

SEE Foundation

**Financial Management Requirements for Funded
Projects**

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I. SEE Foundation

SEE Foundation (hereinafter referred to as the Foundation) was established in 2008 under the initiation by SEE Conservation, with the mission of supporting and nurturing Chinese environmental NGOs and providing a platform for entrepreneurs, NGOs and the public to jointly engage in environmental protection and sustainable development.

SEE Conservation was established on June 5, 2004 as the first ecosystem protection NGO in China with a membership comprised mainly of entrepreneurs who are dedicated to practicing corporate social responsibility.

At the end of 2014, SEE Foundation became a public fundraising organization, working on the three main areas of desertification control, climate and business sustainability, as well as ecosystem conservation and nature education by facilitating the development of public benefit projects in environment. The Foundation has won such honors as a National Exemplary Social Organization from the Ministry of Civil Affairs, Beijing Social Organization Demonstration Base, China-Europe Green Award for the Ecological Transition, and the title of 5A Level Organization in China Social Organization Evaluation. SEE Foundation is one of the foundations with the highest level of transparency in China. It got full marks for the Foundation Transparency Index (FTI) launched by China Foundation Center, and its project expenditure ranked the highest among all the Beijing-based foundations that got full marks. To this day, the Foundation has officially launched several brand projects such as One Hundred Million Suosuo, Groundwater Conservation, Free Flying Wings, Blue Defenders, Green Supply Chains, Green Starters, Growing Up Together, Noah's Ark, Save the Smile of the Yangtze River and Conserving the Sanjiangyuan Region. It has provided direct or indirect support for the environmental efforts of nearly 700 Chinese NGOs or individuals with more than 700 million yuan of expenditure, and has inspired the public to get involved in environmental protection 530 million times. SEE Foundation expects to maximize the value of its social platform and inspire more and more people to participate in environmental protection, while securing the continued growth and optimization of resources from entrepreneurs and society for a better environment.

II. Financial Supervision

The Board of Supervisors is responsible for overseeing the fund management and audit work in SEE Foundation, including annual audit, special audit and audit concerning funded projects, etc. The Board holds regular meetings to discuss matters related to financial audit and internal supervision. It also monitors the implementation of internal control procedures by the Secretariat so that the Secretariat can effectively make evaluations and improve risk management measures, supervisory structure and management procedures. The Finance Department under the Secretariat is responsible for coordinating the audit work of the Foundation.

III. Financial Requirements concerning Funded Projects

As a public fundraising organization that accepts public donations, SEE Foundation implements stringent financial management and audit systems to improve its public accountability. Funded partners are expected to honor the principles and practices of the Foundation during project implementation, and to jointly safeguard the credibility of the Foundation.

The SEE Foundation Financial Management Handbook for Funded Projects (with budget included) (hereinafter referred to as **this Handbook**) is an important part of the agreements concerning funded projects, and is applicable to all projects funded by the Foundation (hereinafter referred to as the **funded projects**).

(I) Funded projects and agreements

1.1 Principles to be met by funded projects

- ① **Public benefit:** Benefiting all members of society or an unspecific majority of society.
 - ② **Not for profit:** The public benefit and charitable activities shall not be for the purpose of making profits or bringing economic benefits to people working in non-profit organizations (including directors, members, staff, etc.) or to companies associated with the non-profit organizations (including individual business, etc.); the proceeds from the aforesaid activities shall be used for public benefit and charitable projects instead of for distribution of dividends.
 - ③ **Open to public supervision:** Public benefit and charitable projects shall especially demonstrate transparency, fairness and standardization in project management, and shall be open to public supervision because a moral facet, such as moral awareness and social trust is contained in the donation,
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fundraising, volunteering and other related activities involved in the operation of these projects.

④ **Social benefit:** Public benefit and charitable projects shall generate greater social benefits than economic benefits.

1.2 Allocation of project funds

According to the *Gazette of the Fourth Meeting of the Fourth Council of SEE Foundation* ([2016] SEE Foundation Council, No. 005): Starting from 2017, SEE Foundation will implement quarterly allocation of funds to all projects with an annual budget of 300,000 yuan or above.

SEE Foundation shall, in accordance with the funding agreement and the agreed project budget, pay the project funds to the bank account specified in the funding agreement after confirmation on the eligibility of the project concerned. Under special circumstances, the Foundation shall confirm the method and amount of payment and then notify the funded partner **in writing**.

1.2.1 General provisions on the amount allocated for each installment:

① The funds allocated for the first installment shall be paid according to the amount agreed in the funding agreement.

② The amount of funds for the second and following installments shall be determined by SEE Foundation through consultation with the funded partner. The amount allocated for each installment shall be determined according to the progress of the funded project.

For a project with an implementation period of one or more years and a total budget of 300,000 yuan or above, funds shall be allocated on a quarterly basis.

For a project with an implementation period of less than one year and a total budget of 300,000 yuan or above, funds shall be allocated in **at least** two installments, with the balance no less than 20% of the total project budget.

For a project with a total budget of less than 300,000 yuan, **in principle**, funds shall be allocated in two installments, with the amount for the first installment no more than 80% of the total budget.

For a small-scale project with a total budget of 50,000 yuan or less, in principle, funds can be allocated on a one-time basis.

In the case of natural disasters, major public events and other similar emergencies that require a one-time allocation of funds, the allocation must be approved by the Secretary General of the Foundation.

③ The balance shall not be paid until after the mid-term implementation of the project concerned.

④ Where a funded project is audited, the actual amount of allocation shall be adjusted according to the audit report, monitoring report, etc.

1.2.2 General provisions on payment terms:

① The funded partner concerned shall submit the required materials according to the time specified in the agreement, and the corresponding funds will be paid after the project team has reviewed and confirmed the aforesaid materials.

② An audit shall be carried out for a project with a total budget of 500,000 yuan or above before the balance is paid.

1.2.3 Please refer to the *Operational Procedure Guidelines for Joint Public Benefit Projects and other documents for details* on the payment terms and amount of payment for each installment for such joint projects.

1.2.4 The following table is an example of the progress of funds allocation by SEE Foundation:

Installment	Estimated Time of Allocation (MM/YY)	Estimated Amount of Allocation (in Chinese yuan)	<u>Materials to be Submitted</u>
First installment		XX	1. Effective agreements; 2. Donation receipts (invoices); 3. Other materials.
Second installment		XX	1. Project progress report; 2. Financial progress report; 3. Donation receipts (invoices) 4. Other materials.
Third installment		XX	1. Project progress report; 2. Financial progress report; 3. Donation receipts (invoices); 4. Other materials.
Fourth installment		XX	1. Project progress report; 2. Financial progress report; 3. Donation receipts (invoices) 4. Financial audit report; 5. Other materials.
Total (in Chinese yuan)			XX

1.3 Project cycle

The cycle of a funded project shall **generally** start following the signing of the funding agreement.

In principle, the cycle of a funded project shall not start until the project concerned is approved, and the start date shall be determined according to the written email of the review.

1.4 Application for project extension

Where a funded project cannot be completed within the cycle originally planned due to external elements, the funded partner concerned shall submit a **written application** for extension to SEE Foundation, and obtain a written letter of approval from the Foundation.

The date of application for extension shall be **no later than one month** before the end of the original project cycle.

Note: A **Written Application** means the funded partner shall send a formal email of application for project extension to the work email address of the staff member of SEE Foundation who is the direct contact for the project concerned; the work email addresses of SEE Foundation have the following suffix: @see.org.cn. (the same below)

Generally, SEE Foundation shall give a written reply **within 15 working days** after receiving the aforesaid application, clearly stating whether it agrees or disagrees with the extension.

(II) Budget for funded projects

2.1 Principles of budgeting for funded projects

The budget shall be planned carefully to save money and avoid extravagance, in line with commonly accepted social order and practices.

The budget shall be aligned with the project proposal. The budget shall include the standard, unit price and calculation formula.

The salary of the staff shall be within the salary range of the same industry in the same region, and the workload of the project personnel in each project shall be calculated based on facts. The principles and methods of wage distribution shall be explained.

Where a project funded by SEE Foundation has additional sources of supporting funds, the funded partner concerned shall take the initiative and disclose the corresponding information to the Foundation.

The project funds **cannot be used** for non-project purposes such as sightseeing tours of employees, celebrations and annual meetings of the funded partners, or for supporting the business expenses of the

regular employees of SEE Foundation.

2.2 Changes in project budget

2.3.1 Basic principles for change of budget

① Where a funded partner needs to make changes to the budget during the implementation of a project, the funded partner shall notify SEE Foundation **in writing at least 15 working days (inclusive)** before making such changes, or **submit a written application** to the Foundation **no later than one month before the end of the project cycle.**

SEE Foundation shall give a written reply **within 15 working days** after receiving the corresponding email, stating that it has received the email, and that it agrees or disagrees with the changes, etc.

② Budget changes shall be made in the *Project Budget and Implementation Statement* or similar documents of the funded project. Details of changes shall be listed, signed off and stamped.

③ Regarding notification or application in writing, please refer to the description in paragraph 1.4: Application for Extension of Funded Projects.

④ A non-restricted funded project means that the spending of project funds is not restricted to a certain scope, as long as the relevant laws and regulations, as well as commonly accepted social order and practices are honored. However, **once** the budget is **confirmed and stamped** by SEE Foundation and the funded partner concerned, **the funds shall be used in strict accordance with the scope of spending agreed in the budget, and shall not be used beyond the aforesaid scope of spending without approval.**

⑤ Where a funded project is audited in the **mid-term implementation**, no budget changes shall be made during the audit period. However, applications for budget changes can be made.

⑥ Should a funded partner **make changes to the budget or use the funds beyond the budget without the written approval or knowledge by SEE Foundation**, the Foundation has the right to refuse to pay the remaining funds or to withdraw the funds involved in the aforesaid changes or overspending that are not officially approved.

2.3.2 Specifics concerning budget changes

The following table is a summary on budget changes:

Scope of Budget Changes	Action by Funded Partner	Reply by SEE Foundation
Changes within the authority of the funded partner	<u>Notify in writing to SEE</u> Foundation no later than one month before the end of the project cycle	Reply in writing that it has received the notification within 15 working days
Changes to be approved by SEE Foundation	Submit a written application to SEE Foundation no later than one month before the end of the project cycle	Reply in writing that it agrees or disagrees with the changes and the reasons within 15 working days

- ① Total budget: **The total amount cannot be increased**, and the part exceeding the total budget shall be borne by the funded partner concerned.
- ② Labor cost: **The total amount cannot be increased**. The labor cost for each position cannot be increased, but the personnel can be changed according to the work involved in a project. (Projects under Growing Up Together and Green Starters shall follow their corresponding requirements)
- ③ Project support cost: **The total amount cannot be increased**. The amount for each item and the categories can be changed, and SEE Foundation shall be notified about the changes. (Projects under Growing Up Together and Green Starters shall follow their corresponding requirements)
- ④ For changes of the budget amount for each project output, the funded partner concerned has the right to make changes within a range of 10% (inclusive), and shall notify SEE Foundation about the changes; for changes exceeding 10%, an application for budget changes shall be submitted to SEE Foundation for approval.
- ⑤ For changes of the budget amount for each project activity, the funded partner concerned has the right to make changes within a range of 20% (inclusive), and shall notify SEE Foundation about the changes; for changes exceeding 20%, an application for budget changes shall be submitted to SEE Foundation for approval.
- ⑥ A funded partner can change the budget items and amounts under each project activity according to the actual situation, and shall notify SEE Foundation about the changes.
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⑦ In principle, where a funded partner has not notified SEE Foundation about the part of expenditure beyond the budget (in terms of amount and category), this part of expenditure will not be recognized by the Foundation.

⑧ For changes in the project outputs and activities (excluding changes to the amount of budget), the funded partner concerned shall submit an application to SEE Foundation for approval.

⑨ SEE Foundation shall designate its personnel for the approval of the applications for project changes according to the approval authority for each project.

2.4 Execution of budget

① A funded partner shall fill in the amount that has been executed in the *Project Budget and Implementation Statement* or similar documents according to the actual expenses incurred during the implementation of the project concerned, and ensure the amount is authentic, complete and timely filled in; in principle, the amount executed shall be the amount recorded in the bookkeeping.

② Where there is no budget change, the budget amount is the amount confirmed at the signing of the funding agreement; where there is a budget change, the budget amount is the changed amount confirmed by SEE Foundation.

③ The part of amount executed beyond the total budget shall be borne by the funded partner itself; where the amount executed is less than the total budget, the total project expenditure shall be based on the total amount executed; the part of amount not executed according to the total budget will not be paid by SEE Foundation.

(III) Auditing and financial accounting of funded projects

3.1 Time of audit

① SEE Foundation reserves the right to audit all projects for which it has provided funding support, and the funded partners shall offer full support and cooperation. The audit of funded projects is mainly carried out by the financial personnel and project personnel of SEE Foundation, third-party accounting firms, and other intermediaries.

② Funded projects with an amount of 500,000 yuan or above shall be audited before the balance is paid.

For funded projects with an amount of less than 500,000 yuan, the project team of SEE Foundation will decide whether to conduct an audit before the balance is paid.

All funded projects (regardless of the amount) can be inspected and audited on a random basis in the mid-term implementation of projects, before the balance is paid, and after the project is concluded.

③ The Finance Department of SEE Foundation will conduct random inspections and audits of funded projects according to the specific situation.

④ Where a project in implementation is audited, the corresponding payment of funds will be made after the audit is completed.

3.2 SEE Foundation has the right to terminate the funding agreement and recover the project funds that have been allocated as appropriate in one of the following cases during project implementation:

① The funded partner concerned faces severe administrative penalties by government authorities for civil affairs, industry and commerce, taxation, environmental protection, etc. during project implementation.

② Project fraud or plagiarizing the results of other projects.

③ Severe financial fraud.

Financial fraud includes but is not limited to the following cases:

1) Forging and altering bills.

2) Falsely listing salaries, labor cost and other types of project expenses.

3) Selling and purchasing VAT invoices and including them in the account book.

4) The authenticity of the business cannot be verified according to the content of the bill.

④ Failing to use the special funds for special purposes, or maliciously appropriating the project funds.

Special funds for special purposes means the funded partner concerned can only use the project funds on the project agreed in the funding agreement and within the scope of spending listed in the project budget. The funded partner cannot use the funds for other project expenses, or **arbitrarily** expand the scope of spending.

⑤ The project beneficiaries are changed to the funded partner's directed donation recipients and interested persons.

3.3 Essential requirements for financial accounting

① Special accounting

A. Non-profit organizations shall use **the full name or abbreviation of the project agreed** in the funding agreement as the name of the “auxiliary account of project expenditure” or “accounting item” under the business activity cost (under management cost and other items in the case of companies and other organizations), and set up the corresponding “auxiliary account of project expenditure” or “accounting item” to account for the project expenditure of SEE Foundation.

B. For expense reimbursement, project personnel need to indicate the budget number in the reimbursement form (or similar record documents for review of project expenditure). During bookkeeping, the budget number listed in the reimbursement form shall be indicated in the summary of the accounting voucher. Please refer to the *Project Budget and Implementation Statement* for details of the budget number.

② Expenses shall be reimbursed on an event basis, and the summary of the accounting voucher shall also reflect this principle.

The expenses incurred by several specific events within a month can be summarized and reimbursed together on a one-time basis, but the expenses incurred by each specific event shall be separate from the expenses incurred by other specific events.

It is recommended that the expenses incurred by the same specific event be reflected in one reimbursement form (or similar record documents for review of project expenditure).

③ A sound and effective mechanism shall be established for review of expenditure.

④ The funded partner concerned shall have at least one person dealing with financial matters exclusively.

⑤ Tobacco, alcohol, gifts, luxury goods, leisure and entertainment-related expenses” cannot appear in the reimbursement.

⑥ The labor cost apportioned can be listed in the project expenditure for the regular employees of the organization, but these employees cannot receive labor fees in the project.

⑦ The salary sheet attached to the accounting voucher shall reflect the total salary of the employees in the organization, which shall be apportioned according to different projects.

⑧ For the fixed assets purchased with the funding support from SEE Foundation, the depreciation of the fixed assets can no longer be listed in the project expenditure of the Foundation.

⑨ Legal and valid bills shall be made available for reimbursement.

⑩ **Amount limits for internal source documents:** No more than 2% of the total budget for a project with a total budget of 300,000 yuan or less; no more than 1% of the total budget for a project with a total budget of more than 300,000 yuan.

3.4 Recommendations for financial compliance

① Pay the expenses incurred during project implementation through institutional bank accounts.

② Keep a copy of the laborer's identification card, contact information and other information in the payment of labor fees (including expert fees).

③ Indicate the places travelled to and from for gasoline invoice, taxi fare, etc.; attach the itinerary if there is one.

④ Business travel and travel subsidies:

A. SEE Foundation provides its funded partners with travel subsidies as a way to pay for the food expenses incurred in activities such as business trips and surveys.

B. Where the catering expenses are covered by the host in the case of training sessions, seminars, forums and other activities, the funded partners can no longer receive travel subsidies during their participation in the aforesaid activities. However, travel subsidies will be provided for the days of travelling to and from the aforesaid occasions.

C. Documents concerning approval of a business trip, transportation expenses, accommodation expenses, etc. shall be attached to the accounting voucher for the payment of travel subsidies.

⑤ The accommodation invoice needs to be accompanied by a day-to-day account of the accommodation expenses. If the day-to-day slip cannot be printed, a handwritten slip affixed with the hotel's invoice seal or official seal shall be provided.

⑥ Documents concerning meeting arrangements, minutes, sign-in forms, etc. shall be attached to the accounting voucher for the reimbursement of meeting fees.

⑦ Indicate the person, time, event and expenses incurred in the reimbursement record; expenses shall

be reimbursed on an event basis.

For other matters, please refer to the PowerPoint document released by SEE Foundation that provides financial training for funded partners.

3.5 Target and standard of auditing

- ① The audit will target all materials related to the funded projects, including financial records and non-financial records such as project activity outputs.
- ② The financial audit will be conducted in accordance with this Handbook, the corresponding national accounting laws and regulations, tax laws and regulations, etc.
- ③ Project audit (project evaluation) will be conducted mainly according to the content of the project proposal.

3.6 Auditing results

After completing the audit and before issuing the final audit report, SEE Foundation will communicate with the funded partner concerned. The latter can provide additional materials in response to the problems identified in the first draft of the report.

SEE Foundation will decide whether to revise the audit report based on the additional materials provided by the funded partner.

SEE Foundation has the right to terminate the funding agreement, stop the allocation of funds, revoke all donations, and require the funded partner to return all the donor contributions, should the funded partner be found with the following behaviors through the audit:

- ① The funded partner uses the donor contributions for non-project purposes and other activities that are inconsistent with the description and budget of the funded project.
 - ② The funded partner fails to start to implement the project funded by SEE Foundation within the time agreed, or is slow at making progress with the project, or seriously deviates from the project plan due to its own problems.
 - ③ The funded partner changes the project framework, project plan, project budget and implementation plan without the approval of SEE Foundation, causing major impact on the project and failures in achieving the project goals and expected results.
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④ The funded partner subcontracts the project funded by SEE Foundation without the approval of the Foundation (which means the funded partner transfers the main part of the project to a third party for implementation); the funded partner accepts funding from a third party or accepts loans for the funded project concerned.

⑤ The funded partner submits project reports, financial reports and source documents containing false information, and refuses to provide support for the financial audit.

SEE Foundation has the right to terminate the funding agreement, stop the allocation of funds, and require the funded partner to return the remaining funds that have been allocated (the funds that have been used by the funded partner in line with the project agreement and the budget are not to be recovered), should the funded partner be found with the following behaviors through the audit:

① The funded partner uses the donor contributions for non-project purposes and other activities that are inconsistent with the description and budget of the funded project.

② SEE Foundation believes that the project implemented by the funded partner does not meet the description in the project application form and cannot achieve the expected results.

③ The funded partner fails to suspend a project activity within the specified time despite such a request made by SEE Foundation for the purpose of preventing this activity from posing an adverse impact on the rights and interests of the Foundation.

④ Through consultation, the two parties believe that it is no longer meaningful to continue to implement the funded project because of changes of circumstances.

⑤ The project cannot be continued due to force majeure.

(IV) Management of surplus project funds

The surplus funds, if there are any, belong to SEE Foundation. The funded partner concerned shall return the surplus funds to the Foundation within the time specified by the Foundation.

With a written approval from SEE Foundation, the funded partner can use the surplus funds for the continuation of the project concerned or for the related matters specified by the Foundation.

The right to interpret this Financial Management Handbook shall reside with SEE Foundation. This Handbook becomes effective on the date of its issuance.

SEE Foundation Finance Department

June 1, 2020
