**Time Line- New Financial Information Systems & Processes**

**Agree budget approval and authority and policy update for expenses**

**What is visible?**

**Q 1 Report with**

**Keep Thunderbird stuff pretty simple:**

**Invoicing, contract, paying**

**Refinement and changes are coming and will let them know**

**Keep separate grant information for Thunderbird fundraising**

**Cobble it together and –End of day THURSDAY**

**Directors trained by end of June and have a phased approach**

**Use a trial basis with Angela and another person with a non-financial person**

**Ruzanna**

**Kalpana and Angela are the main recipients of the new processes and them roll out to the VPS’ other people for end of Q2**

**Draft talking points**

**Train Kalpana on all aspects and create talking points for the grant manager or project lead. Ie what info I need, why and how it will benefit everyone**

**Literacy piece; ie what info do Directors need;**

**Send out to Directors to know if they will want the info; work with the Comms manager**

**Goals of upleveling of the Directors Group and integrate with my plans**

**Executive team interview of issues in the past and help for future**

**Going into the plan and finance and admin goals and map back to the Goals**

**Do the goals reflect with what we are busy with**

**Literacy piece needs to be a mini plan**

***Detailed Budget by Grant in Adaptive & Excel***

* This has been completed in Adaptive, Excel and Intact.
* Currently Adaptive reports are very basic and the mapping is not exactly what we want; Joel to fix
* Need to create the reports in the format we want.
* Meeting Joel March 1, so should be able to create better reports by March 4th

***Review budgets with VP’s and Grant Managers***

* By third week in March
* Pamela to review with Ruzanna and Kalpana
* Kalpana to review with Grant Managers

***Update the Accounting/Financial Manual***

* Before training sessions have started (second week in March)
* Adaptive Processes
* E-Sign process
* Specific situational policies
* Contact information
* Operational processes
* Decision tree mapped out
* Grant funding processes (with Kalpana)
* Budget process
* Standard modelling templates for expense estimation
* Role and responsibilities including outside advisors (legal, financial etc)
* 990 Overview and data needed
* Income Tax overview for the Operations team

***Set up financial training for managers***

* Second week in March; 45 minutes
* Send out info package in advance
  + Relevant financial statements
  + Info included below this timeline
* VP Review (David, Chris, Angela)
  + Consolidated Review of Financials
  + Analysis and what it means
  + Forecast Understanding
  + The responsibilities of the day to day managers (listed next)
* Expense Management (probably 2 sessions)
  + What reports they will be receiving or will be available for them to pull themselves
  + How to read/understand the reports
  + What the analysis means
  + What information will be needed from them to make accurate forecasting
  + What they should be looking for when reviewing
  + What the times lines are and why they are important
  + Attendees
    - Sam D
    - Brett
    - Kaitlin
    - An-Me
    - Dan
    - Amira
    - Melissa
    - Laura
    - Erika
    - Lindsey

***Determine frequency of reviews and forecasting***

* Second week in March
* Kalpana to review and suggest timing and frequency
* Will be dependent on:
  + Size of grant
  + Spending trend of grant
  + Reporting deadlines

***End results expected***

* Departmental forecast by Grant
* Forecast by Grant
* VP review of results

***Responsibilities***

* Timeline to be mapped out monthly
* Setting hard close periods-Pamela
* Rolling forward Prior month forecasts to new one-Pamela
* Reviewing Actuals and identifying errors-Grant Managers
* Reviewing forecast Details and identifying needed changes-Grant Managers & Kalpana OR Ruzanna, or Pamela (will depend on availability, need, knowledge)
* Updating Grant forecasts & providing analytics for new data-Ruzanna OR Pamela OR Kalpana
* Updating forecast for Operation budget & providing analytics for new data-Alex
* Running updated forecasts and sending them out or making them available-Pamela

It’s hard to manage a business without understanding the financial information behind the business.

Why it’s needed:

* Greater clarity in understanding the financial aspects of the responsible areas
* Better accuracy when data is reviewed by people who are actually controlling the financial
* Swifter decision making
* Tool for planning
* Increased knowledge of decisions that are made

Buy in

* The proposed process will need to be fully understood by the Leadership team so that they can weigh in on their ability to agree to be part of it and also so that they commit to supporting it

Agreement

* We all need agreement on the process and that it is a good process. If not it’s not, it’s a waste of time

Deliverables

* Map out what is needed as a deliverable on all steps of the process so people understand what they are committing to

Visibility

* Greater understanding on their budgets
* Better decision making
* Issue spotting

Ownership

Accuracy

* The more defined the process and stuck with the better the accuracy becomes
* The more review the better chance to find errors

Integrity

1. Financial Plan
   * Build detailed budgets with as much detail possible
   * Have the budgets reviewed by the VP’s and signed off on
   * Monthly and year to date reports with analysis
   * Updated financials based on up to date data
   * Forecasting system is used
   * Reports are automatically generated and emailed
   * Finance and VP meet every month (2?) to review latest forecasts and to get any further knowledge
   * Need to build grant reports as needed by the funder and uses our budgets

**Terminology:**

**Board Approved Budget:**

This is the budget that has been presented to, and approved of, of the Board of Directors. There is the only budget. This is usually prepared well in advance of the fiscal year end and so may not be up to date when the fiscal year starts. –Need to know when the board will need to be involved in financial variances. Otherwise will need to assume they are fine with internal changes as long as we meet our targets

**Forecasts:**

Forecasts are estimates of where the manager anticipates the financial outcomes will be up until a certain date. Forecasts use budget amounts, actual incurred expenses, anticipated expenses and sometime just plain old guesses. The overall principle is that the overall impact of the budget should remain the same unless there is known that there will be realized changes.

There are usually 12 Forecasts done in a year and they build upon each other. This is what the board calls a waterfall.

F0 - Forecast 0

This starts with the budget and then is modified with data that has changed since the board approved. The overall Net position should remain unchanged from the original budget but internal changes are expected.

F1 – Forecast 1

This forecast is done only when the January financials are closed. The process is:

1. Run P&L by month with the first month being January actual results and the following months being F0.
2. Using this data, estimates and changes for the next 11 months can be made, giving an overall expected position for year end. As it is early in the year, most numbers are “plugged” to balance to the F0, just pushed into the upcoming months.
3. This data is now the F1 forecast

F2 – Forecast 2

Exact same as F1, with the difference that there are now 2 months of actuals and 10 months of estimates.

|  |  |  |  |
| --- | --- | --- | --- |
| **What numbers are included in the forecast versions?** | | | |
| **Forecast Version** | **Actual Results** | **Forecasted Results** | **Notes** |
| F0 |  | Budget + changes |  |
| F1 | January | Feb-Dec | Unless large changes to F0 are actualized, generally the Forecast versions are balanced to the overall original net result from B |
| F2 | Jan & Feb | Mar-Dec |
| F3 | Jan, Feb, Mar | April - Dec |
| F4 | Jan, Feb, Mar, April | May -Dec |
| F5 | Jan, Feb, Mar, April, May | June - Dec |
| F6 | J,F,M,J,A,M,J | July-Dec |
| F7 | J,F,M,J,A,M,J, J | Aug-Dec | From this point onwards, forecasts should show what the expected end result is, regardless of how different it is from Budget |
| F8 | J,F,M,J,A,M,J, J, A | Sept-Dec |
| F9 | J,F,M,J,A,M,J, J, A, S | Oct - Dec |
| F10 | J,F,M,J,A,M,J, J, A, S, O | Nov - Dec |
| F11 | J,F,M,J,A,M,J, J, A, S, O, N | Dec |
| Financial Report |  |  | No F12 is prepared |

**Books closed/Month End:** Financial term that refers to fact that no more entries will be recorded in the financial system for the month. The numbers are final. Any changes after this will need to be entered for the next month.

**Accrual:** Financial term that is used when a cost is incurred, is known, but has not yet been invoiced to us. The estimated amount will be “accrued” so that the expense is included in the correct month. As Mozilla Foundation doesn’t produce quarterly public financials, this is more important at year end. Accruals are only done if the amount is material.

**Materiality:** Basically, does an amount matter? If it’s excluded, will it change the results to any extent that you care about? If the answer is no, than it’s *“not material*”. If it would change your decisions, then it would matter so it would be considered *“material”*.

Actual Process:

1. Alex posts all the invoices, expenses and payroll to Intact. This happens during the month.
2. Alex records revenues monthly, generally at the end of the month.
3. At month end, Alex will only accrue an expense if it is material
4. On a predetermined date, the books are closed and the results are considered final.
5. Reports are created with the ytd actuals being compared to the ytd budget
6. The current forecast version is created
7. Pamela will review for large variances and provide explanations for each variance if its material
8. The reports will be distributed to the managers.
9. A meeting between pamela and the managers will happen to review the results and to discuss any needed changes
10. Pamela monetizes the changes and updates the forecast
11. The forecast is sent out to the managers

What will the success depend on?

* Understanding of the reports-keep them simple
* Using the reports-make them useful for the audience
* Accurate Data-make them reliable

What do I need to make this a success?

* Commitment to the process
* Input into the process

**Report levels and anticipated reports**

* Board of Directors
  + Quarterly, High Level
  + P&L
  + B vs F vs A
  + Restricted and non restricted split
  + Net assets and forecasted net assets
* Mark
* VP’s
  + Bi-Monthly? (monthly would be too much I think)
  + By Grant
  + B vs F vs A
  + By Department?
  + Restricted vs non restricted?
* Grant Managers
  + Grant P&L
  + Variance analysis
  + B vs F vs A