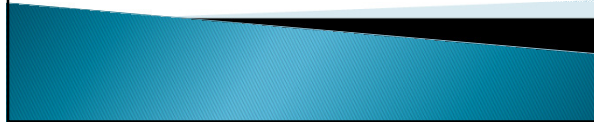


**THE SALVATION ARMY
CONSOLIDATION**
Preparing For Year End




Welcome and Introduction

- ▶ David Dunstan, Director of Financial Reporting, THQ
- ▶ Laura Jordan, Assistant Director of Financial Reporting, THQ
- ▶ Diane Del Monte, Senior Manager, KPMG



Agenda

- ▶ KPMG – Audit Interaction
- ▶ Year End March 2011
 - Timeline
 - Preparing for Year End
 - Review
 - Accruals
 - Note Disclosure
 - Audit process
- ▶ Contacts



KPMG - AUDIT INTERACTION

- ## KPMG - Audit Interaction
- ▶ KPMG engagement to deliver opinion on 2011 financial statements
 - ▶ Scope of entire audit
 - ▶ 2010 and 2011 statements

- ## KPMG Audit Interaction
- ▶ Local statutory audit requirements
 - Additional Specified Procedures
 - ▶ Timing of audit
 - ▶ Types of questions
 - ▶ Available documentation

YEAR END – MARCH 2011

Fiscal Year End – March 2011

- ▶ Consolidated financial statements will be issued for the territory for the first time and will provide:
 - a full and complete picture of the work and ministry of The Salvation Army in Canada and Bermuda
 - present administrative, fundraising and program expenditures accurately in comparison to total revenues.
- ▶ Report timing
 - To be useful, information must be produced in a timely manner.
 - June 30th – target date for issuance of audited consolidated statements.
 - Adherence to the year end timeline is critical in order to have financial statements issued by the end of June.

Year End Timeline – Key Dates

<u>Date</u>	<u>Task</u>
April 7	THQ Loan Statements issued
April 11	THQ A/R Statements issued
April 14	Preliminary deposit account printouts issued
April 18	March MSA calculation
April 19	Final deposit account printouts issued
April 21	General Ledger closed
April 29	Draft statements and notes complete for audit
Early May	Audit commencement
May 27	Audit completion – deadline to submit draft audited statements to THQ for review
May 31	Audited FS distributed
June 2	Audit adjustments posted to Shelby system

Preparing For Year End

Financial Statement Review:

- ▶ Entries sent by the consolidation team are recorded

Chart of Accounts Review:

- ▶ General ledger accounts established are in line with the territorial standard.

Preparing For Year End

Balance Sheet Review

THQ Deposit Accounts	<ul style="list-style-type: none">• Balances agree to final printouts received.• Capital accounts - asset total ties to fund balance recorded.
PMA Deposit Accounts	<ul style="list-style-type: none">• Balances agree to final printouts received.• Asset total ties to fund balance recorded.
Prepaid expenses	<ul style="list-style-type: none">• Prepaid balances are appropriate and valid.
Capital Assets	<ul style="list-style-type: none">• Items > \$5K are capitalized.• Depreciation has been recorded.• Fund balance ties to asset balance.• Retired assets are written off.
Liabilities	<ul style="list-style-type: none">• Appropriate accruals established.
Fund Balances	<ul style="list-style-type: none">• No entries have been posted to fund balance accounts.

Preparing For Year End

Income Statement Review:

Inter-departmental transfers	<ul style="list-style-type: none">• Accounts net to zero across all funds
DHQ Grants	<ul style="list-style-type: none">• Amounts recorded to grant accounts are appropriately categorized
Gift in Kind	<ul style="list-style-type: none">• Amounts recorded should be supported by third party evidence
Income / Expenses reported at gross amounts	<ul style="list-style-type: none">• Expenses have not been netted against income or income netted against expenses
MSA Expense	<ul style="list-style-type: none">• Total recorded ties to total withdrawals made by THQ plus the year end accrual

Accruals (all MUs)

- ▶ MSA Accrual
 - March 2011 withdrawn in April must be accrued
 - April JE for Withdrawal
- ▶ Vacation Accrual
 - All ministry units must accrue vacation
 - Represents vacation time owed to employees as of March 31st
 - Credit to standard vacation accrual account (219500)
- ▶ Audit Accrual
 - Amount that is expected to be invoiced after year end
- ▶ Other
 - Review other expenditures for accruals required
 - Expenses incurred but not yet paid by March 31 must be reflected as expenses in the fiscal year (DR Expenses CR Accrued Liabilities)
 - Revenue earned but not yet received by March 31 must be reflected as revenue in the fiscal year (DR Receivable CR Revenue)

Financial Statement Note Disclosures

- ▶ Use prior year note disclosure as base for drafting current year disclosures
- ▶ Microsoft Word version can be obtained from KPMG
- ▶ Changes:
 - Preamble to notes – last paragraph which stated financial statements were not consolidated with Governing Council statements needs to be replaced with:
 - *The Ministry Unit, a controlled entity of The Governing Council, has its financial data included in the consolidated financial statements of The Governing Council of The Salvation Army in Canada.*
 - Changes to accounting policy note – no changes this year, unless changes were made locally as a result of funders requirements. (consult with KPMG if you have any required disclosure)
 - Cash and Cash Equivalent Note – paragraph related to establishment of CDA and PMA deposits in financial records can be deleted

Audit Stages – Before auditors arrive

APRIL

- ▶ Account reconciliations are completed
- ▶ Accruals are appropriate and recorded
- ▶ Funding agreements are available
- ▶ PBC (prepared by client) listing – information / reports are completed
- ▶ Draft financial statements and notes completed

ALL audit working papers must be ready prior to audit commencement

Audit Stages – During audit work

MAY

- ▶ Be available to auditors
- ▶ Respond to auditors in timely manner, providing additional support as required
- ▶ Send final draft audited statements to THQ for review (must be no later than May 27th)
- ▶ Contact Irene Chan for any unresolved audit issues

Audit Stages – Audit conclusion

MAY 27 – JUNE 2

- ▶ Reconcile Shelby system to audited financial statement, posting all audit adjustments required
- ▶ Management rep letters must be signed for KPMG to issue final statements
- ▶ Final statements will be issued with 2 signatures from Governing Council Board members
- ▶ Audit fees will be invoiced by local KPMG offices, with any additional fees negotiated at the local level

CONTACTS

Contacts

Item	Contact
Consolidation / Reporting and Accounting issues	THQ_Consolidation@can.salvationarmy.org
THQ Deposit accounts	Samantha_Moss@can.salvationarmy.org
PMA Deposit accounts / DHQ invoicing	Local Regional Accounting Director: Western - Pam_McLuskey@can.salvationarmy.org Prairie - Christopher_Tuk@can.salvationarmy.org Ontario - Samantha_Moss@can.salvationarmy.org Quebec - Valery_Nabi@can.salvationarmy.org Atlantic - Wanda_Dillon@can.salvationarmy.org
Audit Issues or any other problems	Irene_Chan@can.salvationarmy.org David_Dunstan@can.salvationarmy.org

Conclusion
