

# COURSE INFORMATION

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# Course coverage

- Intro, concepts, benchmarking the size of finance 00:00
- Ethics 00:20
- Challenges to your organizations 1:21
- Role 1:25
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- Government funding & other fundraising 1:53
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- Changing jobs in the sector 2:56
- Improving financial reporting 3:23
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- Financial reporting case 3:51
- Auditors & accountants 4:44
- Technology & system tips 5:01
- Board of Directors, mergers & partnerships 5:18
- Creative, outside the box thinking 5:28
- KPIs - a different take 6:24

# Case

- There is a Case that will be used during the course, at the end of this handout.

# Note about electronic material

- We suggest you print the case, as it is easier to read and make notes on it
- You have the option of **printing the slides** and taking notes during the video, or **taking electronic notes**
- If you print, we suggest you make sure you print the material large enough to take notes on it
- We **cannot provide conclusive instructions on how to take electronic notes** in the pdf file on each registrant's device, because of the wide ranges of combinations of pdf software that registrants may have, in addition to platforms, i.e. MAC or PC, tablet, etc.

# ***PRACTICAL TIPS FOR NOT-FOR-PROFIT FINANCIAL LEADERS***

[www.practicalpd.com](http://www.practicalpd.com)

Stephen Priddle, CPA, CA, CMA  
VP, Finance & CFO & Secretary  
SureWx Inc.  
spriddle@bell.net

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**PRACTICAL**  

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**PD**

# Introduction

- Welcome to all, including non-CPAs
- I know PD courses are yawners, but we can't help it
- I am not a smooth speaker, bear with me...

# Your background

- You may be employed by an NFP
- You may advise or audit or consult to NFPs
- You may be a volunteer associated with an NFP

# All my live seminars/webinars have an opportunity to win prizes

- So what are we going to do in this video course?
- Send me an email after the course, with useful feedback, a joke, or a good question, and you will be put in a draw to win a prize...
- [spriddle@bell.net](mailto:spriddle@bell.net)







**Where am I?**



**THERE WILL BE A FEW SLIDES  
FOR THIS PROVINCE ONLY!**

# Watch this any way you want

- Exercising, reclining, sitting, standing, but not driving, unless audio only

# In my live courses

- I do some funny, get-to-know you introductions
- I will share a few here and there, for laughs

# My background

- I advise many \_\_\_\_\_ and \_\_\_\_\_!

# My NPO experience

- Years of auditing NPOs, all kinds

# My NPO experience

- Years of auditing NPOs, all kinds
- Years of advising NPOs on finances
- Long-time treasurer, hockey NPO
- Volunteer Principal, Vice-Principal, NPO co-op school
- Employee of NPO and contractor to NPO
- Volunteer, many NPOs, (non-finance)
- Involved with many charities, doing fundraising

# My NPO experience

- Helping my wife who is becoming a volunteer charity bookkeeper
- NPO boards (sitting on, or speaking at)
- NPO committee involvement
- Have worked on setting up an NPO charity
- Five years, senior ft position, government sector, effectively an NPO
- Also worked in 4 federal government departments
- Have worked on many government funding submissions





**I have written 100s and 100s of  
published cases**

- Including many, about NPOs/charities



# **My business career**



# **Volunteering in the charity world**

# At major airports around the world

My employer:

**SureWx Inc.**

Enhanced airline winter operations:

- Less cancellations
- Less delays
- Environmental benefits
- Greater safety

**MBO December 2015**





**My unpaid “CFO” job...family  
business**

# Introduction

- Not advertised as covering technical NPO financial accounting or NPO/charity laws
- The handout is not intended to be a reference book
- Fill in the blanks will help you stay \_\_\_\_\_, (I will send you a filled in version if you contact me [spriddle@bell.net](mailto:spriddle@bell.net))
- Some of my slides are deliberately not in your handout

# You are all so diverse

- You have so many different objectives
- Some are primarily government-funded
- Some have a lot of user fees, some have none
- Some are primarily donation-funded
- Some are member organizations
- All businesses, have customers, try to make a profit, but you are more different
- So some tips will not apply to you

# Course comment

- This course has some common content with my **Practical Tips for Controllers & CFOs** course, adapted for NPOs, over 9,000 have taken that course



# Notes

- This course is not **Practical Tips for Governments Accountants** but if you are from there, you will get something out of it (this is one of my other courses)
- There will be some business-oriented tips for NPOs
- I am not criticizing NPOs for not having strong processes and controls, it is hard when small

# Key points

- Apply tips by analogy if your organization is different, get inspired to create your own related tip
- I will give you ideas: you will need figure out if they apply and then implement them
- E-mail me if you have questions

# Reminder

- Lots of tips here also apply in principle to businesses
- You may work again for a business
- You may have a business day job and volunteer in the NFP sector, so you can use the tips

# Notes

- Jokes? I will make fun of...
- Opinions expressed in this course, are strictly those of the presenter

# More

- Will share mini case studies from my career to illustrate the points
- Create a \_\_\_\_\_list from the course
- I will mention some of my other courses which may be of interest to you

# A bench-marking survey that may interest you

- First survey: finance heads/total heads
- Definition of finance heads
- \_\_\_\_overall average
- (Business \_\_\_\_% from my other course)
- Tell your boss if you are \_\_\_\_ than average

# Note

- More measurement of finance in my **Practical Brainstorming – Top Ten Trouble Spots and Other Useful Topics**, including finance performance measurement

# In this session

There will be an emphasis on:

- Creative thinking for different solutions
- (Creative thinking how to tips, late in the course)
- BIG TIP: Control what happens, put it in \_\_\_\_\_ first, don't wait for the other party
- Also do this for your boss, have the solution ready in writing



# Let's talk about ethics

- Is ethics just an issue for business, not NPOs?
- Not just an issue out there for others, may impact you
- Some examples



# Examples

# Let's talk about ethics

- My first business ethics decision at age 19...



# Ethics Resource Centre

- “Conduct that violates the law or an organization’s standards is on the rise, and ....nonprofit violations have reached levels comparable to business and government organizations”
- “Financial fraud is higher in nonprofit organizations than it is in business or government..”
- (National Nonprofit Ethics Survey)



**A charity I donated to, but I found  
this out later (independent report  
to Board made public )**

# Notes

- If a charity/NPO Executive Director/President is acting like they own it, there is something wrong, there is no concept of ownership for an NPO/charity
- Only a business founder/entrepreneur can act like this...
- I have observed a number charity founders passionate for a cause, lose their way in later years...
- Or they pass on, and the org is run by professional managers, who are not as passionate about the cause....



**It is surprising how few people  
know about this**

# Results from polling questions in live sessions

You have faced an ethical issue in relation to work or consulting or auditing and NFP or charity?



# Note

- In my course, **Practical Tips for Controllers & CFOs**, a survey of thousands shows that about \_\_\_ of CPAs have had to quit a job, or drop a client for ethical reasons...
- This means they gave up salary or client income, for ethical reasons...

# Ethics

- Almost every problem can be traced to a lack of \_\_\_\_\_
- Maintain strong \_\_\_\_\_ standards in all your work
- Taking a new position and then finding out the boss or the organization is \_\_\_\_\_ is not good!
- Research the organization first
- If all seems OK, make your position on \_\_\_\_\_ during the interview, avoid \_\_\_\_\_
- You can't work anywhere....but that is OK
- Suppose your ethical boss is replaced by one who isn't?

# Examples

- The first month end at the new job
- The move out west with the family to take a new job...

# Your options if boss/org is crooked

- Go to \_\_\_\_
- Lose your \_\_\_\_
- \_\_\_\_ and then you have some \_\_\_\_ issues
- Keep \_\_\_\_ and maybe you never get \_\_\_\_, but your \_\_\_\_ bothers you....
- None of these are good \_\_\_\_



# Research



# Interview question

# Other interview situations

- The public company
- A software company

# Interview for CFO job of US public company

What is important to you?

Ethics





# A CFO job interview – very large NPO

- They couldn't give clear answers to some questions
- Everything was a little strange
- His "gut" told him not to work there
- He told them "I think you will have to hire someone else, I am not the right guy for the job"
- The organization was .....

# Ethics - pressure

- In a situation, think about being in \_\_\_\_\_ in \_\_\_\_\_ or in \_\_\_\_\_
- You may want to call a CPA ethics advisor
- Take a \_\_\_\_\_, what are the legal implications?
- Also, watch out for people trying to rip NPO's off

# Ethics and personal finances

- Make doing the \_\_\_\_\_, by maintaining \_\_\_\_\_
- You don't want to think you have to choose between \_\_\_\_\_, and \_\_\_\_\_
- I am \_\_\_\_\_, but it has paid off
- A CFO's strategy to \_\_\_\_\_ his accountants to get his way

# Ethics – financial trouble

- Suppose you experience financial trouble due to your ethics stand?
- I have heard of two CMAs who...
- A member reported one CPA body will help you financially
- I surveyed all 10 CPA bodies
- Results: \_\_\_\_\_
- Lesson: it would be worth \_\_\_\_\_



**More stories I have heard**



**Listen carefully, some CPAs  
haven't**

# Rules of Professional Conduct

## Quebec

***34. A member shall not sign, prepare, produce or even associate his name with any letter, attestation, opinion, report, statement, representation, financial statement or other document, which he knows, or should know, contains false or misleading information, out of complacency or without ensuring that such documents are in compliance with good practices or current scientific knowledge.***

# Question

- Since oral is not mentioned in the Quebec 34, does that mean a Quebec CPA can say whatever they want?





# Question

- Do you think lawyers are less ethical than accountants?

# Are lawyers ethical?

- CPA Quebec, 45,000 members and students, \_\_\_ **disciplinary notices**, Jan 1-May 22, 2020 \_\_\_%
- Law Society of Upper Canada, about 50,000 members, \_\_\_ **disciplinary notices**, Jan 1-May 22, 2020 \_\_\_%
- \_\_\_ more times conduct/ethical issues!

# Ethics - comments

- If you tell the \_\_\_\_, you don't have to remember what you said
- You don't have to sweat when \_\_\_\_ calls for an audit
- My belief and experience:
  - Do the right thing, and then don't worry...
  - Honesty and integrity result in \_\_\_\_\_ (long run)

# We accountants are often expected to be the ethical “police”

- We are the “cops” of the organization...
- Find the unethical behaviour
- Be the arbiter of unethical behaviour
- In most of my (good) employers, they say “if Steve says it is OK, then it must be OK...”

# Back-dating

- Back-dating can be an ethically challenging area

# Back-dating

- Can be anything from serious fraud...
- To 100% legitimate
- You need to think clearly in this area, and may need legal advice

# Serious fraud

- The government says for transactions entered into after January 1, 2022, they will be treated differently
- You can't \_\_\_\_\_

# Another example

- You employer as a tenant has been in the premises since November 1 and the landlord has not got around to getting the lease done yet yet
- You \_\_\_\_\_
- 100% normal and legitimate



# Wood business

If you don't  
charge me the  
GST...



# Interesting

- Someone once said, I use the password: \_\_\_\_\_  
....to remind me

# Sidelight

- I am unhappy about something I recently found out
- An accounting fraudster who was stealing from an NPO, took the business version of this course with me, where he was paying me to teach him about ethics, but he didn't listen!
- He is now in \_\_\_\_!

# The course the guy offers (from jail)



# Ethics mini case 1 from real life

- You are the accountant for a small NPO that has members
- The NPO has a “volunteer” Executive Director
- You have found that the Executive Director has created a paid role for himself (cleaning contract) and members don’t know about it
- The Executive Director has deferred the annual meeting of members for two years in a row
- What do you do? \_\_\_\_\_
- \_\_\_\_\_(too small to have whistleblower line or committees of the Board)



# **Ethics mini case 1 from real life**

# The boss/colleague who is tempted

- Sometimes you can \_\_\_\_\_ them
- “This is why we can’t do this and these are all the \_\_\_\_\_ of doing what you suggested”
- “You will never \_\_\_ in the end, going this way”, eventually, people will \_\_\_\_\_, the \_\_\_\_\_ will catch it”
- “Let’s always take the ethical “\_\_\_\_\_”

# A story

- Owner won't pay royalty he agreed in court to pay
- CFO keeps insisting it be paid
- The owner throws \_\_\_\_\_
- Owner finally says, "I \_\_\_ and \_\_\_\_\_ you because of your \_\_\_\_\_, I will pay it!"
- Deep down, they know it is best to be surrounded \_\_\_\_\_ people



# An ethics dilemma for me recently with respect to this course!

- *...Hi there,*

*I am wondering whether it would be possible to make arrangements at attend Tips For Not-For-Profit Financial Leaders session next Wednesday, that you're facilitating? CPA \_\_\_\_ PD department was not willing to (let me register past the deadline),. I'd be happy to .... pay fees directly to you.*

*Could you please advise whether this would be possible?*

*Thank you,  
\_\_\_\_\_, CPA, CMA*

# Translation

- “Can I pay you under the table to attend this seminar that CPA \_\_\_ is putting on”
- My answer \_\_\_\_\_

# An ethics question in one session

- Is it ethical to pay off (bribe?) individual soldiers in certain countries who threaten our disaster relief workers?



**I saw this sign beside the road...**

# Story from past live attendee

- IT Director of NPO who is a CPA, finds that another CPA in the organization has forged his signature on a fake inflated salary confirmation letter purporting to come from the IT Director, so that his friend who works for the IT Director can get a bank loan!
- CFO does \_\_\_\_\_!

# People have asked about

- Suppose there is cheating in the organization, but there is no personal financial benefit to the person, it is what is best for the organization?
- Example: A help the needy organization not returning unspent government funding for a fiscal year, that probably should be returned - justification, we can help more needy people people
- I would \_\_\_\_\_

# Ethics mini case 2 from real life

- New Controller for an NPO
- After a few months, he hears that the current President created fake construction invoices to increase government funding on a past project
- What should he do?

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# Ethics mini case 2 from real life

- Someone once said, before answering an ethics mini case, :“first question, what is my \_\_\_\_?!”





# **Ethics mini case 2 from real life**

# Note

- Often the problem is not being unable to recognize what is unethical, but recognizing it and not having enough “\_\_\_\_\_” to say no!

# Moral courage

- CPA works for a hospital
- A doctor is taking the whole family to Disney World and charging everything to the hospital, when at a medical conference

# Moral courage

- CPA takes a stand, refused to approve
- CPA says " \_\_\_\_\_ " ...
- Doctor says: " \_\_\_\_\_ " ...
- CPA won't \_\_\_\_\_
- Doctor became \_\_\_\_\_...

# Another hospital story

- Internal auditor finds suspicious actions related to research grant surpluses in a major NPO
  - Was told not to ask questions, effectively an audit scope limitation
  -
-

# Ethics - business

- There are all kinds of ethically difficult business situations we all might face, not CPA ethics per se



# A story

- Man I know indirectly is a partner in a two person Veterinarian business
- He get seriously ill for I believe nearly a year, takes time off because he can't work, and to recover
- As a year approaches, his partner counsels him: "take your time, don't rush coming back, make sure you get well"
- Comes back to work, after a little more than a year

# A story

- Partner tells him: “ \_\_\_\_\_...”
- A lawyer would say the Partner did absolutely nothing legally wrong
- You and I and just about anybody would say that \_\_\_\_\_ and is \_\_\_\_\_....



# At work

- I was told this week that the seller of the business I purchased (MBO) assumed we would act dishonourably, but are thankful we never have
- We always reason, “\_\_\_\_\_”



**Another good quote**

# We all need to review our ethics

- The ends do not justify the means...
- I saw a survey
- 85% of Americans would \_\_\_\_\_ for \$2 million!
- Hopefully not true in Canada!

# Ethics conclusion

- Be ethical yourself – follow professional standards, and applicable laws
- Don't even be tempted to steal - controls are often weaker in NPOs

# A recent course attendee


*Hello Stephen,*

*Seminar was great! Full of good tips and made me in fact thinking quitting my job...*

(worked for organization with ethical challenges at that time, I noted later she had left based on LinkedIn)

# I should note that

- I have not always been ethical
- Despite my parents' excellent ethical example
- I could give you too many examples
- One is I used to think if I found something, I could keep it
- But really I should try to find the owner...



**Would you like to give some examples of ethics issues you have faced (no names or dates) by email?**

# More ethics stories from chats

- “Former CEO wanted to charge Superbowl party as business expense. I said no. He was eventually replaced. I'm now on the Board of the company. Honesty pays.”
- “Prior Treasurer did not want anyone to assist with counting tag day proceeds and deposit in bank...”
- “I was told something by a manager that would considered government welfare fraud”
- “Treasurer cooked books for \$250k, caught and charged and repaid”



# Recent unethical conduct

- By a CPA, against me...

# Story

- A major accounting PD platform pursues me for video versions of my courses
- I look on the platform and note a course with a name similar to my best-selling course
- I buy it to check it out....

# Ethics

- Much more in my **Practical Tips for Controllers & CFOs – The Case Course**: principles and actual scenarios – how to deal with them, not just quit the job (9 cases discussed, 15 bonus cases). Recent feedback:
- *Excellent presenter. I actually learnt something today. Great solutions to ethic issues!*
- *Steve is a really engaging speaker and the content was very interesting.*

# Ethics – More Than Just the Code

**A new 2 hour video course that explores some different ethics issues**

- The rules/contract allow this - but is it right?
- Ethics problems between departments in the same organization
- Major Canadian CPA ethical lapses that are not well known
- The unreported revenue dilemma
- Will the auditors back you?
- Sanctions – should private companies punish players from certain countries?
- The subordinate who lies to you and the exaggerating colleague
- Colleagues' actions and the association part of Rule 34
- Approaches to diffusing difficult situations
- All kinds of specific examples and stories

Available starting the  
Sept 1, 2022

# Funny, but true

- The other day, my wife said “maybe politicians should have to \_\_\_\_\_?”

# Note

- There is a total of 1.0 hours of eligible ethics PD hours in this course

# Brain-storm on the top issues facing your NPO

- What we do in live sessions
- Brainstorm at least 5 challenging issues issue, financial or otherwise
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- I am sure can identify with a lot of these, and realize you are not alone...
- So \_\_\_\_\_ from business issues usually

# Some examples

- Can't \_\_\_ people
- Flat funding, costs increasing \_\_\_\_\_
- Volunteers want to be \_\_\_\_\_!
- \_\_\_\_\_ volunteers!
- Difficult government \_\_\_\_\_
- Donation levels very sensitive to the \_\_\_\_\_
- Capital donations, without consideration to the \_\_\_\_\_
- Have large accumulated surplus, but can't run a \_\_\_\_\_!



# More examples

- Have large accumulated surplus, but can't run a \_\_\_\_\_!
- Competition - \_\_\_\_\_ organizations out there
- No \_\_\_\_\_ funding
- People approve their own \_\_\_\_\_
- \_\_\_\_\_ madness!
- Our charity is less \_\_\_\_\_ to give to

# More top issues facing NPOs

- Lack of \_\_\_\_\_
- We are not following our \_\_\_\_\_
- Too many old, useless employees and can't \_\_\_\_\_(university )
- \_\_\_\_\_ challenges
- Too much \_\_\_\_\_

# More top issues facing NPOs

- We must be more \_\_\_\_\_ at delivering our service
- We need to dig up more \_\_\_\_\_
- \_\_\_\_\_ the organization
- How to fund \_\_\_\_\_
- Staffing (salaries aren't \_\_\_\_\_)
- Measuring \_\_\_\_\_ in a NFP - which initiatives to pursue

# NPO senior finance role

- Give us a good one line summary of the NPO finance role
- The CFO/Controller/Director of Finance must ensure the Executive Director/President:

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# NPO senior finance role

A few I have heard, ensure:

- They have \_\_\_\_\_ information for \_\_\_\_\_
- Look good at \_\_\_\_\_, gets reappointed
- Has enough \_\_\_\_\_
- Knows how much they can \_\_\_\_\_
- Puts out all the \_\_\_\_\_
- Be the financial \_\_\_\_\_
- Stay out of \_\_\_\_\_

# NPO senior finance role

- Give them the \_\_\_\_\_ of the organization
- Ensure they use \_\_\_\_\_ effectively
- Ensure finances are explained so a \_\_\_\_\_ can understand
- Be their chief \_\_\_\_\_ and \_\_\_\_\_
- Provide business \_\_\_\_\_
- Ensure they focus on the \_\_\_\_\_

# NPO senior finance role

Ensure the Executive Director:

- Succeeds
- Knows the \_\_\_\_\_
- Cleans up the \_\_\_\_\_
- Promotes positive wellness in finance!
- Has their \_\_\_\_\_ where their \_\_\_\_\_ are
- Ensure that funding is \_\_\_\_\_ and as little \_\_\_\_\_ as possible

# An interesting word picture

- I am the \_\_\_\_\_



# NPO senior finance role

- Does \_\_\_\_\_ at the right \_\_\_\_\_
- Tell them what they \_\_\_\_\_, not what they \_\_\_\_\_
- Convince them to want to ask you for advice
- Communicates well to all \_\_\_\_\_
- Knows if we can \_\_\_\_\_ it
- \_\_\_\_\_ the CEO who is a big \_\_\_\_\_

# NPO senior finance role

My favourite one:

- Ensure the ED \_\_\_\_\_ at \_\_\_\_\_
- (Literally true for one!)
- Make sure there are no \_\_\_\_\_
- The “oops” illustrations: \_\_\_\_\_
- There are also lots of value-added things you need to do...



# The “oops” illustrations

# Management simulation exercise

- Each person takes a turn standing in the middle of a circle of their teammates blindfolded.
- On a signal the person falls backward and is caught by their team mates.
- When the random person steps into the middle and is blindfolded , the facilitator gives a signal to everyone to NOT catch them and just let them hit the floor.
- Debrief: \_\_\_\_\_

# Banking

- We need a banking joke of course!



**Have you got one of these lately?**

From: Brian Stafford <ceo@cypress.co.nz>  
Sent: July 16, 2018 11:13 AM  
To: Maryanne D'Souza <mdsouza@surewx.com>  
Subject: Re: Re: Wire

Please process the transfer of \$49,713 to the following beneficiary,

Bank Name: Regions Bank  
Name On Account: XFOUNDATION  
Account No: 0241312341  
Routing No: 062005690  
Bank Address: 201 E main str, Murfreesboro TN 37130  
Address: 1429 Clemente way, Murfreesboro TN 37129  
Swift Code: SNTRUS3A

Please send me an acknowledgment email as soon as the payment transfer is done.

Thanks,

Brian

**STEPHEN PRIDDLE, CPA, CA, CMA**

?

# Many have been fooled by these emails...

## How one company lost \$44 million through an email scam



GRAHAM CLULEY

[Follow @gcluley](#)

SEP 1, 2016

IT SECURITY AND DATA PROTECTION



One of the world's leading wire and cable manufacturers, Leoni AG, has been swindled out of a jaw-dropping 40 million Euros (approximately US \$44 million) after it was targeted by an email scammer.

As *Softpedia reports*, a young woman working in the finance department of Leoni's factory in Bistrita, Romania, received an email in mid-August claiming to have come from the company's senior German executives.

Using inside information to appear more convincing, the email was able to trick the recipient into believing it was a genuine request for a staggering 40 million Euros to



# CPA gets disciplined for one

## **2019 #15 - A Member**

The Member, as a CFO of a company, failed to detect a financial fraud that was perpetrated on the company. The member acted on instructions sent via email that were fraudulent, and were from unknown sources.


The Investigation Committee determined the Member contravened the CPABC Code of Professional Conduct as follows:

201.1 - Maintenance of the good reputation of the profession

202.1 - Due care

The Committee took into consideration that the Member's employment was terminated and is a respondent in a civil case related to this matter. The Committee recommended the Member:

1. Accept a reprimand; and
2. Personally attend a course on fraud prevention, operational skills for CFOs or cybersecurity.



**NPO was defrauded by a similar  
one...**

# Note

- Question unusual banking requests that are  
" \_\_\_\_\_

# Banks

- You all have different banking needs, not all of you borrow, some just have a chequing account
- Is it wise for a Not-for-Profit to borrow?
  - The most common bank among you \_\_\_\_\_
  - Some banks waive \_\_\_\_\_ for NPOs, does yours? \_\_\_\_\_
  - Consider the \_\_\_\_\_ banks and \_\_\_\_\_ banks
  - Many NPOs find \_\_\_\_\_ are better for them



# Bank survey

# One big five Canadian bank

- My experience with the bank
- Few bank with them
- Lots of complaints about them
- The former senior loan officer
- The CFIB survey

# Relationships – if borrowing

- Connections sometimes help
- One key is a good \_\_\_\_\_
- Get them to understand your org's specific issues (examples, deferred contributions, pledges receivable, etc)
- The turnover issue
- So get to know your \_\_\_\_\_ and your \_\_\_\_\_

# Banking

- Six ways to get a better relationship with your banker:
  - When borrowing, don't be over-optimistic with the financial projections you provide or they will \_\_\_\_\_ you with your own \_\_\_\_\_ (covenants)
  - (You should have \_\_\_\_\_ with banks)
  - Include \_\_\_\_\_ with your monthly reports
  - Immediately share key \_\_\_\_\_ (They don't like \_\_\_\_\_)



# What everybody does

Chris Halw

Account Manager

Grand Bank of Canada

Dear Chris,

June 23, 2020

You will find attached our:

1. May 31, 2020 financial statements
2. May 31, 2020 covenant calculations and compliance certificate

Yours sincerely,

Customer, CPA



# What I do

# Banking

- Invite them to special organization \_\_\_\_\_
- Suggest they present \_\_\_\_\_  
to your employees/members/volunteers
- Have them attend \_\_\_\_\_ (as an observer)??!!!

# Other ideas

- Will the government support your loan with a \_\_\_\_\_ or a \_\_\_\_\_?
- (Avoid personal guarantees!)
- Push the bank to consider your entire financial picture, eg \_\_\_\_\_
- Be creative

# Another financing source



# Creative NPO financing

- My church needed financing for a new building during the great economic depression of the 1930s
- Bank was unwilling to lend because of the collateral risk and possibility other factors
- The solution \_\_\_\_\_

# Banks

- Draft your own wording for new \_\_\_\_\_, rather than the bank
- Ask about the \_\_\_\_\_ and \_\_\_\_\_ so you can position the organization better
- Find out your banker's line of credit \_\_\_\_\_
- Consider a \_\_\_\_\_ contest or at least ask why your bank can't \_\_\_\_\_

# Did you know this?

- Your line of credit may have a \_\_\_\_\_ that is the ability of the bank to \_\_\_\_\_, but this is not in the financing agreement
- I called my bank once, and was told my line of credit, had a \_\_\_\_\_, if:
  - a) the covenants were on side; and
  - b) the account manager signed off
- You should call your bank after the course to find out!



# Other related

- Bankers have agreed with \_\_\_\_\_
- Do you have any other banker thoughts or questions or jokes, email me [spriddle@bell.net](mailto:spriddle@bell.net)

# Practical Tips for Controllers & CFOs – The Case Course

Negotiating an actual bank offer to finance:

- Security, interest rates, guarantees, covenants, margining, fees and costs, bank outs and veto rights, financial reporting & more
- Over different 110 tips
- **Foreign exchange management** is also covered in this course

Banker reviewed!

# You also just heard quite a few negotiation tips

- There are lots more in my 4 hour course:
- **Practical Financial Negotiation Tips**
- Financial negotiation tips in many different areas, presented in a compelling way, with lots of examples
- Different from your typical tactical negotiating course
- Includes negotiating your own salary!

# Government funding

- A few thoughts on getting the funding you needed, I have been there:
  - Spend \_\_\_\_\_
  - Help the bureaucrats and politicians to look \_\_\_\_\_
  - Never \_\_\_\_\_ or \_\_\_\_\_ them (or strategically \_\_\_\_\_ them)
  - Beware \_\_\_\_\_ optics



# **A different kind of civil servant**

# A scenario for you

- A philanthropic foundation says they have anonymous wealthy matching donors who have pledged to double the money your organization raises during a specified period
- They say give the foundation the funds raised and they will return it doubled four weeks later
- They have several high profile charity/NPO references and you have checked them, they confirm their funds were doubled and returned
- **Required**: How do you evaluate this? What do you do?

## **For the rest of the day your donation will have double the impact!**

A donor has pledged to match all donations given  
from 3:00 PM to 11:59 PM eastern time,  
up to a total of \$5,000!  
Your gift will have double the impact!



**Prize for my favourite answer**





# Good questions



**What about financing from this  
source?**

# Cost-saving - general

- You need to be the leader in this area (suppose your ED isn't?)
- No reasonable \_\_\_\_\_ should be offended by your org's spending
- Some government-funded NPOs don't spend money carefully!
- But many NPOs are run on a shoe string
- Good cost saving ideas will make you look good and could cover your \_\_\_\_\_
- Question all costs and get others to also

# Property cost reduction ideas:

- Sub-\_\_\_\_\_ any extra space (or donate it!)
- Get out of your lease which has no exit clause by \_\_\_\_\_
- Check the sf \_\_\_\_\_
- Watch for \_\_\_\_\_ in operating cost charges (net lease)
- Find a building with \_\_\_\_\_
- Reduce space requirement by working at \_\_\_\_\_

# Where applicable

- Reduce your \_\_\_\_\_ by appealing

# Cost-saving ideas

- Reduce technology costs via: \_\_\_\_\_
- Consider out-\_\_\_\_\_ (in-\_\_\_\_\_)
- Share \_\_\_\_\_ with another NPO

# Cost-saving ideas

Save telecom costs via:

- Should you switch to \_\_\_\_\_?
- Are there unused \_\_\_\_\_
- Can you use free ways of \_\_\_\_\_?
- Renegotiate \_\_\_\_\_ contracts
- Use virtual \_\_\_\_\_

# A new one

- I donate to a charity, one-time, 20 years ago
- But I have got a monthly mailing from them for the last 20 years
- $20 \times 12 \times \$1.50 = \$360$
- Are there thousands of others like me
- Prune your mailing list...
- (Sometimes I tell them...)



# Cost-saving



Print/copy savings:

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

Can volunteers do more things?

Your tips

- \_\_\_\_\_

# Cost-saving consultants with success fees

- You pay based on % of \_\_\_\_\_
- You may not want to use them, but:
- “What is worse than discovering you overpaid X? – not \_\_\_\_\_it”

# Cost-saving consultants?

- Squeeze \_\_\_\_\_ ensure there is no low hanging \_\_\_\_\_
- Some areas they may be able to help you:
  - \_\_\_\_\_
- Others you can think of?

# Possibilities

- Suppose: 2 wk review of \_\_ at a \_\_% of first year savings fee and they find \$ \_\_\_\_? Conclusion: \_\_\_\_\_
- Suppose: 2 wk review of \_\_ at a \_\_% fee of first year saving fee and they find \$ \_\_\_\_? Conclusion: \_\_\_\_\_
- Therefore a win-win, unless you get \_\_\_\_\_

# Contractual tips

1. Contract must clearly \_\_\_\_\_ the savings on which they are paid
  2. Must be required to explain \_\_\_\_\_ they got the savings (for your education)
  3. \_\_\_\_\_ limit the period of the \_\_\_\_\_ and \_\_\_\_\_ period
  4. Get them to tell you about \_\_\_\_\_ (tax)
  5. Push down the \_\_\_\_\_ they want to charge (go hourly?)
  6. Protect org from \_\_\_\_\_ consultants by \_\_\_\_\_
- Finally: \_\_\_ them if they are \_\_\_! (subject to contract)

# Practical Brainstorming – Top Ten Trouble Spots and Other Useful Topics

My half day seminar covers additional cost-saving areas:

- Insurance & risk management
- Travel
- Payroll and benefits
- Plus many other topics
- Friday morning and other options

# Note

- Related to cost-cutting
- I have created in depth course on this topic - **Practical Tips to Get Through Cash Difficulties** (previously called **Practical Tips to Get Through a Cash Crisis**)
- A very popular course

# Comments on course

- I feel you gave a good cheat sheet to any of the participants to help their companies survive through the current Cash Crisis
- Good to have practical tips, real life examples – not just for during a pandemic but other times of crisis as well
- Your course was a great review of tools and things available to a company in this difficult cash flow time
- Well presented, like the questions and instant feedback
- It was very informative and thought provoking
- I was a 30 year Banker, leading corporate lending teams for a big 6 Bank, and found the information very on point and would be useful for people having to deal with their Bank in this environment
- For myself personally the accounts payable ranking really stood out - it was helpful to see it laid out the way that you did it
- I'm gathering my virtual learning kids around to watch this. Better than any other entertainment
- **It was a good session, slides had good content, you have a personable delivery, this is good stuff (Licensed Insolvency Trustee)**



# A Lawyer Genie



# Lawyers

- “If it wasn’t for lawyers, we wouldn’t need \_\_\_\_\_”
- (Law firm advertisement)
- I once worried that one of my kids was going to become one...


# Lawyers and legal fees

Objectives:


1. Reduce legal fees from outside lawyers
2. Get legal work done faster, whether inside or outside lawyers
3. Improve quality of the work, regardless of who does it

# Lawyers and legal fees

- Are you in charge of legal matters by default in your organization?
- Lawyers usually prefer the \_\_\_-free approach, example
- The weak ones only think \_\_\_ implications, not organization \_\_\_\_\_
- You need a lawyer with a \_\_\_\_\_ perspective, who can \_\_\_ risk (then we make a business decision on risk)




# **The risk-free approach illustrated with warning labels**



**In the toilet at the conference  
centre...**

# Another example

- We need to sign a lease with a major NFP, a Canadian airport
- Their risk averse lawyers want our Board of Directors to approve the lease
- (I have done \$100s of millions of business without Board approvals of agreements, over the years)
- The lease is for \$29/year!



**The lawyer in me is concerned  
about the**



# Communicating through lawyers?

Your lawyer



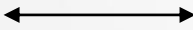
Their lawyer



You



Them



# Lawyers

- Lawyers driving everything and communicating through lawyers?
- No, it is the tail \_\_\_\_\_
- Take charge and \_\_\_\_\_, in many situations, but not all..
- Exceptions: \_\_\_\_\_
- You can decide how many lawyer attend the meeting/call
- What size/type of firm should you use?
- \_\_\_\_\_

# Lawyers and documents

- Don't let them \_\_\_\_\_ contracts/documents, \_\_\_\_\_!
- Use \_\_\_\_\_, where to get:
  - \_\_\_\_\_
  - \_\_\_\_\_
- Draft in English, the lawyers can translate it to \_\_\_\_\_
- When should legal be involved in review? Based on \_\_\_\_\_ analysis

# Challenge

- I have been so tainted by lawyers, that I pretty well can speak legalese....
- I will translate, into legalese the first sentence anybody tells me
- Choose something in a document, on the wall, in an email you have with you, it doesn't have to relate to business
- No songs or poetry please....

# This way?


- Call to lawyer to discuss problem with your main funder for 3 hours
- Three days later the lawyer asks for a list of documents
- Then a week of document gathering for the lawyer
- Then wait another week for the lawyer to call discuss a recommended course of action...

**\$11K of legal fees**



# Or this way...

**\$1.5K legal  
fees and  
saves 3 weeks**




# **The worst donor dispute I ever heard of...**



# Another lawyer story





**I am trying to be a lawyer right  
now...**

# Options

- Who is looking after your \_\_\_\_\_?
- Bring it in-house now!
- There are many things you can do:
- Take the \_\_\_\_\_ yourself
- Incorporate a \_\_\_\_\_ yourself
- Others task you can do yourself \_\_\_\_\_

# More ways to reduce legals

- Use \_\_\_\_\_ instead of \_\_\_\_\_
- Get them to \_\_\_\_ their fees
- I have never had a legal problem following this approach

# Legal - org structure tip

- Consider separate \_\_\_\_\_ to protect assets
- (Businesses often do it)
- Separate the riskier operations from the assets
- Example, property corporation, operations corporation

# Time to lighten up

- I like playing jokes at work, or at least thinking about playing them
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

# You have just been hired

My thesis:

1. Many senior NPO finance jobs that you might take, potentially have \_\_\_\_\_
  2. You have a few week's grace & then \_\_\_\_\_
  3. You need to find out all the things that could \_\_\_ you later, during this period
- (Also applies to volunteers/auditors)

# A mini case

- A person I know became the volunteer treasurer of a medium-size NPO charity
- The charity owned one large building
- The building had been funded recently by money from a wealthy, but temperamental donor who is a member
- \_\_\_\_\_
- \_\_\_\_\_
- What is the skeleton? What are the issues?



# Answers





# **Skeleton examples**

# The new job

First:

- Take the \_\_\_\_\_ tour
- Understand the organization \_\_\_\_\_ & \_\_\_\_\_
- Find out the drives/motivations of the key \_\_\_\_\_
- Take your \_\_\_\_\_ out for \_\_\_\_\_
- Do a \_\_\_\_\_ analysis (Strengths/Weaknesses, Opportunities/Threats)
- Read the by-\_\_\_\_\_ and the \_\_\_\_\_
- Understand all the relevant \_\_\_\_\_

# The new job

Some others:

- Check the \_\_\_\_\_ files
- Review key contracts, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_
- Audit \_\_\_\_\_ and \_\_\_\_\_
- Scan the \_\_\_\_\_
- Look at \_\_\_\_\_ financials ( 5 years), trends, errors



# The new job

- Do systems and internal control \_\_\_\_throughs
- Review past returns
- Read Board and Committee \_\_\_\_\_
- Talk to lawyer, audit partner, board members, key advisors, your \_\_\_\_\_
- Do an \_\_\_\_\_and \_\_\_\_\_review
- Hang out with the \_\_\_\_\_

# The new job

Some different angles:

- Review predecessor's \_\_\_\_\_
- Open all the \_\_\_\_\_ for a while
- Review manual \_\_\_\_\_
- Sign/approve all \_\_\_\_\_ for a while
- Talk to some \_\_\_\_\_, and definitely the \_\_\_\_\_
- Find the \_\_\_\_\_ file! (personal implications as well)



**Manual journal entries reveal...**

# Your new staff

- Find out all \_\_\_\_\_ now from \_\_\_\_\_

Your first staff meeting – a skit

- Offer an \_\_\_\_\_
- Could be via \_\_\_\_\_ note or rewarded
- Ask for a five year detailed \_\_\_\_\_ (you don't need to do anything with it!)
- Be careful how you present this



**Ask for a five year \_\_\_\_\_**



# Ethics again and your predecessor?

- My brother saw this experienced NPO accountant in the building owned by an NPO I am heavily involved with
- She used to work for an NPO that he was involved with
- She was arrested shortly after...

# My favourite tip

- One guaranteed way to find all financial reporting \_\_\_\_\_, and ensure no future write downs, write-offs, reversals, restatements, my favourite tip:
- Tear the \_\_\_\_\_ apart (trial \_\_\_\_\_ level)
- Look at what is there and what is \_\_ there and should be there
- Remember to deal with the process issue behind the symptom
- Problem too big to resolve quickly?
- Not the most senior finance person?
- Examples from me
- Examples from you (current or past job, or as auditor)



# More skeleton examples

# Notes

- Did you miss any \_\_\_\_\_, when you took your current job?
- Can you dig up any positive skeletons?

# When you leave

- Don't leave \_\_\_\_\_ in your closet!
- Prepare a \_\_\_\_\_ for your successor
- Also consider one for your new boss

# **Sixteen excuses when you (CPA) get asked to be the volunteer treasurer of a messy NFP or charity**

(Some just to be funny, some partly true)



**Exercise time**

# Financial reporting tips

- Most of these tips can be applied to businesses, not just NPOs



# Financial reporting tips

- You want better reports to your users for decision-making
- Always provide insightful narrative analysis, about what happened, why and what decisions are needed – not just numbers
- Provide the data, the \_\_\_\_\_, the \_\_\_\_\_, the \_\_\_\_\_, the \_\_\_\_\_
- The hierarchy \_\_\_\_\_ → \_\_\_\_\_ → \_\_\_\_\_  
→ \_\_\_\_\_

# The old way - data

- (Industry trade member association)
- **May monthly membership renewals resulted in \$940,336 of cash being generated.**

# The new way – wisdom

- (Industry trade member association)
- **May monthly membership resulted in \$940,336 of cash being generated.**



# Financial reporting tips

- Ask \_\_\_\_\_ (send them to the whiteboard)
- Reformat your statement of operations (internal only perhaps) for example, results by:
  - \_\_\_\_\_
- Different cost roll ups, e.g. \_\_\_\_\_
- Look \_\_\_\_\_ way more
- \_\_\_ number summary of your organization, for
- Not just numbers from the \_\_\_\_\_

Click here  
to get a  
refund on  
this  
course

# Note

- This reporting could be straight from a revised G/L or extractions from the G/L with \_\_\_\_\_...

# Financial reporting - other

- Don't forget \_\_\_\_\_ of new accounting standards, if there are advantages
- Who should divisional finance staff report to?
- Check what your clerks do by \_\_\_\_\_ (you or a subordinate) or sitting \_\_\_\_\_ them
- Why: Bond with them, tell them \_\_\_ they do things, fix \_\_\_\_\_, check if they \_\_\_\_\_, are they doing \_\_\_\_\_ stuff, can the work be \_\_\_\_\_? do they have the \_\_\_\_\_ they need? do they work a full \_\_\_\_\_?

**And just for me**



# **SLEEPY TEST**

- **LET'S ALL READ THE FOLLOWING OUT LOUD**



# Financial reporting – the close

- Month end close speed
- Why close fast? Don't make decisions from \_\_\_\_\_ information
- Do you have an outside mandated deadline?
- A survey I did years ago
- This survey is a win-win for you all

# The close

- A monthly close means \_\_\_\_\_
- Working days you take to close \_\_\_
- Overall avg\_\_\_, Business avg\_\_\_\_\_
- The fastest & slowest closes, I have heard of
- How long does it take your \_\_\_\_\_ to close?



**The fastest close I ever heard of**

# Some ways to close faster:


- Do a real \_\_\_\_ close, to help you improve it
- A good post-\_\_\_\_\_
- Challenge every single \_\_\_\_ of the \_\_\_\_\_ process and find the \_\_\_\_\_
- Balance the \_\_\_\_\_
- Auto \_\_\_\_\_ more processes
- Do some \_\_\_\_ in \_\_\_\_\_ of the month end rush
- Shut down \_\_\_\_ for a while!

# Ways to close faster:

- Convince non-finance who have needed inputs, of the \_\_\_\_\_ to the overall organization
- Accrue to \_\_\_\_\_(\_\_\_\_\_ close)
- Fix it \_\_\_\_\_
- Flash report \_\_\_\_\_when available
- \_\_\_\_\_visible to all (system \_\_\_\_\_)
- Make a \_\_\_\_\_to a \_\_\_\_\_
- Give staff a \_\_\_\_\_ if they hit the stretch target

# How to close faster?

- Your ideas
- \_\_\_\_\_
- How not to close fast - \_\_\_\_\_
- But it's always a \_\_\_\_\_-off



# **Other ideas from past webinar chats**



**The first person who types**



# Financial reporting case

- Organization: charity NPO, group home for the handicapped, largely government funded, but there are also user fees & donations
- Required: Read quietly, then discuss improvements with your group, then we will discuss all together
- Put yourselves in the board members' shoes
- **Brainstorm a variety of financial and non-financial indicators (KPIs) that the organization could report on performance, I can think of 50...**
- Some problems exaggerated...., but don't just criticize, suggest improvements

# Important

- You will get so much more learning out of it, if you put your mind to the case, before running the video
- I will walk you through a discussion of it to bring out the learning
- You will also get a fully complete, written solution, with the completed slides if you ask for them, [spriddle@bell.net](mailto:spriddle@bell.net)



**What do professional accounting  
exam markers do for fun while  
working very hard?**



# Exam bloopers



**An exam marker in the course said  
they used to write this on papers**

# Did you notice anything unusual?

- A few jokes ....
- And distractions.... Like real life...

# Case comments

- I have made the reporting \_\_\_\_\_ for discussion purposes
- All my \_\_\_\_\_ get edited out of my draft cases that are published by third parties, but here I am publishing so I leave them in!
- \_\_\_\_\_ is a joke, for example

# Big picture

- It is always good to start here, before getting into details?
- You also need to put yourself in the \_\_\_\_\_
- You need to think a bit like a Board member
- As a CPA, you always need to think big picture



# Note

- My new 2 hour course **Practical Work Solutions from Case Discussions** practices big picture executive thinking

# Are there any skeletons in the closet?



- Poor \_\_\_\_\_
- No \_\_\_ in charge
- \_\_\_\_\_ senior management
- And possibly more....
- Time to tear down the **Statement of Financial Position** in detail...and do some other steps



**What important single sentence  
needs to be included in the covering  
note to the financials to the Board?**

# Also

- Also good to put “\_\_\_\_\_”
- For safety you might to put “\_\_\_\_\_” allows you to change number if you have to without \_\_\_\_\_

# Let's discuss financial statement users

They include:

- \_\_\_\_\_
- \_\_\_\_\_
- Presumably, the \_\_\_\_\_
- The \_\_\_\_\_ bodies, unless there are other special purposes report provided (\_\_\_\_\_)

# Big picture: what are the organization's key success factors?

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_

# Risk discussion

- A summary of the risks faced by the organization could be provided. It should also explain what management is doing about the risks.
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

# Results

- A small excess of expenditure over revenue was reported in the month:
  1. \_\_\_\_\_ were higher than the year to date September rate of \$27K, at \$48K
  2. There was \_\_\_\_\_ from July to September from a provincial Ministry, for residents who suffer from multiconosis

Note that:

The month was \_\_\_ days, versus the average month in the year of 30.42 days (1.9% more days), so costs were higher, this should be noted



# Big picture - major weaknesses in the reporting

- Lack of sufficient, \_\_\_\_\_ information
- A very weak written, \_\_\_\_\_ of the month's results from the Accounting Manager
- Lack of important \_\_\_\_\_
- Lacks \_\_\_\_\_
- No looking ahead to the \_\_\_\_\_, even though November is almost over \_\_\_\_\_

# Big picture - major weaknesses in the reporting

- Major \_\_\_\_\_ weaknesses
- Board members and management would be interested in the results of the \_\_\_\_\_
- It would be \_\_\_\_\_, a very significant user

# Idea

- Have a \_\_\_\_\_ with each of the organization's executives and the Board
- Find out if they are \_\_\_\_\_ with the financial information they are getting

# Narrative that accompanies financials

- It would be good to discuss any tie-ins between the results and the \_\_\_\_\_
- A discussion of the \_\_\_\_\_ should be presented, if there is anything new and important, as that is a key success factor for the organization

# A new board member

- What should you do?
- Consideration could be given to providing them a \_\_\_\_\_ on the organization's finances: fund accounting, government funding, bank line and covenants, etc.
- Or an \_\_\_\_\_

# Important

- Consideration should be given to showing the Board and senior management the reports filed with the funding Ministry, with \_\_\_\_\_ to the internal financial reporting, since they are different
- This would help the Director of Government Relations who has questions about the reports.

# What GAAP is applicable?

- The GAAP that is applicable is \_\_\_\_\_

# GAAP

- Does GAAP need to be followed strictly in internal monthly financials? \_\_\_\_
- But bank covenants, probably have a \_\_\_\_\_
- Perhaps the \_\_\_\_\_ require GAAP
- GAAP will be required at \_\_\_\_\_
- So one might as well do GAAP monthly, or at least disclose material departures from GAAP
- Not that anybody does full GAAP \_\_\_\_\_ monthly!



# Different ways of rolling up results that would be useful

- Can you think of any?



# Possibilities

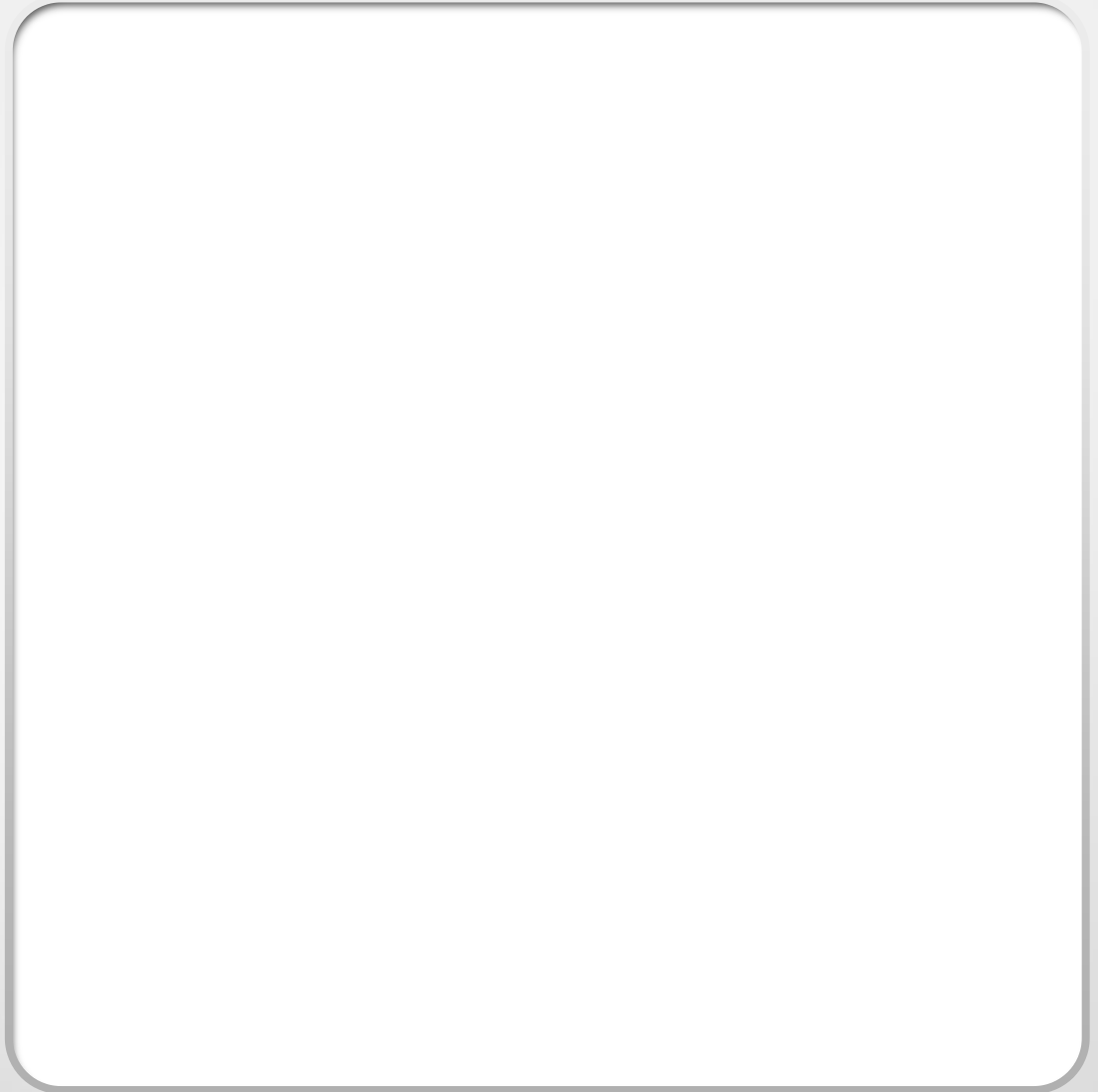
- Administrative and overhead costs should obviously be kept low in this kind of an organization
- A user of the financial statements has no idea what the \_\_\_\_\_, versus administrative costs and salaries. These costs should be broken out separately.
- Some decisions would have to be made on whether costs are overhead or not. The Directors' salaries would probably be overhead.
- Revenues and costs of \_\_\_\_\_ for residents could be reported as a segment, because this is a separate "business"

# Possibilities

- Revenues and costs of outside, \_\_\_\_\_ for residents (i.e. day programs) should be broken out separately for evaluation purposes
- \_\_\_\_\_ could also be broken out.
- \_\_\_\_\_ costs could be broken out separately, i.e. rent, home insurance, utilities and taxes, repairs & maintenance and amortization
- It would probably be too much effort without cost/benefit, to report separate results by \_\_\_\_\_

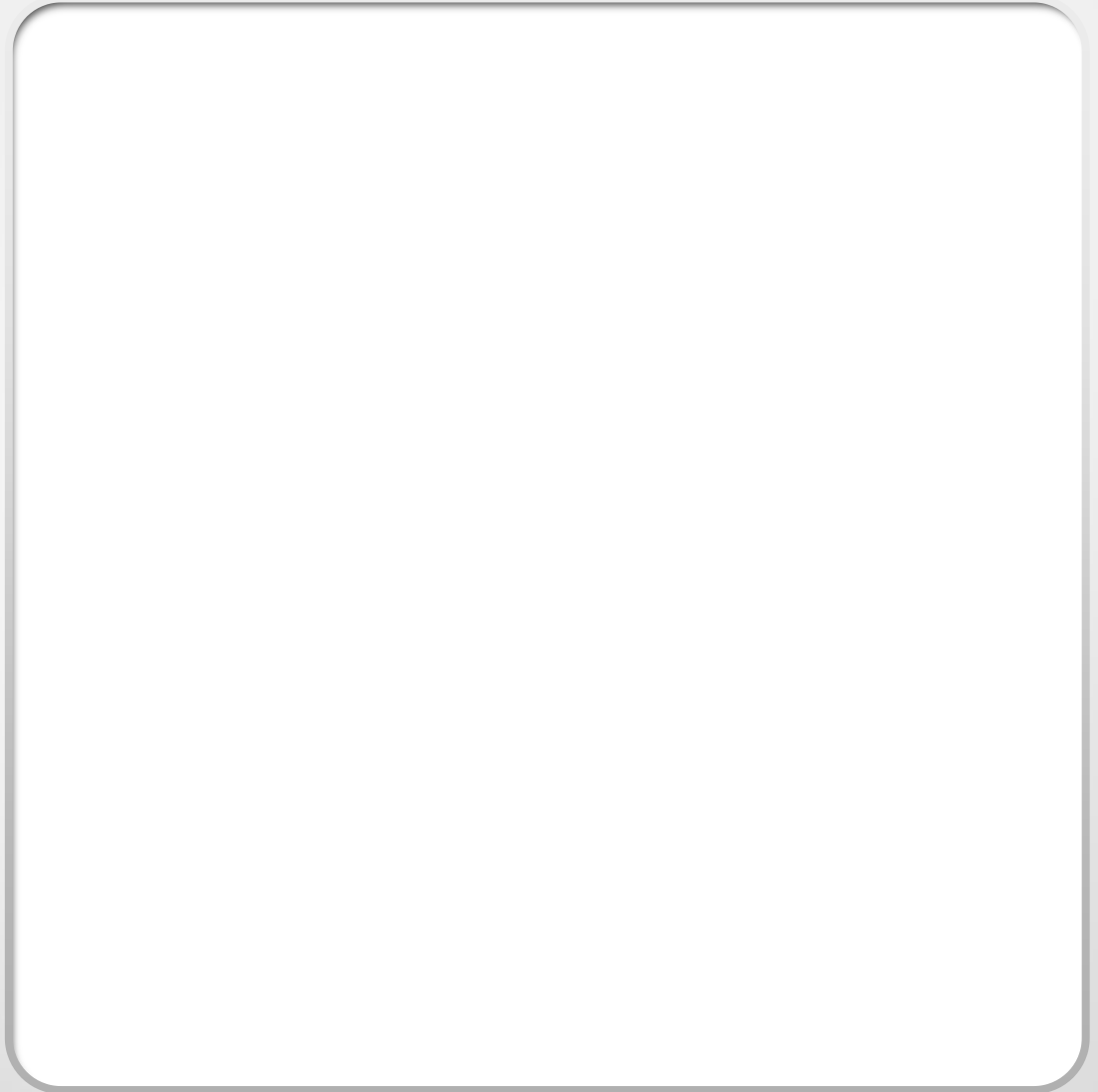
## Presentation by funding

- Another possibility is revenues and costs by \_\_\_\_\_ and a separate break out of costs that \_\_\_\_\_ covered by government programs



## Presentation by funding

- Another possibility is costs with a note on whether each were \_\_\_\_\_ or not



# More ideas

- Costs could be broken out possibly by \_\_\_\_\_, to see which is the organization spending more helping
- Side notes on the \_\_\_\_\_ would also provide useful information.

# Revenue

- The government funding revenue should be broken out \_\_\_\_\_
- The \_\_\_\_\_ could be added at the side, as this is important information on the future of the organization.
- \_\_\_\_\_ out between bequests and other donations, so the users understand what activity there was in the month
- Donations received through the \_\_\_\_\_ site should also be disclosed in a separate line item.

# Budgeting

- The budgeted numbers should be by line item, rather in summary
- There should be a separate \_\_\_\_\_
- There could even be \_\_\_\_\_ amounts



# Budgeting

- The Budget versus actual variances in the current monthly financials are \_\_\_\_\_ when revenues exceeded budget, but also \_\_\_\_\_ when expenses are above budget
- This should probably be changed to the normal way of presenting, i.e. \_\_\_\_\_, because they are bad news. The caption should state favourable/(unfavourable)
- (Some people use waterfall graphs to present budget versus actual)



# Waterfall graph

# Budgeting

- Budget amounts for both month and year to date should be presented
- Some of the budget variation must be due to the increase in residents
- Therefore, it might be more meaningful for some budget amount to be per resident, rather than a fixed amount; this is called a \_\_\_\_\_ budget
- Instead of food, fixed budget of say \$43,000 a month
- It would be \_\_\_\_\_
- This means the variance is just \_\_\_\_\_

# More budgeting

- Flexible budget – one government accountant at the live seminar said “I don’t understand flexible budgets, I thought it meant \_\_\_\_\_”
- One live attendee asked if we could flex \_\_\_\_\_!

# Comment

- Don't be stressed if you didn't think of all these things when you reviewed the case
- There are more....

# Funds

- It would appear that operating fund amounts are being used for \_\_\_\_\_
- This should be investigated, to see if the accounting has been done properly, it is not possible to reach a conclusion

# Additional notes

- The financials could perhaps use a few notes, although not as detailed as audited statement notes
- For examples, the details of the \_\_\_\_\_.

# Management estimates

- It is a good practice to disclose \_\_\_\_\_
- This \_\_\_\_\_ management if they prove wrong, and means the Board is less likely to get surprised
- Specifically, the board should be told that management has estimated that the \_\_\_\_\_, rather than the estimate being made but not disclosed



# Government dispute

- If any \_\_\_\_\_ that could help with this matters, they should be asked if they could assist in this regards
- If the dispute is lost, the financial implications should be set out, which may be a drop in government funding revenue and receivables of the disputed amount
- The related accounting question is why this has not been recorded in the capital fund of the financial statements
- This may be accounting errors that needs to be corrected, and there may be others, since the organization may have other capital funding in the current year



**Any comments about A/R?**

# Receivables

- The organization's \_\_\_\_\_ into the different types, perhaps in a schedule to the financial statements
- A subsidy receivable, a pledge receivable, a customer receivable and an advance to the new subsidiary are all very different
- The subsidies receivables could be segregated between the different government funding agreements
- It would be good to present the \_\_\_\_\_, so users are aware of this estimate



**Any thoughts on bank covenants?**

# Position with respect to its bank covenants


- The current position and the actual covenant should be disclosed
- They are both \_\_\_\_\_
- Currently at 1.39 for current ratio, versus minimum of 1.25
- 1.96 for the capital covenant, versus 2.0 maximum.

# Position with respect to its bank covenants



- Does anyone know Canada's debt-to-equity ratio?
- It was \_\_\_\_ last time I checked, but before COVID-19, much worse now





**Is there a related party  
transaction?**

# Related party transaction disclosure


- There was a significant transaction during the month, with a related party, - consulting services billed by a company that is controlled by the wife of the Executive Director
- Hopefully the Board \_\_\_\_\_
- It should be separately noted in the financials for good information for users. This will also be a GAAP requirement at year end
- If some of the \_\_\_\_\_, that portion of the bill should have been estimated for the September financials





**Should they be looking ahead?**

# Future-Oriented-Financial Information

- The Board and management are likely very interested in projected results for \_\_\_\_\_, toward year end 
- Some forward-looking information for these months should be provided, even if it is harder to develop and entails the risk of being shown wrong.



**Cash is king**

# Cash

- The financial package to the Board should probably forecast where cash is expected to be at December 31
- This is very important for executives of this organization, that currently has just 0.31 month's worth of operating cash in the bank, that is about \_\_\_\_\_
- Calculation: cash and short-term investments \$257K/approximate monthly cost of \$838K (total October costs, less amortization plus estimated loan payments = current portion of mortgage/12 plus monthly interest expense,  $\$835K - \$11K + \$5K + \$105/12 = \$838K$ )
- With the \$100K operating line, there is 13 days of cash.
- The board should consider whether a higher cash balance should be carried as a matter of policy . This is a \_\_\_\_\_ comment!

# Reflection

- One topic in any internal financial reporting is \_\_\_\_\_ should be disclosed in the narrative, considering the management implications, not the GAAP rules
- If it is very material, it should definitely be disclosed, rather than waiting for the following month
- Cash put in escrow is material, not a Type I subsequent event to be booked in the month, so probably best to disclose

# One day

- A CPA was walking in the downtown of a big city...

# Good comparatives are important

- \_\_\_\_\_statement information would be more useful because of seasonality
- Comparative October 31 \_\_\_\_\_information would also provide a perspective of a comparison to the same date in the prior year

# A better way to report comparatives

- Reporting \_\_\_\_\_ is one of the best ways to see overall trends in the organization
- This is an excellent tip – few organizations report this way
- \_\_\_\_\_ and really tells you the \_\_\_\_\_ of the organization



# EBITDA

- Would EBITDA disclosure be useful?



# Minor questions

- \_\_\_\_\_ relative to the amount surplus cash; It is approximately 0.14% year-to-date. This should be investigated from an accounting perspective.
- The organization should find a way to \_\_\_\_\_. Perhaps funds should be put in short-term investments, rather than just held in the bank account.
- Furthermore, the company \_\_\_\_\_, when there is quite a bit of cash in the bank.
- \_\_\_\_\_ is much too large a percentage of total expenses - the major components should be broken out
- There is also a Supplies and miscellaneous account, the word miscellaneous should not appear twice, it is confusing

# Minor questions

- There should be an explanation for why \_\_\_\_\_ jumped so much in October, did they buy a vehicle?
- There should have been an explanation for the \_\_\_\_\_
- What is \_\_\_\_\_, this is new in the month?
- Information should be provided about the \_\_\_\_\_, at least for the new board member, and for all, if it has not been provided previously.
- \_\_\_\_\_, what is other? Does it relate to fundraising?

# Minor questions

- General Suspense G/L account #61514519 included under the accounts payable and accrued liabilities in the amount of \$24,341 obviously \_\_\_\_\_ and disposal
- It is surprising that the \_\_\_\_\_. The Accounting Manager says it dates from before his time, but that is not an excuse

# Minor questions

- Benefits are only \_\_\_\_\_ of payroll
- This is impossibly low
- Therefore, some benefit are included in the payroll line, or something is missing, this should be investigated.

# Ratios

- A financial executive should try to think of useful ratios that will help management in analyzing the organization, for example for example \_\_\_\_\_, where non-government funding must be sought
- Other more common ones:
- \_\_\_\_\_/total expenses – a measure of how high overhead is
- \_\_\_\_\_/Donations – a measure of fundraising efficiency, it looks reasonable at 15.4% YTD (\$45K/\$290K).

# Break-even

- Disclosure of the organization's approximate monthly \_\_\_\_\_ would be relevant to users
- Will it break even at approximately \$\_\_\_\_ of revenue per month?
- Do you know what your \_\_\_\_\_ level is?



**Do you see any process issues?**



# Do you see any process issues?

- A detailed \_\_\_\_\_ on government contracts should be conducted since this is an area which might be prone to error depending on how the funding agreements work
- There may have been an error or result of poor estimation, related to the funding for prior months, that was reported in October
- The funding should have been recorded, based on GAAP, as soon as it substantially confirmed, even if it was not received.

# Do you see any process issues?

- Monthly financial statement review procedures should be put in place to find out exactly why \_\_\_\_\_ and to ensure that they do not happen again.
- It took the Accounting Manager 28 total days to report the month end results
- Steps should be taken to analyze closing procedures and improve the turnaround and carry out a \_\_\_\_\_ so that better decisions can be made from more timely information



**Any GAAP errors?**

# GAAP issue

- A Statement of \_\_\_\_\_ has not been presented
- This is required by the CPA Handbook Section 1400.11
- It is also useful to users, reconciling opening and closing cash



**How should the store have been  
accounted for?**

# Now to apply the rules



- Given, GAAP provides a choice \_\_\_\_\_
- \_\_\_\_\_ the organization about actual results as losses are masked
- Since this is a new venture, perhaps there will be initial losses, followed by profits or break-even activity, \_\_\_\_\_
- \_\_\_\_\_
- If the accounting policy is changed, the results will be \_\_\_\_\_

# Tax note

- A store in a subsidiary corporation would be taxable, but in the NPO would not, this should be considered....

# Prior month's error

- What should be done about the prior months' error?
- Have you ever made a monthly error you had to correct?
- If immaterial, could \_\_\_\_\_
- The error is material relative to the excess of revenue over expenditure, but is \_\_\_\_\_ relative to 1% of monthly revenues
- It is not cash (and won't put bank covenants off-side)



# Prior month's error

- If material must \_\_\_\_\_ under GAAP requirements
- I would prefer that – the skeleton in the closet belongs to the predecessor
- Someone in one seminar said: \_\_\_\_\_
- But this is borderline unethical, you know about it
- One accountant said that in \_\_\_\_\_, all errors go through \_\_\_\_\_
- It would be appropriate to inform the Board and executive immediately about it

# Comparative organizations

- The board requested comparative information and the organization has not provided any
- Other \_\_\_\_\_ may be willing to share information on their cost per resident, cost per meal, and so on
- Information also may be available from \_\_\_\_\_
- A better comparison would be non-unionized group homes

# Other disclosures

- Disclosure of the status of \_\_\_\_\_ would be helpful to the Board.
- Showing \_\_\_\_\_ and comparatives would be useful information, like a public organization - a month is a short period and subject to distortions
- The report would not lose anything if all numbers were \_\_\_\_\_
- \_\_\_\_\_ versus total expenses and total statement of financial position would be useful for users

# Statistics

- Statistical analysis may be useful in reporting, I have done it
- For example, the \_\_\_\_\_, compared over time can be quite informative but would have to be explained to users who don't understand statistics
- Eg \_\_\_\_\_

# Operating comments

- The organization is giving up \_\_\_\_\_ that go through [canadahelps.ca](http://canadahelps.ca)
- Consideration should be given to trying to get these donors to give directly to HS, so this fee can be saved
- The new board member should be asked if she can assist with \_\_\_\_\_.

# Operating comments

- The new Director of Finance should try to find a \_\_\_\_\_ to audit the organization
- Alternately, discussions should be had with the auditors to reduce the fee, by the new Director of Finance assisting with more audit schedules. Perhaps a firm might donate part of their fee
- Can processes at [canadahelps.ca](http://canadahelps.ca) be relied upon to get at completeness there? Does this organization have a \_\_\_\_\_ report, which might help in this regards?

# Operating comments

- Some might say that the organization has too many \_\_\_\_\_
- Perhaps should operate a \_\_\_\_\_, rather than many small residences, although there are pros and cons of this
- Maybe you can think of others, email me

# Note

- You should always be thinking of business/advisory comments when you are doing your work, even it is primarily financial reporting



# What about some other KPIs?

- Many other key, non-GAAP, indicators concerning the organization could also be gathered and reported periodically
- Some would be appropriate as monthly information at a board level.
- Some are more management level and could even be presented weekly as special indicators in a one-page dashboard report

# High level

- \_\_\_\_\_ should be reported, as this is critical information
- Residents for this purposes, would be weighed average
- For example, a resident that was only in a home for half a month should be measured as a 0.5 resident, a weighted average

# KPIs

- Remember, don't just look in the G/L!

# A key one

- \_\_\_\_\_, but how do you measure it directly?



# KPIs – resident info

# KPIs – capital assets





# KPIs – Government



# KPIs – staff info





# KPIs – donation info



**Other possible KPIs?**

# Remember the reason we did this case

- How could you improve your financial reporting based on the ideas presented here?
- Suggestion: don't try to do \_\_\_\_\_
- Don't overload them with \_\_\_\_\_
- Don't \_\_\_\_\_ numbers, perhaps 40-50 for management, 10 for the Board
- Incremental improvements
- Work with non-finance personnel cooperatively
- Solution to the case – will be provided with the completed slides



# **Auditors & accountants**

# I think I am a natural auditor...

- I want to see support for statements and assertions, I don't just believe everything
- Sometimes, this is not good!



**Auditors are like  
referees/umpires....**

# Auditors & accountants

- Who are the best auditors in Canada?
- I think they are the \_\_\_\_\_
- They do a careful job, with more experienced, they aren't just trying make money fast, like an accounting firm, they are more independent



# The New Audit Report



# Auditors/accountants

Maximizing value, seven ways

- Compare \_\_\_\_ value
- Use \_\_\_\_\_ to your advantage
- Get them to \_\_\_\_\_ your organization with referrals
- Tell them not to put it \_\_\_\_\_
- Control the \_\_\_\_\_ preparation
- Do the \_\_\_\_ yourself!
- \_\_\_\_\_ their approach, do they have to qualify the audit report?



# Auditor junior jokes

# My small NPO “audit” idea

- Many, many small NPOs cannot possibly afford an audit or a review, and aren't legally required to have one
- Most have no check on the financials – not good
- Some appoint somebody associated to do an “audit”, but they have no idea what they are doing (not an auditor or even an accountant) and this doesn't legally constitute an audit

*Minutes of the Annual Member's General meeting of the Cherryton Skating Club*

*The financial statements were presented. Club member and volunteer Alice Dawkins said she has audited the financials and they seemed fine. A motion to approve the financial statement was proposed by Ming Lian. The motion was seconded by Tony Kingston. The financial statements were unanimously approved by the members.*

# My small NPO “audit” idea

- I am working on \_\_\_\_\_



# **A strange live class incident**



# Technology

# Some useful technology tips

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_



# Courses and absorbing on the go

- \_\_\_\_\_
- \_\_\_\_\_

# More useful technology tips

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

Bo



- Use a \_\_\_\_\_, gives you the choice
- May help your \_\_\_\_\_
- Burns some \_\_\_\_\_
- Keeps you \_\_\_\_\_
- May help you think better
- Employer must provide one for all office workers in \_\_\_\_\_! (up and down choice)

# Technology tips

- Tech tips/apps from you?



# Note

- I have 15 minutes of useful and unusual personal productivity tips in my course **Practical Work Smarts for All** course

# A few system tips & thoughts

- Our system survey, what is your system, someone wrote: Sadly - \_\_\_\_\_
- Have you ever heard: “The system won’t let me...”
- You should find a way around this
- If you can’t, a solution very few of you use \_\_\_\_\_
- Is your system properly \_\_\_\_\_?
- Have you tested a full \_\_\_\_\_?


# Conversions

- Converting to a new system – how, the historic data issue
- Early in my career, I learned one from a veteran
- Not the textbook method, but it works!
- \_\_\_\_\_
- Later in my career, a systems disaster

# Reaction

- In a typical live session, 80% of the CPAs say I have never heard of that interesting veteran tip, and 20% say “yes, it works, I have done it before”





**This company apparently used  
this approach....**

# Conversions

- How to look at the historic numbers?
- \_\_\_\_\_
- The only things you should import \_\_\_\_\_
- This is high level, there are some minor complications, like open POs
- Any value in \_\_\_\_\_?

# System tips

We had a confused and disorganized order processing department

- Don't throw \_\_\_\_\_ at a problem, if you don't know what you are \_\_\_\_\_ in the first place
- Another way of saying it: Don't give the \_\_\_\_\_ the \_\_\_\_\_

# Board of Directors

- We need a related joke

# Board of Directors

- An Executive Director, a Finance Director, and a Board Chair of an NPO were adrift on a raft after their ship sank

# Complications

- I have heard of an NPO board with an average grade 3 education...
- I have heard of an NPO board with 45 members

# Board of Directors

- Do you work with boards? Are you on any boards?
- Give the access to your executives
- Educate them
- Understand their motivations
- Simple board members are still valuable
- Get them \_\_\_ prior to the meeting on a major proposal
- Send ALL material out in \_\_\_\_\_?
- Get specialists on topics
- If they won't join your board, will they join an advisory board?

# Mergers & partnerships

- Be creative
- You are working toward the same objective, could it be done together?
- Can you partner with resources?
- Can you form a buying group, \_\_\_\_\_ do (the buying group of accounting firms...)



# Thinking tips



- Improved work problem-solving
- Creative, lateral, outside the box thinking is very valuable
- Sometimes the solution is elegantly \_\_\_\_\_
- Are managers paid to be \_\_\_\_\_?
- Did your education help you to think creatively?
- It actually may have \_\_\_\_\_ this ability

# Thinking tips

- Sometimes forget your \_\_\_\_\_!
- Imagine a \_\_\_\_\_, to see if this would help
- Difficult issue, what would \_\_\_\_\_ do?
- How do I approach difficult problems? \_\_\_\_\_

# Thinking tips

- You must challenge \_\_\_\_\_
- Generate better \_\_\_\_\_, that others don't consider
- Maybe counter-\_\_\_\_\_ ideas
- Maybe turn the problem around, example airport pick up
- Recommend the obvious (so obvious, no one thinks of that solution)
- Get your \_\_\_\_\_ to think creatively

# Picking people up at the airport

- Arrivals is congested, always hard to pick people up, you usually can't meet them in the first lane close to the airport, it is reserved for buses and taxis, etc



**Come at the problem from  
different angles**

# A traffic-related example

- Buses stuck in traffic

# Writing in space



- Problem – a normal pen apparently won't work in a weight-less environment
- Solution: The Americans tried \_\_\_\_\_
- Apparently: The Russians \_\_\_\_\_!
- Lesson: \_\_\_\_\_

# Outside the box hockey play I was working on

- Breakaways are a great way to score
- It is hard to get behind the defence
- The idea...



# Wars result in the need for outside the box thinking

- Re weapons, defenses, strategies, spying, code and more...

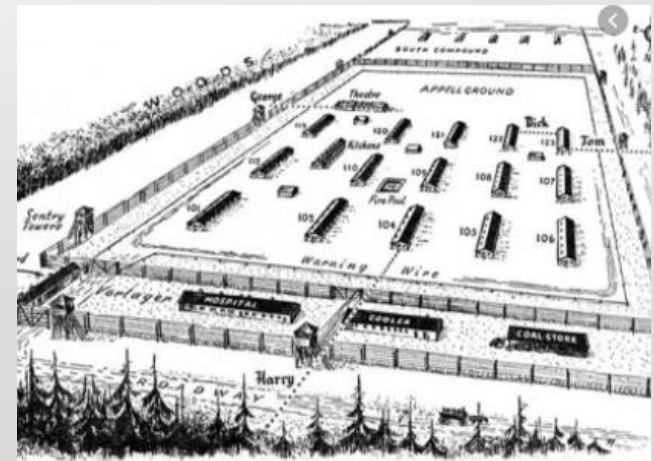


# How could Germany invade France?

# Problem



- Escape from Germany POW camp in WW2
- Just about the only practical method – tunnelling
- Issue: tunnel entrance options in buildings extremely limited, easy for guards to detect

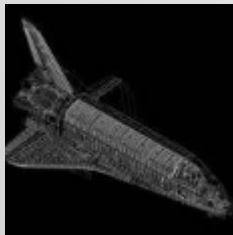




# Solution

# One version of the Space Shuttle

- Was apparently 400 pounds too heavy
- The best engineers at NASA re-designed it many times, but were not successful, the lift, thrust, payload, fuel trade-off would not work – they were \_\_\_\_\_
- Then someone said, let's \_\_\_\_\_ and that was the solution!





**Brain concussions in hockey – a  
solution? Let's think together**



**Possible solutions coming from  
different angles**

# CPR is too tiring to do for a long time?

Part  
2

## Administering CPR



wikiHow to Do CPR on an Adult

- 2** Place the heel of one hand on the victim's breastbone, 2 finger-widths above the meeting area of the lower ribs, exactly between the normal position of the



# A new example

- COVID-19
- We have likely all spent time thinking about the problem
- Can you get outside the box on it? \_\_\_\_\_

**Lot too big, too expensive**



# Note

- Some people are very good at outside the box house renovation ideas, they see options others don't see...

# Working world example

## Problem:

Small foreign parent company never gives us (Canadian subsidiary), the reports we need

Primarily detailed intercompany charges for one employee, a couple of consultants, some equipment purchases

## Question:

How can we resolve this?

## Answer:

---

!

# How to save money re-paving roads

- In the past, just add another layer of asphalt...

# Maximizing charitable donations

- Problem: Students and seniors who don't pay tax or much tax, make charitable donations, without any tax benefit
- Solution: They \_\_\_\_\_ to higher income individuals, to donate, at the maximum tax credit amount, and who can gift the refund back

# The dunk bucket



# How to make one to have fun with my kids?

Problems:

- A long time to fill up, 2,000 plus litres
- Needs to be strong to hold person up
- Needs to be strong to hold all the water
- Expensive to build
- Made of steel, heavy and hard to move around – needs trailer

Solution – help me, what do you think?





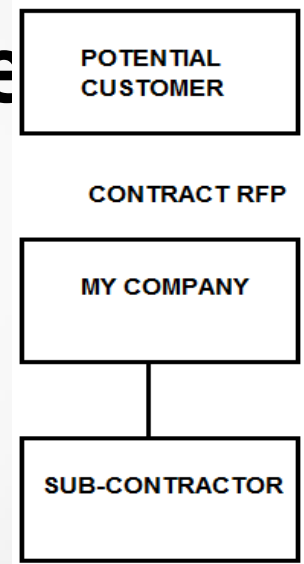
# Different angles

# Creative accounting

- No one wants the crown organization to book a huge environmental liability, but it is the right thing to do
- Office of the Auditor-General says they will qualify the audit report
- Solution: \_\_\_\_\_

# Contracting example

- There are clauses in a Request For Proposal (RFP) that are hard to deal with
- We must win the contract, how can we overcome this?
- By \_\_\_\_\_



# Creative thinking

- The more ideas you generate, the greater the chance that \_\_\_\_\_
- Even think of unworkable extreme ideas, to see if something workable comes out
- A lateral-thinking man I know of
- A way to practice creative thinking? \_\_\_\_\_
- When are you most creative? Everyone is different

# Creative thinking test

- How to save 2 litres of water every time everybody in the city flushes the toilet?
- The idea \_\_\_\_\_
- Creative, but there were problems because.....

# Being creative sometimes just involves asking

- An example at a hotel

# Outside the box as a grade 7 student

- I am badly behaved, so I get a “detention”
- School ends at 3:20, I get detained in the classroom until 4
- The time is passing slowly, at 3:40, I came up with an idea how to get out early...

# A test for you

- A man buys \_\_\_\_\_ for \$13 per dozen, and sells them for \$9 per dozen and becomes a millionaire, how is this possible?



# Another test for you - the race



# Help me

- How can I win the race?

# Some examples

- How to replace me in an NFP volunteer role?
- Office temperature problem, too cool
- The license plate renewal problem (PD hours?)
- How to get ambulances to accidents faster
- Recipe creativity!
- Month-end creativity

# Recent NPO thinking

- Charity has a December year end, and gets most of its donations in December, because of the tax donation cut off
- Huge budgeting problems, costs greatly exceed revenues, every month of the year until December
- Solution: \_\_\_\_\_

# Recent NPO thinking

- Charity has a expensive mortgage-free building and doesn't like to borrow
- How can it benefit the charity's "cause" with this?
- Possible solution: \_\_\_\_\_

# Cost-saving example

- Question all costs creatively
- A company has found a way to save trees cut down to produce \_\_\_\_\_ with an outside the box, simple idea, what is it?
- \_\_\_\_\_

# Can you creatively eliminate something that is redundant?

- In manufacturing, in processes, in systems, in administration, in accounting, in.....?



**The last example is set in the  
world of aircraft de-icing**



377

# Explanation

- If there is anything on the windshield of your vehicle left outdoors, they are de-icing the aircraft at the airport (freezing rain, ice, frost, snow)
- It is illegal and dangerous to fly with contamination on the wings

# Current aircraft de-icing method – spray hot glycol

- Expensive, poisonous, can't be done while loading the plane, slow, delays flights, bad for environment, gets in the ground water & rivers & lakes



# The creative alternative

- Cheap
- Non-toxic
- 99% less environmental impact
- Reduced need for recovery infrastructure

# The creative alternative

- Can be done while loading the aircraft
- Revolutionary for the industry, a game-changer
- Patented



# What is it?

Past guesses in class:

# Aircraft de-icing solution

- It is \_\_\_\_\_
- How come no one thought of this before?

The answer:

- How come it took so long for \_\_\_\_\_ to be used?

Point: An obvious solution, may be very powerful

# My job as CFO of the company

- Raise the money to take this idea to market:
- R&D, proof of concept, prototypes, trials to commercial orders
- Various kinds of fund-raising including doing Dragon's Den type presentations

# Thinking tips

- Does your organization's culture reward creative thinking? Or scare people from coming up with creative ideas?
- Any outside the box thinking examples from you? Unusual solutions to problems of any kind?



# Key indicator reporting

- Manage organization from \_\_\_\_\_
- About \_\_\_ key indicators
- An organization \_\_\_\_\_
- A balanced \_\_\_\_\_
- We are the \_\_\_\_\_ people, so why shouldn't we report it?
- Who here reports extensive \_\_\_\_\_ data?

# From this to this



	FIDUS KEY WEEKLY METRICS				
	Weekly ending				YTD Canadian \$M
	24-Sep	27-Sep	28-Sep	30-Sep	
<b>Cash</b>					
Cash balance	85,483	158,483	55,856	[17,288]	32,283
In arrears	288,822	288,822	288,822	288,822	288,822
<b>Revenue</b>					
New bookings	38,888	128,922	[16,658]	118,147	27,641
Revenue earned - no revenue	45,887	36,738	28,283	186,788	33,374
Revenue earned - current	54,483	52,554	56,333	61,233	48,658
Billing	192,258	127,824	48,755	6,328	23,536
Bookings	974,625	175,162	188,238	153,283	158,313
Call volume	85,233	37,124	152,435	-	38,458
On hold revenue	36,648	153,782	823,244	234,581	487,873
YTD revenue	1,242,116	1,288,628	1,146,284	1,127,838	1,818,421
YTD revenue ahead projects	148,277	424,147	316,233	283,233	261,233
"In the bag" revenue	1,419,741	1,325,741	1,254,819	1,271,487	1,161,248
Don't Plan in the bag	77.1X	75.8X	68.4X	63.3X	63.3X
Weighted pipeline opp's	534,253	625,625	822,871	648,876	674,631
Total revenue at risk	1,148,818	2,851,365	2,877,638	1,311,563	1,832,371
Total revenue at risk %	186.2X	191.8X	119.3X	184.2X	33.3X
Current ahead planned revenue	133,353	136,353	88,267	82,133	112,618
<b>Projects</b>					
# of active projects	28	27	27	28	28
# of new projects engaged in work	4	3	1	1	3
# of projects ahead in work	3	3	2	1	-
# of ahead projects - cumulative	12	13	16	14	13
<b>Working capital</b>					
U.S. exchange rate	1.5397	1.5273	1.5241	1.582	1.5834
Total W/C	338,659	333,875	328,266	376,738	327,435
W/C < 30 days	237,423	277,682	193,241	193,485	183,233
W/C 31-60 days	38,825	38,825	193,225	157,118	116,887
W/C > 60 days	1,611	24,618	-	22,435	22,435
Revenue Payable	149,325	38,578	53,236	61,888	38,683
Current liabilities	151,787	241,713	212,333	215,616	193,158
Working capital	626,163	587,274	449,326	441,137	557,635
Current ratio (work cap/current liab, k)	3.56	2.75	2.74	2.53	3.21
Leads to cash disk, no payroll	44,354	28,373	17,764	18,482	23,851
<b>People</b>					
Hires	-	-	-	1.8	-
Terminations	1.8	1.8	-	-	-
Employee headcount	24.8	25.8	26.8	26.8	25.8
Gross bill payroll	37,878	33,385	48,115	48,115	33,385
Billable non-salaried annual	1.8	-	-	-	-
Billable utilization	64.4Y	64.6Y	64.4Y	64.4Y	66.4Y

# Key indicator reporting

- “Good \_\_\_\_\_ depend on good measurement”  
(Bernanke)

# The dashboard

- About \_ weekly key indicators for the CEO & senior management
- A balanced scorecard, aligned with strategy & key goals (not full financials)
- Who should report it? Why not finance, we are the \_\_\_\_\_ people
- Who here reports extensive non-\_\_\_\_\_ data?

# Measurement

- Financial score-keeping is important, but we are not talking about just \_\_\_\_\_
- Report volumes, %, per unit, ratios, heads....

# In the dashboard

- Report the usual \_\_\_\_\_ including \_\_\_\_\_
- But provide extra insights: not just **cash balance**, but  
\_\_\_\_\_
- Not just **revenue**, but \_\_\_\_\_

# Key point



- Report the standard measures, but you need to look for more but also \_\_\_\_\_ really sweet new measures that communicates so much, for \_\_\_ depts/areas
- How to think of new measures:
  - What are the critical decision-making indicators in the business? the drivers?
  - What are the key success factors?
  - Tip: think of an org objective and \_\_\_\_\_,
  - Example: co wants to minimize job site emergency pick ups, so measure and report them
  - (“What gets \_\_\_\_\_ gets done”)

# Invent them

- Examples (financial or non-financial), business examples:
  - \_\_\_\_\_
  - \_\_\_\_\_
  - \_\_\_\_\_
- Have you invented any? (or a colleague)
- Get others inventing them



# An example – consulting engineers

- Old measures: Revenue, avg revenue per hour, % billable
- **Billable %**=  
Hours billed/40 hours

# An example – consulting engineers

- Old measures: Revenue, avg revenue per hour, % billable  
Week ending May 8, 2022
  - Revenue \$458,543
  - Average \$188.53/hr
  - 86.2% billable

# An example – consulting engineers

- Old measures: Revenue, avg revenue per hour, % billable  
Week ending May 22, 2022
  - Revenue \$369,543
  - Average \$189.22/hr
  - 56.2% billable
  - Why was billable so low, is this bad?

# An example – consulting engineers

- Old measures: Revenue, avg revenue per hour, % billable

Week ending May 22, 2022

- Revenue \$369,543
- Average \$189.22/hr
- 56.2% billable

Public holidays, sick days, vacation, training, etc, mess this up

# An example

- Old measure **Billable %**=  
Hours billed/40 hours
- New measure = \_\_\_\_\_

# Some NPO ideas for the case scenario

- \_\_\_\_\_
- \_\_\_\_\_

# Notes

- Have you invented any? (or a colleague)
- Get others inventing them

# Note

- Other functions may be reporting their key indicators to leadership
- My challenge:
  - Review their measures, improve on them, propose new ones
  - Integrate their #'s with your reporting ideas, so it is a true organization dashboard
  - Only about \_\_ of organizations do this



# Types of information

- Historical and \_\_\_\_\_-looking numbers
- Include targets
- Include relevant external data, examples:  
\_\_\_\_\_
- Rolling averages reveal \_\_\_\_\_

# Preparation

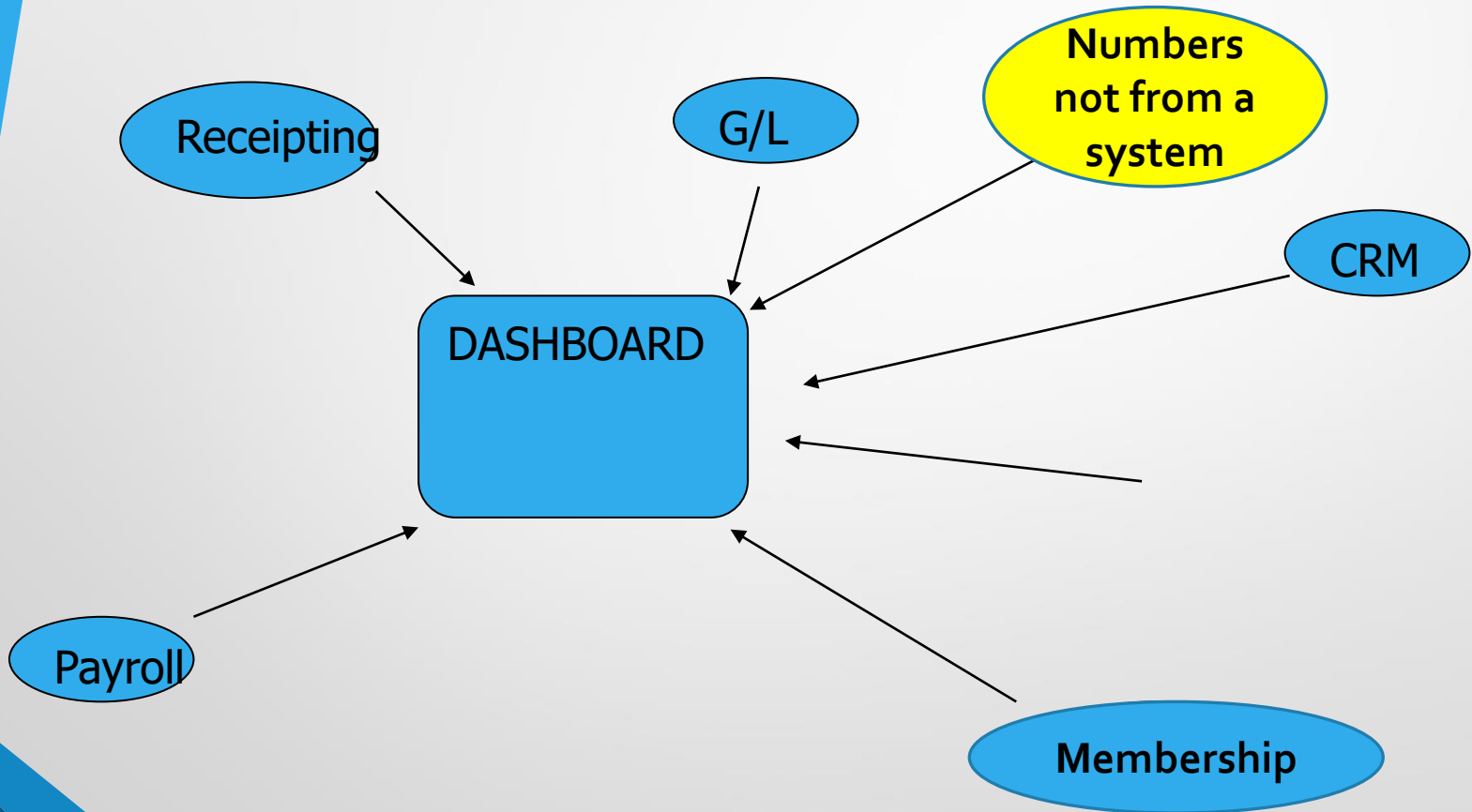
- When do you report the dashboard?
- 

- Align preparation with existing processes, save work, there must be benefit > cost
- If you don't have an ERP, you may be pulling numbers from many different systems, via software or manually

# SAP ERP system

- Stands for **S**ystems **A**pplications **P**roducts
- But accountants have developed many nicknames for it...

# Multiple systems input



# Validation and checking

- Do you validate numbers coming from other departments (at least \_\_\_\_\_)
- Do you have time?
- If you suspect other departments are \_\_\_\_\_ the numbers, you will have to become the \_\_\_\_\_
- Sometimes there may be political issues with other departments...

# Let's look at an example

- Many different ideas
- Types of measures are grouped

**WEEKLY DASHBOARD**

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**YTD avg**   **8 wk rolli**   **4 wk rolli**   **29-Nov**   **22-Nov**   **15-Nov**   **08-Nov**   **01-Nov****Cash**

Cash balance  
Operating Line borrowed  
Operating Line available  
Cash receipts  
Cash disb, ex payroll  
Short-term cashflow, net next 8 weeks  
Current cash burn

**Working capital**

Grants receivable  
Pledges receivable  
Accounts Payable  
Current liabilities  
Working capital

**Financial results - overall**

Government funding  
Revenue for services by type  
Donations by type  
Donations stratified  
# active donors (donated in last 2 years)  
Fundraising costs  
Fundraising/donations %  
Surplus/deficit  
Estimated current break-even  
Capital expenditures

## **Funding and financing**

Government grant remaining  
Short-term debt  
Long-term debt  
Bank covenant position

## **Results - non financial**

New members  
Departing members  
Closing membership  
Members expiring in next X months  
Membership renewal ratio  
# bathroom breaks for finance team  
Capacity available  
Patient data  
Student data  
Occupancy data - beds  
Intake  
Departures  
Meals served  
Empty beds/spots  
Wait list for...  
People helped, counselled, graduated  
People helped by type of disability  
Cost per resident  
Health of residents measure  
Vehicles in repairs  
Help line calls  
Website visitors  
Volunteer data  
Relevant compliance measures  
Complaints  
Environmental measures (units recycled, litres leaked, etc.)  
Event attendance

# Page 1



People touched by organization

### **Projects**

# of active projects

# of new projects engaged in week

# of projects closed in week

# days until closure of key project

### **People**

New hires/rehires

Terminations

Employee headcount

Turnover trend

Headcount by department

Open positions for hiring

Gross wkly payroll

Staff ratio to...

Contractors

Overtime hours

Sick hours

Work injuries

Statutory holiday

### **Note:**

You need to customize to your organization

# Note

- I will send you an Excel copy, I need your emails
- It will also include a funny “family dashboard”, and no, I don’t really have one...

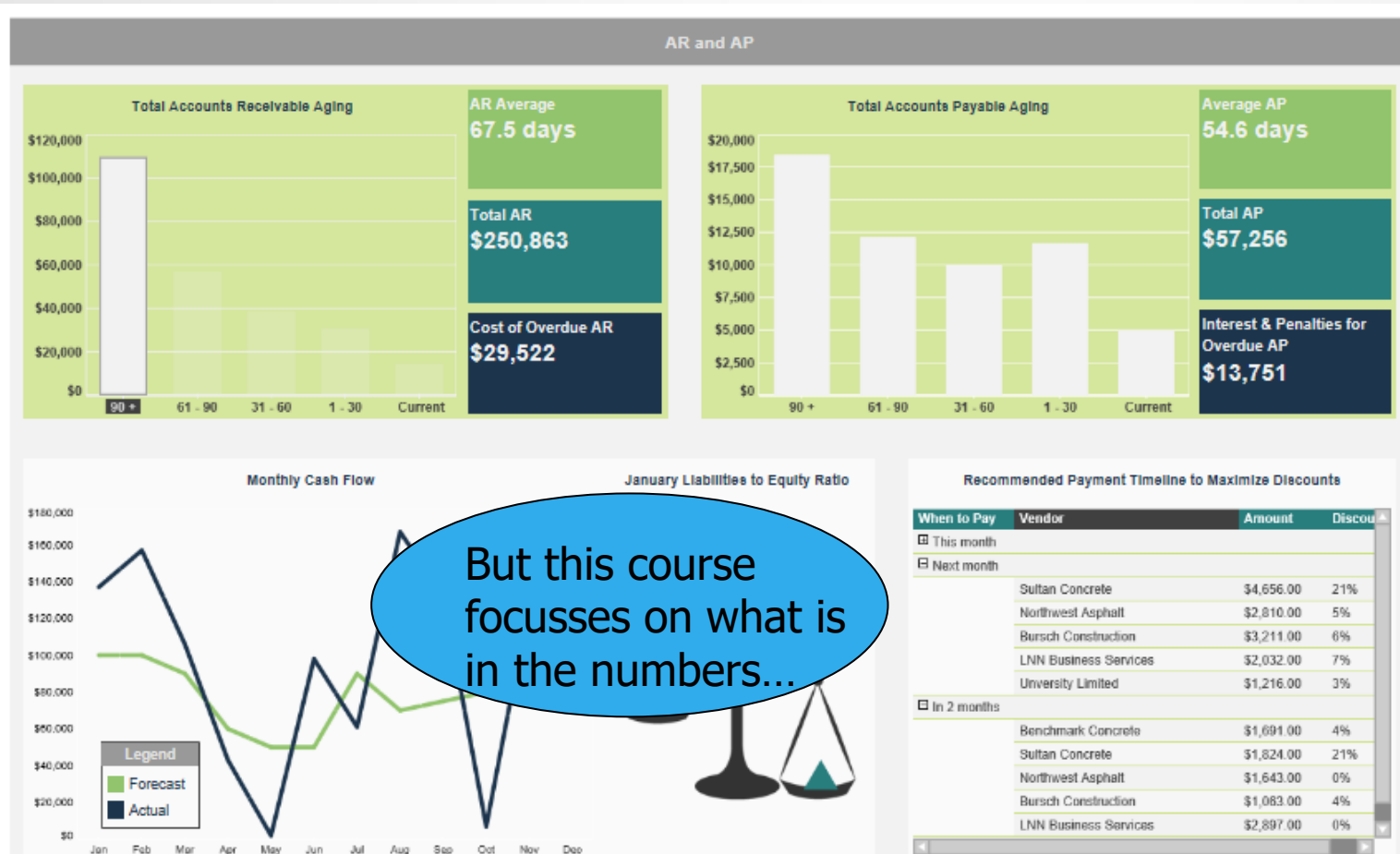
# The dashboard is released

- Lots of data, so you are actually doing \_\_\_\_\_ review rather than reviewing each one (colors)
- Understand the #'s before release
- You need \_\_\_\_\_ loops to operations
- You can automate emails to key people based on certain parameters

# Other angles

- I know numbers don't tell the whole story...
- Don't over-measure
- You should always step back and say "are we missing something that is not in the numbers?"
- Should it look like a dashboard?

# Data visualization can make it easier to understand (artistic users!)



But this course focusses on what is in the numbers...

# Different levels

- Can also be done by division, area
- If you “consolidate” numbers, use \_\_\_\_\_ averages

# Other thoughts

- Some kind of weighting or \_\_\_\_\_ of measures?
- Never stop \_\_\_\_\_ them, this has evolved in all my organizations
- Public accountants/consultants: build one for your clients



**Linking idea**



# What about a finance dashboard?


- Quantitative performance measurement for finance
- Monitor performance, drive efficiencies, protect headcount and more
- Full presentation in **Practical Brainstorming – Top Ten Trouble Spots and Other Useful Topics** seminar

# Reactions from you

- Doesn't fit my organization
- I will try to implement it, perhaps with adaptations
- I just like the new measures idea alone
- Great idea, no time
- Will do for my division, this will impress the head office, they will probably ask all the divisions to do it

# Other comments

- I know you all want to ask me whether I have a have budget versus actual reporting at home?



**What happened to the de-icing technology mentioned earlier?**



**People ask about my other  
courses**

# Other courses of interest

More of interest to NPO Accountants

- **Practical Work Smarts for Accountants** 2 hours
- **Practical Tips for Controllers & CFOs - The Case Course**  
full day
- **Practical Brainstorming - Top Ten Trouble Spots and Other Useful Topics for Financial Leaders** 4 hours

# Other courses of interest

For business & government friends:

- **Practical Tips for Controllers & CFOs** (8 hour business version of this course, over 9,000 have attended)
- **Practical Tips for Government Accountants** – 7 hour government accountants' version of this course

# More

- **Practical Tips to Get Through Cash Difficulties** (2 hours)
- **Practical Financial Negotiation Tips**, 4 hours
- **Practical Work Solutions From Case Discussions**, 2 hours
- **Ethics – More Than Just the Code**, 2 hour video available Sept 1, 2022 webinar 2.5 hours later



# Note

- For full course information, see [www.practicalpd.com](http://www.practicalpd.com)

# Closing comments

- Thanks for listening
- Email me to pick my brain or give me feedback [spriddle@bell.net](mailto:spriddle@bell.net)
- **Email for fully completed slides**
- Do LinkedIn with me if you want
- Please complete evaluations/review

**PRACTICAL**  
**PD**

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## FINANCIAL REPORTING CASE

### NOTE:

**You may want to print this, if you prefer to read a paper case and make notes on it, rather than on a computer or electronic device. This is important if you only have one screen to watch the webinar and see the case.**

**We suggest you do not read the case in advance.**

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## FINANCIAL REPORTING CASE

### Background information

Homes for the Special (HS) is a non-profit charitable organization which serves persons with exceptional needs through residential programs which are funded primarily through contracts with the provincial government. The organization is a registered Canadian charity within the meaning of the Income Tax Act and is exempt from income taxes. Its objective is to break-even or to report a small excess of revenue over expenditures each year.

HS operates 24 group homes in a particular Canadian province. The homes are located all around the province, with some in high cost cities and regions (real estate and personnel), while others are located in smaller towns and cities, where costs are lower. Homes are staffed with attendants who cook, clean and look after the residents. They are permitted to eat the meals that the residents eat. Each home houses approximately 6-8 residents, cared for by 2-5 staff at a time. The homes have one or two vehicles to transport residents to doctors/hospitals, for the staff to shop, and so on. The primary components of home operating costs are staff salaries and food.

The other executives of the organization are the Executive Director, Mikaela Fones, the Director of Government Relations, the Director of Human Resources, the Director of Homes Operations and the Director of Properties. HS' employees are not unionized. Some other group homes in the province are unionized and thus have higher labour costs. Some residents are occasionally violent, need higher staff ratios and injure staff from time to time. Others are bed ridden and need special care, including diaper changing. Residents are aging, with the province's population. There are some outside activities organized for residents, such as day programs, trips and picnics.

The organization has a December year end and is audited by a larger accounting firm, Filet LLP, which charges a significant fee and qualifies the audit report for completeness of donations each year.

About 80% of operating costs are covered by provincial government funding agreements, with the balance being covered by donations (about 16%) and fixed monthly resident charges, for the few residents who do not qualify for full government funding, for various reasons. Certain capital (home) costs are covered by the provincial government. Some donations are mailed in, while quite a few donations come in through transfers from the [www.helpcharities](http://www.helpcharities) website, which funnels donations by individuals on their website to various charities they specify, and a 3.9% fee is netted off the payment. Other donations come via bequest from individuals. When the individual dies, HS is told about the bequest. HS records the pledge receivable when the will is probated.

Government funding agreements cover different ages of residents, types of handicaps, and so on, and they are generally on a per resident, per month basis and last two or three

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years before they must renewed. There are extensive provincial government financial reports that must be completed, in different formats than internal reports, for the different funding programs.

Costs are somewhat seasonal, with higher heating and snow removal costs in the winter, but lower staff costs over Christmas, as well as in the summer, when many families bring residents home. The provincial government has decided not to adjust funding agreements for such short-term absences.

HS rents some homes and owns others with bank mortgage financing. The organization has a \$100,000 line of credit to deal with the occasional cash crunch and because of this, the bank has covenants, which require a minimum current ratio of 1.25:1.0 and a maximum debt to total fund balance of 2.0:1.0.

**Scenario:**

You are the new Director of Finance, reporting directly to the Executive Director (ED) of the organization. You have been inserted above the Accounting Manager who previously reported to the ED. The organization's October Board and Management Financial Report is set out in Exhibit I. You have spent time talking to HS personnel and have gathered the information contained in Exhibit II. The Board does not have access to this information.

**Your job:**

Discuss what can be done to improve monthly financial reporting at HS, considering general issues and improvements to the October report.

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**EXHIBIT I**

**October 2020 Board Report**

Members of the Board and Executives,

November 28, 2020

You will find attached the October 2020 monthly report. It was a good month as we reported only a small deficiency and we are ahead on a year-to-date basis.

*Carl Downs*  
Accounting Manager

<b>HOMES FOR THE SPECIAL</b>					
Statement of Financial Position					
October 31, 2020					
	Operating	Capital	31-Oct Total	30-Sep Total	
<b>Assets</b>					
Current assets:					
Cash	\$ 208,837	\$ -	\$ 208,837	\$ 190,456	
Short-term investments	48,432		48,432	48,503	
Accounts receivable	79,978	2,513	82,491	83,512	
Prepaid expenses and deposits	4,684	-	4,684	4,684	
Due from Pargo	3,439	-	3,439	-	
	345,370	2,513	347,883	327,155	
Note receivable from Homes for the Special (USA)	5,000	-	5,000	5,000	
Capital assets	-	3,192,712	3,192,712	3,203,311	
	\$ 350,370	\$ 3,195,225	\$ 3,545,595	\$ 3,535,466	
<b>Liabilities and Fund Balances</b>					
Current liabilities:					
Operating line of credit	\$ 50,000		\$ 50,000	\$ -	
Accounts payable and accrued liabilities	145,903	\$ -	145,903	126,819	
Interfund payable (receivable)	(389,567)	389,567	-	-	
Current portion of long-term debt		105,036	105,036	103,456	
	(243,664)	494,603	250,939	230,275	
Long-term debt	-	2,097,966	2,097,966	2,105,124	
Fund balances	594,034	602,656	1,196,691	1,200,068	
	\$ 350,370	\$ 3,195,225	\$ 3,545,595	\$ 3,535,467	

## HOMES FOR THE SPECIAL

### Statement of Operations and Changes in Fund Balances

2020

							Budget	
	Operating	Capital	Oct Total	Sept Total	YTD 2020	Oct	Variance	
<b>Revenue:</b>								
Provincial subsidies	784,678	\$ -	\$ 784,678	\$ 763,984	7,616,813			
Resident fees	11,449	-	11,449	13,379	132,050			
Donations	28,420	4,200	32,620	47,980	290,160			
Miscellaneous revenue	3,048		3,048	-	-			
Interest income	697	113	810	830	290			
Transfers	(1,489)	1,489	-	-	-			
	826,803	5,802	832,605	826,173	8,039,313	820,000	6,803	
<b>Expenses:</b>								
Salaries	633,752	-	633,752	615,543	6,296,447			
Benefits	16,993	-	16,993	24,904	205,294			
Travel	7,890	-	7,890	7,473	38,456			
Training	164	-	164	-	1,899			
Purchased services	5,228	-	5,228	4,989	24,567			
Fundraising & related	7,884		7,884	5,001	44,567			
Consulting services	21,679	-	21,679	1,567	29,567			
Supplies and miscellaneous	1,500	-	1,500	1,789	7,890			
Food	42,552	-	42,552	42,807	432,772			
Rent - premises	34,542	-	34,542	34,542	345,420			
Utilities and taxes	8,334	-	8,334	9,456	88,950			
Insurance	7,901	-	7,901	7,901	79,010			
Repairs and maintenance	-	7,301	7,301	4,667	69,034			
Amortization	-	10,599	10,599	10,599	108,958			
Vehicle expense	6,758	-	6,758	31,330	84,330			
Miscellaneous expense	17,444		17,444	16,493	100,543			
Interest on long-term debt	-	5,389	5,389	5,389	53,889			
	812,622	23,289	835,911	824,450	8,011,592	815,000	-2,378	
Excess/(Deficiency) of revenue over expenses before the undernoted	14,182	(17,487)	(3,305)	1,723	27,721	5,000	9,182	
Change in fair value of investments	(71)	-	(71)	12	404			
Excess/(Deficiency) of revenue over expenses	14,110	(17,487)	(3,377)	1,735	28,125			
Fund balances, beginning of period	579,924	620,143	1,200,068	1,198,333	1,171,943			
Fund balances, end of period	594,034	\$ 602,656	\$ 1,196,691	\$ 1,200,068	1,200,068			



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## EXHIBIT II

### Other information gathered

- The organization uses the restricted fund method of accounting, with an operating fund and a capital fund
- The Accounting Manager said that she just noticed that there have been some expense accrual errors in August and September, totaling \$10,231.
- The Director of Government Relations says that he does not understand how the monthly reports from the accounting system relate to the reports that are filed with the government funding bodies
- One new person joined the Board of HS on October 19, 2020. She is a lawyer, who specializes in construction and property management.
- Included in accounts receivable are amounts receivable from paying resident customers, and pledges receivable for donations that have been promised. It is presented net of the allowance for doubtful accounts of \$4,702.
- The organization is having a dispute about the Rane Street property's capital funding with the provincial government. The Accounting Manager and VP, Real Property believe the \$26,100 subsidy receivable is 100% collectible.
- Under the terms of one of the organization's funding agreements, HS was required to place \$61,220 in trust with a third party lawyer on November 12, 2020, until certain conditions have been fulfilled. It is expected that the conditions will be fulfilled in early January 2020.
- During October, the organization was billed \$17,500 for consulting from a company controlled by the Executive Director
- During October 2020, HS incorporated a wholly-owned for-profit corporation, to sell book and resources to families of handicapped people. The corporations' store was set up at HS' head office, where the Executive Director and five others work. No results from this entity are included in the monthly financial statements of HS, other than an advance of \$10,000 included in receivables
- During the month of October, catch up funding from July to October, in the amount of \$14,567 was received from a provincial Ministry, for residents who suffer from multiconosis (fictitious). It was recorded in the month received
- Pushy Charity Fundraising Corporation has contacted management of HS, and said they can guarantee that they can raise at least \$100,000 for the organization, through aggressive telephone solicitation, at a commission of 55%
- Included under the accounts payable and accrued liabilities is \$24,341 in G/L account General Suspense #6181214. The Accounting Manager says it dates from before his time
- HS sets its budget annually in the December prior to the beginning of the year. The 2020 budget was based on an average of 161 residents.

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## NOTES