to the Economic Director for countersignature, who shall decide on their acceptance and executability within five working days of receipt.
- 4.7. Payment obligations may only be undertaken with deadlines that allow sufficient time for the completion of the task specified in Section 9.

5. Budget (financial plan)

5.1. The College must prepare the draft budget for the following year by **November 30** each year (SZMSZ), and then submit it to the Maintaining Body for approval. If the Maintaining Body does not raise a written objection to the submitted budget, it shall come into effect on January 1 of the given year.

5.2. When preparing the budget, it is necessary to plan all revenues and expenditures that

1. relate to the College's duties regardless of their source,
2. are mandated by law
3. are based on contracts or agreements
4. occur regularly based on experience
5. are expected occasionally or otherwise.

5.3. Revenue and expenditure appropriations in the budget must be presented according to their source, specified legal category, and by each financial unit.

5.3.1. Allocation of the budget by sources:

I. State funding:

All revenue received from Hungary's central budget through the Ministry responsible for education and the Hungarian State Treasury, credited from the Maintaining Body's account to the College's account, must be recorded as state funding.

II. Church (Maintaining Body) funding:

Funding provided by the Dharma Gate Buddhist Church.

III. Own revenue:

1. revenues from core activities
2. grant income
3. revenues from business activities
4. Other revenues.

When allocating state funding by financial unit, legal provisions must be fully observed, especially regarding funds that must be separately managed according to the legal titles specified in the applicable legislation.

Church funding must be used for the purposes defined by the Maintaining Body.

In the case of own revenues:

1. Revenue from core activities must be spent on the expenses of the core activities, the related tasks, and the improvement of the conditions for core activities;
2. In the case of grant income, 15% of the revenue, but no more than the amount permitted in the grant, must be allocated to the central fund;
3. In the case of business activities, 40% of the remaining amount after deducting expenses must be placed in the central reserve fund, while the remaining 60% is used by the business-performing financial unit according to its own provisions, as a decentralized framework;
4. Other revenues include all income that cannot be classified under the categories mentioned above.

Expenditures must be presented by financial unit, classified as follows, separately distinguishing core, grant-related, and business activities.

5.3.2. Classification of budget expenditures by their method of utilization:

A. Operating expenses

a) Personnel-related benefits:

When planning personnel-related benefits, the appropriate salary grades specified in the Organizational and Operational Regulations (SZMSZ) and the Employment Requirements System must be applied, taking into account the planned headcount and staff composition.

b) Employer contributions:

When planning employer contributions, legal regulations must be applied. c) Monetary benefits for students:

When planning monetary benefits for students, the relevant laws, the Organizational and Operational Regulations (SZMSZ), and its applicable annexes serve as guidelines.

d) Material expenses and expenditures:

Expenses defined under accounting and financial management regulations, which are necessary for ongoing operations.

e) Non-material expenses and expenditures:

Expenses defined under accounting and financial management regulations, which are necessary for ongoing operations.

f) Other operating expenses:

All operating expenses and expenditures not listed above, which relate to the College's prudent financial management and are classified under accounting and financial management regulations.

B. Capital expenditures

Investments and

renovations:

Expenditures and capitalizations may be classified as investments and renovations if they have been approved in the College's Institutional Development Strategy. All other asset acquisitions and renovation expenses related to the College's operations must be planned under material expenses. In the College's accounting, the classification of capital expenditures must comply with the definitions set forth in the Accounting Act.

5.4. The Economic Director shall notify in writing the financial units and the managers of decentralized frameworks about the financial limits approved by the Senate.

5.5. In the case of unplanned revenue, the head of the affected financial unit, in consultation with the Rector and the Economic Director, determines the method of utilizing the revenue based on the available documents.

6. Budget Execution

6.1. The Rector of the College is responsible for the execution of the College's budget in accordance with the provisions of the Organizational and Operational Regulations (SZMSZ). 6.2. To ensure the smooth execution of the budget, the College may maintain cash flow bank account(s) and foreign currency account(s) for managing its foreign currency assets.

6.3. The Economic Director exercises the authority over the accounts but may delegate it in whole or in part. The authority over the accounts and the individuals entitled to it must be determined to ensure the smooth operation of procedures.

6.4. The Rector is required to provide written quarterly reports to the Higher Education Committee on the utilization of budgetary allocations, no later than the 30th day of the month following the reporting period.

6.5. The College's petty cash fund handles cash transactions. Financial units may withdraw cash advances, subject to settlement obligations, to cover their minor expenses.

6.6. Cash transactions are regulated by the applicable Cash Handling Policy. (See: Annex 2)

6.7. The College disburses payments to students using cashless payment methods (bank transfers).

6.8. The College pays salaries to employees, officers, and those performing church service via cashless payment methods (bank transfers); upon individual request, payments can be made through the petty cash fund.

6.9. For uninterrupted cash flow, all employees must notify the Head of the Rector's Office of their bank account details or any changes to their personal information. All students are required to update the above changes in the student registry's "Neptun" system for the purpose of disbursing support payments. Any disadvantage resulting from failure to report these changes shall be borne by the notifier.

7. Supervision

7.1. The College's financial management must be audited in accordance with the Internal Audit Policy (Annex 5), which outlines the areas to be audited, methods, annual audit plan, and related details..

7.2. In addition to the provisions set forth in Section 7.1, it is the responsibility of the heads of the respective areas to regularly conduct managerial audits and document them.

8. Accounting and bookkeeping

The College must keep accounting (financial and bookkeeping) records of the assets it manages and its economic activities, ensuring that changes in assets and liabilities are accurately and continuously recorded within a closed system.

The Accounting Policy and its related parts, along with the Inventory and Disposal Regulations, provide detailed definitions of these rules and the established procedures.

9. Final and Transitional Provisions

9.1. The Economic Director, in agreement with the Rector, shall ensure the updating of this Financial Management Policy and its annexes in connection with the emergence of new legislation and amendments to existing laws. The Economic Director shall present the amendments to the College Council and the Senate at their next meetings for information.

9.2. In matters not regulated by this Policy, its annexes and the applicable state and church legislative provisions shall prevail. The College's Accounting Policy is contained in Annex 1, the Cash Handling, Warranting, and Commitment Policy in Annex 2, the Investment Policy in Annex 3, the Inventory Policy in Annex 4, the Internal Audit Policy in Annex 5, and the Domestic and Foreign Business Travel Policy in Annex 6.

9.3. This Policy shall enter into force upon approval by the Senate and shall form Annex 11 of Volume IV: Other Policies Requirements System (EKR) of the Dharma Gate Buddhist College Regulations. Simultaneously, the cover page of the Dharma Gate Buddhist College Regulations will be supplemented with the designation of Volume IV: Other Policies Requirements System (EKR), including "Annex 11: Financial Management Policy."

9.4 This Policy was adopted by the Senate by Resolution No. 42/2017 (10.05.) dated October 5, 2017, and came into force on October 6, 2017.

Dated in Budapest, October 5, 2017.

Ágnes Baranyai, Economic Director

János Jelen, Rector

Annexes:

Annex 1: Accounting Policy (including Document Control, Chart of Accounts, Account Order, etc.) Annex 2: Cash Handling, Warranting, and Commitment Policy

Annex 3: Investment Policy

Annex 4: Inventory Policy

Annex 5: Internal Audit Policy

Annex 6: Domestic and Foreign Business Travel Policy