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- You have the option of **printing the slides** and taking notes during the video, or **taking electronic notes**
- **Printing** means you don't have to have two devices in use during the video
- 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.

ASIAN FUSION CUISINE COOKING SEMINAR



Presented by the Culinary Society

MODERN ART APPRECIATION SEMINAR



Excuse
me....



PRACTICAL TIPS FOR NOT- FOR- PROFIT LEADERS

www.practicalpd.com

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

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PRACTICAL

PD

Introduction

- Welcome
- I know PD seminars are yawners, but we can't help it
- I am not a smooth speaker and this is not a canned seminar
- You might have to help me, I am forgetful...

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



Limit one per person, except Top Participant prize

The prize



Watch this any way you want

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

Do not watch while driving please!



No napping though...



Where am I?

- As I teach this?
- My basement studio, Ottawa, Ontario

Let's get to know each other

- Type your name, age and marital status in the Chat

Type “balloon” in the Chat if you...

- Have ever had a ride in a hot air balloon

Type “site” in the Chat if you...

- You met your spouse via a dating website

Check out

- www.accountantsmatch.com

Type “50plus” in the Chat if you...

- You worked 50 hours plus last week

Type “budget” in the Chat if you...

- You follow a budget at home for your finances and you have budget versus actual reporting

Type “catch” in the Chat if you...

- You would rather be catching up on your work than be in this session, you are just doing it for PD hours, you are not really interested...

I advise Canadian and world leaders

- Trudeau, Trump, Ford, Harper, Chretien, Obama, Gorbachev and more
- What I mean is I send them unsolicited advice
- Unfortunately, none have listened to the advice, or even responded to thank me...except one...

The White House

To: Stephen

Details

TH

We Have Received Your Message

Today at 1:30 AM

THE WHITE HOUSE

WASHINGTON

February 24, 2019

Thank you for contacting the White House. We are carefully reviewing your message.

President Donald J. Trump believes the strength of our country lies in the spirit of the American people and their willingness to stay informed and get involved. President Trump appreciates you taking the time to reach out.

Sincerely,

The Office of Presidential Correspondence

If you wish to receive regular email updates from the White House, please [Click Here](#). You may also follow President Trump and the White House on [Facebook](#), [Instagram](#), [Twitter](#), and [YouTube](#).

[White House Website](#) | [Privacy Policy](#) | [Contact the White House](#)

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 become a volunteer charity bookkeeper
- NPO boards (sitting on, or speaking at)
- 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

2008 Board Report: Maple University General Comments on Performance

Case background

The 2008 Board Report is different from many past board report cases. Candidates are required to direct their advice and recommendations to management of a subunit - i.e. Faculty of Business (FOB), within a larger independent organization – i.e. Maple University (MU).

The Dean of the FOB is tasked with carrying out a specific mandate from the Board of Governors, and his authority is much more limited than that of more senior managers above him (e.g. Academic Vice-President and President, MU Senate). Therefore, the Dean and the FOB must formulate and implement their strategy based upon MU's overall strategy, culture and decision making structure.



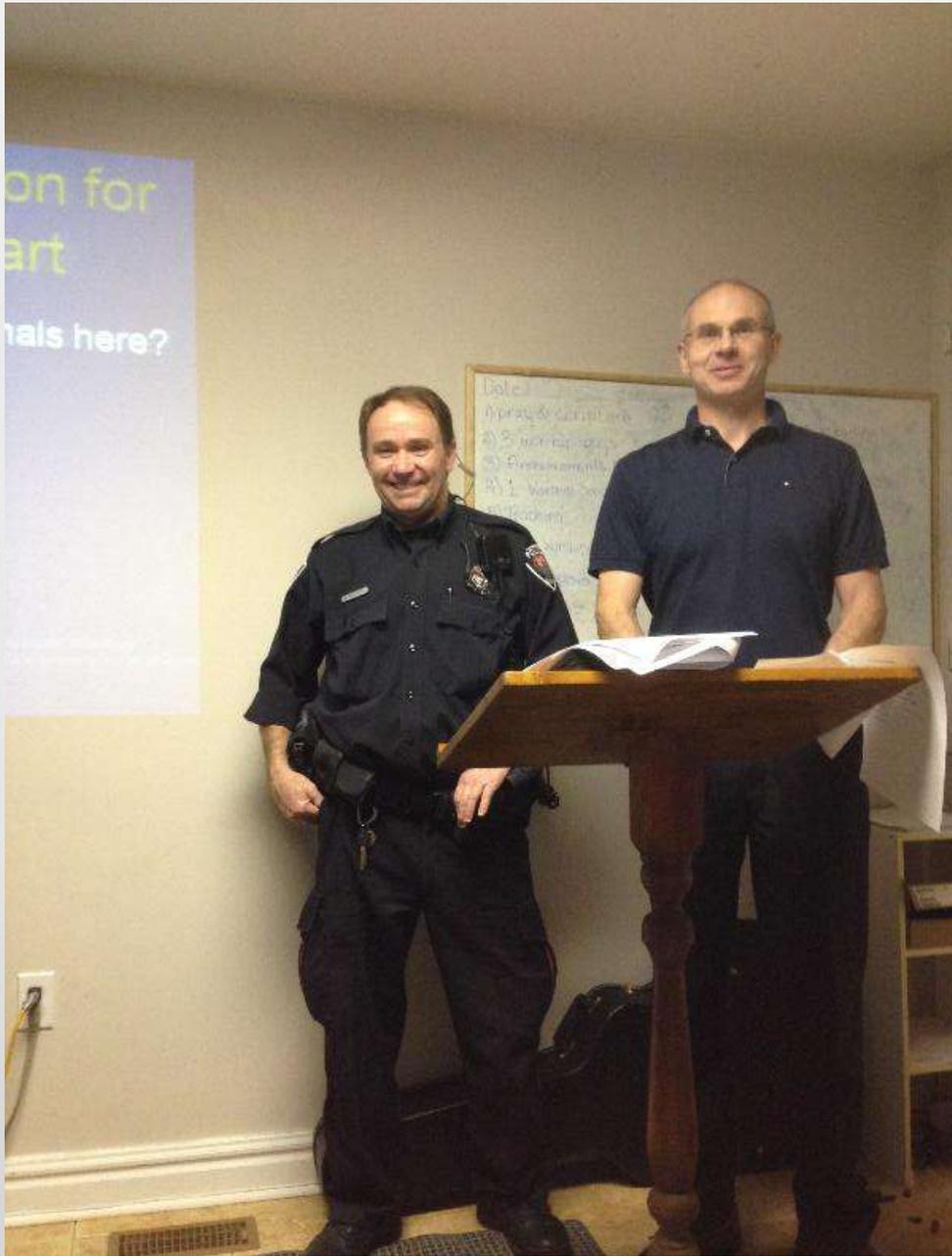
Strategic Leadership Program

Board Report

Seniors' Care Inc.

Volunteering in the charity world

- Speaking to youth about teenage issues



At major airports around the world

My employer:

SureWx Inc.

Enhanced airline winter operations:

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

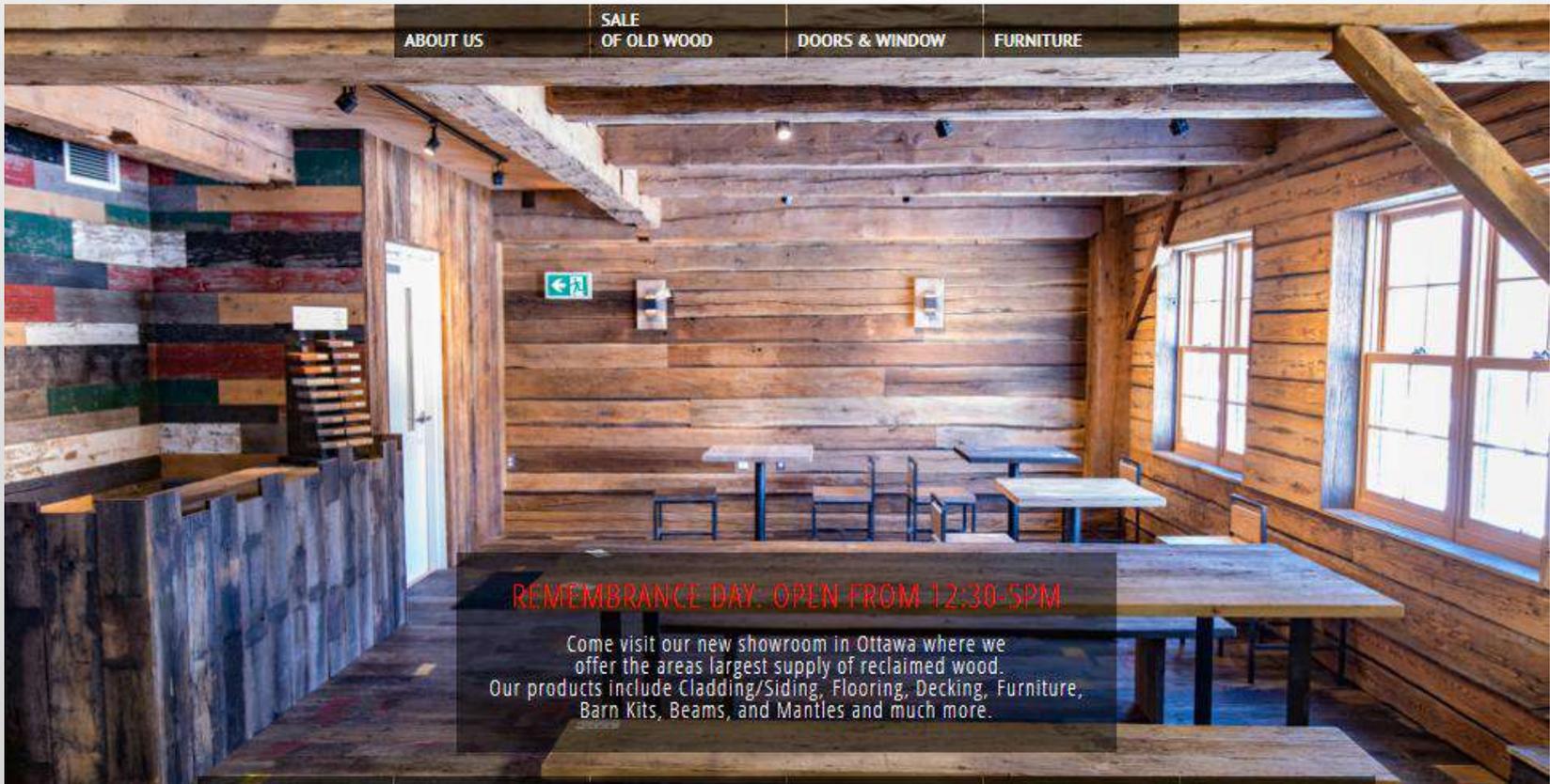
MBO December 2015



My unpaid “CFO” job...family business



Heritage lumber



Introduction

- Not advertised as covering technical NPO financial accounting or provincial NPO laws
- The handout is not intended to be a reference book
- Fill in the blanks will help you stay awake, (I will send you a filled in version at the end of the day), **but I need your emails**
- 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

Notes

- You are so diverse, some tips won't apply to you
- This seminar is not **Practical Tips for Public Governments Accountants** but if you are from there, you will get something out of it (that is another of my 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
- I will give you ideas: you will need figure out if they apply and then implement them
- E-mail me if you have questions

Notes

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

More

- Will share mini case studies from my career to illustrate the points
- Create a work action list from the seminar
- I will mention some of my other courses which may be of interest to you

Someone put in their evaluation recently

Spent two hours after the seminar writing down action plans.

Surveys today for bench-marking

- First survey: finance heads/total heads
- Definition of finance heads
- 7.31% all seminars
- (Business 6.01% from my **Practical Tips for Controllers & CFOs** seminar)
- Tell your boss and board if you are _____ average

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 writing first, don't wait for the other party
- Also do this for your boss, have the solution ready in writing

From: Stephen Priddle
Sent: July 23, 2020 11:19 PM
To: Executive Director
Subject: Solution

Francis,

I have noted that Phil and Jacqui are headed on a collision course with respect to -----.

I have drafted emails that you could send to each of them, that I believe will solve the problem completely, see below....

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

- Nationally known charity with serious ethical issues
- Pressure to exaggerate valuation of donations in kind
- (I have seen this myself on the other side)
- CMA I know, working for NPO, lost designation and was fined \$100K
- Co-op accountant complaining about incredible board conflicts
- “We received a \$2M bequest, we were told to hide it so it doesn’t reduce government funding”
- A member of the board double-claiming travel
- So much ethical troubles “we are about to lose our charter”

Other ethics issues I have heard

- NPO buys all insurance through a Board member's broker firm – what do you think?
- Should an NPO refund government funding if not used – what do you think?

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, andnonprofit 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)

- Founder on board with wife, unanimous vote needed to remove founder from board
- Which means.....
- Founder can take one family member on all business trips
- Founder got an interest-free loan of \$467,157 from the charity
- Founder's wife paid \$15,000, works one day a week, no job description
- Update October 2015: "When the ... founder failed to appear at a hearing ... the court issued a warrant for his arrest."
- Later the charity went bankrupt

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....

A large charity I was donating to...

- Funds transferred from North America don't match funds received in developing country (audited statements) multi-millions of \$
- Explanation should be simple, or something is wrong, but nothing forthcoming
- \$90M headquarters building, but helping the poor...

Other scenarios

- Inappropriate use of government money by NPOs
- Charities where most funds go toward solicitation costs
- (Personal tip - check out charity ratings before giving, as well as executive remuneration)



Buyers of Maurizio Cattelan's \$120,000 Banana Defend the Work as 'the Unicorn of the Art World,' Comparing It to Warhol's Soup Cans

Still, two of the new owners are aware of the 'blatant absurdity' at the heart of the work.

Caroline Elbaor, December 10, 2019



Brilliance, turning \$1
into \$120,000!

Parenthesis

- I don't really have a problem with this, as long as I am not paying.....! that is I , as a taxpayer...

Other scenarios

- Inappropriate use of government money by NPOs
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Other scenarios

- Inappropriate use of government money by NPOs
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Money well spent?

Rank ▲	Charity name	Total raised by solicitors	Paid to solicitors	% spent on direct cash aid
1	Kids Wish Network	\$127.8 million	\$109.8 million	2.5%
2	Cancer Fund of America	\$98.0 million	\$80.4 million	0.9%
3	Children's Wish Foundation International	\$96.8 million	\$63.6 million	10.8%
4	American Breast Cancer Foundation	\$80.8 million	\$59.8 million	5.3%

Other scenarios



use of government money by NPOs
charities where most funds go toward solicitation costs

- Personal tip - check out charity ratings before giving, as well as executive remuneration

Also

[Home](#) > [Canada Revenue Agency](#) > [Charities and Giving](#) > [Search](#)

Resources

[Online services](#)

[Forms and publications](#)

[A to Z index](#)

[Enquiries](#)

List of Charities - basic search

The information in the List of charities is updated by the Canada Revenue Agency each business day.

The public can use this list to:

- confirm whether a **Canadian** charity is registered, revoked, annulled, penalized, or suspended (to help guide your donation decisions)
- view a charity's contact information, general activities, and financial information, including the public portions of a charity's annual information return

Charities can use this list to:

- confirm their registration
- review their contact information
- review the information filed on their annual returns to ensure it is accurate

Basic search

Charity name

(Maximum 175 characters)

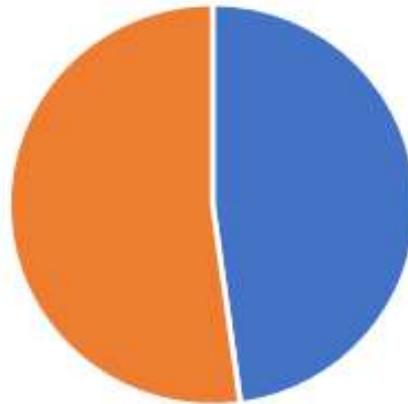
Charity status

Registered



Polling question (anonymous)

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



■ Yes ■ No

Note

- In my course, **Practical Tips for Controllers & CFOs**, a survey of thousands shows that about 15% 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 ethics
- Maintain strong ethical standards in all your work
- Taking a new position and then finding out the boss or the organization is crooked is not good!
- Research the organization first
- If all seems OK, make your position on ethics during the interview, avoid crooked organizations/bosses
- 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 jail
- Lose your CPA/get disciplined
- Quit and then you have some awkward issues
- Keep working there and maybe you never get caught, but your conscience bothers you....
- None of these are good options



Research

- Google
- Your connections....
- www.ratemyemployer.com
- www.glassdoor.com
- Former employees
- Former auditor....

Interview question

Are you
willing to
stretch all the
rules?



Other interview situations

- The public company
- A software company

Interview for CFO job of US public company

What is important to you?



Interview for CFO job of US public company

What is important to you?



Interview for CFO job of US public company

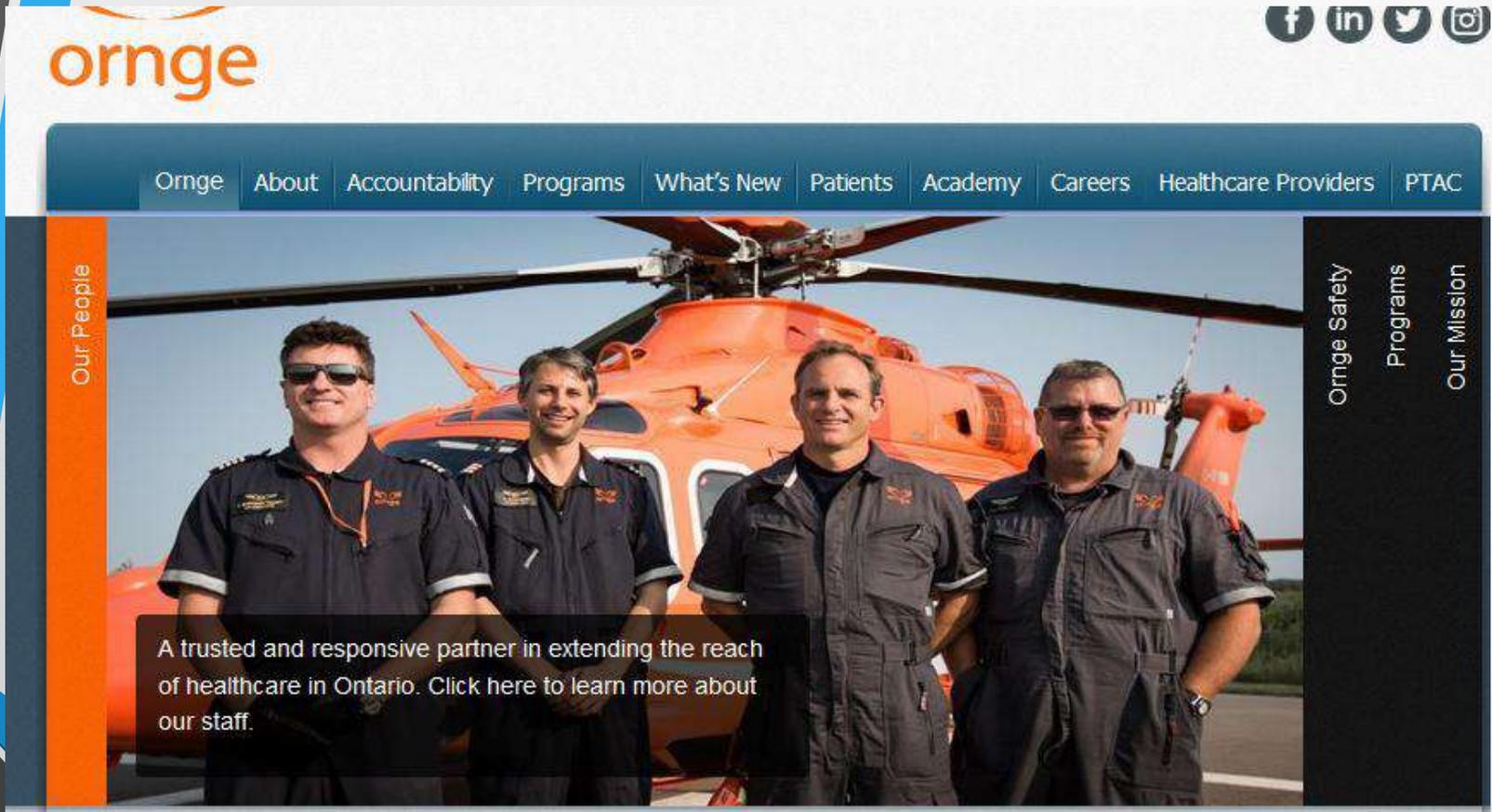
That could be a problem...



A CFO job interview – very large NPO

- They couldn't give clear answers about the organization's activities
- 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

The organization – before the scandal blew up



Ornge scandal: Ex-CEO Chris Mazza should be in jail, not ER, says MPP

Chris Mazza was fired as head of ORNGE, Ontario's air ambulance service after he set up spinoff companies being probed by police



Chris Mazza went on medical leave in 2011 before he was fired by the Liberal government as the head of the province's air ambulance service. (RENE JOHNSTON / TORONTO STAR FILE PHOTO)

Ethics - pressure



- In a situation, think about being in court in a professional conduct disciplinary hearing or in the media
- You may want to call a CPA ethics advisor



You refuse to do it - what are the legal implications ?

- Can they terminate you with cause for insubordination (failing to follow orders) re an ethics issues, so no severance package and win if you contest this in court? No!
- Successful terminations with cause are rare
- The court cases basically say there has to be a series of warnings & violations and the maybe the employer can do it
- Also employer may not be keen on discussing the matter in court

**Also, watch out for people trying
to rip NPO's off**

Rules of Professional Conduct

Chartered Professional Accountants of Ontario

CPA Code of Professional Conduct

205 False or misleading documents and oral representations

RULE:

A member or firm shall not

- (a) *sign or associate with any letter, report, statement, representation or financial statement which the member or firm knows, or should know, is false or misleading, whether or not the signing or association is subject to a disclaimer of responsibility, nor*
- (b) *make or associate with any oral report, statement or representation which the member or firm knows, or should know, is false or misleading.*

CPA non
Quebec

Question

- Do you think lawyers are less ethical than accountants?

Are lawyers ethical?

- CPA Quebec, 45,000 members and students, **14 disciplinary notices**, Jan 1-May 22, 2020 .031%
- Law Society of Upper Canada, about 50,000 members, **181 disciplinary notices**, Jan 1-May 22, 2020 .362%
- 11.6 more times conduct/ethical issues!

Ethics - comments



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

Proverb: Trouble
befalls the income of
the wicked

Wood business

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



Interesting

- Someone once said, I use the password: Integrity
....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 jail!

He paid to hear me speak about ethics for accountants...

Former SFU accountant sentenced 4 years for \$800K fraud

Siamak Saidi admitted to defrauding both SFU Faculty of Science and Cultus Lake Park Board

CBC News | Posted: May 02, 2014 6:40 AM PT | Last Updated: May 03, 2014 10:11 AM PT



Siamak Saidi worked for SFU for less than two years, but in that time the chartered accountant was able to steal more than \$800,000 from the Faculty of Science.

The seminar the guy offers (from jail)



- **Crooked Tips for Not-for-Profit Financial Leaders**
 - How to steal from your employer and not get caught
 - How to cheat the government, donors, your bank, employees, CRA, suppliers and students
 - How to find crooked accountants to work for you and manage them when they can't be trusted
 - Every tip in the seminar breaks a law, guaranteed, but I will

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

- You must consider CPA and employment contract confidentiality, (Rule 208.1)
- Review constitution, bylaws, approval rules, conflict of interest policy and governing legislation that apply
- Does he actually do any cleaning? Does he do a good job at it?
- Find out how much was paid so far
- See if transactions are at Fair Market Value or inflated
- Talk to your lawyer
- Don't rush to go behind your boss' back...

Ethics mini case 1 from real life

- A wise move, play dumb with ED: you forgot to call the meeting, to protect yourself, you can't approve your own contract
- Tell the ED there will need to be related party transaction disclosure in the financials of the contract, this exposes the issue
- Are you a member who can ask questions, or call a special member's meeting?
- Get other members to demand an AGM
- Consider talking to the Board (why have they allowed the AGM to be deferred?), use the financial reporting issue to bring up the related party transaction
- (In real life, the accountant quit)

A story



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

An ethics dilemma for me recently with respect to this seminar!

- *...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 No!

Seminar story

- CPA IT Director of NPO 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 nothing!

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 help the needy organization not returning unspent government funding for a fiscal year, that should be returned, justification, we can help more need people
- I would say I don't like the smell, but I need more information about it to answer, how does it break any funding rules, laws, regulations, etc?

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 think so, not dishonest, not unethical, not bribing a judge or contract official, but survival

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?

-



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?



Ethics mini case 2 from real life

- First question, what is my salary?!
- Investigate to confirm if true
- Maybe don't worry about it, this is historical before your time?
- Was it ethical – no? Is it criminal? Probably.
- Can you tell the Board/Audit Committee?
- Is it material? There might be a need to accrue a repayment to the government

Ethics mini case 2 from real life

- Is there a whistleblower line?
- Can you tell the auditors? Should you talk to your lawyer?
- What if it gets discovered by the government – you look bad even though you were not involved?
- Ideally get the President fired/arrested, clean everything up
- Do you trust the President? Is he/she ethical? What else has the President done like this, or might do in the future? What if other unethical behaviour by the President become public? What will it do to your reputation?
- You may just want to resign

Note

- The problem is not being unable to recognize what is unethical, but recognizing it and not having enough “moral courage” to say no!



Moral courage

- CPA works for a hospital
- Doctor taking whole family to Disney World and charging everything, when at a medical conference
- CPA takes a stand, refused to approve
- CPA says “I could lose my designation for going along with this” ...
- Doctor says: “so what if you lose your designation...”
- Doctor became an enemy...

Ethics and personal finances

- Make doing the right thing easier, by maintaining strong personal finances (also reduces temptation)
- You don't want to think you have to choose between being ethical and financial ruin, and being unethical and financial stability
- I am ultra-conservative, but it has paid off
- A CFO's strategy to coerce his accountants to get his way

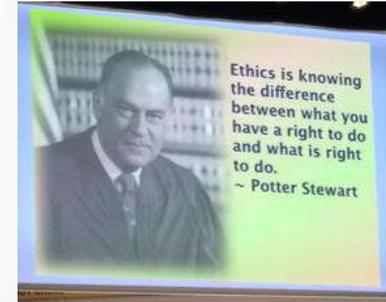
Ethics – financial trouble

- 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: two said that there could be annual fee relief, one said not aware of anything and the rest would not confirm or deny
- Lesson: it would be worth asking if you faced a real situation

More stories I have heard

- Employer cheating on significant government application for funding, got legal advice, then decided to leave,
- CFO says CEO's forecast not acceptable, he sent it without CFO's knowledge, bank called him, he was honest about the forecasts, the bank then put the loan into the special loans category
- Maritime. Sociopath Executive Director, so she left. Executive Director got fired, so she returned, could not mention it in my class, everybody would have known who she was talking about..
- CEO asked CPA to sign a document for the bank saying the company legally owned ___ which were not the company's property. She refused. He was offended, and said, "you would do it if it was your business"

Ethics - business



- There are all kinds of ethically difficult business situations we all might face, not CPA ethics per se
- I was told this week that the seller of the business I purchased, assumed we might ask dishonourably, but are thankful we never have
- We always reason, what would be the fair thing to do, not what can we get away with



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

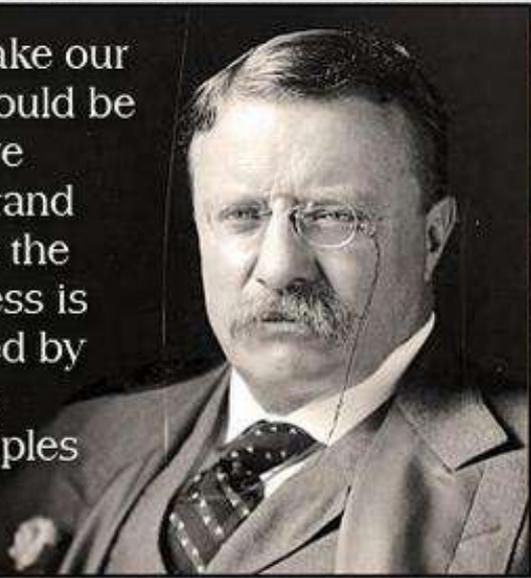
A story

- Partner tells him: “under Clause X of the partnership agreement, an absence from active participation in the business, means that you I have automatically acquired your partnership interest and furthermore, under the non-compete agreement, your are forbidden from practicing Veterinary medicine within 50 km of the office, for a period of two years...”
- A lawyer would say the Partner did absolutely nothing legally wrong
- You and I and just about anybody would say that stinks and is fundamentally deceitful and immoral....

Another good quote

Great Quotes From Great People

"We shall never make our republic what it should be until as a people we thoroughly understand and put in practice the doctrine that success is abhorrent if attained by the sacrifice of the fundamental principles of morality."

A black and white portrait of Woodrow Wilson, the 28th President of the United States. He is shown from the chest up, wearing a dark suit, a white shirt, and a patterned tie. He has a mustache and is wearing glasses. The background of the portrait is dark and indistinct.

We all need to review our ethics

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

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

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, 2021, they will be treated differently
- You can't lie that a transaction entered into in late 2021, was entered into in fall 2020, just be back-dating it

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 backdate the lease to a November 1 effective date, and you sign it in December
- 100% normal and legitimate

Ethics conclusion

- Be ethical yourself – follow professional standards, and applicable laws
- Don't even be tempted to steal - controls are often weaker in NPOs
- Would you like to give some examples of ethics issues you have faced (no names or dates) by email?

A recent seminar attendee

Hello Stephen,

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

(works for organization with ethical challenges)

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 you should try to find the owner...

Your chance to share

Prize



**Now a short commercial
announcement**

The ethical accountant t-shirts on sale at our store, this week only



Ethical accountant t-shirts on sale at our store, this week only

- Regularly \$69.99
- On sale for \$18.00 this week
- White shirts only
- All sizes, free shipping

I am kidding

- I have no store, no shirts, no merchandise....

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 (or client)

- You or your clients, as the case may be
- Brainstorm at least 5 challenging issues issue, financial or otherwise
- _____
- _____
- _____
- _____
- _____

Some examples

- Can't fire people
- Flat funding, costs increasing 3% per annum
- Volunteers want to be paid!
- 10,000 volunteers!
- Difficult government reporting requirements
- Donation levels very sensitive to the economy
- Capital donations, without consideration to the operating costs
- Have large accumulated surplus, but can't run a deficit!

More examples

- Competition - 360 other worthy cancer fund-raising organizations out there
- No stable funding
- People approve their own expenses
- March madness!
- Our charity is less attractive to give to

More issues facing NPOs

- Lack of policies and internal controls
- Need for stable funding
- We are not following our mandate
- Approve own expenses
- Some charities less attractive to give to
- Too many old employees and can't fire them (university)

More issues facing NPOs

- We must be more efficient at delivering our service
- We need to dig up more donors
- Reinventing the organization
- How to fund overhead
- Staffing (salaries aren't competitive)
- Demographic challenges
- Too much rubber stamping

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:

NPO senior finance role

A few I have heard, ensure:

- They have relevant information for decision-making
- Look good at board meetings, gets reappointed
- Has enough money to spend
- Knows how much they can spend
- Puts out all the fires
- Be the financial doctor
- Stay out of jail

NPO senior finance role

Ensure the Executive Director:

- Succeeds
- Knows the rules
- Cleans up the all the messes
- Promotes positive wellness in finance!
- Has their head where their feet are
-



NPO senior finance role

- Does everything at the right time
- Tell them what they need to know, not what they want to know
- Convince them to want to ask you for advice
- Communicates well to all stakeholders
- Knows if we can afford it

NPO senior finance role

My favourite one:

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



The “oops” illustrations

- Oops, we didn't meet the grant conditions, we must return the money
- Oops, CRA says we shouldn't have _____
- Oops, funding got cut because ____
- Oops, we have to restate last year's financials
- Oops, controls broke down and someone stole \$50K
- Oops, the bank called our loan
- Oops, we ran out of cash

Banking

- 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



I answer

We can have someone deliver the money in \$100 bills, can you meet in front of the police station in Murfreesboro?

STEPHEN PRIDDLE, CPA, CA, CMA
VP Finance & CFO
SureWx Inc.

t: 1 514 225 2192 ext 401

f: 1 800 606 1730

www.surewx.com

|
From: Brian Stafford <ceo@cypress.co.nz>
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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,

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 this

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...

MacEwan University defrauded of \$11.8M in online phishing scam

Some funds still missing, most traced to bank accounts in Canada and Hong Kong

CBC News | Posted: Aug 31, 2017 1:47 PM MT | Last Updated: Aug 31, 2017 5:23 PM MT



MacEwan University is trying to get millions of dollars in money back after it was the victim of an email phishing attack. (MacEwan University)

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Thursday



10°C

Friday



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9°C

Sunday



7°C

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Latest Edmonton News Headlines

A business example – wire problem

FACC Operations GmbH is an Austrian company that produces spare parts for major aircraft manufacturers. In January it revealed that it had been the victim of an email fraud in which it lost €50 million (£38 million) as a result of the CEO falling for a whaling attack.

A charity example

Philly Food Charity Out \$923K in Phishing Scam



Mark Hrywna • December 3, 2020

One of Philadelphia's largest hunger relief organizations was scammed out of nearly \$1 million in an elaborate online phishing campaign.

More bank wire issues

- Owner's assistant sets up EFT transfer to her personal account, but purporting to go to a supplier
- CFO approves several of these, but it was theft/fraud
- CFO later leaves and owners is annoyed at him for other reasons as well
- Owners files complaint to CPA, CFO should not have approved the EFTs
- Issue: did the CFO show due care?

Note

- Question unusual banking requests that are “urgent” and outside of normal channels...

Bank survey

Banks

From Ed : RBC, partial reduction

From Alexandra ___ : no - BMO

From Christine ___ : no reduction RBC

From ___ : Yes - BNS

From david ___ t : No the credit union does not.

From Nancy ___ : TD - no in fact they are exorbitant

From Lori ___ no credit union

From ___ : Credit Union waives monthly fees

From Sandra : Credit union - better terms

- You all have different banking needs, not all of you borrow
- Is it wise to borrow as a Not-for-Profit?
 - The most common bank among you _____
 - Some banks waive fees for NPOs/charities, does yours? _____
 - Consider the non big five banks
 - Many NPOs find credit unions are better for them

Banking

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



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

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

Management's discussion of May 2020 results and Outlook for the rest of the year

Yours sincerely,

Customer, CPA

Banking

- Invite them to special organization which make the organization look good
- Suggest they present seminars on TFSAs, RRSPs, retirement planning, personal banking, mortgages to your employees/members/volunteers
- Have them attend board meetings (as an observer)??!!!



Other ideas

- Will the government support your loan with a guarantee or a comfort letter?
- (Avoid personal guarantees!)
- Push the bank to consider your entire financial picture, eg endowment funds with another part of the bank

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 build the church so it could double as a theatre, if the bank re-possessed it



Banks

- Draft your own wording for new wording for clauses, rather than the bank
- Ask about the approval process and approval authorities so you can position the organization better
- Find out your banker's line of credit bubble
- Consider a beauty contest or at least ask why your bank can't match other bank's offers



Did you know



- Your line of credit may have a bubble, that is the ability of the bank to lend you more than the stated amount, but this is not in the financing agreement
- I called my Big Five bank once, and was told my line of credit, had a 10% bubble, 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 these tips, they relate to communication
- Other banker thoughts questions?

Government funding

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

A different kind of civil servant



- “We must save the taxpayer’s money”
- Mass downsizing in the 1980s when the government never cut
- Declines the chauffeur that all at the DM level get and always cycles to work
- Never schmoozed and scratched backs to reach the top

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
- How do you evaluate this? What do you do?

Polling question

- Do you proceed to do this deal?

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

- Research the foundation, check the CRA site
- Let us review the contract you are proposing
- Can you guarantee the funds will be matched? How?
- Can you guarantee my funds will be returned?
- What is your fee in this?
- Why do you need to take our money to have it matched?
- Why are the donors anonymous? Why does it take four weeks?
- Please give me more references

Good questions

- Get legal advice
- Can we test drive this with say \$20?
- May I see your financial statements
- **If I could demonstrate that I have raised the money in some way, without giving it to you, can you then match?**
- Perhaps put the funds in a separate bank account or in trust with a lawyer
- Or an accountant's report on donations during period X

PAST LIVE WEBINAR CHAT

11:28:32 From Nancy ___ : reach out to the other org to verify

11:29:30 From Lori ___ : ask why it takes 2 weeks

11:30:00 From Nancy ___ : Why do they want my money

11:30:45 From david ___ : Smells like a pyramid so no

11:30:45 From Dorothy C. : no

11:30:46 From Christine ___ : no seems a bit sketchy

11:30:47 From Mark ___ : no

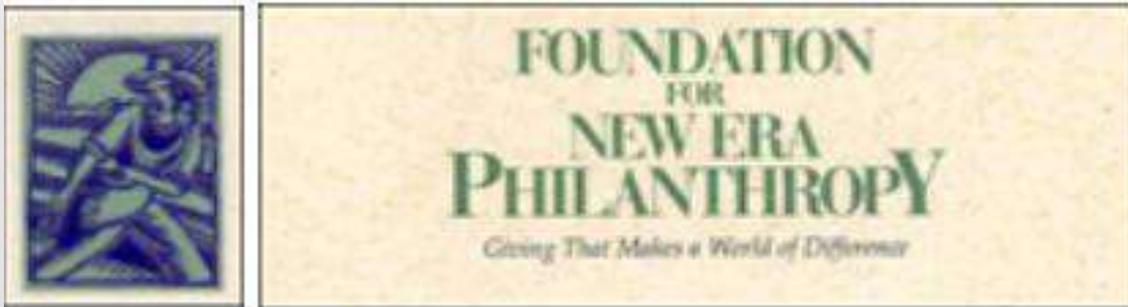
11:30:48 From GEOFFREY ___ : deferral to 2021 for tax purposes cash in 2020

11:30:50 From Nancy ___ : its not my money but the public's money

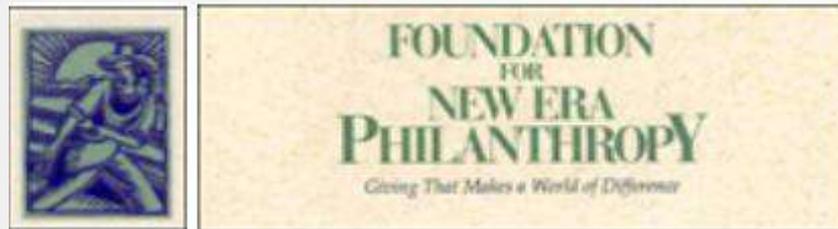
Another thought

- The TGTBT test
- Too Good To Be True

**This is an absolutely true offer
from**



What is the organization's name?



- The New Era fraud of 1986-1995, \$135 million embezzled
- The first few were real (eg Red Cross), then Ponzi



Impact



Bennett's mug shot and New Era offices in Radnor, Pennsylvania

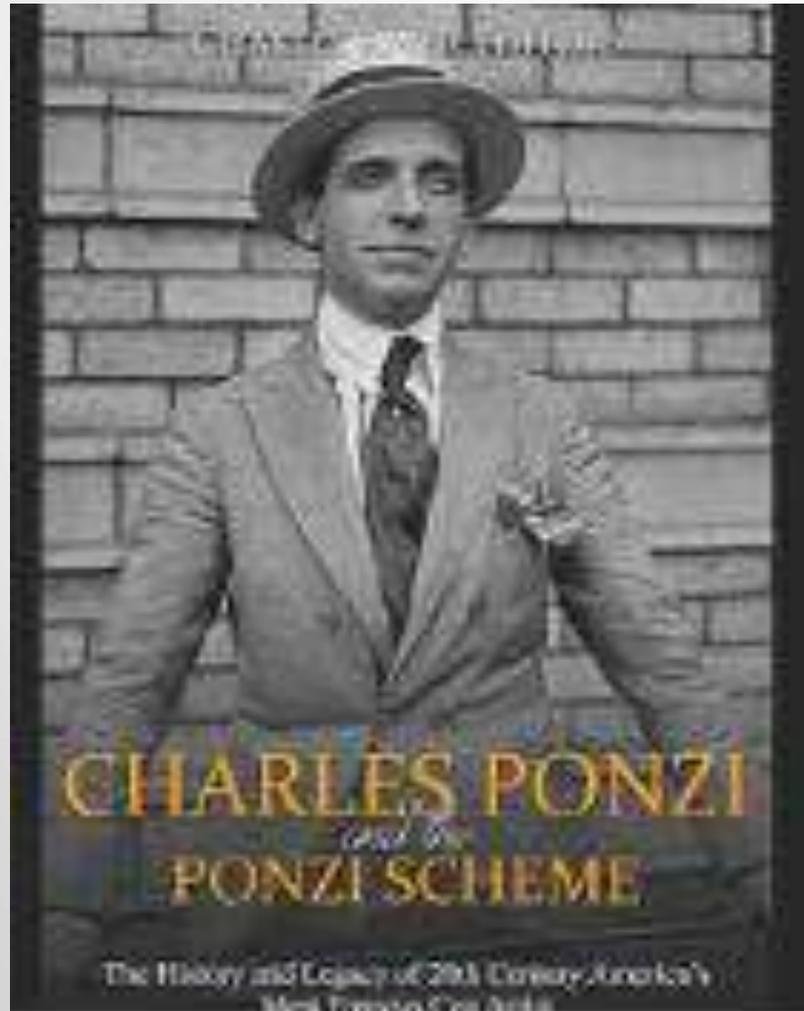
- Among those ripped off: Boy Scouts, Harvard, Princeton, Yale, United Way and nearly 1,000 more
- John G Bennett Jr, jailed 1997-2009 for this



Notes

- Who blew the whistle on this fraud? An accounting professor!
- (Someone in one seminar thought this was money-laundering!)

The first Ponzi scheme....

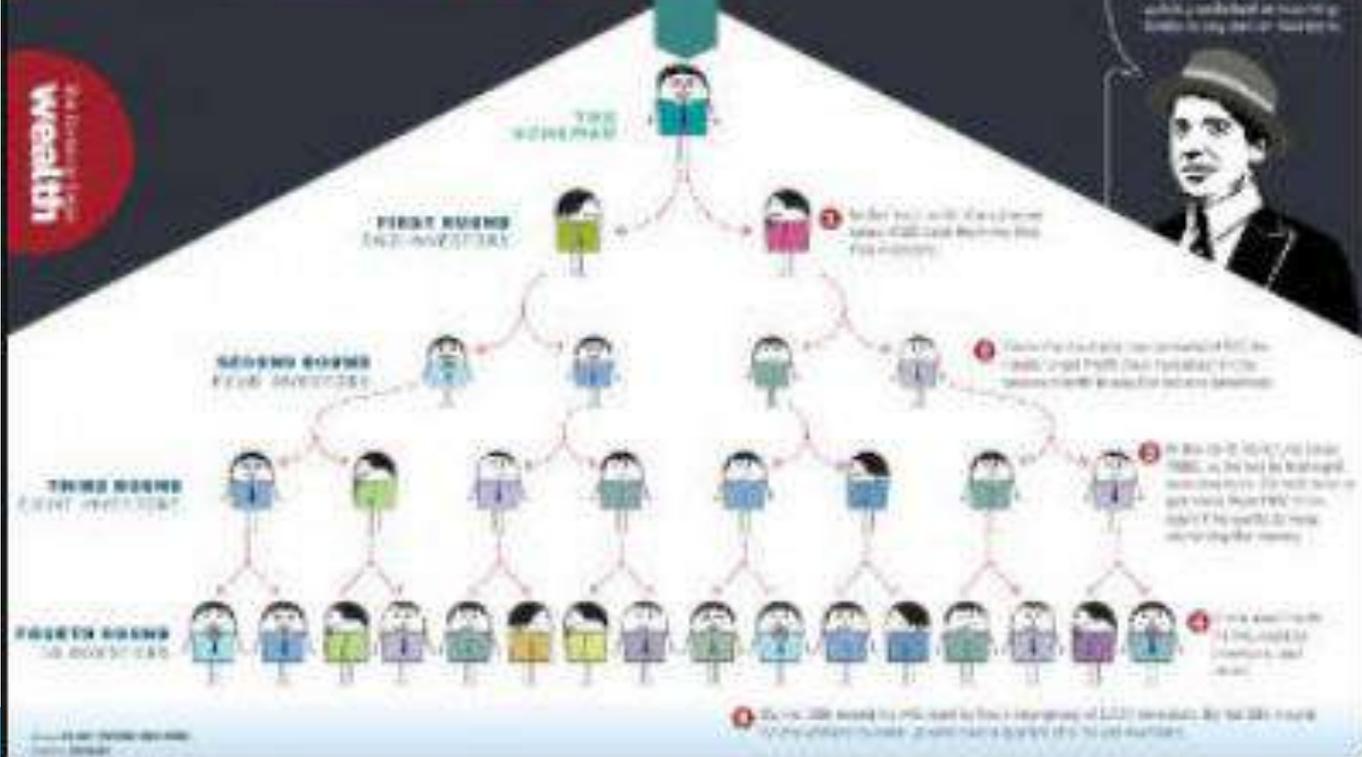


What is a Ponzi scheme?

The scheme is designed to convince people into placing money in a fraudulent investment by promising a stupendous or consistent return. Once the scammer has collected enough money, he disappears.

How does it work?

It's the fastest way to wealth



Who was Ponzi?

Charles Ponzi was an Italian immigrant who became famous for his Ponzi scheme. He promised investors a 50% return on their investment in 60 days. He used the money from new investors to pay the returns to earlier investors. He disappeared with the money.



People never learn...

Top Broker Accused of \$50 Billion Fraud

Sons Turned In Madoff After He Allegedly Told Them His Investment-Advisory Business for the Wealthy Was 'Giant Ponzi Scheme'

By Amir Efrati, Tom Lauricella and Dionne Searcey

Updated Dec. 12, 2008 11:59 pm ET

The Largest Ponzi Schemes of the 21st Century

With the advent of new technologies and strategies, the 21st century has already seen the largest Ponzi schemes in history. Here are the biggest ones:

- **Mutual Benefits Company's** Ponzi scheme conned 28,000 terminally ill people out of \$1 billion, from 1994 to 2003.
- **Bitconnect's** cryptocurrency investment program scam, from 2016 to 2018, achieved an all-time-high market cap of \$2.6 billion.
- **Tom Petters** used his firm Petters Company Inc. to steal \$3.65 billion. He was arrested in 2008.
- **Allen Stanford's** Ponzi scheme, conducted through his Stanford International Bank, scammed investors out of \$7 billion. He was convicted in 2012.

Anonymous polling questions

- Questionable fundraising schemes

I have bad news for some of you

- **Some of you have have been taken in by a Ponzi scheme!**



November 15, 2024 - **DOCUMENT RESTRICTED – CONFIDENTIAL**

LIST OF KNOWN PONZI VICTIMS – CASE INVESTIGATION #2367L

Sarah Lancaster, CPA, CA

Marie-Genevieve Lane, CPA

Debra Law, CPA, CMA

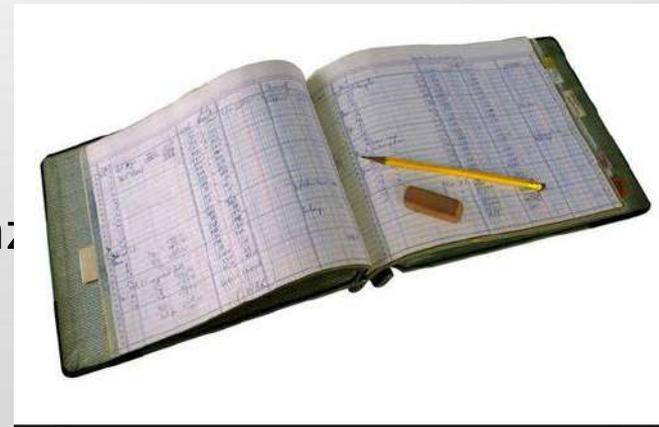


Which Ponzi scheme?

**THE CANADA
PENSION PLAN (CPP)**

You don't believe me

- In 1966 politicians introduce the Canada Pension Plan, contributions 1.8% of pensionable earnings
- Increased now to 10.8% of pensionable earnings, to try to cover the increased payouts
- Essentially: your parents put little in, you are now paying for them
- Your kids will have to pay for you
- Isn't that a Ponzi?
- Also government debts are a Ponzi



Why is the CPP like a Ponzi?

- The first people in win
- The last people in always lose
- It is basically dishonest
- Yes, I know it is mandatory, and people sort of know what is going on...

What about financing from this source?

From: Humberto Medrano Vega [mailto:hmedranov@sersalud.df.gob.mx]
Sent: Friday, March 09, 2018 11:54 PM
Subject: Urgent Loan Help

Are you experiencing financing constraints or do you need a loan to start up a business or expand it?

Do you want a car loan or to buy your dream house?

We help you answer to your financial calls and solve the problems.

Hurry now, get a loan with very friendly terms and extended pay back period @ circlebackfinancing@gmail.com

Too good to be true when I was young

STUDENTS WANTED

SUMMER JOB

EARN UP TO \$2,000 A DAY

NO SALES

NO LIFTING

Don't do any questionable fundraising!



Cost-saving - general

- You need to be the leader in this area (suppose your ED isn't?)
- No reasonable donor 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 annual salary
- Question all costs and get others to also

Property cost reduction ideas:

- Sub-lease any extra space (or donate it!)
- Get out of your lease which has no exit clause by negotiating one
- Check the sf to see if it is accurate
- Watch for inadmissible costs in operating cost charges (net lease)
- Find a building with an environmental issue
- Reduce space requirement by working at home
- Reduce your property taxes by appealing

Cost-saving ideas

- Reduce technology costs via: www.techsoup.org
- Consider out-sourcing (in-sourcing)
- Share buildings or other resources with another NPO

Consider out-sourcing

- Everything is on the table (except your core competence)
- Our core competence is “counselling people with addictions” so our employees will do that

Then we out-source everything else

- IT
- Facilities
- HR
- Promotion
- Fund-raising

Then we out-source everything else

- Event management
- Tech support
- Website
- Payroll
- Oh yes, and finance

Cost-saving ideas

Save telecom costs via:

- Should you switch to VOIP?
- Are there unused phone lines (old fax line?)
- Can you use free ways of calling long distance?
- Renegotiate cell phone contracts
- Use virtual fax

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:

- Double-sided
- No colour printing unless really needed
- Put a code on the copier

Can volunteers do more things?

Your tips

- _____



Prize

Cost-saving consultants with success fees

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

Cost-saving consultants?

- Squeeze the area first, ensure there is no low hanging fruit
- Some areas they may be able to help you:
- GST/HST/QST/PST, VAT (Europe), customs duty, fuel tax, Worker's Comp, employee benefits, telecom, purchasing, utilities/energy costs, bank fees. FI, logistics, mass-mailing, sw maintenance review, landlord operating costs, cleaning, duplicate payments, EHT
- Others you can think of?



Possibilities

- Suppose: 2 wk review of energy savings at a 25% of first year savings fee and they find \$20? Conclusion: Great, we are doing a great job saving energy
- Suppose: 2 wk review of energy savings at a 25% of first year savings fee and they find \$200,000? Conclusion: Great, we are going to save a lot of money
- Therefore a win-win, unless you get fired for not having found the savings earlier

Contractual tips

1. Contract must clearly measure the savings on which they are paid
 2. Must be required to explain how they got the savings (for your education)
 3. Time limit the period of the review and payback period
 4. Get them to tell you about exposures (tax)
 5. Push down the % they want to charge (go hourly?)
 6. Protect org from sleazy consultants by holding back refunds until....
- Finally: hire them if they are really good! (subject to contract)

Cashflow crisis

- Sometimes NPOs and charities get into a financial crisis
- Will your major funder bail you out?
- They may not believe there is a crisis...
- Confidentiality issue
- It is a bit of a different situation than it happening to a business
- Suppliers may be nice to an NPO (deals/donations)
- Will provide some advice to help you out, if it ever happens to you organization
- You should have strong personal finances!

I took a one hour Big Four firm course on this topic

- All theory and MBA buzz words
- Strategize/Mobilize/Energize
- Great tips like: “check if there is a bank account that you forgot about...”

16 Ontario Goodwill stores shut down

Abrupt closure due to 'cash flow crisis' affects about 450 workers, many with disabilities.



Some might say

- “We are financially responsible but there are other organizations in our sector who are not, but then the government funder will just bail them out, when they run into problems”

University of King's College staff, students debate dealing with shortfall

FRANCES WILLICK EDUCATION REPORTER

Published October 11, 2014 - 7:11am



School faces funding crunch



The University of King's College is grappling with a \$1.1-million deficit. (RYAN TAPLIN / Staff / File)

You May Like

Promoted Links



Connor McGuire wins men's 10K, Ashley Chisholm wins women's



Woman drowns after falling in water at Peggys Cove



Halifax's Matt McNeil finishes tops for men, Paula James for women in Blue Nose Recharge Half ...

by Taboola



**Of course, this could never
happen to....**

- Your organization

Of course, this could never happen to....

- Not for profits
- Charities
- Government-funded organizations or entities...
- Museums

Charity I donated to recently (mentioned earlier)

- “Stopped paying its mortgage in November so as to meet payroll, and had then gone into default”
- “(senior employee) prodded the founder to acknowledge a foreclosure was occurring.... he fired her on Feb. 13”
- “She now states that founder was hiding “the full nature of the situation” in the hope that funders would “donate to this new vision.””
- Recently, net worth negative \$7M, shut down

A charity I once audited

OTTAWA -- Ottawa Valley Autistic Homes were moved out of their group accommodations yesterday morning, following an Ontario government order to shut down the agency.

The 28 residents were directed to other community agencies to find new accommodations. Some of the residents had lived in OVAH group homes for more than 20 years. In April, the Ontario Ministry of Community, Family, and Children's Services announced it would close the six group homes by the end of September, saying the agency was unable to manage its finances.

The agency was \$750,000 in debt. Board members had all resigned blaming the Ontario government for its financial problem. The province appointed an interim board to supervise the shutdown.

The staff was ordered out early one morning by a private security agency and incoming staff were blocked from entering.

Year-old Alberta dinosaur museum faces financial struggle

'I don't think it's sustainable that we're going to have 120,000 people show up year after year'

By Roberta Bell, CBC News | Posted: Nov 25, 2016 5:00 AM MT | Last Updated: Nov 25, 2016 5:00 AM MT



An exhibit at the Philip J. Currie Dinosaur Museum in Wembley, Alta. The museum attracted more visitors than expected during its inaugural year, but doesn't expect to keep that up. (CBC)

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Thursday



5°C

Friday



2°C

Saturday



3°C

Sunday



-4°C

Monday



-3°C

Cashflow crisis

- (Personal & professional finances are related)
- My experience
- Banks will loan you money if you can prove you don't need it, so they won't be there in the crisis
- You will find the fat in the organization
- Weigh short-term gains from cutting against the long-term losses
- You must adopt a zero-based budgeting approach with central approval of all disbursements

Cashflow crisis

Let's say: \$283K of trade A/P overdue, \$100K in the bank after payroll to pay them, what do you do?

- You must prioritize your suppliers
- Who do you pay first? Could shut us down/mission critical (ignore partial payments for now)
- Also consider: Size If local Discounts
- Small business feed the family, D&O insurance, connected to critical, Long-term relationship, credit references, large won't chase, helped us in the last crisis, a regular donor, poor relationship- need long-term,

		March 21, 2021							
		Accounts Payable							
	<u>Current</u>	<u>1-30</u>	<u>31 - 60</u>	<u>61 - 90</u>	<u>> 90</u>	<u>TOTAL</u>	<u>Notes</u>		
9226-2674 Canada Inc		-	-	-	\$ 13,000.00	\$ 13,000.00	pay oldest first		
Advantekas Inc.		12,126.76	-	-	-	12,126.76	calls every day		
Health Limited	22,100.00				-	22,100.00	2% 10, net 30		
Doug Ford Incorporated			21,334.00			21,334.00	overdue interest, 18%		
Jones Vones Bark LLP				8,053.54		8,053.54	our lawyer		
Wing Family Supply Inc			19,500.00			19,500.00	can't feed family if don't pay		
GE Inc.		8,053.54	18,767.37			26,820.91	has \$2B in total A/R		
Zone Corp			40,000.00			40,000.00	medium critical, can't delay much		
Sweden Import AB			1,004.80	1,004.80	-	2,009.60	credit reference		
Coley Insurance Broker			2,347.96		-	2,347.96	D&O insurance		
Trump Inc.		18,000.00				18,000.00	regular donor		
Auston Matthews Inc.	3,126.76	3,126.76	3,126.76	-	-	9,380.28	local		
Avana Capital Corporation			11,000.00			11,000.00	your friend works there		
Karman Inc.		-	15,053.54	-	-	15,053.54	connected to a critical supplier		
Valona Inc		4542.01				4,542.01	got us through last crisis		
Hasbun Smith LLP	10,500.00					10,500.00	auditors		
Yves Landry Foundation		5,000.00				5,000.00	poor relationship, need long-term		
Clarke Inc.		84,503.22				84,503.22	needed for our service, to get grant		
Provincial Hydro		14,553.66				14,553.66	will shut us down		
	\$ 35,726.76	\$ 149,905.95	\$ 132,134.43	\$ 9,058.34	\$ 13,000.00	\$ 339,825.48			

Cashflow crisis – suppliers are calling, you don't have the cash...

- Dealing with them – ideas:
- Answer the phone (senior person)
- Don't lie or fail to meet your new commitments
- (Helps your reputation)
- Some humorous approaches to gain a week – from the Crooked guy's course, don't use them!

And tell them



Delaying payments a week

- Say you have wired (one week delay why they check with the bank)
- Tell them it in the mail (from...)
- Send out the cheque unsigned...
- Send the cheques to the wrong supplier (ABC co, gets ACME co)
- (never done, never would, not recommended, this is from that guy's Crooked Tips course)



Cashflow crisis

- Remember your employees (expenses, benefits)
- The government helps with some ranking, eg's source deductions, GST, registered pension plan remittances
- Is your landlord a critical supplier?
- Ideally a proactive approach with suppliers
- Get your funding in faster, is easier than cutting/delaying
- Ask donors for a restricted fund change (if dead, public trustee matter could possibly be sought)

Help the Broken-Hearted

Cash Flow Accuracy

1H 2021

Net cash accuracy - 3 months out	92.10%
Net cash accuracy - 6 months out	120.20%
Total donations - 3 months out	87.20%
Total donations - 6 months out	104.20%
All promo costs - 3 months out	111.40%
All promo costs - 6 months out	67.30%
G&A costs - 3 months out	106.70%
G&A costs - 6 months out	88.50%

Cashflow forecasting

- Daily bank rec' so you know exactly where you are
- Granularity and time horizon
- Crisis or not, look back to analyze how accurate your cash flow forecast is (statistically)
- Are there any useful cashflow forecasting tools out there?
NO!

Terminating people

- Never a laughing matter, but how about this line in the termination meeting...

**“We would like to test our new
severance package”**



Note

- NPOs are sometimes too slow to let people go in crises, because they are more compassionate...
- But we can't have an organization with \$9M of expenses and \$8M of revenues...something must change

Cashflow crisis – specific tips

- Cut payroll by putting people on temp layoff
- Reduce payroll by negotiating salaries and wages and hours
- Make your own source deduction remittances if you use a payroll service
- Freeze/restrict travel
- Stop/delay advertising and promo
- Don't assume contracts can't be renegotiated
- Change your year end if it gets funding in faster

Emergency financing sources

- Liquidate any assets you don't need now (lease them back)
- Hold a key stakeholder meeting and explain the situation, if appropriate
- Find a special funder
- Your tips:
- _____

Cashflow crisis

- Is this a temporary or permanent problem – is the organization riding a dead horse?
- If yes, start sending out your resume
- Check the finances of the organization before you take the job, avoid broke organizations unless you want to be hired for a turnaround

Is the organization riding a dead horse? Or is it just sick but will recover?



What do many org's do?

- Say things like "This is the way we always have ridden this horse."
- Ask for donations of more dead horses
- Hire a consultant to advise the dead horse
- Buy a stronger whip to hit the dead horse
- Arrange to visit other organizations to see how they ride dead horses.
- If all else fails, appoint a committee to study the dead horse!

The only real option

How to compost a dead horse

August 4, 2010

Composting is a legal and cheap way of disposing of a dead horse for owners facing limited options and rising costs for removal, the Unwanted Horse Coalition says.



Old hay, manure, grass clippings, food scraps, and finished compost can be used to compost horses.

The US-based coalition suggests horse owners consider composting as an option, with burial now banned in parts of the US and some landfills refusing to accept animals.

Coalition director Ericka Caslin points out that rendering plants are not accepting as many animals as they once

Examples

- Average donor to this charity's is age 74
- Calgary's Interfaith Thrift stores close due to big box store competition (2007)
- "The Ottawa-based Inuit Art Foundation plans to close its doors at the end of the month, saying it can't bring in enough money to sustain its rising costs" (2012)
- Curling club membership is dropping continually, maintenance cost of facility are skyrocketing...

Century-old Winnipeg curling club closes its doors

By [Lara Schroeder](#) Global News

 Comments

 Facebook 99

 Twitter 12

 Email

 Print

 ...



The Victoria Curling Club in Winnipeg is closing after 95 years in operation.

Rudi Pawlychyn / Global News

Of course

- I don't hate lawyers or want this to happen to any, I am just lightening things up....

Lawyers

- “If it wasn’t for lawyers, we wouldn’t need lawyers”
- (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 risk-free approach, example
- The weak ones only think legal implications, not organization objectives
- You need a lawyer with a business perspective, who can _____ risk (then we make a business decision on risk)

How do you know these are
lawyers?





The risk-free approach illustrated with warning labels

The lawyer insisted on this label!



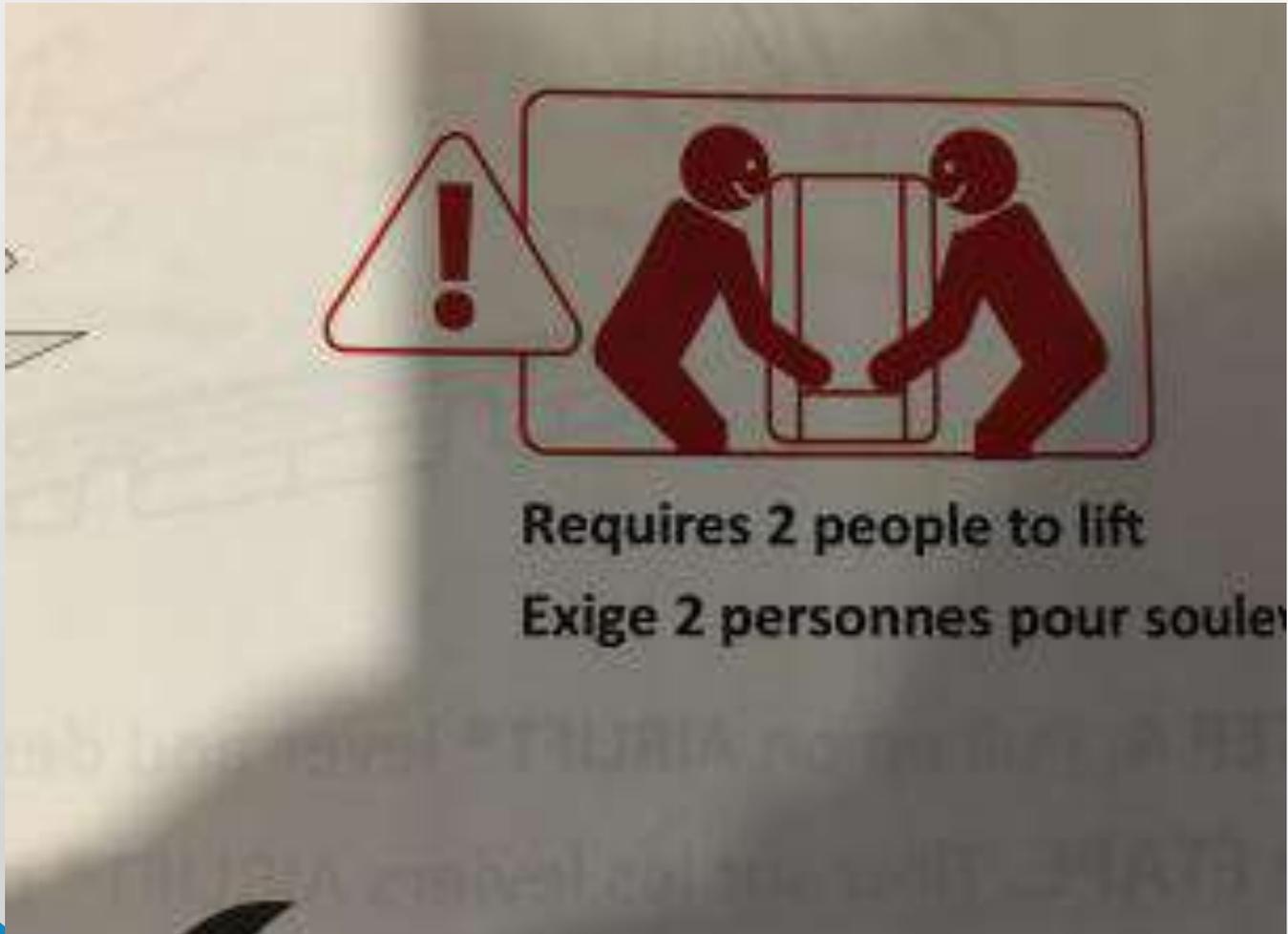
“Remove child before folding”



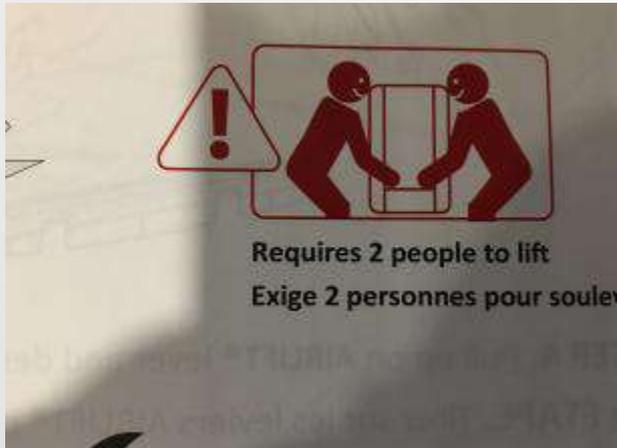
Standard practice in Scandinavia, leaving strollers and children unattended...



Recently



Recently



- Only about 22 pounds, 10 kilos



The Vancouver Convention Centre is committed to sustainability and uses recycled non-potable water from its Water Treatment Facility to flush toilets and urinals. This water is not intended for consumption.

Another problem

Extreme warning labels!



An example last week

- 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!

Lawyers

- Lawyers driving everything and communicating through lawyers?
- No, it is the tail wagging the dog
- Take charge and communicate directly, in many situations, but not all..
- Exceptions: wrong words will cause problems/you are too emotional
- You can decide how many lawyer attend the meeting/call
- What size/type of firm should you use?
- I suggest smaller

Communicating through lawyers?



Lawyers and documents

- Don't let them drafts contracts/documents, you do it!
- Use templates, where to get:
- www.contracts.onecle.com
- www.findlegalforms.com
- Draft in English, the lawyers can translate it to legalese
- When should legal be involved in review? Based on risk 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....

INVOICE

Stephen Priddle, CPA, CA, CMA
UNLICENSED PARALEGAL
Ottawa, Ontario
K2E 7H3

BILL TO

INVOICE #
INVOICE DATE

101112

Dec 7, 2021

DESCRIPTION	AMOUNT
Document re-write using legal terminology	190.00
Subtotal	190.00
HST 13.0%	24.70
TOTAL	\$214.70

More ways to reduce legals

- Summarize all the dates/facts/documents so they don't
- Get a detailed bill
- Periodically ask for a docket
- A lawyer who advises on bills, best tip watch for jr lawyers billed at senior lawyer rates
- A law firm controller's tip ask to use a junior lawyer for some matters

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...

Or this way...

From: Stephen Priddle
Sent: November 23, 2020 11:00 AM
To: Leo Lawyer
Subject: Solution

Leo,

I will be calling you in 20 minutes to discuss the attached PDF file that contains full information about our dispute with our main funder.

- 1. A chronology by time and date of all events and documents**
- 2. The Master Funding Agreement**
- 3. The 2019 April 14 amendment**
- 4. The 2019 October 12 amendment**
- 5. Their 3 complaint emails**
- 6. Our 3 response emails**
- 7. Our Executive Director's summary of the situation**
- 8. The Director of Funder relations notes**
- 9. The letter from their lawyer**
- 10. Our draft response for your review**

The worst donor dispute I ever heard of...

- A donor got mad and wanted his donations to a registered charity for the last few years, returned...

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

- My son buys a house
- He finds the neighbour has built a fence 2 metres into his property
- The neighbour pulls out an unregistered sale agreement for the strip of land
- I am trying to be his “lawyer” for this to save him money...
- Issues: squatter’s rights, title registration, property severance rules, rights against the vendor and title insurance

Options



- Who is looking after your legal books?
- Bring it in-house now!
- There are many things you can do:
- Take the minutes yourself
- Incorporate a NPO yourself
- Others you can do yourself

More ways to reduce legals

- Another useful website: www.canlii.org
- Use mediation/arbitration instead litigation
- Get them to donate their fees
- I have never had a legal problem following this approach

Legal - org structure tip

- Consider separate corporate entities to protect assets
- (Businesses often do it)
- Separate the riskier operations from the assets
- Example, property corporation, operations corporation
- (Not guaranteed 100% bullet-proof)

Property
corporation

Operations
corporation

You have just been hired

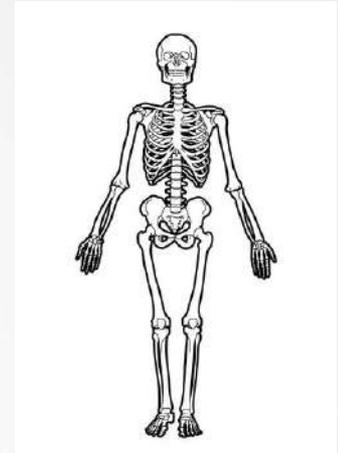


My thesis:

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



Skeletons



- Accounting skeletons
- Commodity tax skeletons
- System skeletons
- Funding skeletons
- Internal control skeletons
- HR skeletons
- Legal skeletons
- Payroll skeletons
- And more

Skeletons are guaranteed if your predecessor...

- Got arrested and is in jail...
- Got fired
- Quit suddenly, to take a new job
- Was a volunteer or over their head
- Was over 75
- Got hit by a bus...
- Was the 4th person in the position in two years...
- Wasn't a CPA
- Was incompetent or unethical

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
- There was no documentation for the “loan”!
- The donor was not happy with the NPO for various reasons
- What is the skeleton? What are the issues?

Answer

- Is it a loan or a gift? If a gift, was a tax receipt issued?
- If it is a loan and there is no agreement, it must be due on demand
- Donor is not happy, may demand the loan
- The organization would not have the funds to repay it, without selling the property, this results in a going concern problem
- What has been reported in the financial statements? Is it correct?
- We are sort of dependent on this person
- Is it ethical to run the organization, just to keep them happy?
- What happens if they die?
- What are the tax implications?

Skeleton examples

- Major, unrecorded exchange losses that a charity was hiding
- Horrible accounting mess (an MBA in charge)
- A party on the balance sheet as a capital asset
- \$5M top level entries, not in G/L – unsupported
- Construction fraud in ethics mini case 2 earlier
- Vacation tracking, I have not done it for years (Executive Director)

Skeleton examples

- Vacation tracking, I have not done it for years (Executive Director)
- Predecessor had stolen \$800k, nobody knew (Simon Fraser University)
- Capital assets on books didn't exist
- Years of overtime, illegally not paid
- Two organizations reporting the same endowment fund
- Employees getting car allowance and per km and gas reimbursement, not taxed
- Major calculation in a historic funding agreement, meaning funding must be returned

Why are there skeletons?

- Incompetence
- Hiding things from leadership
- Meant to clean up, but left suddenly
- They weren't aware of an organization issue impacting the financials
- Deliberate or fraud
- Other?

The new job

First:

- Take the remote office, premises/hospital/group home tour
- Understand the organization culture & strategy
- Find out the drives/motivations of the key players
- Take your peers out for lunch
- Do a SWOT analysis (Strengths/Weaknesses, Opportunities/Threats)
- Read the by-laws and the constitution
- Understand all the relevant legislation

The new job

Some others:

- Check the legal files
- Review key contracts, funders, suppliers, lenders
- Audit letters and booked and unbooked adjustments
- Scan the filing cabinets
- Look at trended financials (5 years), trends, errors



The new job

- Do systems and internal control walk-throughs
- Review past T3010 returns
- Read Board and Committee minutes
- Talk to lawyer, audit partner, board members, key advisors, your predecessor
- Do an insurance and filings review
- Hang out with the clerks



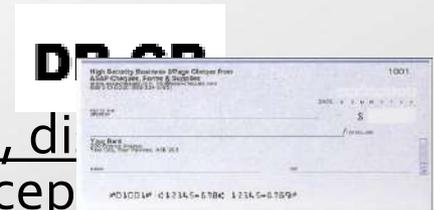
The new job

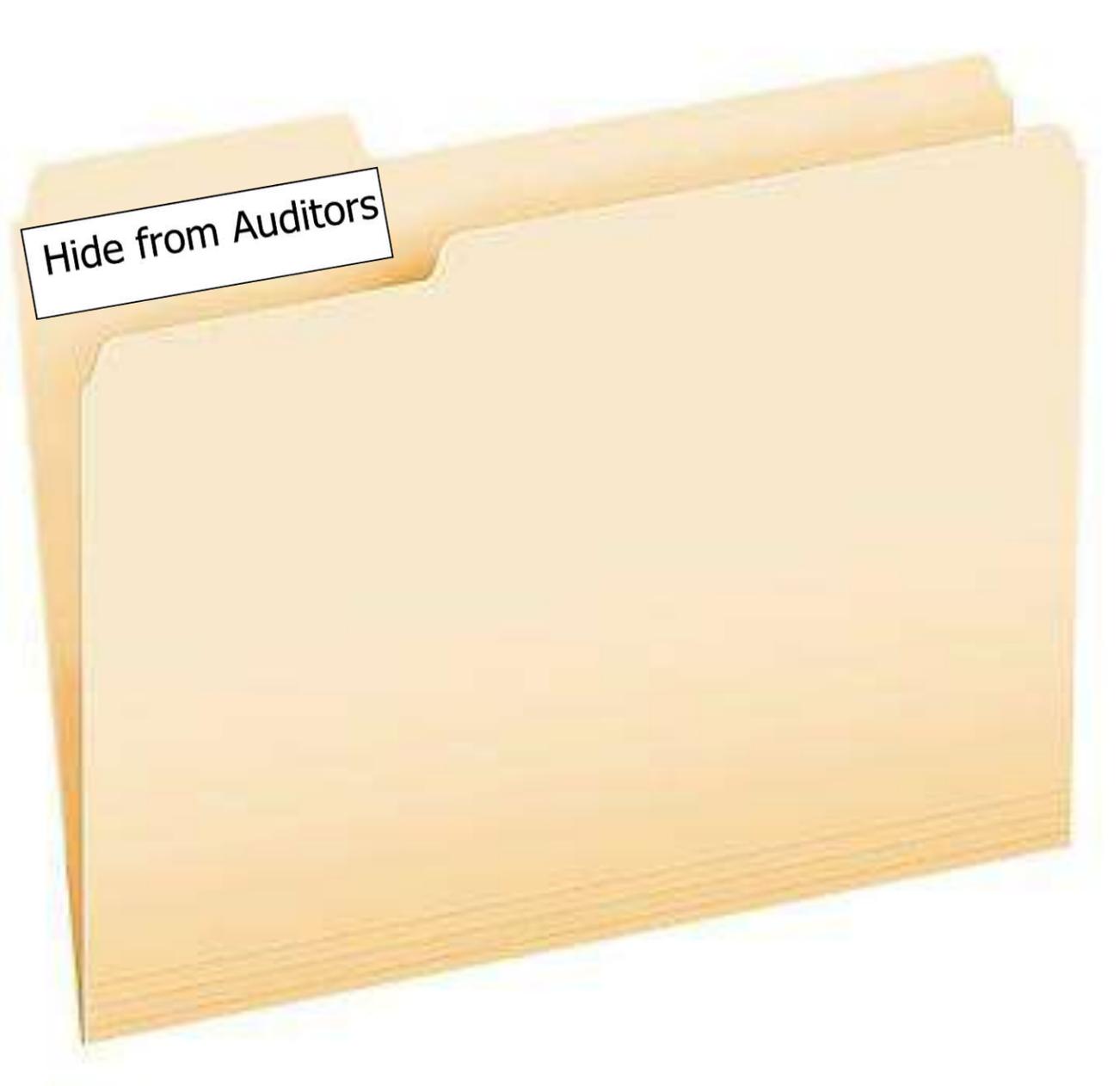
Also parking
lot review!



Some different angles:

- Review predecessor's email account, trash can and shredder
- Open all the financial mail for a while
- Review manual journal entries
- Sign all/approval all checks/wires for a while
- Talk to some mouthy, opinionated, long serving, di
employees, not just in finance, especially the recep
- Find the secret file!





Hide from Auditors



List of fictitious
entries

More secret files

- An off book executive pension plan (NPO)
- A bribe file
- A kickbacks file
- A side deals file
- Overdue filings
- A held cheques file
- An “I don’t know what to do with this stuff” drawer
- A folder of cheques being held
- Letter from predecessor to HR complaining about CFO’s new boss
- The suicide note written by the prior CFO
- The lease bargain purchase option file, that made all the operating leases, capital leases!

Your new staff

- Find out all skeletons now from your team

Your first staff meeting – a skit

- Offer an amnesty
- Could be via anonymous note or rewarded
- Ask for a five year detailed G/L dump
- Be careful how you present this

Ask for a five year detailed G/L dump

- (You don't need to do anything with it!)
- Who looks scared?
- They will assume you are very detailed and plan to go back years
- Someone may confess something....
- Can the system produce it?

My favourite tip

- One guaranteed way to find all financial reporting skeletons, and ensure no future write downs, write-offs, reversals, restatements, my favourite tip:
- Tear the balance sheet apart (trial balance level)
- Look at what is there and what is not 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)

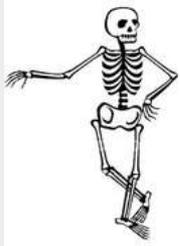
More skeleton examples

- GST not billed for years, should have (hockey club)
- Non-existent employees
- Source deductions not remitted for a long time
- Bank loan not on books (me as auditor)
- Member deposits one balance sheet all wrong (my daughter)

Notes

- Did you miss any skeletons/secret files, when you took your current job?
- Can you dig up any positive skeletons?

When you leave



- Don't leave skeletons in your closet!
- Prepare a takeover binder for your successor
- Also consider one for your new boss



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: Discuss how this is like our current management team culture.

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

(Some for humour, some partly true)

- I got sued from my last Treasurer role, so I can't take another
- I am already maxed with my work, family and other volunteer responsibilities
- I can't be both the treasurer and the unpaid bookkeeper. I will if you hire a bookkeeper
- I am satisfied just to be a donor to the organization
- Maybe, but you could not afford my hourly rate
- I would love to, but my spouse says I can't
- I will consider it, but how come you have gone through 5 treasurers in less than two years

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

- I will, when I can find time, but not now
- I would love to, but my kids say I can't
- For sure, as soon as hit 65 and have more time
- I only understand businesses, not charities, I can't get my mind around them
- I would love to, but my lawyer says I can't
- I will consider it, but first I must talk to the last treasurer who you got rid of, and the one before who resigned

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

- CRA has barred me from taking such roles, after a certain incident
- There is a clause in my employment contract, that doesn't allow me to do outside financial activities
- \$10M is a rounding error at work, so I don't think I have the mindset to work with a \$2M organization
- **SEND ME AN EMAIL IF YOU CAN THINK OF SOME MORE...**

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 target, the interpretation, the prediction, the action
- The hierarchy data → information → knowledge → wisdom

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.**
- Renewals were the lowest since April 2009, resulting in lower member revenue
- I have noted that there is lower membership renewal in years when we don't hold the special ___ conference
- 83% of members renew 60-100 days before expiry (4 yr average)
- Therefore, we have an early warning of a membership drop off, at least 60 days before they start dropping off

I think 99% of financial reporting done by accountants is results by:

- Legal entity
- Department/division/fund
- Job/project
- Geography
- Obvious product/service line
- **Key idea: what about some other ways of reporting?**
(probably internal only)

Financial reporting tips

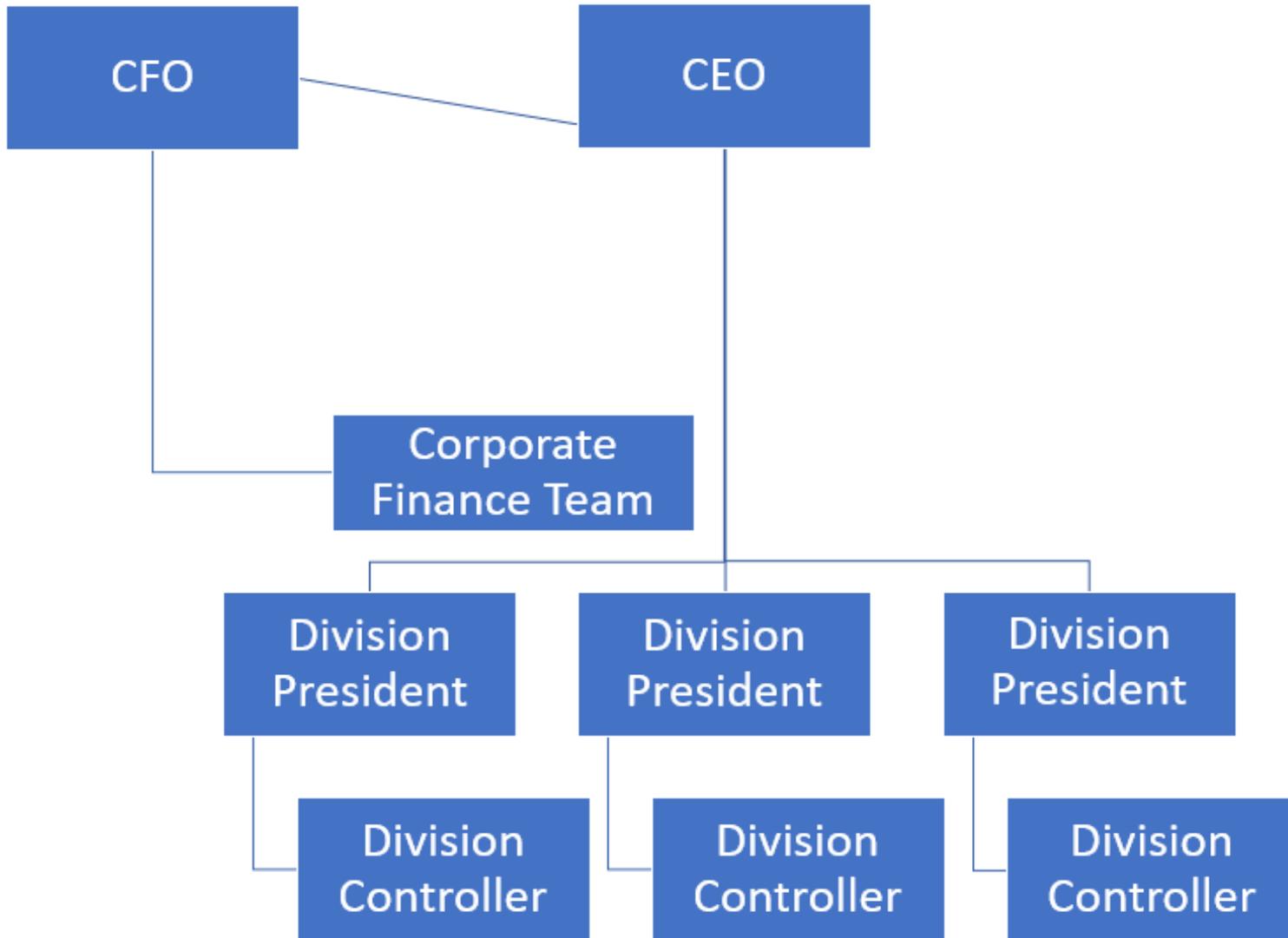
- Ask them how to improve the reporting (send them to the whiteboard)
- Reformat your statement of operations (internal only perhaps) for example, results by:
- Objective, funding envelope, region, type of cancer
- Business egs to inspire you: customer, market selling to, source of lead, product, salesperson, engineering skill, postal code, colour, season, per hour
- Different cost roll ups, e.g. cost of errors, set up costs for ?, unplanned costs
- Look ahead way more
- 8 -10 number summary of your organization, for the Board
- Not just numbers from the G/L

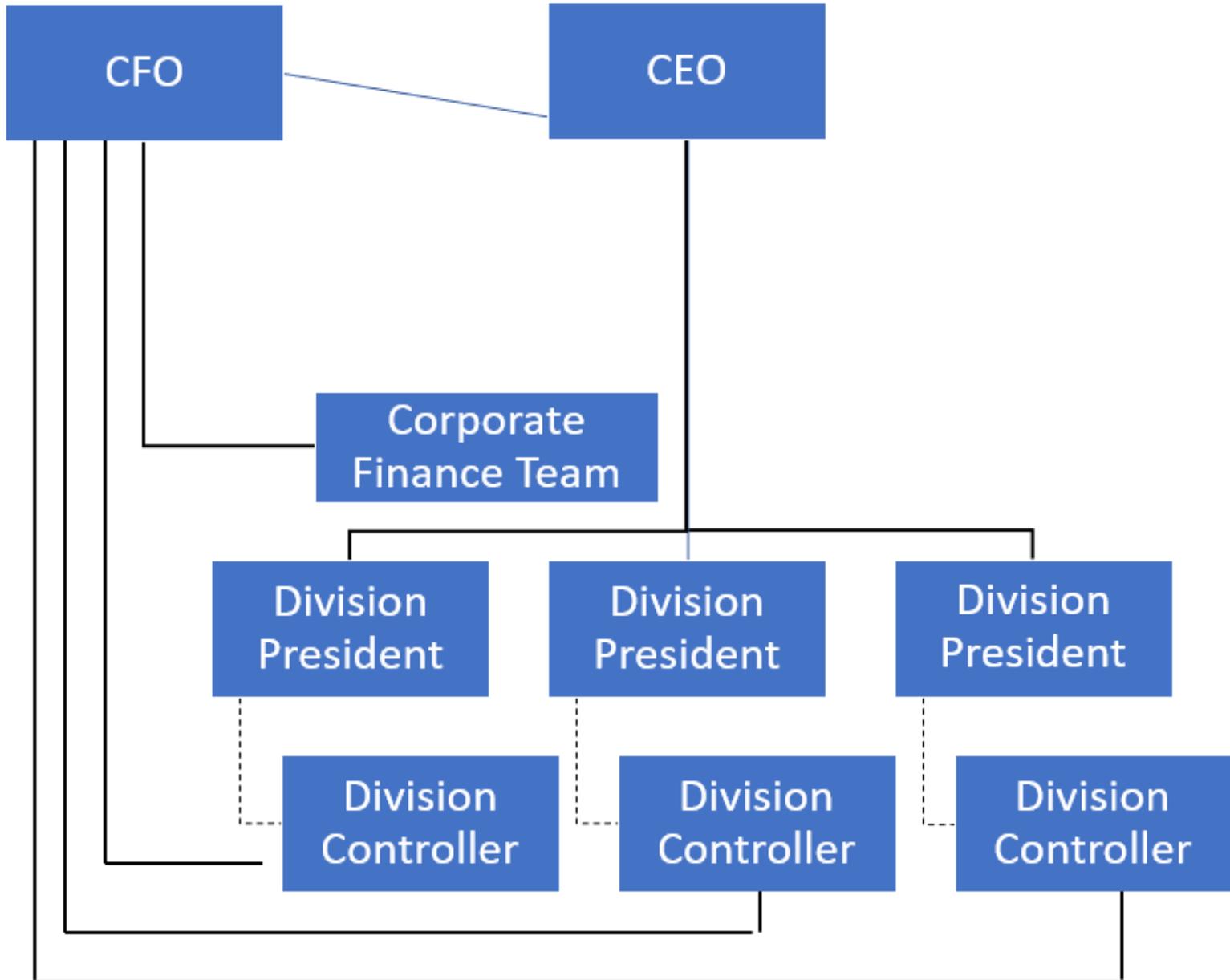
Financial reporting - other

- Don't forget early adoption of new accounting standards, if there are advantages
- Who should divisional finance staff report to?
- Direct to head office, so finance is one team working together, not direct to divisional operating heads (dotted line to them)
- Check what your clerks do by doing it (you or a subordinate) or sitting beside them
- Why: Bond with them, tell them why they do things, fix problems, check if they are doing all required procedures, are they doing redundant stuff, can the work be automated? do they have the tools they need? do they work a full day?

And just for me

- I make so many errors, the clerks enjoy it and feel better....





Financial reporting – the close

- Month end close speed
- Why close fast? Don't make decisions from stale 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 reports issued, average month
- Working days you take to close ___
- Overall avg 13.35, Business avg 13.2
- The fastest & slowest closes, I have heard of
- How long does it take your _____ to close?

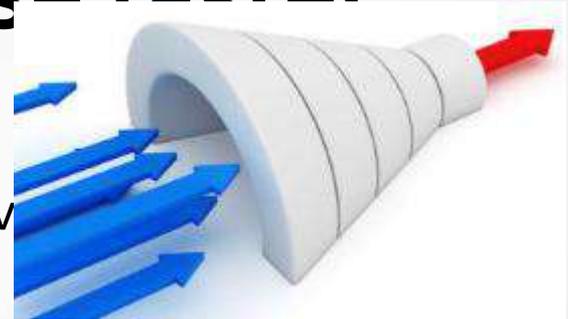
The fastest close I ever heard of





**CLICK HERE TO SHORTEN
THE COURSE BY ONE HOUR**

Some ways to close faster:



- Do a real slow close, to help you improve
- A good post-mortem
- Challenge every single step of the current process and find the bottlenecks
- Balance the staff workload
- Automate more processes
- Do some steps in advance of the month end rush
- Shut down payables for a while!

CPA Quebec

We would like to inform you that we are reaching the end of our financial year ending March 31,
To facilitate the closing, we will not process any bill March 29 PM to 11 April _____
inclusive.

|

Ways to close faster:

- Convince non-finance who have needed inputs, of the value to the overall organization
- Accrue to budget, close early (soft close)
- Fix it next month
- Flash report revenues/donations when available
- On-line schedule visible to all (system reminders)
- Make a faster close promise to a key stakeholders
- Give staff a day off if they hit the stretch target



How to close faster?

- Your ideas
- _____
- How not to close fast – force all differences from a super fast close into YTD
- But it's always a trade-off

The first person who types

- “I am not asleep” in the chat, wins a

- Prize

Case instructions

- 72 minute case
- Please write your response on paper, or your computer
- Submit by email, within 24 hours
- It will be graded and returned to you with your relative ranking within 48 hours of the time received...
- **I AM JUST JOKING!**

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



GRO
SATURDAY
RIVERDALE HUB
(GREEN



TICKETS
FREE FOR FUNDRAISERS
FREE FOR DONORS
\$20 IN ADVANCE FOR CHILDREN

L'Arche Toronto
@larchetoronto

Timeline

About

Photos

Important

- You will get so much more learning out of it, if you think about it and discuss well it in your break out rooms
- Then 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



Did you notice anything unusual?

There was fraud

G/L ACCOUNT	6	18	1	21	4
LETTER OF ALPHABET	F	R	A	U	D



**What do professional accounting
exam markers do for fun?**

Exam bloopers

- (Case about a Soup Kitchen)
- *"We could do tax planning for those who visit the soup kitchen"*
- *"The company has lost money for so many years, so it has become a Not-Profit-Organization"*
- *"As such, it does not need to follow the Handbook on income taxes..."*



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

SYNY

Case comments

- I have made the reporting extra bad for discussion purposes
- All my jokes get edited out of my draft cases that are published by third parties, but here I am publishing so I leave them in!
- Aggressive fundraiser 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 shoes of the financial statements users
- You need to think a bit like a Board member
- As a CPA, you always need to think big picture

Are there any skeletons in the closet?



- Poor past financial reporting
- No CPA in charge
- Uninformed 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?

You should always include this monthly, unless it is stated elsewhere

- “The organization is up to date on all statutory remittances.”
- Board members will be happy to see this, since they are legally at risk for source deductions, unremitted taxes...
- (Only about 10% of my attendees do this)

Also

- Also good to put “unaudited”
- For safety you might to put “preliminary” allows you to change number if you have to without embarrassment

Let's discuss financial statement users

They include:

- Management (stewardship, what happened)
- Board (oversight)
- Presumably, the bank (covenants/cashflow)
- The government funding bodies, unless there are other special purpose reports provided (use of funds)

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

1. Consistent, adequate government funding
2. Efficient use of resources to care well for residents
3. A solid stream of donations including bequests



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.
- Inflation of costs
- Government funding squeeze
- Rent increases
- Salary increases/unionization
- Resident health (infectious disease spread)

Results

- A small excess of expenditure over revenue was reported in the month, which would have been larger, except for:
 1. Donations were higher than the year to date September rate of \$27K, at \$48K
 2. There was \$15K of catch up funding from July to September from a provincial Ministry, for residents who suffer from multiconosis

Note that:

The month was 31 days, versus the average month in the year of 30.42 days (1.9% more days), so costs were higher

Big picture - major weaknesses in the reporting

- Lack of sufficient, decision-oriented information
- A very weak written, uninformative analysis of the month's results from the Accounting Manager
- Lack of important disclosures
- Lacks useful comparative information and schedules
- No looking ahead to the future, even though November is almost over - users are more interested in next few months, than last month

Big picture - major weaknesses in the reporting

- Major budgeting weaknesses
- Board members and management would be interested in the results of the new store subsidiary
- It would be surprising if they satisfy the government's reporting requirements, a very significant user

Idea



- Have a meeting with each of the organization's executives and the Board
- Find out if they are satisfied 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 organization's overall strategy
- A discussion of the current provincial government relations 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?

A new board member

- What should you do?
- Consideration could be given to providing them a one or two page summary on the organization's finances: fund accounting, government funding, bank line and covenants, etc.
- Or an have in-person orientation



Important

- Consideration should be given to showing the Board and senior management the reports filed with the funding Ministry, with reconciliations 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?

GAAP

- The GAAP that is applicable is Part III of the CPA Handbook
- Does GAAP need to be followed strictly in internal monthly financials? No!
- But bank covenants, probably have a GAAP requirement
- Perhaps the government funding agreements require GAAP
- GAAP will be required at year end
- So one might as well do GAAP monthly, or at least disclose material departures from GAAP
- Not that anybody does full GAAP note disclosures 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 direct costs of operations are, 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 home programs for residents could be reported as a segment, because this is a separate "business"



Possibilities

- Revenues and costs of outside, non-home programs for residents (i.e. day programs) should be broken out separately for evaluation purposes
- Other programs could also be broken out.
- Home 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 individual home



Presentation by funding

- Another possibility is revenues and costs by government funding envelope and a separate break out of costs that aren't covered by government programs (reports like this may already be submitted to the government)



	Provincial <u>program X</u>	Provincial <u>program Y</u>	<u>Not funded</u>	
Per person revenues	563,445	445,333		1,008,778
Other revenues	52,344	44,843		97,187
	615,789	490,176		1,105,965
Salaries	343,944	49,844	45,433	439,221
Benefits	42,324	35,300	42,299	119,923
Travel	52,424	43,341	44	95,809
Training	14,944	33,203	8,993	57,140

Presentation by funding

- Another possibility is costs with a note on whether each were government-funded or not

Per person revenues	1,008,778		
Other revenues	97,187		
	1,105,965		
Salaries	439,221	Funded Provincial Program X	
Salaries	119,923	Funded Provincial Program Y	
Salaries	95,809	Not funded	
Travel	57,140	Funded Provincial Program Y	
Training	11,000	Not funded	

More ideas

- Costs could be broken out possibly by type of handicap, to see which is the organization spending more helping
- Side notes on the weighted numbers of beds or individuals involved would also provide useful information.



Finally



- Costs could also be broken out by city or region, since there are major cost differences between them
- Do these ideas give you some ideas for your organization?

Revenue

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

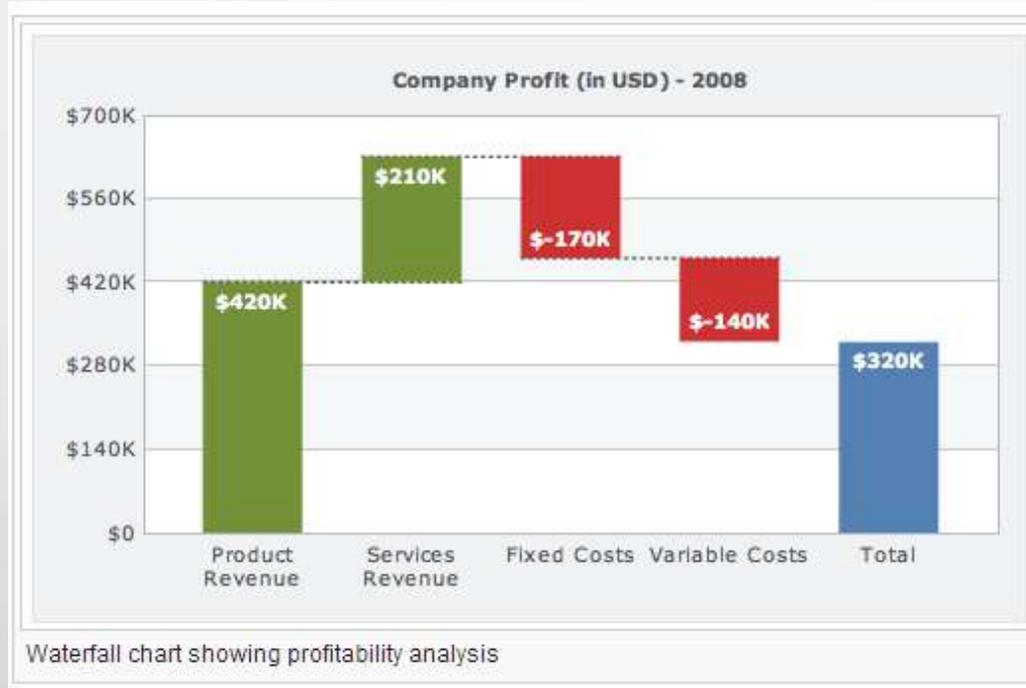
Budgeting

- The budgeted numbers should be by line item, rather in summary
- There should be a separate capital and operating budget
- There could even be balance sheet budget amounts

Budgeting

- The Budget versus actual variances in the current monthly financials are positive when revenues exceeded budget, but also positive when expenses are above budget
- This should probably be changed to the normal way of presenting, i.e. expenses above budget result in a negative variance, because they are bad news. The caption should state favourable/(unfavourable)
- Percentages could be shown
- (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 flexible budget
- Instead of food, fixed budget of say \$43,000 a month
- It would be \$14.54 per resident per day food budget, so the total budget would be \$14.54 x 100 actual residents for example x 31 = \$45,074
- This means the variance is just spending variance, not volume



More budgeting

- Flexible budget – one government accountant at the seminar said “I don’t understand flexible budgets, I thought it meant that at the end of the year, you force spending to equal budget”
- One live attendee asked if we could flex the lunch longer!



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 capital
- This should be investigated, to see if the accounting has been done properly, and it is not possible to reach a conclusion

Additional notes

- The financials could perhaps use a few notes, although not as detailed as formal audited statement notes
- For examples, the details of the home mortgages including rates and maturity dates.



Mortgage payments due		
2021	\$24,444	
2022	\$19,452	
2023	\$17,422	
2024	\$14,853	
2025	\$9,422	



Management estimates

Management estimates

- It is a good practice to disclose significant management estimates
- This de-risks management if they wrong, and means the Board is less likely to get surprised
- Specifically, the board should be told that management has estimated that the \$26,100 subsidy receivable for the Rane Street property is 100% collectible, rather than the estimate being made but not disclosed

Provincial dispute

- If any Board members have provincial government contacts 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 accounts receivable should be broken out 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 actual allowance for doubtful accounts, so users are aware of this estimate

Accounts receivable	\$ 52,904
Allowance for Doubtful Accounts	(\$13,000)
	<u>\$ 39,904</u>



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 fairly tight
- Currently at 1.39 for current ratio, versus minimum of 1.25
- 1.96 for the capital covenant, versus 2.0 maximum.
- Does anyone know Canada's debt-to-equity ratio?
- It was 2.28 last time I checked, but before COVID-19, much worse now



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 (Section 4460)
- If some of the _____, that portion of the bill should have been estimated for the September financials

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 is aware of this and has approved the transaction
- It should be separately noted in the financials for good information for users. This will also be a GAAP requirement at year end (Section 4460)
- If some of the services were provided before October, 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 November and December, 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 10 days worth
- 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 decision-oriented comment!

Reflection

- One topic in any internal financial reporting is how much subsequent info 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...

One day

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

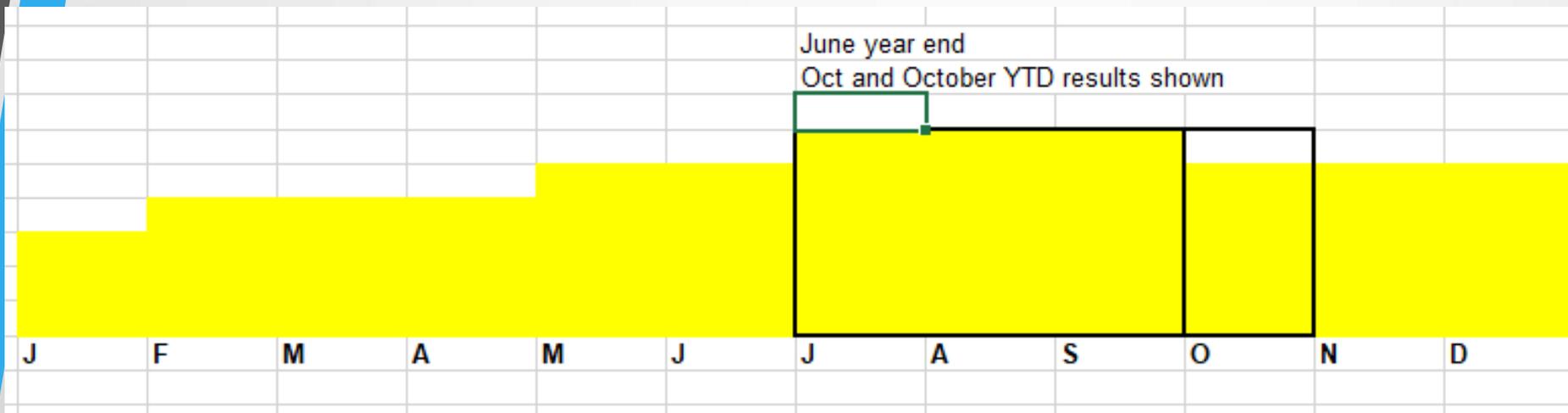


Good comparatives are important

- October prior year comparative monthly and YTD income statement information would be more useful because of seasonality
- Comparative October 31 balance sheet information would also provide a perspective of a comparison to the same date in the prior year

A better way to report comparatives

- Reporting rolling 12 month results with rolling 12 month comparatives is one of the best ways to see overall trends in the organization
- This is an excellent tip – few organizations report this way
- It removes seasonality and really tells you the velocity of the organization



- Solution, 12 month rolling comparatives, also know as TTM
- You will need to clarify differences from the budget year, although some organizations are adopting a rolling budget...

EBITDA

- Would EBITDA disclosure be useful?
- Earnings **B**efore I **T**ricked **T**he **D**umb **A**uditors

EBITDA

- Earnings **B**efore Interest **T**axes **D**epreciation & **A**mortization
- NPO: **RIDA** - **R**esult before Interest **D**epreciation & **A**mortization
- What really happened, ignoring the non-operational stuff

Minor questions

- Interest income appears low 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 increase the return on surplus cash. Perhaps funds should be put in short-term investments, rather than just held in the bank account.
- Furthermore, the company shouldn't have an amount on the line of credit, when there is quite a bit of cash in the bank.
- Miscellaneous expense 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 vehicle expense jumped so much in October, did they buy a vehicle?
- There should have been an explanation for the huge drop in telephone expenses.
- What is Due from Pargo, this is new in the month?
- Information should be provided about the note receivable from Homes for the Special (USA), at least for the new board member, and for all, if it has not been provided previously.
- The Fundraising & other caption should be further explained, 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 needs investigation, and disposal,
- It is surprising that the auditors don't seem to have done anything about it. The Accounting Manager says it dates from before his time, but that is not an excuse

Minor questions

- Benefits are only 2.7% of payroll
- This is impossibly low, given even just CPP
- 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 % of unfunded costs, where non-government funding must be sought
- Other more common ones:
- Administrative expenses/total expenses – a measure of how high overhead is
- Fundraising costs/Donations – a measure of fundraising efficiency, it looks reasonable at 15.4% YTD (\$45K/\$290K).



A check from Bank of The World, dated 20__.

JOHN CLAW
18 BOB CD
108N SPRING 12345

20__

PAY TO THE ORDER OF _____ \$ _____

DOLLARS

Bank of The World
Member FDIC

MEMO _____

⑆1234567890⑆ 667890⑆ 78741⑆

Break-even

- Disclosure of the organization's approximate monthly break-even revenue would be relevant to users
- Will it break even at approximately \$836K of revenue per month?
- Do you know what your break-even level is?

Do you see any process issues?

- A detailed review of revenue recognition 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 the accrual errors took place 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 faster close, so that better decisions can be made from more timely information



Any GAAP errors?

GAAP issue

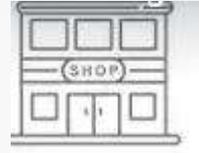
- A Statement of Cash Flows has not been presented
- This is required by the CPA Handbook Section 1400.11 and moreover is useful to users, reconciling opening and closing cash

How should the store have been accounted for?



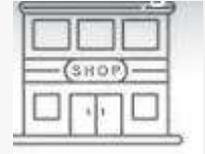
- HS should consolidate the store subsidiary, since it is wholly-owned entity, and therefore controlled under Section 4450.14 of the Handbook, or disclose the key results.
- *An organization should report each controlled not-for-profit organization in one of the following ways:*
 - (a) *by consolidating the controlled organization in its financial statements;*
 - (b) *by providing the disclosure set out in paragraph [4450.22](#);*

How should the store have been accounted for?



- The following disclosures should be made per 4450.22 if the results are not consolidated:
 - (a) *total assets, liabilities and net assets at the reporting date;*
 - (b) *revenues (including gains), expenses (including losses) and cash flows from operating, financing and investing activities reported in the period;*
 - (c) *details of any restrictions, by major category, on the resources of the controlled organizations; and*
 - (d) *significant differences in accounting policies from those followed by the reporting organization*

How should the store have been accounted for?



- Either way, the following must be disclosed:
 - .15 *For a controlled not-for-profit organization, regardless of whether or not it is consolidated, the following should be disclosed:*
 - (a) *the policy followed in reporting the controlled organization;*
 - (b) *a description of the relationship with the controlled organization;*
 - (c) *a clear and concise description of the controlled organization's purpose, its intended community of service, its status under income tax legislation and its legal form; and*
 - (d) *the nature and extent of any economic interest that the reporting organization has in the controlled organization.*

Now to apply the rules

- Given, GAAP provides a choice, it might be better for reported results to just be disclosed if there will be losses, or consolidate, if there will be profits
- Disclosure only could deceive 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, complicating this decision
- Probably the best disclosure would be both, consolidation and a special note.
- If the accounting policy is changed, the results will be retroactive

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 flush through this month, with or without disclosure
- The error is material relative to the excess of revenue over expenditure, but is arguably barely material 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 re-state the prior period under GAAP requirements (Section 1506)
- I would prefer that – the skeleton in the closet belongs to the predecessor
- Someone in one seminar said: hold off and correct at year end
- But this is borderline unethical, you know about it
- One accountant said that in Newfoundland, all errors go through Miscellaneous Expense!
- 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 group homes may be willing to share information on their cost per resident, cost per meal, and so on
- Information also may be available from the provincial funding ministry, other province's funding ministry or even from some type of group home association in the province or outside
- A better comparison would be non-unionized group homes

Other disclosures

- Disclosure of the status of critical Ministry funding requests would be helpful to the Board.
- Showing quarterly numbers 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 in thousands
- Percentages 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 the standard deviation of a series of numbers, compared over time can be quite informative but would have to be explained to users who don't understand statistics
- Eg standard deviation in a certain cost category

$$\sigma = \sqrt{\frac{1}{N} \sum_{i=1}^N (x_i - \mu)^2}$$

standard deviation for
population

Operating comments

- The organization is giving up 3.9% for all donations that go through www.helpcharities.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 more cost effective home acquisition.



Operating comments

- The new Director of Finance should try to find a cheaper accounting firm 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 www.helpcharities.ca be relied to get at completeness there? Does this organization have a CSAE 3416 Reporting on Controls at a Service Organization report, which might help in this regards?

Operating comments

- Some might say that the organization has too many directors
- Perhaps should operate a few large residences, 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

- Revenues and direct costs per resident should be reported, as this is critical information
- Residents for this purposes, would be measured in terms of days they were in the HS home in the month
- For example, a resident that was only in a home for half a month should be measured as a 0.5 resident

KPIs

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

KPIs – resident info



- Organization capacity use, i.e. beds available and beds used
- Occupancy and vacancy numbers
- Paid residents/funded residents
- Residents per direct employee
- Direct cost per day per resident by person (some government bodies are starting to request this, hard to produce, there will be some allocations)
- Direct cost per day per resident by person, by type of handicap
- Cost per meal average (direct materials)



KPIs – resident info

- Meal nutrition information
- Weighted average number of residents in the month, in the year to date
- Residents by classification, i.e. severely handicapped, mildly handicapped, etc
- Residents by age
- Total residents
- Residents awaiting admission
- Resident turnover
- Residents admitted
- Residents departing by reason (death, transfer, etc)

KPIs – resident info

- Average resident age compared to prior year
- Meals served
- Resident health: doctor/hospital visits pers
- Family visit statistics (from sign ins)
- Resident family satisfaction (survey results)
- Diapers changed



KPIs – capital assets

- Rented versus owned homes
- Homes added
- Homes dropped
- Other capital asset acquired
- Vehicle use statistics
- Vehicle maintenance info
- Furniture and other purchases



KPIs – Government funding

- Government funding envelopes being applied for
- Days until government decisions on funding envelopes
- Amounts remaining on funding envelopes

KPIs – Government funding

- Government funding envelopes being applied for
- Days until government decisions on funding envelopes
- Amounts remaining on funding envelopes
- **Number and \$ of bribes paid to politicians...!**

KPIs – staff info

- Person hours worked
- Staff turnover
- Employees who are overhead
- Overtime hours worked
- Employee morale
- On-the-job injuries

KPIs – staff info

- Lost days due to injuries
- Sick days
- Absenteeism
- Training hours
- Contractors used
- Temp's used
- Employee satisfaction (helps union threat)

KPIs – donation info

- Bequest amounts expected but not recorded as receivable yet
- #of donations
- Donations stratified by size
- Donations in kind
- # active donors, need definition (donated in last 2 years perhaps)

Other possible KPIs?

- Number of media mentions, if important
- Media interviews
- Website hits
- Volunteer hours and other statistics
- # of complaints by ____?
- # fire drills
- # resident excursions
- **Can you think of any more?**

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 it all at once
- Don't overload them with information
- Don't give them too many 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

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

Auditors are like referees....



Referees and auditors

- Have an important job
- Have a pressure job
- Are not paid well
- Must be independent
- Must make fast decisions, using professional judgement, versus a set of criteria/rules
- Are never noticed if they do a good job, but draw a lot of attention if they make a mistake



ANDERSEN

The Arthur Andersen partner was on his cell phone
when he said,

"Ship the Enron documents to the feds,"

but his Secretary heard,

"Rip the Enron documents to shreds."

It turns out that it was all just a case of bad cellular.



Sprint PCS The clear alternative to cellular

Auditors/accountants

Maximizing value, seven ways

- Compare firm value
- Use audit timing to your advantage
- Get them to promote your organization with referrals
- Tell them not to put it writing
- Control the financial statement preparation
- Do the audit yourself!
- Challenge their approach, do they have to qualify the audit report?



What do you think?

	Help the Needy Inc.				
	Expenses				
	Year ending May 31, 2016				
Interest expense proof					
	<u>Avg balance</u>	<u>Rate</u>	<u>Days outstanding</u>	<u>Computed interest</u>	
Marble Bank Loan	\$ 2,662,425.00	2.95%	290	\$ 62,402.87	
Term Loan	\$ 4,000,000.00	3.25%	365	\$ 130,000.00	
				\$ 192,402.87	
			PLUG	\$ 3,485.22	Immaterial
			Interest per G/L	\$ 195,888.09	

The auditors are very, very concerned...

	Help the Needy Inc.				
	Expenses				
	Year ending May 31, 2016				
Interest expense proof					
	<u>Avg balance</u>	<u>Rate</u>	<u>Days outstanding</u>	<u>Computed interest</u>	
Marble Bank Loan	\$ 2,662,425.00	2.95%	290	\$ 62,402.87	
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				\$ 192,402.87	
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The solution

Help the Needy Inc.					
Expenses					
Year ending May 31, 2016					
Interest expense proof					
	<u>Avg balance</u>	<u>Rate</u>	<u>Days outstanding</u>	<u>Computed interest</u>	
Marble Bank Loan	\$ 2,662,425.00	2.95%	290	\$ 62,402.87	
Term Loan	\$ 4,000,000.00	3.25%	365	\$ 130,000.00	
				\$ 192,402.87	
			UNRECONCILED	\$ 3,485.22	Immaterial
			Interest per G/L	\$ 195,888.09	

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 some generic procedures that would give some direction for untrained person to at least partially “audit” various kinds of NPOs (not legally an audit)

What would the output?

- “I have conducted an analysis of these financial statements of __ for the year ending ____ based on a set of standard procedures I obtained from, see this link:____. This does not constitute an audit or a review engagement and I have no formal training in financial statement auditing or reviews. My findings are set out below”

My small NPO “audit” idea

- (It could also be used a first step, before a real audit)
- One charity accountability umbrella group has expressed interest in it
- It would be for free for all to use
- Thoughts, comments, ideas, reaction?

THE SHREDDER

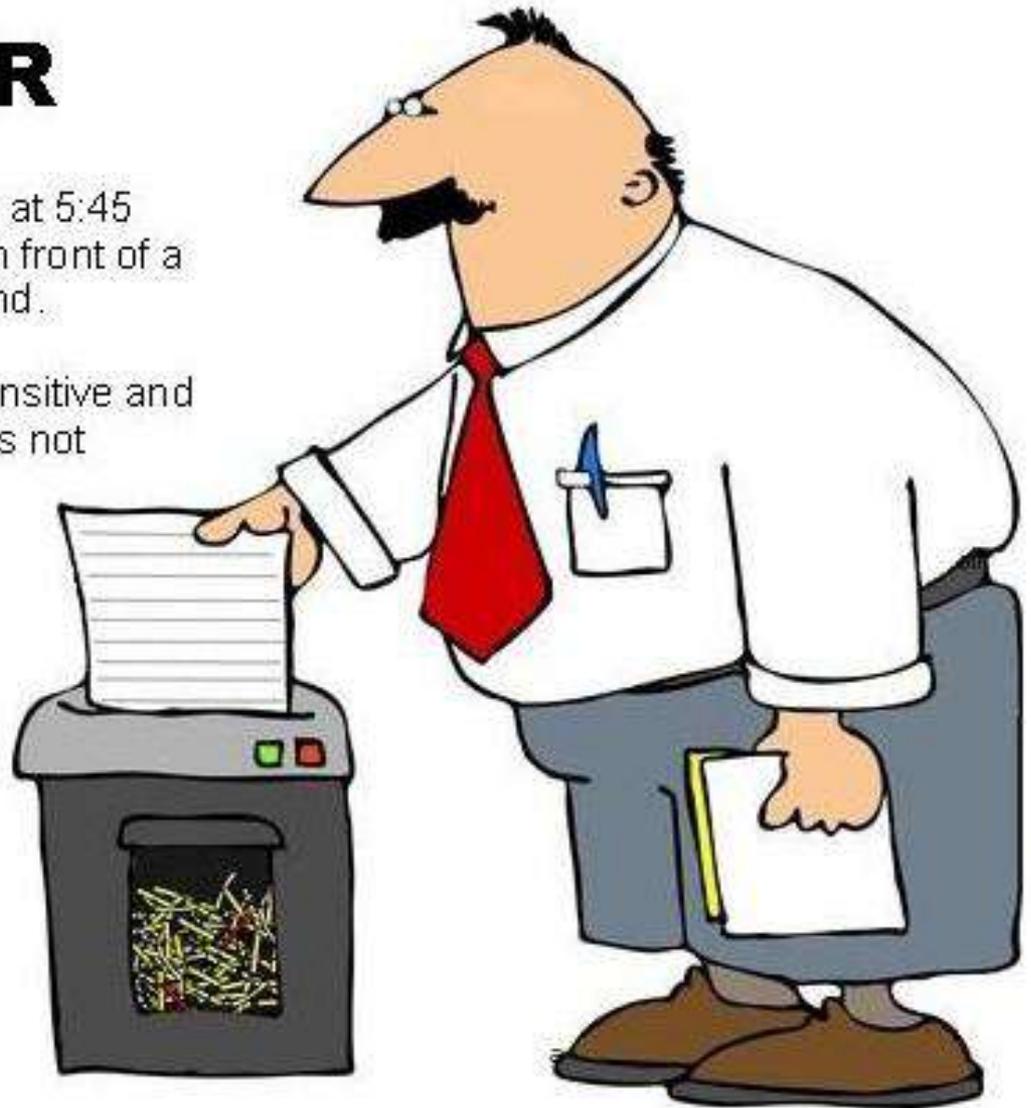
A young engineer was leaving the office at 5:45 p.m. when he found the CEO standing in front of a shredder with a piece of paper in his hand.

"Listen," said the CEO, "this is a very sensitive and important document, and my secretary is not here. Can you make this thing work?"

"Certainly," said the young engineer. He turned on the machine, inserted the paper, and pressed the start button.

"Excellent, excellent!" said the CEO as his paper disappeared inside the machine, "I just need one copy."

Lesson: Never, never, ever assume that your boss knows what he's doing.



A few system tips & thoughts

- Our system survey, what is your system, someone wrote: Sadly - Simply
- 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 user discussion forum
- Is your system properly backed up?
- Have you tested a full restore?

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!
- Type closing balances from the old system in the new system!
- In a typical seminar, 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....

- \$39B revenues, \$5.6B profit
- \$1.1 trillion assets under management
- 35,000 employees

Conversions

- How to look at the historic numbers?
- _____
- The only things you should import _____
- This is high level, there are some complications
- Any value in _____?

Conversions

- How to look at the historic numbers?
- Look in the old system
- The only things you should import Supplier names and addresses etc. Perhaps cut cheques from closing payables from old system
- This is high level, there are some complications
- Any value in consultants?

System tips

We had a confused and disorganized order processing department. Someone said solve the problem by installing a new order processing system!

- Don't throw technology at a problem, if you don't know what you are doing in the first place
- Another way of saying it: "Don't give the fool the tool"

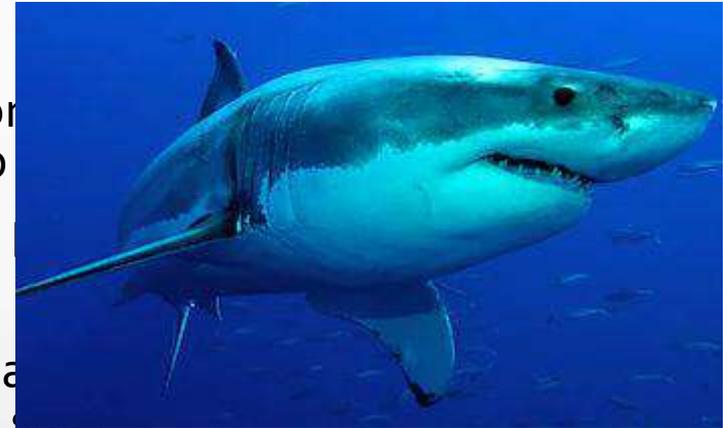
Board of Directors

- We need a related joke



Board of Directors

- An Executive Director, a Finance Director and an NPO were adrift on a raft after their ship was destroyed.
- The Board Chair looked at the Executive Director and said, "It's your fault. You were steering the ship!"
- The Executive Director looked at the Finance Director and said, "It's all her fault. She was in charge of the sails."
- The Finance Director said, "It's both your fault. You were steering the boat, but the Board Chart was supposed to be charting the course."
- All three were devoured by sharks
- The NPO never used that **team building activity** again!



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 on-side prior to the meeting on a major proposal
- Send ALL material out in advance?
- Get specialists on topics
- If they won't join your board, will they join an advisory board?



Michelle Douglas said WE Charity's board of directors "always understood that speakers were not paid" to appear at WE Day events and that she would have been "surprised" to learn members of Prime Minister Justin Trudeau's family had been paid thousands of dollars to speak at such events. 1:09

She also said she left because the board of directors was being denied access to WE Charity's chief financial officer. Meetings with the CFO were set and then cancelled, she said, making it impossible for the board to determine if the job cuts were financially justified.

So she resigned...

Sometimes you will need simple explanations

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

Sometimes you will need simple explanations

- Maybe you have to do this....



News and Announcements

Announcing the Acquisition of Valydate

Today we would like to announce the acquisition of Valydate™ Inc., an Ottawa-based provider of schematic validation solutions. The Valydate VERA technology provides enterprise design teams proven schematic review analysis technology, helping designers identify errors before committing to a PCB design.

Mentor brings a broader and deeper engineering infrastructure, enabling expanded product development on VERA. While we provide deeper integration with Mentor's Xpedition Enterprise flow, we will preserve integrations with all other design flows (as exhibited by previous acquisitions of HyperLynx and Valor technology).



A Siemens Business

Michael Alam, Valydate BSD Canada

Siemens completes \$4.5 billion purchase of Mentor Graphics



INSIDE SILICON FOREST

About Mike Rogoway



Email Mike Rogoway



Follow @rogoway

MOST READ



Jive's buyer responds to employee anxiety

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, hospitals do

Thinking tips

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

Thinking tips

- Sometimes forget your training and experience!
- Imagine an 84 year old high school drop out successful business person, to see if this would help
- Difficult issue, what would a smart former colleague do?
- How do I approach difficult problems? Put the problem in my mind, mull it over when doing other things, and ideas often come out!

Thinking tips

- You must challenge your assumptions
- Generate better alternatives, that others don't consider
- Maybe counter-intuitive ideas
- Maybe turn the problem around, example airport pick up
- Recommend the obvious (so obvious, no one thinks of that solution)
- Get your staff 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 taxies, etc

Come at the problem from different angles

- Rent a bus so you can use the bus lane
- Pretend to be a taxi (unethical)
- Paint your vehicle like a cop car (unethical)
- Helicopter!
- Share location on phone (helps)
- Tell them to take Uber

Picking people up at the airport

- Arrivals is congested, always hard to pick people up, you usually can't meet them at the curb
- Solution: Meet them at **departures**



A traffic-related example

- Buses stuck in traffic

A traffic-related example

- Buses stuck in traffic



A solution?



A couple of years ago

- I was about to teach an in-class seminar in Ottawa, when I noticed I had forgotten my prizes for the day!
- Class starting in 20 minutes, about an 18 minute drive each way to my home
- What to do?
- Uber becomes courier
- Now, Uber offers this service, they got the idea from me

Writing in space

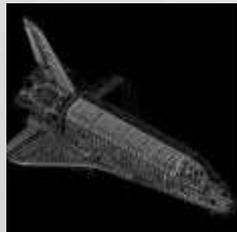


- Problem – a normal pen apparently won't work in a weight-less environment
- Solution: The Americans tried to develop a sophisticated pen that would work in a weight-less environment
- Apparently: The Russians just used a pencil!
- Lesson: Don't always over-think or get too sophisticated, sometimes there is a simpler 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 stuck
- Then someone said, let's not paint it, there is over 400 points of paint, which is not essential! and that was the solution!



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

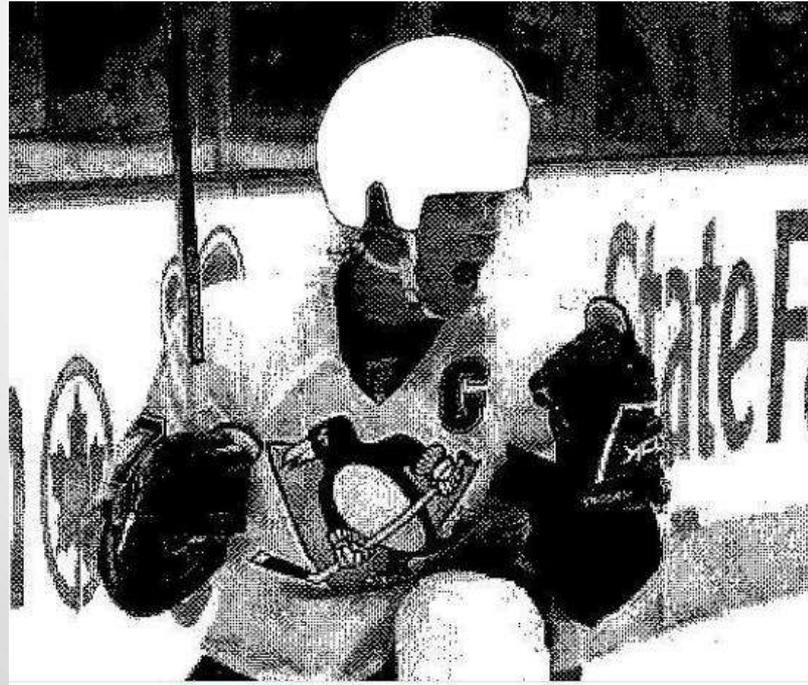


Possible solutions coming from different angles

- No boards
- Padded boards
- More penalties for hitting other's heads...
- No helmets
- Sydney should retire
- Hockey player weight limit

No one seems to be looking at the helmet design from scratch

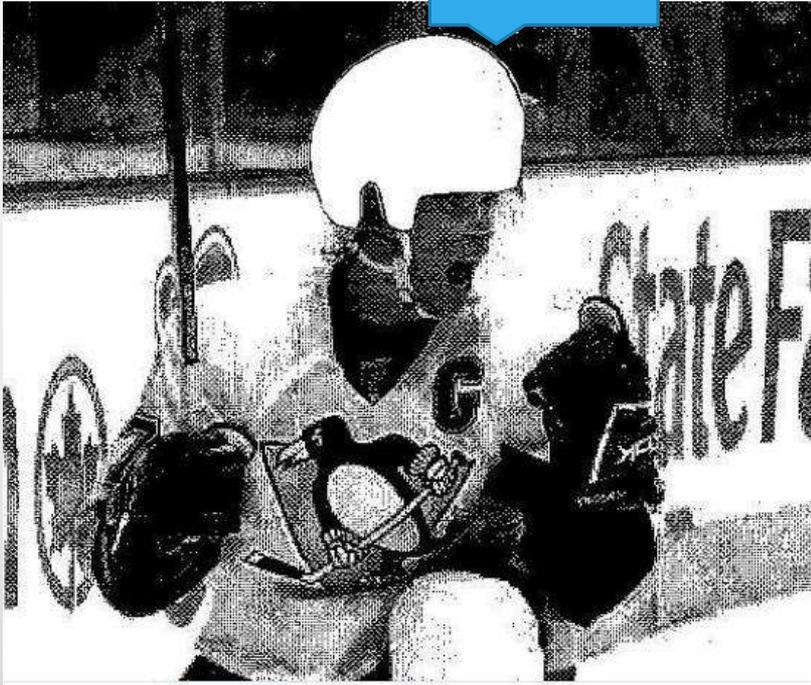
- Water filled helmet?
- Air bubble helmet



No one seems to be looking at the helmet design from scratch

- Water filled helmet?
- Air bubble helmet?
- My idea, memory foam on the outside!

Memory foam!



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

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:

Sub offers to do the books of the parent company!

Maximizing charitable donations

- Problem: Students and seniors who don't pay tax or much tax, make charitable donations, without any tax benefit
- Solution: They gift the funds 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

- Change the material it is made of
- Change the dumping part
- Change the bucket part
- Change the whole design
- Get around the problem

Different angles

- Change the material it is made of to make it lighter (titanium, fiberglass)
- Change the dumping part (a crane, push them out of a tree, push them off a diving board)
- Change the bucket part (they fall into popcorn or balls or dig a hole in the backyard)
- Change the design (use cheap, scrap materials, dig a hole in the backyard, they just get sprayed with a water gun or a fire hydrant)
- Get around the problem (create a video game version)
- Change the design (use cheap, scrap materials, dig a hole in the backyard, they just get sprayed with a water gun or a fire hydrant)
- Get around the problem (create a video game version)





Get financing for the real one

- Create a partnership with the neighbours
- Do some crowdfunding

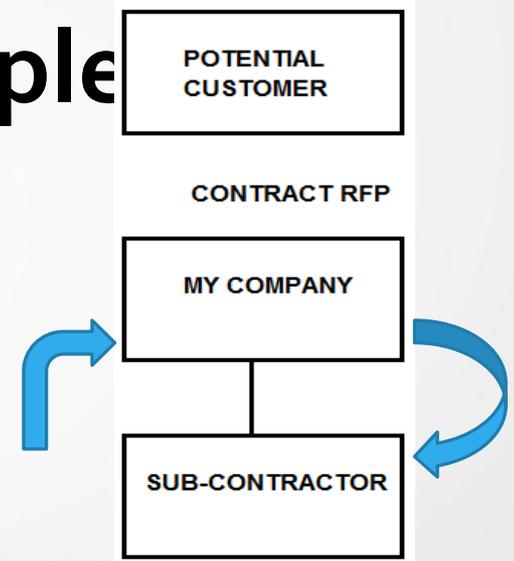
My solution

- Make it dump on the person, after shrinking it!



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 getting the sub-contractor to be the prime



Possibilities

Remove the problem:

- Change what we submit somehow
- Ask them to change the RFP
- Ask a lawyer for advice
- Bribe them!

Come at the problem from a different angle

Creative thinking

- The more ideas you generate, the greater the chance that you will hit a good one
- 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? Improv theatre
- When are you most creative? Everyone is different



Wars result in the need for outside the box thinking

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

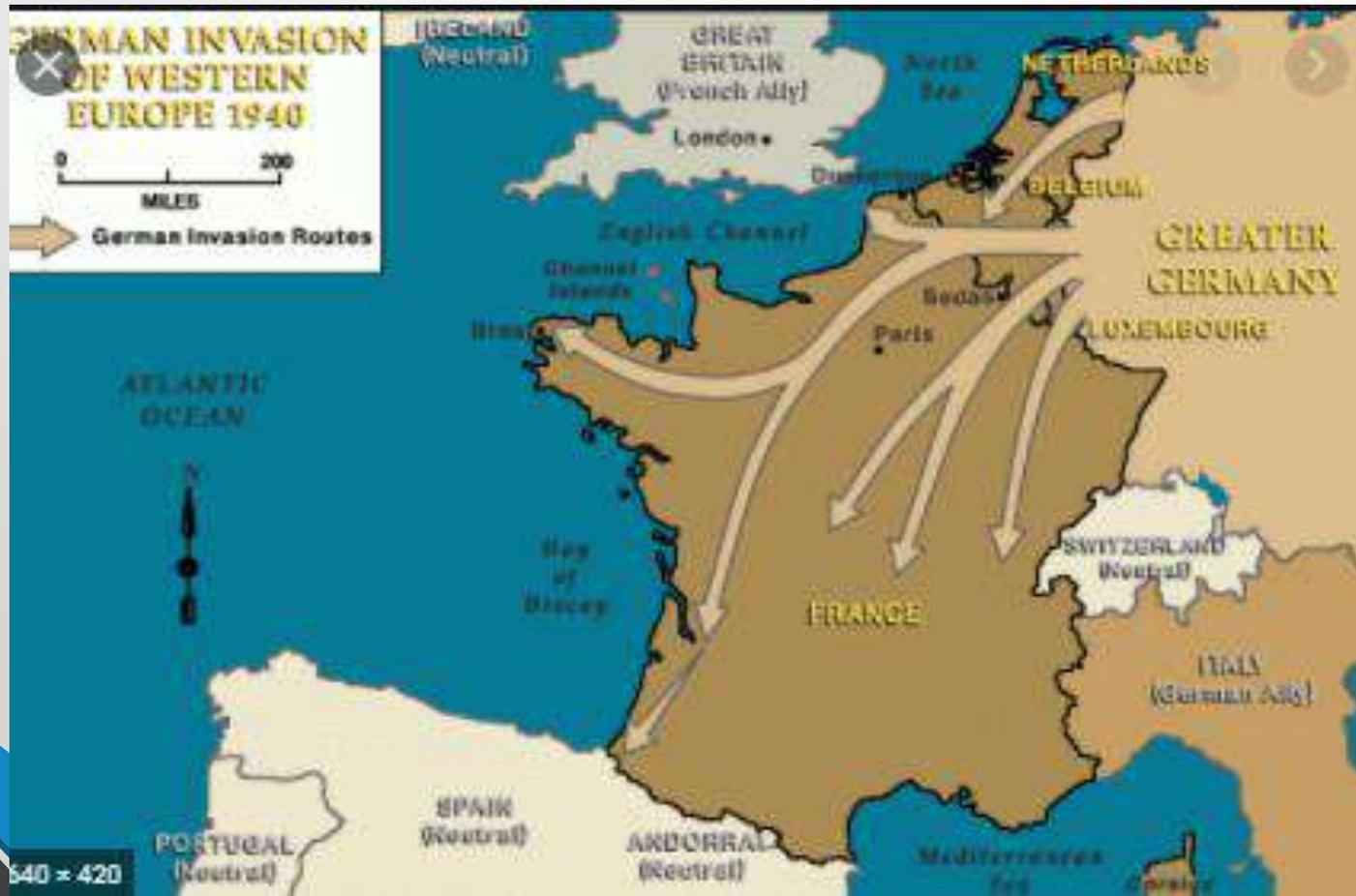


How could Germany invade France?

How could Germany invade France?



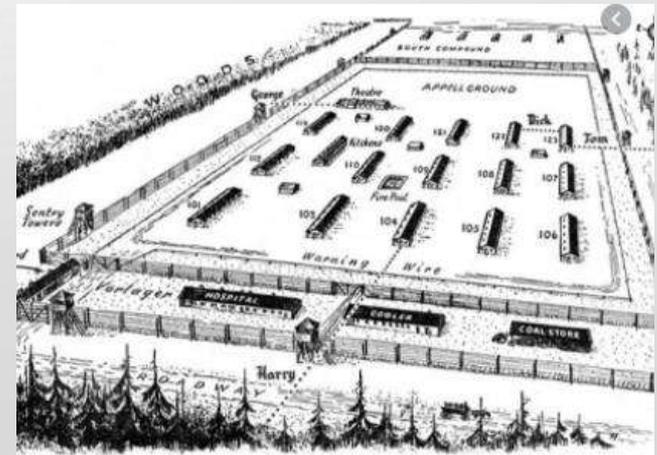
How could Germany invade France?



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

- Tunnel entrance in plain view of guards, where they wouldn't expect it
- Under a wood jumping horse!

Solution



- Tunnel entrance in plain view of guards, where they wouldn't expect it
- Under a wood jumping horse!



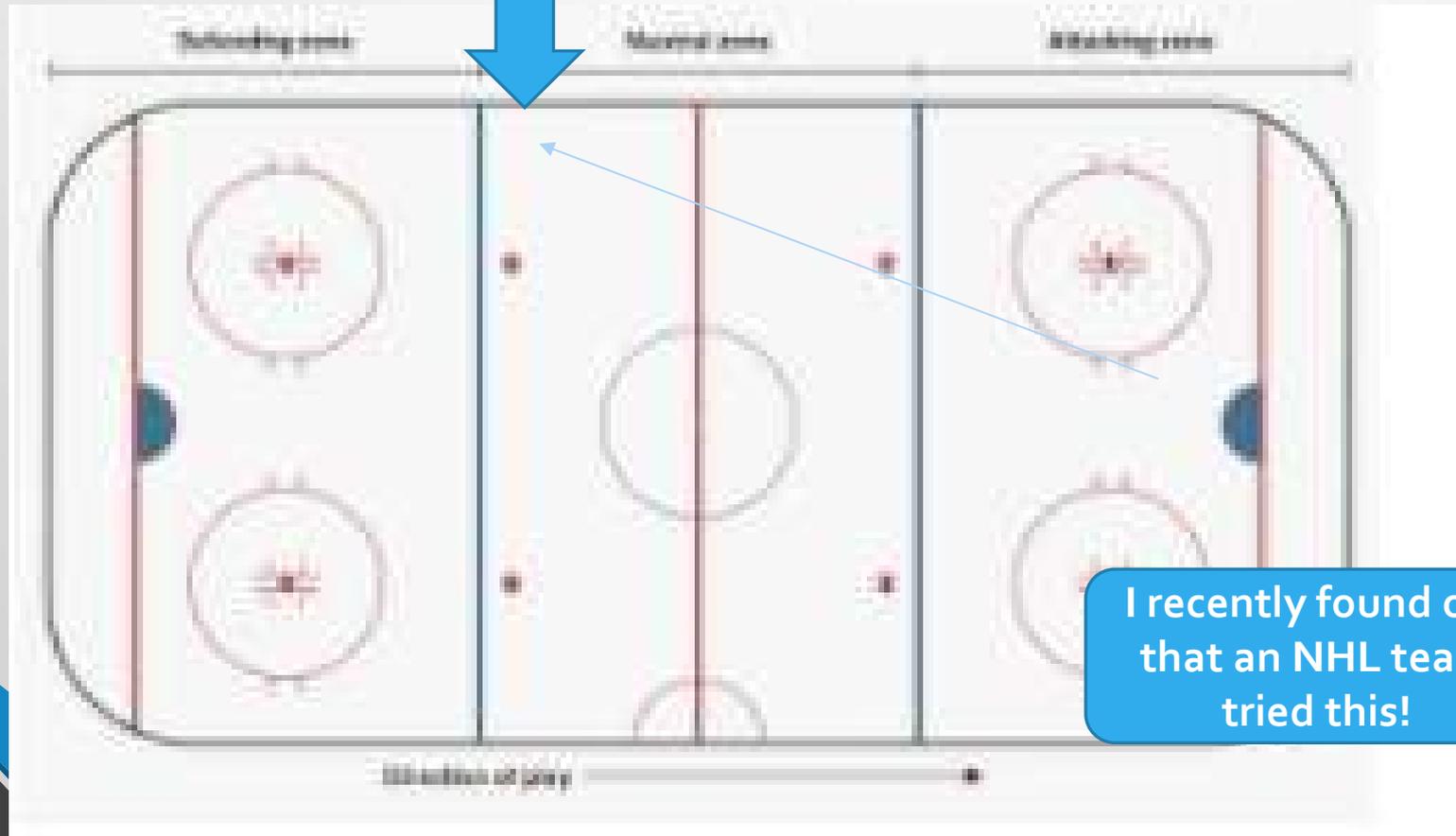
Result

- Successful escape of two prisoners.... from the camp, and more importantly back to the UK

Outside the box hockey play I am working on

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

Outside the box hockey play I am working on



Example 2

From: You
Sent: July 20, 2020 7:33 PM
To: boss@
Subject: Looming issue

Chris,

I have noted that _____ and _____ from source _____

I think this has the ability to cause problems for you and our department.

However, I have thought of a solution:

If you send something like the email below which **I have drafted for you** to ___ and _____, it would circumvent _____ and enable you to _____

A couple of years ago – a creative idea

- I was about to teach an in-class seminar in Ottawa, when I noticed I had forgotten my prizes for the day!
- Class starting in 20 minutes, about an 18 minute drive each way to my home
- What to do?
- Uber becomes courier
- Now, Uber offers this service, they got the idea from me!



Question for you Steve...



What do you do when travelling?



**You have to get outside the box
and....**



**You have to get outside the box and
build one with whatever is available!**



COVID-19

- Intuitive angles: lockdown and vaccinations
- Different angle: research on a comfortable, cheap COVID protective “suit” or breathing apparatus, better than current PPE, to be given free to all vulnerable people
- Or the daily \$1 spit test...
- Note, I am not a medical doctor
- Just a financial doctor...

Cost-saving example



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

- _____

Not these solutions



- Annoying single squares...
- Leaves
- Bidets
- Recycling
- Less fiber in diets....



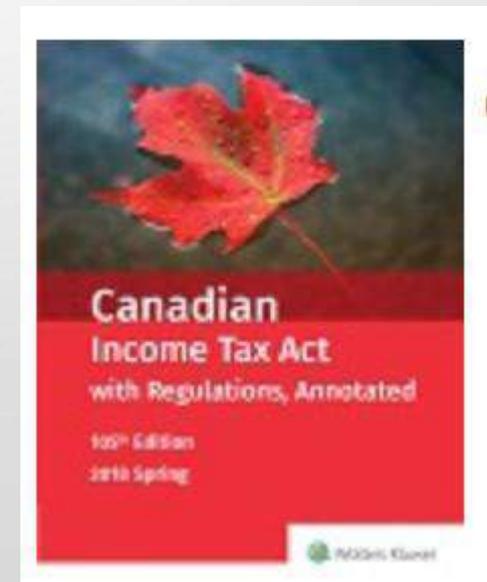
Or these solutions

- Thinner, smaller or narrower squares



Or these solutions

- Thinner, smaller or narrower squares
- Using both sides
- Special wiping techniques
- Rough toilet paper
- Wet toilet paper
- Last's year Income Tax Act



Cost-saving example



- Question all costs creatively
- A company has found a way to save trees cut down to produce toilet paper with an outside the box, simple idea, what is it?
- There is no need for the cardboard inner roll

One disadvantage...



The advantage of this illustration

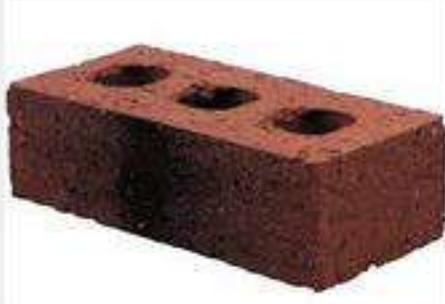
- You will remember it for the rest of your life... every time you....

Can you creatively eliminate something that is redundant?

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

Creative thinking test

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





Another creative idea

- Toilets with no water!
- Urine goes under oil...
- Used in an NPO I was very involved in
- But eventually dropped due to smell I believe



Being creative sometimes just involves asking

- An example at a hotel

Being creative sometimes just involves asking

- An example at a hotel
- They let my wife do the catering for seminars!

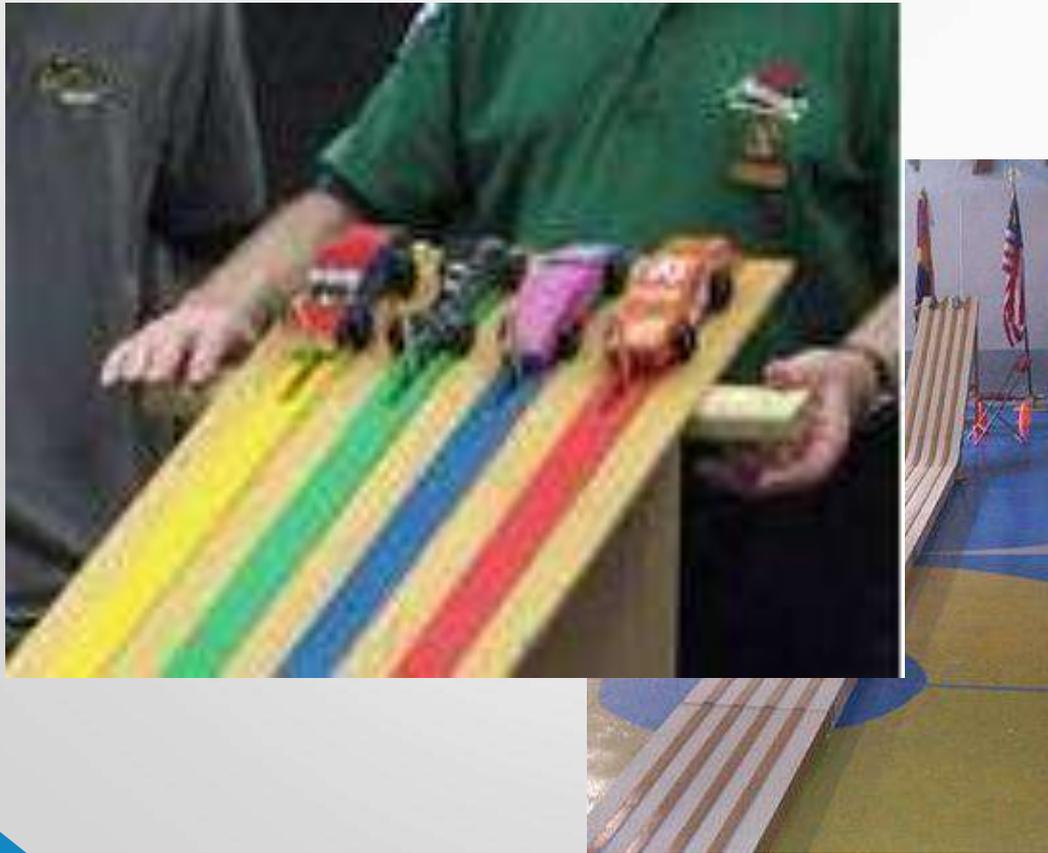


Outside the box as a grade 7 student

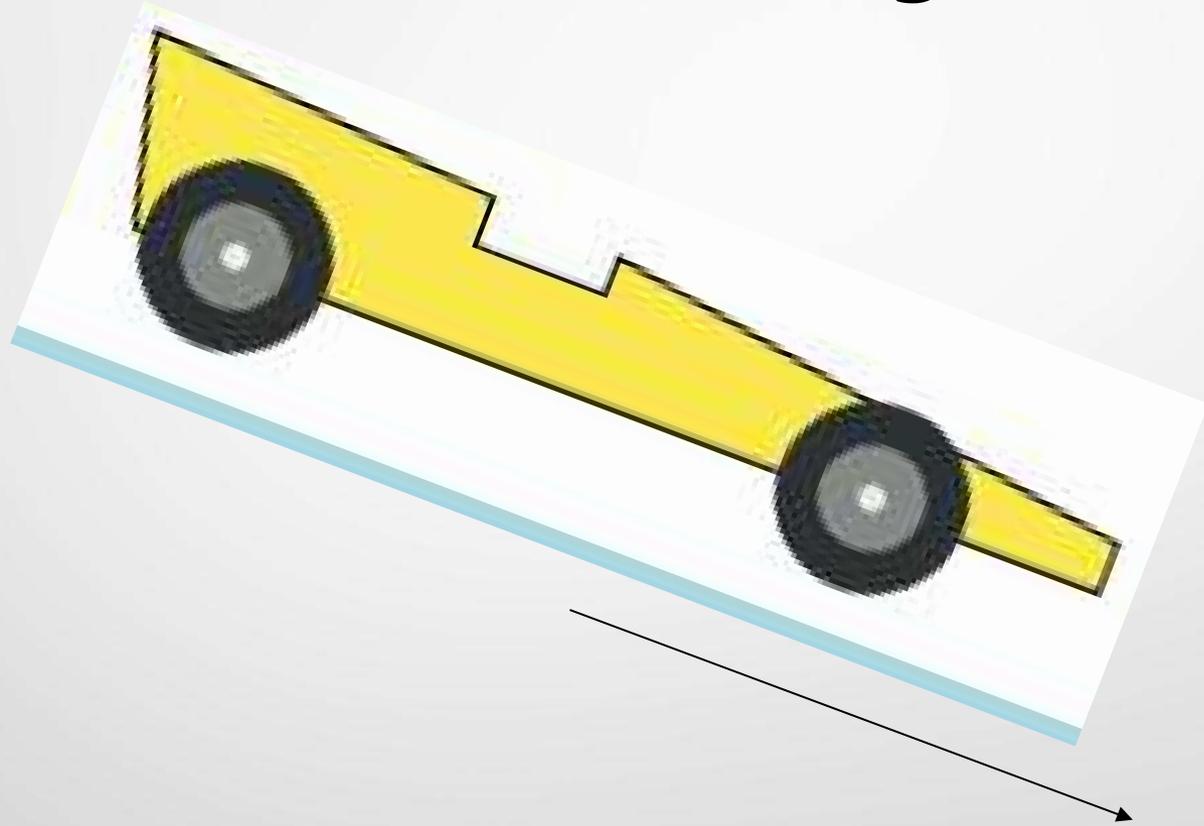
- I am badly behaved, so I get a “detention”
- School ends at 3:20, I get detained in the classroom until ,
- The time is passing slowly, at 3:40, I came up with a plan to get out early, when the teacher leaves the room
- I wind the clock on the wall ahead to 4 pm, and then the teachers lets me go immediately
- (Outside the box, but unethical in retrospect)
- I used to be unethical, until I reformed at 21...



Another test for you - the race



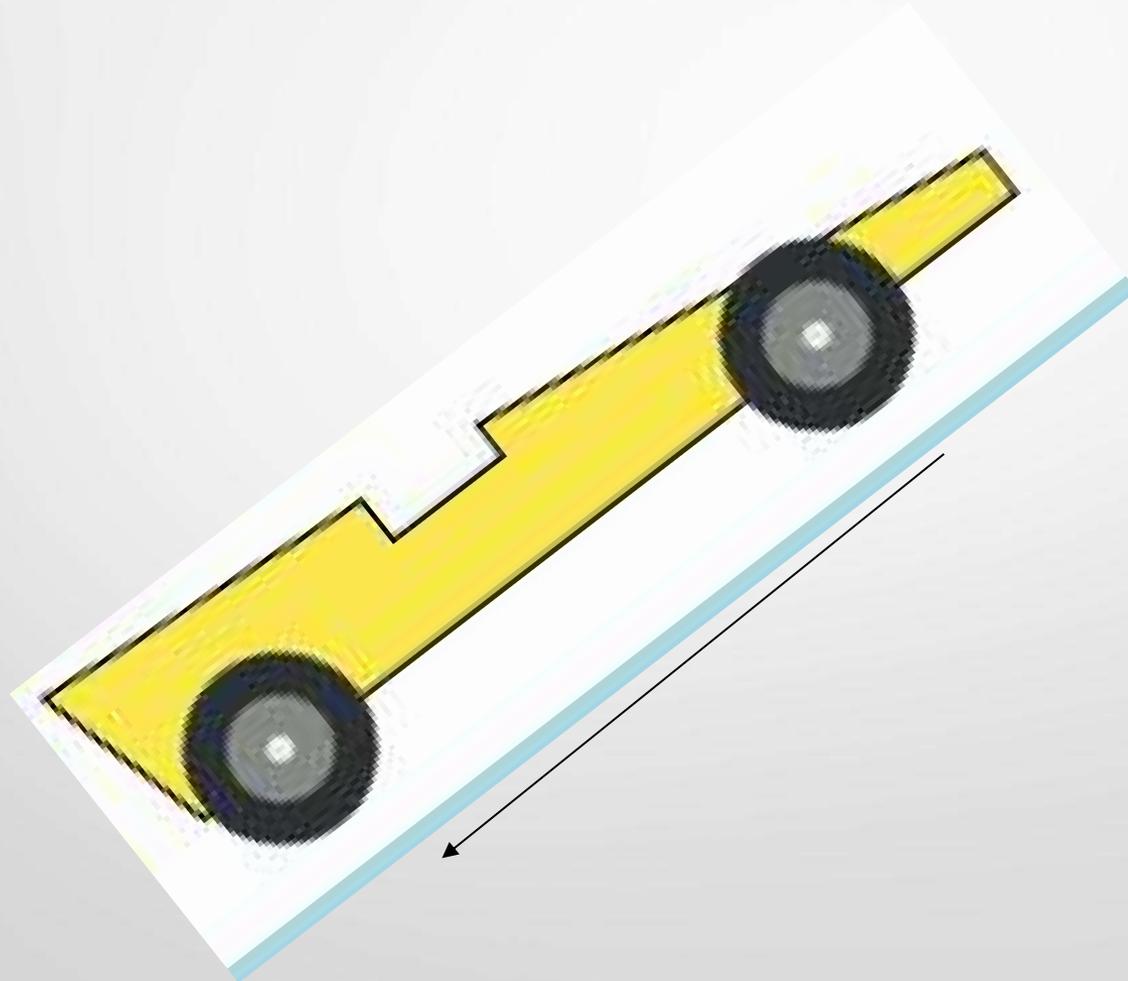
The car race – with weight limit



Help me

- How can I win the race?

The winner



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 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: November 30 year end. Don't have the risk the entire year, of a bad last month...

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?

In a recent in-class seminar

- A participant: “Steve, is the seminar going to end soon?”

In a recent in-class seminar

- A participant: “Steve, is the seminar going to end soon?”
- “My limo is waiting outside!”



Key indicator reporting

- Manage organization from one page
- About 50 key indicators
- An organization dashboard
- A balanced scorecard
- We are the information people, so why shouldn't we report it?
- Who here reports extensive non-financial data weekly?



From this to this



	FIDUS KEY WEEKLY METRICS				
	Weekly ending				(All Canadian \$)
	24-Sep	27-Sep	28-Sep	29-Sep	30-Sep
Cash					
Cash balance	85,483	158,483	55,856	[17,268]	52,283
In arrears	288,823	288,822	288,822	288,822	288,822
Revenue					
New bookings	38,888	128,922	[16,658]	118,447	27,681
Revenue earned - no revenue	45,887	36,738	28,283	186,788	33,374
Revenue earned - work log	54,483	52,354	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	65,233	37,124	152,435	-	38,458
On hold revenue	36,646	533,782	832,314	334,281	487,873
YTD revenue	1,242,116	1,288,623	1,146,284	1,117,838	1,818,421
YTD revenue ahead projects	148,277	424,147	316,233	285,333	261,233
"In the bag" revenue	1,419,741	1,325,741	1,254,819	1,271,487	1,161,648
Don Plus in the bag	77.1X	75.8X	68.4X	63.3X	63.3X
Weighted pipeline opps	536,253	675,625	822,871	648,876	671,631
Total revenue at risk	1,548,818	2,851,366	2,877,638	1,911,563	1,832,371
Total revenue at risk %	186.2X	191.8X	119.3X	184.2X	99.3X
Current ahead planned revenue	133,353	136,323	88,217	87,133	112,618
Projects					
# of active projects	28	27	27	28	28
# of new projects requested in work	4	3	1	1	3
# of projects ahead in work	3	3	2	1	-
# of ahead projects - non active	22	13	16	14	13
Working capital					
U.S. exchange rate	1.5397	1.5273	1.5241	1.582	1.5634
Total W/C	338,659	333,875	328,566	376,738	327,435
W/C < 30 days	237,623	277,682	193,241	193,485	183,233
W/C 31-60 days	38,825	38,863	155,325	151,118	116,887
W/C > 60 days	62,111	24,618	-	22,135	22,135
Revenue Payable	149,325	38,578	53,236	61,888	38,683
Current liabilities	151,787	241,718	212,333	215,616	193,158
Working capital	626,163	587,274	443,326	441,137	557,635
Current ratio (work cap/current liab, k)	3.56	2.75	2.74	2.53	3.21
Low work's cash disk, no payroll	44,364	28,373	17,764	18,482	23,851
People					
Hires	-	-	-	1.8	-
Terminations	1.8	1.8	-	-	-
Employee headcount	24.8	25.8	26.8	26.8	25.8
Grossable payroll	37,878	33,385	48,513	48,513	33,385
Billable non-cash annual	1.8	-	-	-	-
Billable utilization	64.9%	64.6%	64.9%	64.9%	64.6%

Key indicator reporting

- “Good decisions depend on good measurement”
(Bernanke)

The dashboard

- About 50 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 information people
- Who here reports extensive non-financial data weekly?

Measurement

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

In the dashboard

- Report the usual measures including industry KPIs
- But provide extra insights: not just **cash balance**, but by currency, line of credit available, 4 week cash forecast, lowest cash in next year, etc
- Not just **revenue**, but revenue sliced & diced in creative ways, eg from new donors versus old



Key point

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

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, 2020
 - 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, 2020
 - 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, 2020

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

Statutory holiday, sick days, vacation, training, etc, mess this up

An example

- Old measure **Billable %**=
Hours billed/40 hours
- New measure = **Load Factor** =
Hours billed/40 hours minus time that could not be billed (statutory holidays, vacation, sick, training etc.)

The load factor measure in place

This week, average engineer bills 32 hours, only lost time due to a stat holiday

Week ending May 29, 2020

- Revenue \$433,543
- Average \$186.26/hr
- 80% billable
- 100% loaded

Invent them

- Examples (financial or non-financial), business examples:
- Billable staff load factor
- Clever numerical measure of inventory age/quality Useful lost customer measure
- Employee months of service by dept

Some NPO ideas for the case scenario

- People touched in the period (patients + visitors+volunteers+employees)
- Critical incidents (patients gone missing, injuries, assaults, etc)

Notes

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

Note

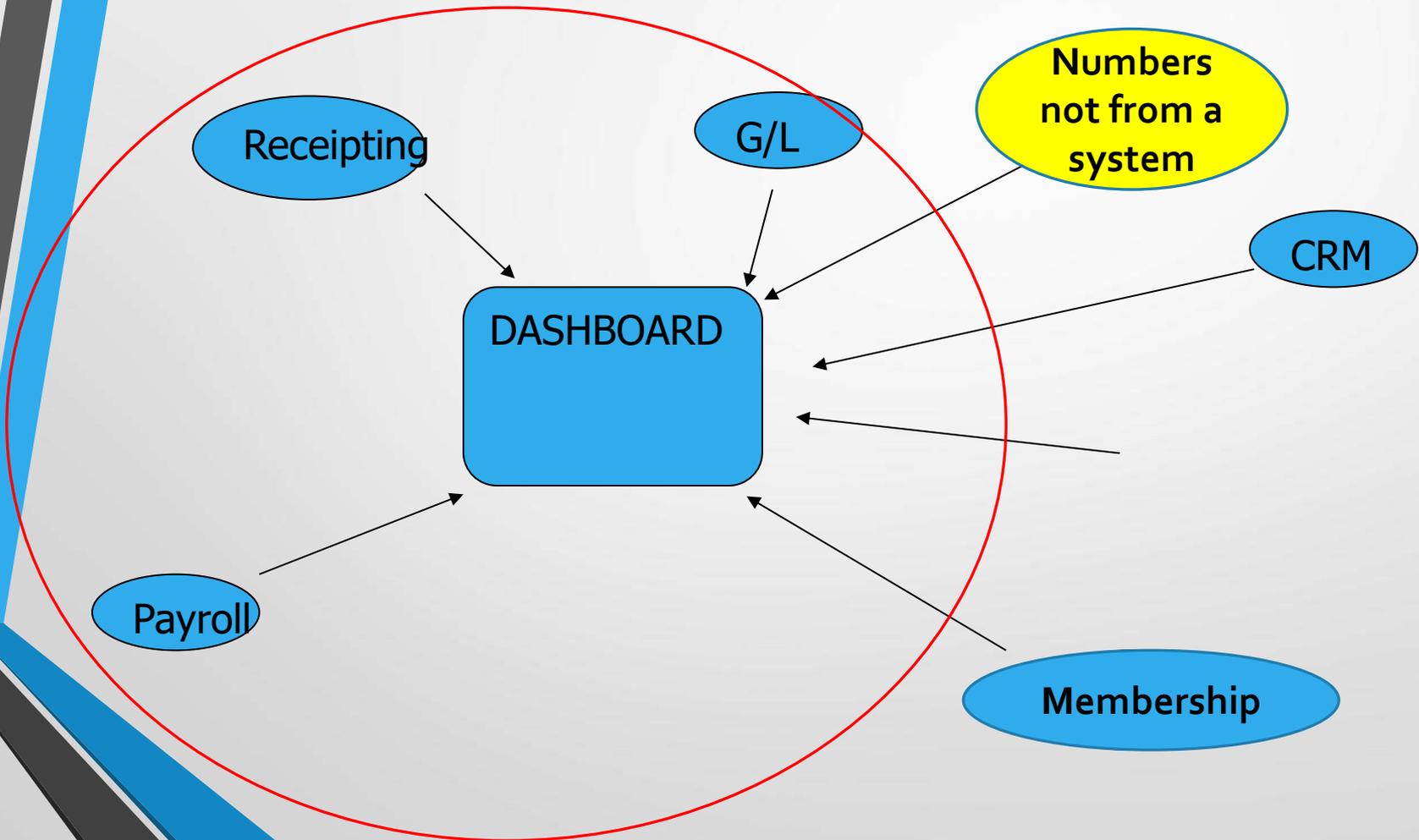
- Other functions may be reporting their key indicators to leadership
- My challenge:
 - Review their measures, improve on them, propose new ones
 - Integrate their #'s with your reporting ideas, so it is a true organization dashboard
 - Only about 1% of organizations do this

Types of information



- Historical and forward-looking numbers
- Include targets
- Include relevant external data, examples: commodity prices, housing starts, key exchange rates, interest rates etc.
- Rolling averages reveal trends

Multiple systems input



Since I mentioned the **SAP ERP** **system**

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

SAP ERP system

- Slow **All Payments**
- Satan's **Accounting Package**
- Suicide **Assistance Package**
- Send **Another Payment**
- Stop **All Production**
- Slow **And Painful**
- Sucks **At Producing**
- Scrap **All Accounting**
- Start **Adding People**
- Systems **Against People**

If you have a funny one,
type it in the chat...

Recently

- A CPA watching the video of another version of this course, sent me this note, after sending previous slide to their boss

We are on SAP since 2017 – quite recent as we are STILL resolving issues. I sent him a text with this screen shot of this slide from your seminar.

His response is:

Recently

- A CPA watching the video of another version of this course, sent me this note, after sending previous slide to their boss

We are on SAP since 2017 – quite recent as we are STILL resolving issues. I sent him a text with this screen shot of this slide from your seminar.

His response is: **Sadly Accurate Presentation.**



**The systems survey at my in-class
seminars...**

In my in-class version of this course

- I hand out out a paper survey form
- It includes what accounting system do you use
- I get some funny answers including

- Nature of business/organization Heavy
- Ownership if applicable (public, family etc.): Sub of Foreign
- Approximate headcount: 50
- Position title: Controller
- Years of experience as an accountant
- Accounting system Terrible
- Most pressing issues at work Time
- Have you ever worked for an organization with tasks off-shore? Yes No
- Do you consider you a boring accountant?

Validation and checking

- Do you validate numbers coming from other departments (at least initially)
- Do you have time?
- If you suspect other departments are fudging the numbers, you will have to become the cop/auditor
- 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

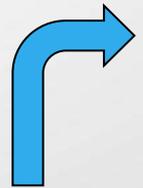
- I will send you a copy, I need your emails

Sample partial dashboard

	<u>YTD avg</u>	<u>8 wk rolling avg</u>	<u>4 wk rolling avg</u>	<u>29-Nov</u>	<u>22-Nov</u>
<u>Revenue</u>					
New members	17.2	16.4	13.0	1.0	9.0
Special new membership	4.1	4.0	3.8	5.0	11.0
Member renewing	11.4	11.4	11.2	12.0	14.0
Members lost	3.9	5.2	6.4	7.0	9.0
Total members	3,520	3,544	3,560	3,576	3,565
Member fees paid	29,430	28,620	25,200	39,567	30,600
Members calls	26.2	32.0	26.0	23.0	22.0

The dashboard is released

- Lots of data, so you are actually doing exception review rather than reviewing each one (colors)
- Understand the #'s before release
- You need feedback loops to operations
- You can automate email items 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?

Should it look like a dashboard?

Assets

Forecast = \$963,797



Cash Flow

Forecast = \$145,587



Income Statement

Forecast = \$1,538,017

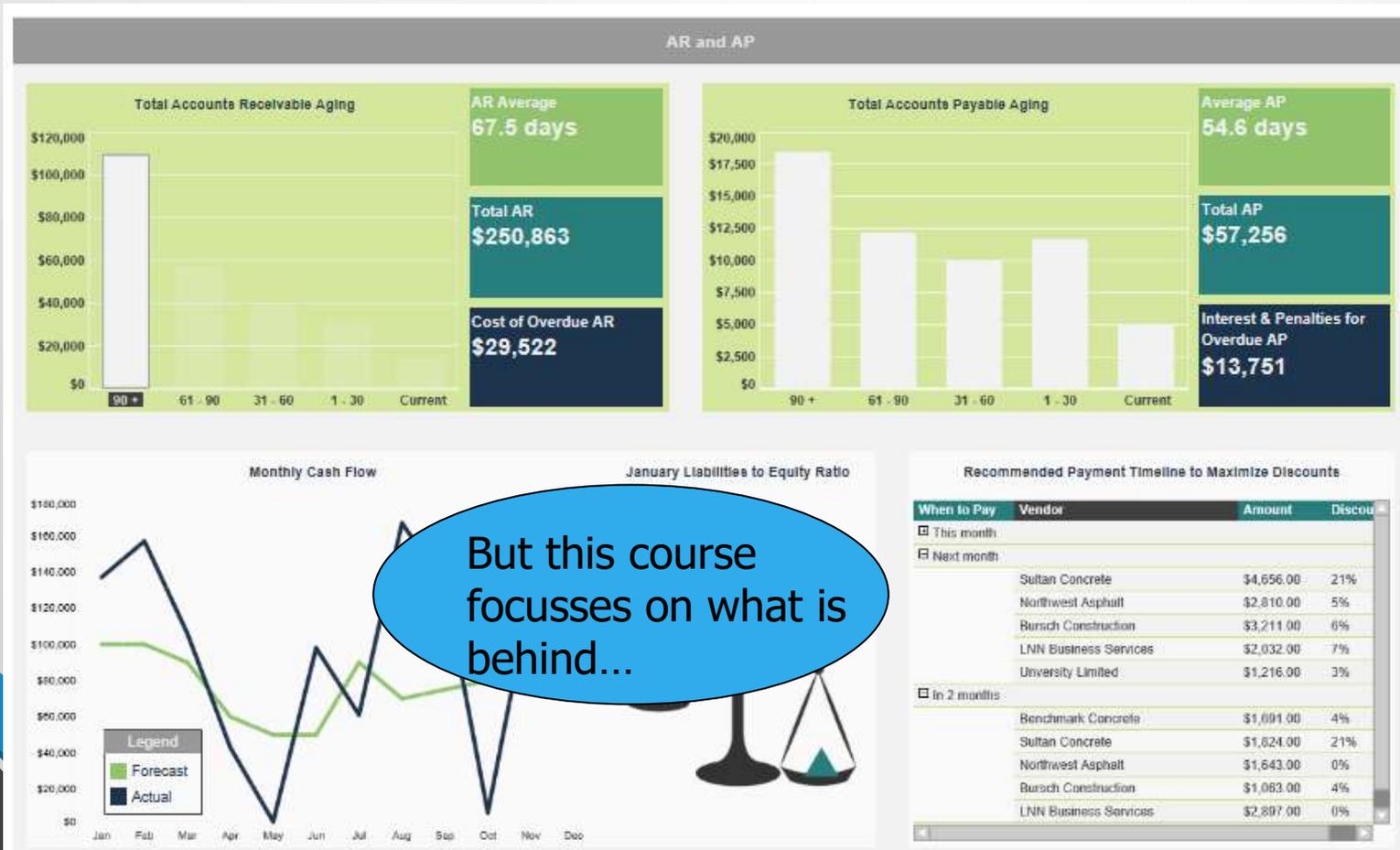


Liabilities

Forecast = \$1,538,017



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



Different levels

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

Other thoughts

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

Linking & waiting idea

- Organization: Charity, fully donation funded
- Measure 1: 12 week rolling donation average
- Measure 2: 12 week base costs of organization
- New measure: $\text{Measure 1} / \text{Measure 2} = \text{Recent funding ratio}$
- Target: More than 1.0 shows relative health

I need a volunteer

- I will try to think of a dashboard for your organization
- (Don't volunteer if your organization was like the one in the case we went through)

What about a finance dashboard?

- Quantitative performance measurement for finance
- Many advantages

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?

Priddle Family October Actual versus Budget					
Department - Family Hygiene		Budget holder		Yen Priddle	
October 2017					
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Explanation</u>	
Soap	\$ 10.22	\$ 14.50	\$ (4.28)	Used free hotel soap	
Shampoo	\$ 9.77	\$ 8.95	\$ 0.82	Investigating	
Laundry detergent	\$ 22.41	\$ 27.00	\$ (4.59)	Son #2 away 2 weeks	
Toilet paper	\$ 26.45	\$ 18.00	\$ 8.45	Diarrhea wk 3	
Q-Tips	\$ 3.00	\$ 3.00	\$ -		
	<u>\$ 71.85</u>	<u>\$ 71.45</u>	<u>\$ 0.40</u>		

Note

- I have many other practical courses if you are interested

Note

- I need your emails for completed reference slides, dashboard handout and to ship you prizes
- Also, remind me what prize you won
- I have 50 hours of other courses
- All my other CPA BC courses can be found by searching under my name, under Instructor here, there are several videos:
- [PD Search](#)

Note

- For full course information, see www.practicalpd.com

Closing comments

- Thanks for listening
- Email me to pick my brain or feedback spriddle@bell.net
- **Email for fully completed slides**
- Do LinkedIn with me if you want
- Please complete seminar evaluations
- www.practicalpd.com

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