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Budgeting Policy and Procedures
at Central University of Europe LLC

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Article 1. Purpose of the Document

The purpose of Budgeting Policy and Procedures Document of Central University of Europe is to describe the key requirements and activities related to budget development and monitoring, the parties involved and their rights and responsibilities, along with accompanying standard forms.

Article 2. Scope of Application

This document is to be used by all structural units of the Central University of Europe in the processes of budgeting, monitoring, and revision.

Article 3. General Approaches

The budget is the primary financial document of the University, ensuring the effective management of financial processes. For this reason, particular importance is attached to proper budget planning, preparation, monitoring, and correction when necessary. Financial management at the Central University of Europe entails the effective and efficient use of all resources in order to achieve the University's mission. Funds must be allocated judiciously to finance activities that promote educational and scientific endeavors, student services, and the overall effective functioning of the University. The budget must not be prepared in isolation from the University's strategy nor directed solely toward short-term objectives. It should be understood as part of a long-term process — an annual milestone that, over time, will bring the University closer to the realization of its long-term strategic plan.

Financial management at the Central University of Europe implies not only achieving desired outcomes, but achieving them through the optimal use of resources. Accordingly, sound planning of the budgeting process is a prerequisite for the effective management of the University's financial resources, which in turn determines the University's success and enables it to fulfill its educational mission more effectively.

Article 4. Purpose of the Budgeting Procedure

The purpose of budgeting is to ensure the successful functioning and development of the Central University of Europe both in the current period and in the future, while simultaneously fostering the enhancement of the University's competitiveness through the development of effective mechanisms for managing financial, operational, and human resources.

Article 5. Core Functions of Budget Preparation

1. Allocation of the financial resources of Central University of Europe;
2. Analysis and assessment of key financial and economic indicators;
3. Assignment of responsibility and authority to faculties and other structural units;
4. Control.

Article 6. Structure of the Budget System

The budget system consists of the following structural elements:

1. A set of indicators, plans, and budgets;
2. Principles, stages, and procedures for budget formation;
3. Monitoring of plan and budget execution (management and financial accounting);
4. Standard procedures and decision-making mechanisms.

Article 7. Parties Responsible for and Involved in the Procedures

In the processes of budget preparation, determination of revenues and expenditures, monitoring, and reporting, the faculties, auxiliary services provided for in the structure, and other structural units of the Central University of Europe are involved alongside University leadership and the relevant departments as the implementing parties. All parties must be well acquainted with and take into account the University's strategy:

- The Rector, together with the Vice-Rectors, is responsible for the financial management of the University, the proper formation of the budget, and the monitoring of subsequent process implementation.
- The Financial Service is responsible for the proper conduct of budgetary processes, the preparation of the previous financial year's report¹, and the analysis of that year's budget execution (which budget items were revised, what necessitated the revision, and why a particular revenue or expenditure could not be accounted for during the initial budgeting process), as well as for the formation, monitoring, and administration of the consolidated budget. The Financial Service must ensure the preparation of the draft budget through coordinated work with the respective structural units.
- Faculty Deans must ensure the formation of their faculty's budget and subsequently analyze and share it with relevant stakeholders.
- Structural units of the University are responsible for planning, within their level of authority, the activities to be carried out during the new budget year, and for determining expenditure limits and norms within reasonable bounds accordingly.
- It is important that, throughout the budget formation process, both students and academic staff are kept informed and engaged in the monitoring process.

¹ Financial year — one academic year (the totality of academic semesters)

Stakeholders participating in the budgeting process must have a clear understanding of the University's financial and strategic plans, the degree to which these are aligned with one another, and the impact that a well-planned budget will have on the University's development.

Article 8. Decentralized Budget Management System

The decentralized management system of Central University of Europe is built upon a decentralized model of financial management. Within the budgeting process, every structural unit of the University is empowered to independently determine the types and volumes of expenditures for the following year within pre-established financial limits and in accordance with its authority and obligations. Accordingly, these units also bear responsibility for the decisions taken and the effectiveness of the work they have undertaken.

Article 9. Core Principles of Budget Formation

1. **The Principle of Unity** offers a systemic nature and coherence: methodological approaches to budget plan formation, budgets at all levels and reports thereon, the regulatory framework, management, and financial accounting.
2. **The Principle of Process Continuity** encompasses the continuity of the strategic planning process on a periodic basis.
3. **The Principle of Flexibility:** planning is adjusted in accordance with changing conditions.
4. **The Principle of Realism** encompasses the formation of indicators, plans, and budgets defined by specific, fixed external and internal conditions governing the University's operations.
5. **The Principle of Distribution of Responsibility** implies the consolidation of responsibility at the individual management level of the University for the formation and execution of activity results, indicators, plans, and budgets.

Article 10. Timelines for Budgeting Procedures

- The process of planning the budget for the following year begins no later than September 1 of the current year.
- The decentralized, consolidated budget — agreed upon and analyzed with leadership and all departments, and publicly discussed — is approved on the last working day of the current year.

Article 11. Budget Development Process

1. For the effectiveness of the budget, its proper planning, control, analysis, and regulation are essential. Accordingly, the budget development process is divided into several key stages.

2. The budget development process consists of the following stages:

- Preparation of the Previous Financial Year's Budget Execution Report. Within one month of the commencement of the budgeting planning process, the Financial Service prepares the budget execution report for the previous financial year. Budget items are compared against actual execution, profit and loss is calculated, parameters are summarized for each structural unit and sent for review. The final indicators and the report reflecting the outcomes are submitted to the Rector;
- Preparatory Stage: At a budget meeting, the Financial Service hears from the Rector, Vice-Rectors, and Faculty Deans regarding their development priorities and future prospects, in order to ensure that the draft budget accurately reflects the University's mission and the goals and objectives predetermined for the upcoming budget year. At the same time, all their decisions must be discussed and developed in connection with the University's expenditures and strategic development plan;
- Preparation of Draft Budgets by Structural Units and Faculties: A unified universal form — with line items identical to those of the central budget (in accordance with Appendix No. 2), further broken down by individual programs for the purpose of calculating net financial results (Appendix No. 1) — is sent to the faculties. Other structural units submit to the Financial Service in written form the volumes of revenues (where applicable) and required expenditures, with a description and justification of planned activities. The written format allows them to provide additional explanations, which serves as a mechanism for the Financial Service to more precisely determine which budget line item each item belongs to during the consolidation process. From October 1, all structural units — on the basis of analyzed data — begin working on the draft budget using the form developed by the Financial Service. Faculties are required to examine revenue and expenditure line items in detail at the program level and to record them in the appropriate budget lines as needed. Auxiliary services and academic-scientific research centers are required to study the general market situation — by contacting specific goods producers or service providers regarding expected price changes, or, if a new type of service is required, by clarifying the possible costs involved — and only thereafter calculate a realistic estimate of the planned activities' costs;
- Formation of the Consolidated Draft Budget: From November 1, draft budgets prepared by the various structural units are submitted to the Financial Service, which analyzes in detail the revenues and expenditures submitted by faculties and departments. Where any line item requires additional clarification or justification, the Financial Service seeks clarification with the relevant parties, so as to prevent deficiencies during budget assessment — situations where revenues are not adequately estimated, or expenditures are overstated — which would compel periodic review and correction of budget execution, as well as mandatory expenditure cuts;
- Revenue Verification: The Financial Service calculates projected revenue benchmarks for the coming year based on the submitted data. The University's main funding sources are:

1. State educational grants allocated to students, taking into account the number of newly enrolled students. In the second half of the year, revenues under this line item will be revised in light of actual data.
2. Revenue from fee-paying tuition.
3. Grants issued by the state under social programs. The Head of the Financial Service assesses the realistic prospect of receiving such revenues and, where the preconditions for receiving these funds exist, records them in the revenue section of the budget.

It is also important to clarify, both with the Rector and Vice-Rectors as well as with individual structural units, whether any other non-educational revenues are planned — such as the publication of a paid journal, organizing conferences, opening preparatory courses, etc. — so that both the revenue and the expenditure portions of the budget accurately reflect the costs required for these activities, thereby enabling a realistic assessment of their effectiveness;

- Expenditure Verification: Since the largest portion of the annual budget of Central University of Europe is consumed by salary costs, the accurate forecasting of payroll expenditures is of particular importance in order to avoid unexpected financial difficulties during the year. The Human Resources Management and Administration Service prepares a consolidated list of all occupied and vacant positions, indicating their hourly remuneration, working hours, and salary. In addition to payroll costs, planning of operating expenditures is also important, with the following factors to be considered: (a) prices of goods and services change; (b) the University's consumption levels change (utilities, office operational costs, etc.), as do costs required for the provision of the educational process; (c) capitalized expenditures are increasing; (d) activities are planned for both students and academic staff; (e) advertising expenditures arise. The Financial Service, through individual meetings and discussions with each structural unit, agrees upon the required expenditures and revenues to be recorded in the budget.
- It is mandatory that the budget also reflects non-operating expenditures: bank loans, insurance costs, and tax expenditures. Additionally, the budget must include a line item for unforeseen expenditures, which shall not be less than 2.5% of total revenues;
- Comparative Analysis: During the budget preparation process, it is important to conduct a comparative analysis of the previous year's actual figures against the draft budget line items. The Financial Service must provide a reasoned explanation for expected changes in both the revenue and expenditure sections;
- Draft Budget Review: The draft budget, agreed upon with all faculties and departments, is submitted to the Rector (Vice-Rectors will have already reviewed it). Where corrections are necessary, amendments are made;
- Public Discussion: It is advisable for the Financial Service prior to approval, to present the draft budget for the upcoming year to the University community (academic staff, students, administrative and support personnel) and, to the extent possible, to take into account the

recommendations and comments they raise. The finalized draft budget is then to be approved as the financial plan for the coming year in the form of Appendix No. 2.

Article 12. Budget Monitoring Procedures

The next stage of the budget cycle is the control (monitoring) of consolidated budget execution.

Budget execution control (monitoring) is based on four core principles:

1. The Temporal Principle establishes that budget execution control is conducted multiple times and periodically at defined reporting intervals on the basis of information provision.
2. The Objectivity Principle sets out the requirements for systematic and comprehensive information provision, on the basis of which budget execution control is carried out. The prerequisite for the completeness of the system's information provision is accurate bookkeeping.
3. The Comparability Principle requires that tables presented across various accounting dimensions and budget reporting be comparable both with prior periods and with actual data.
4. The Accountability Principle is the principle of personal responsibility, within the competences defined by regulations, of faculty heads and heads of other structural units for the formation, approval, and subsequent execution of the budget.

The purpose of budget monitoring is to establish a logical structure of formal and/or informal procedures that ensures the analysis and assessment of the effectiveness of managing the University's resources, expenditures, and obligations throughout the budget period. Monitoring may be carried out at every stage of the budgetary process — preparation, review, approval, execution, control, and reporting. Monitoring is applied to both the revenue and expenditure portions of the budget, and different types of budget monitoring may be conducted.

Rules for Budget Execution Monitoring:

- Arising from the nature of the decentralized budget and the core principles of budget execution control (periodicity and accountability), monitoring of current indicators must necessarily take place at lower hierarchical levels, with the aim of achieving the best possible budget execution results through timely correction.
- The Financial Service systematically ensures the analysis of consolidated budget line items on the basis of defined indicators throughout the entire budget period, and — together with faculty leadership and other structural unit heads — resolves issues arising during the monitoring process. The Rector is directly informed of matters requiring a final decision, and directives for correction also originate from the Rector.
- The Financial Service ensures the Rector's full awareness of the execution of individual budget line items and submits recommendations to the Rector regarding the need for correction.

- Based on information submitted by the Financial Service, the Rector, together with the Vice-Rectors, assesses the financial situation and issues instructions for the Financial Service to justify the necessity of budget correction through direct consultations with the parties involved in the operation. Following this, in accordance with the University's legal acts, the matter of budget correction is reviewed by the Governing Board, which issues recommendations, and the budget line items subject to correction are submitted to the University President for approval.


Article 13. Correction Process

There are a range of external and internal factors that affect the University's financial indicators on a daily basis; however, the budget is, as a rule, approved for the academic year. It is therefore updated on an ongoing basis in accordance with the specific procedure approved by the University, but no more than three times over the course of an academic year. The need for correction should only arise in the case of significant changes, such as: a shortfall in incoming cash flows compared to the plan — which creates the need to review expenditures in a timely manner or to identify new financial resources — or a structural change, and so forth.

The procedure for budget corrections mirrors that of the budget development process. Corrections follow the same stages through a decentralized scheme, during which all issues that necessitated the correction are examined and analyzed. A line item for "unforeseen expenditures" is also provided for in the budget for use in such cases.

The final decision on the necessity of correction is made and the corrected budget is approved by the University President.

Central University of Europe LLC					
					<i>Appendix N1</i>

						
2021 Operating Financial Results by Major Educational Unit						
Basic educational unit:			Faculty of Social Sciences, Business, and Law			
Educational program	Level	Average annual contingent size	Income	Expense	Financial result	Appendix
Bachelor's Programme in Business Administration	Bachelor's					
Bachelor's Programme in Economics	Bachelor's					
Bachelor's Programme in Tourism	Bachelor's					
Master's Programme in Finance	Master's					
Master's Programme in Accounting and Audit	Master's					
Doctoral Programme in Economics	Doctoral					
Total		0	GEL	GEL	GEL	GEL

The financial plan package for the planned year of the Central University of Europe LLC looks like the following:

Appendix N2

Annual Financial Plan of the Central University of Europe LLC by Major Structural Units	Core Educational Unit
	Faculty (includes programmes)

Title of Revenue and Expenditure	Amount	Budget Article
Revenue		
Revenue from educational activities		1
Local and international grants		2
Interest income		3
Other revenue		4
Expenditure		
Salary (total)		5
Remuneration of academic and invited personnel (by programme)		5.1
Administrative personnel (by faculty, namely: Dean, Deputy Dean, managers, programme directors, heads of practice centres)		5.2
Academic and administrative bonus/supplement/incentive		5.3
Professional development of academic and administrative personnel		6
Professional development of academic personnel (by programme)		6.1
Professional development of administrative personnel		6.2
Business travel/mission		6.3
Student and academic personnel activities		7
Organisation of local and international scientific conferences (by respective institutes)		7.1
Internationalisation/international relations		7.2
Funding and support of scientific-research activities (by respective institutes — including journal publication costs)		7.3
Scholarship programmes (by programme)		7.4
Career support activities for students and graduates		7.5
Student conferences/olympiads (by faculty)		7.6
Student cultural, sports, and educational events		7.7
Other student activities		7.8

Student self-government		7.9
Provision of the educational process		8
Lease/rental (medicine campus)		8.1
Utility expenses		8.2
Communication expenses		8.3
Programme accreditation/authorisation expenses		8.4
Expenses for the improvement of the electronic management system of the educational process		8.5
Consumable materials for the educational process		8.6
Curation/professional practice		8.7
Training centre for innovative teaching methods		8.8
Advertising activities		9
Advertising on social media and mass media		9.1
Advertising supplies/inventory		9.2
Other advertising (exhibitions, presentations)		9.3
University image-building events		9.4
Attraction and organisation of international students		9.5
Loan financial servicing		10
Loan principal		10.1
Loan interest		10.2
Capitalised expenditure		11
Land		11.1
University campus		11.2
Infrastructure projects (elevator/adaptation)		11.3
Laboratory/practice centre expenses (by programme)		11.4
Re-equipment of material and technical base		11.5

Library fund (books and electronic databases — by programme)		11.6
Historical and archaeological museum		11.7
Other administrative expenses		12
One-time service contracts		12.1
Property insurance		12.2
Leasing expenses (vehicle)		12.3
Representation expenses		12.4
Office operational/household expenses		12.5
Audit services		12.6
Bank commission		12.7
Tax expenses (property tax, land tax)		12.8
Translation expenses		12.9
Vehicle operational expenses		12.10
Public registry and notary service expenses		12.11
Cartridge recharging and restoration expenses		12.12
Stationery expenses		12.13
Sanitary and hygiene expenses		12.14
Other unforeseen expenses		12.15
Financial Result		

Financial Service