1. INTRODUCTION

1.1 The financial policy of AFFIRMATION contains the general guidelines and control parameters established for all processes and procedures involving financial and accounting transactions granted by the Charter and Bylaws. This also includes compliance with tax and regulatory bodies in every country where AFFIRMATION is organized.

1.2 This policy also directly applies to all AFFIRMATION partners and third parties such as financial intermediaries (e.g., accountants, bookkeepers, auditing services and suppliers of goods and related services (e.g., meeting venues, catering services, event planners). AFFIRMATION has the direct responsibility to improve and ensure the sound financial management of the organization by conscientious involvement in the contracting, performance, regulation, monitoring, and evaluation of its partners and third party vendors.

1.3 This financial policy outlines specific guidelines for the reception, administration, and use of funds; budgetary and accounting management; tax management; and the duties of AFFIRMATION leaders in executing this policy.

1.4 Revisions of this policy will be incorporated as needed following established protocol involving AFFIRMATION Finance Committee approval and a majority vote of approval by the Board of Directors.

1.5 This policy complies with global responsibility guidelines and controls the financial administration and operations at every level: international (Executive Committee/Board of Directors/Executive Director/Treasurer/other executive staff), areas, regions/countries, and chapters.

2. STATEMENT OF PRINCIPLES

2.1 AFFIRMATION bases its financial management on the foundational principles of honesty, transparency, suitability, fairness, and good stewardship. AFFIRMATION focuses on the efficient administration of the funds we receive. Responsible financial management allows for growth of both activities and chapters.
2.2 Everyone involved in the management of the financial affairs of AFFIRMATION, both employees and volunteer leaders, applies principles of good judgement, loyalty, prudence, diligence, responsibility, continuous improvement, and common sense in the performance of their duties.

3. FRAMEWORK

3.1 General Framework for every governing body in AFFIRMATION including the International Board of Directors, areas, regions/countries, and chapters:

3.1.1 Comply with the charter and bylaws of AFFIRMATION: LGBTQ Mormons, Families & Friends. Respectfully base financial actions on: a) the rights of those who are part of the organization, b) the interest of the organization, and c) a direction that follows AFFIRMATION’s strategic plan.

3.1.2 Apply the principle of honesty when carrying out financial management processes. For example, make sensible choices that not only maximize AFFIRMATION’s financial interests, but also follow legal and ethical guidelines.

3.1.3 Understand that honesty guards against manipulation and distortion of the ethical financial management required for the efficient use of funds.

3.1.4 Actively promote transparency in all aspects of financial management (e.g., processes, policies, criteria and conditions for the use of AFFIRMATION funds). Actively disseminate financial information to the leaders and members of AFFIRMATION according to Charter and Bylaws requirements.

3.1.5 Facilitate transparency throughout the different stages of financial processes: analysis, evaluation, budget allocation, and use of funds. Establish a Finance Committee, clear rules, and metrics to ensure the accomplishment of what the funds and resources were given for.

3.1.6 In good faith, all leaders in AFFIRMATION (international, area, regions/countries, and chapters) make decisions and develop action plans without hidden agendas or conflict of interests that demean the reputation of the organization.

3.1.7 “Good faith” is not interpreted as ignorance, incompetence, or naivety. If a chapter needs guidance in financial matters, regional/country presidencies should assist. Area Committees, the Finance Committee, the Executive Committee, and the Executive Director are resources to countries and regions throughout the world.

3.1.8 Decisions on the use of finances are based on the best available information available. Decisions for the allocation of funds rely on experience, intention, and on the firm conviction that such decisions favor AFFIRMATION and its organized regions/countries and chapters.

3.1.9 Ensure all financial operations and processes that occur in each country comply with legal regulations.

3.1.10 Apply a comprehensive risk approach in financial management. This includes a timely identification and systematic evaluation of threats as well as the control and management of risks.
3.1.11 All funds are controlled by boundaries so that the risk exposure levels are within the tolerance limits defined by the Board of Directors and Executive Director.

See Appendix A “FINANCIAL BOUNDARIES FOR AFFIRMATION” for an example of financial boundaries in place for the executive staff and board of AFFIRMATION.

3.1.12 Ensure that AFFIRMATION International, areas, regional/country, and chapters develop financial management plans that apply the guidelines established by AFFIRMATION’s Finance Committee for the prevention of corruption, fraud, and money laundering (SARLAFT, SARO). These policies become fundamental in the use of external resources mainly in Mexico, Columbia, Brazil, and Peru.

3.1.13 Segregate (both functionally and in the accounting systems) financial activity that may generate a conflict of interest or influence the accuracy and transparency of the financial process. For example, the person receiving funds and writing checks for operational expenses should not be the same person who does the accounting. In addition, the activities of control, risk management, bookkeeping, monitoring of controls, and access to financial resources are carried out by different people. This minimizes the risks of: a) not detecting errors, b) appropriation of unauthorized funds, and c) cover-up of personal favoritism.

3.1.14 Have procedures in place for the creation, authorization, and control of financial processes. Officers in AFFIRMATION International, regions/countries, or chapters with creation and authorization powers can delegate these tasks to another person in leadership as long as it does not generate a conflict of interest or create a deficiency that could lead to error or fraud. Officers in AFFIRMATION International, regions/countries, and chapters retain the powers of financial control at all times. Financial control cannot be delegated.

3.1.15 Ensure that all employees and volunteers who have financial duties know the roles and responsibilities of their job description. Officers in AFFIRMATION will provide training and updates involving the execution of employee and volunteer financial functions.

3.1.16 Accept the review and approval process put in place by AFFIRMATION International for the use of funds.

3.1.17 Create and adhere to criteria for prudent and conservative spending.

3.1.18 Establish procedures that allow monitoring, analysis, and control of finances in a timely, efficient, and regularly occurring manner that are in compliance with the policies in this document.

3.1.19 Periodically evaluate financial management and results. Inform the Executive Director and the Finance Committee of the results of the evaluation.

3.1.20 Ensure the implementation of integrated management systems, processes, protocols, and other tools that ensure compliance with this policy. For example, tools such as manuals, procedures, policies outlining financial management and responsibilities are continuously reviewed, updated, and published for use throughout the organization.
3.1.21 Make pertinent recommendations and inform the Board of Directors and Executive Director via Area Committees of the need to review one or more guidelines in this document.

3.2 Specific Framework for every governing body in AFFIRMATION including the International Board of Directors, regions/countries, and chapters:

3.2.1 Design and implement how you will create a budget taking into account financial projections for the upcoming year. Budget creation must take into account projected income, costs and expenses, as well as investments.

   3.2.1.1 This budget is reported in advance of the upcoming year. Each chapter, region/country, affinity group, the Board of Directors, and Executive Director will report their budget to the Finance Committee before OCTOBER 31 of each year.

   3.2.1.2 The Executive Director, Finance Committee, and Board of Directors follow up on the budget every month.

   3.2.1.3 Any financial disbursement made must be supported with payment receipts within 60 days, or else the disbursement will be refunded back into AFFIRMATION’s general funds.

   3.2.1.4 The power to exceed a budget item is laid out in Appendix A, “FINANCIAL BOUNDARIES FOR AFFIRMATION.”

3.2.2 The annual budgeting horizon is for one year, between January 1 and December 31. Other horizons may be implemented for planning purposes according to the needs of specific projects and requirements. A special emphasis should be given to three year horizons such as the strategic plan (which is updated annually) that will forecast projected growth needs. The responsibility to generate an annual budget lies in the entity needing operational funds: regional chapters, local chapters, and affinity groups. The creation of the budget that finances the management of AFFIRMATION International rests with the Executive Director and Finance Committee, approved by the full board of AFFIRMATION.

3.2.3 The estimation of income from grants, donations, registration, membership dues, and financial investment returns is made in a conservative way. Additionally, costs and expenses are projected in a prudent and reasonable manner concerning approved activities, operations, and projects.

3.2.4 The carefully crafted initial annual budget for annual operations is submitted for approval by the Finance Committee (of which the Executive Director is a member). Once approved, it becomes part of AFFIRMATION’s comprehensive budget. This comprehensive budget is then reviewed by the Executive Committee and the full Board of Directors and requires majority approval by the Board.

3.2.5 A submitted budget must elaborate what the manageable cost and expenses are and how they relate to the planning of activities, including long term activities that span multiple one year budget horizons. Examples of this are long term activities that fulfil AFFIRMATION’s strategic plan, which has a three year horizon. A submitted budget must be expressed in both local currency and in US dollars.
3.2.6 The Finance Committee should be informed of fixed expenses and non-negotiable costs such as taxes, financial expenses, expenses due to the international exchange rate, etc., which ultimately affect the budget.

3.2.7 Each submitted budget is placed in AFFIRMATION’s comprehensive budget and subject to approval by the Executive Committee and the Board of Directors no later than its last board meeting of the year, before the annual closing.

3.2.8 The Finance Committee (of which the Executive Director is a member) carries out monthly monitoring of budget execution, analyzing any variables in order to identify differences and investigate the cause of discrepancies. They will inform the President of AFFIRMATION of their monthly findings, who then has a duty to report or cause to be reported the status of the organization’s budget and operating expenses at each regular board meeting and each annual conference.

A budget execution report is sent monthly by each Affinity Group, Region, Chapter within AFFIRMATION, (including the Executive Director who accounts for the budget for AFFIRMATION International’s operations) to the Finance Committee. Any adjustments that are expected to be made to the initial budget with the corresponding justification must be included in this monthly report in writing.

3.2.9 Recognize that the budget is a dynamic tool that allows the realization of transfers and modifications, according to the needs within AFFIRMATION. This is all done through established specific financial policies and boundaries. For a model of financial policies and boundaries, see Appendix A “FINANCIAL BOUNDARIES FOR AFFIRMATION.”

3.2.10 Evaluate alternative funding measures apart from receiving funds from AFFIRMATION International. This includes the availability of resources generated internally through sustainable projects that have the support of government or non-profit organizations related to the project you need funding for (e.g., human rights or suicide prevention).

3.2.11 Adopt a conservative risk profile. In other words, plan cost effective, quality activities in accordance with your cash flow. The activities developed must be in accordance with AFFIRMATION’s objectives.

3.2.12 Carry out procedures for the purchase of goods and services and track such purchases to control spending within budgetary allowances. Ensure that purchases follow approved financial procedures that follow sound fiscal practices.

3.2.13 For accounting management, establish the conventions, rules, and specific practices adopted for the purposes of preparing and submitting financial reports in accordance with IFRS (Latin America/Spain/United Kingdom/Canada) and US GAAP for the United States of America. If you need help doing this, please contact the Finance Committee. This management includes the following:

3.2.13.1 Ensure uniformity in the preparation and presentation of financial reports from one year to the next to allow comparability of data. Any variation in the preparation and presentation from year to year should be recorded in the notes of the financial reports. These financial reports are
prepared by every organization within AFFIRMATION that has a budget, including the Executive Director who reports for AFFIRMATION International.

3.2.13.2 Financial reports contain a description of all transactions grouped according to their nature and amount. It is important that descriptions of transactions are based on the accounting guidelines generated by uniform accounting practices.

3.2.13.3 Financial information is generated under uniform accounting practices defined by the Finance Committee, the Board of Directors, and the Executive Director. Financial information should be arranged to show the current financial position, results, and changes in any assets. The information provided should be useful to support AFFIRMATION in planning, organization, management, decisions, activities, and future budgets. This information will also help AFFIRMATION International evaluate the benefits and social impact of its programs and activities throughout the organization.

3.2.13.4 Each region/country will prepare their financial reports (considering as well their chapters within the region) that must be sent to the Finance Committee within 5 days after the close of each month. These reports need to also contain an explanation of any variations from the budget from the past month.

3.2.13.5 Financial information is prepared and submitted using basic accounting rules that measures, classifies, records, interprets, analyzes, evaluates and reports the operations of AFFIRMATION in a clear, complete, and consistent manner.

3.2.14 Main rules to observe:

3.2.14.1 Accrual/Causation: The date of transactions and other financial events are recognized when they occur. Likewise, they are recorded and reported in the financial reports in the years which they are related.

3.2.14.2 Continuity: Financial reports are presented on the basis that AFFIRMATION will continue its activities within the foreseeable future. If there is an intention to reduce or terminate the budgeted organization within AFFIRMATION, financial reports would be prepared on a different basis. If this will occur, please contact the Finance Committee for instructions how to report this event.

3.2.14.3 Classification: Assets are classified according to their liquidity and degree of realization. Liabilities will always be short term, unless an exception requires long-term sustainable financing. Such long term liabilities are only authorized by the Board of Directors and are the responsibility of the Board of Directors and the Executive Committee.

3.2.14.4 Registration: Financial transactions and events are recorded in an accounting system (Such as QuickBooks), using the double entry system. Operations are recorded chronologically and any errors or omissions must be corrected on the date on which they are detected.
3.2.14.5 Disclosure: Financial reports are to contain all the information necessary for an adequate interpretation of economic facts and allow leaders to monitor and evaluate their finances and report the progress of plans and projects.

3.2.14.6 Events after closing: Information learned after the closing date and before the issuance of the financial statements is important and should be recorded in the period the events occurred.

3.2.14.7 Accounting period: Annual financial statements are prepared and disseminated once a year, with the cut-off date of December 31. Interim financial statements are presented monthly to the Board of Directors.

3.2.15 In the development of accounting and financial activity, apply basic rules to make the information specific and useful. Financial information has the following characteristics:

3.2.15.1 Comprehensibility: The information provided in the financial report is easy to understand for users. However, information about complex issues is not to be excluded just because it may be considered too difficult for some people to understand.

3.2.15.2 Relevance: The information is relevant when it influences the financial decisions of the users, helping them to evaluate past, present, or future events or to correct previous evaluations. To assess the relevance of an item, decide if the information has material importance. An item has material importance when its omission or erroneous presentation can influence financial leaders who rely on the financial statements to make decisions.

3.2.15.3 Reliability: The information is reliable when it is free from material error, bias, or prejudice and users can trust that it is a true image of what it claims to represent. Reliable information a) faithfully represents the transactions and other events its intends to represent, b) presents the economic essence of facts, c) is free from bias or prejudice, d) is included with a certain degree of caution when making judgements necessary to make required estimates under conditions of uncertainty in such a way that assets and income are not overvalued and the obligations or expenses are not undervalued, e) is complete within limits of relative importance and cost, and f) shows information on the preceding years so the users can compare information over time and identify trends in the financial situation and performance.

3.2.16 In tax management matters, AFFIRMATION:

3.2.16.1 Ensures compliance with regulations and applicable fiscal requirements applicable in each of the specific countries it is organized in. AFFIRMATION: LGBTQ Mormons, Families & Friends is a registered non-profit in the United States of America and the financial information for the entire organization will be received and prepared according to the guidelines of the organization and the laws/regulations required for non-profit corporations in the United States of America.

3.2.16.2 All tax returns are filed and settled promptly and appropriately.
3.2.16.3 The Executive Director is to anticipate the possible tax liabilities that a certain transaction may have, in order to evaluate its viability and analyze its impact in search of strategies that allow optimizing the tax burden. These are reported to the Finance Committee and, to the extent of their importance, to the Executive Committee and Board of Directors.

3.2.17 Management of the reporting requirements and the Economic and Financial Policy

3.2.17.1 The management of this Economic and Financial Policy in each budgeted organization (AFFIRMATION International, areas, region/countries, chapters, and affinity groups) as well as the monitoring, control, and continual improvements of this policy will be the responsibility of the Finance Committee. The Finance Committee will meet at least monthly to discharge this duty.

3.2.17.2 Every budgeted organization within AFFIRMATION is responsible for the implementation and compliance with this policy. Any breach will require the immediate intervention of the Finance Committee and Executive Director.

3.2.17.3 Employees and volunteer officers who oversee finances are responsible for compliance with the duties and obligations set forth in the policy.

4. VALIDITY OF THE ECONOMIC AND FINANCIAL POLICY

4.1 The guidelines included in this policy are in force on the date of its approval by the Board of Directors. This policy was approved by the Board of Directors on 9/9/2018 and officially updated 4/7/2019.

4.2 Changes and improvements will be made to this policy on occasion which will go into effect when such changes are approved by the Board of Directors.
Appendix A

FINANCIAL BOUNDARIES FOR AFFIRMATION

Executive Director

1. No authority to encumber the organization beyond available funds
2. No authority to overspend any individual budget category
3. No authority to transfer budget between budget categories; or funds between funding categories
4. No authority to communicate budgets expectations outside of the Board Approved Budget
5. No authority to approve encumbrances/expenditures in excess of US$1,000
6. Authority to manage the current year budget within approved funding categories
7. Authority to manage bookkeeping processes and tax forms preparation
8. Authority to develop the coming year budget

Finance Committee

1. No authority to encumber the organization beyond available funds
2. No authority to exceed Board Approved Budget
3. Authority to recommend transfer of budget between budget categories
4. Authority to recommend transfer of funds between funding categories
5. No authority to communicate budgets expectations outside of the Board Approved Budget
6. No authority to approve encumbrances/expenditures in excess of US$2,500

Executive Committee

1. No authority to encumber the organization beyond available funds
2. No authority to exceed Board Approved Budget
3. No authority to communicate budgets expectations outside of the Board Approved Budget
4. No authority to approve encumbrances/expenditures in excess of US$4,000

Board of Directors

1. No authority to encumber the organization beyond available funds
2. Authority to approve Annual Budget
3. Authority to approve organization financial strategies
4. Authority to approve organization reserve funds usage
5. Authority to approve all expenditures, transfers of budget and of funds
Treasurer

1. Authority to receive and deposit all income to the organization’s bank accounts
2. Authority to transfer funds between funding categories as approved by the Board
3. Authority to pay approved expenditures within available budget funds
4. Authority as Controller to request EC/Board review of any proposed encumbrance/expenditure
5. Authority as Controller to report directly to the EC regarding the integrity and appropriateness of all financial transactions
6. Authority to review and file tax forms on behalf of the organization

Account Sign-in Authority

1. President, Treasurer, Finance Committee Chair, and Executive Director