

Money & Mission



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Did You Know?

The Territorial Finance Manual is a significant source of financial information. It includes accounting policies and procedures, payroll and banking information, as well as information on regional accounting services.

The manual contains answers to almost any question you might have concerning accounting and financial management in The Salvation Army. It is available on the SA Dashboard on Lotus

Notes. Copies are also available from the finance department by sending an e-mail to

Money&Mission@can.salvationarmy.org

Editorial

This issue provides further insight into the project to consolidate financial statements. David Dunstan discusses the new conceptual framework for accounting principles and changes to the definitions of assets and liabilities.

Irene Chan introduces the consolidation team and briefly describes its key responsibilities. Finally, David Dunstan discusses key issues regarding the external audit and timelines.

Accounting Issue:

Accounting Conceptual Framework - Assets & Liabilities By David Dunstan

The definitions of assets and liabilities have been affected by recent changes to the conceptual framework for accounting standards in Canada. Because of consolidation, it is more important than ever for ministry units to comply with current accounting standards. This article will provide some insight into what constitutes an asset and a liability. Our goal is help you present your balance sheets correctly.

Assets have 3 characteristics:

1. They embody some future benefit which will contribute to the future cash flows of the organization or its service potential.
2. The organization has control over the benefit.
3. The transaction giving control over the benefit has already occurred.

All three characteristics have to be present for the item to be considered an asset. If this is not the case, you should recognize the transaction as an expense in your statement of operations.

Examples of items that meet the definition of an asset include cash holdings, receivables, refundable or transferable deposits for events that have not yet happened and prepaid insurance or postage.

Items that are not assets include expenditures for advertising that has been released to the media, costs related to a mail

campaign where the mail drop has occurred and deposits for events that are not refundable or transferable. In the majority of cases, these are sunk costs and you should record them as expenses in the period incurred.

Liabilities also have 3 characteristics:

1. They embody a future transfer of assets or provision of services at a specified or determinable date.
2. The organization has little or no discretion to avoid the transaction.
3. The transaction giving rise to the liability has already occurred.

If this definition is not met, you will normally record the transaction as income in your statement of operations.

Examples of items meeting the definition of a liability are general accounts payable, loans payable, funds received for a restricted purpose where the restrictions have not been met. Funds received from any source, where the funds are to be used for general operations or do not have any restrictions would **not** qualify as a liability.

If you need advice on whether a specific item should be presented on your balance sheet, please contact the consolidation team in the finance department.

Introducing the Consolidation Team By Irene Chan

Consolidating the Army's financial statements is a very large undertaking indeed. When completed, it will be the largest consolidation of separate financial statements in Canada (outside of government).

A project of this magnitude cannot be completed without a lot of hard work and dedication. It is my pleasure to introduce the team of individuals in the finance department who are committed to the success of the consolidation project. David Dunstan leads the team, with my oversight and support. Other team members include Laura Jordan and Vicki Mason.

The team's mandate is to:

- recommend accounting policy and procedures to ensure we comply with generally accepted accounting principles for not-for-profit organizations;

- set standards for financial reporting;
- provide support to ministry units on reporting requirements, chart of accounts maintenance and structure, accounting related issues and policy and disclosure requirements;
- assess the accuracy and completeness of financial statements; and
- manage the consolidation process, ensuring that all relevant information is compiled for examination by external auditors.

The team will be pleased to assist you with matters relating to consolidator. Please forward questions to THQ_Consolidation@can.salvationarmy.org, or contact an individual team member by telephone.



From left to right (back row): Irene Chan, David Dunstan, (front row): Vicki Mason, Laura Jordan

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Who's Who



David Dunstan
Director of Financial Reporting & Consolidation

DAVID DUNSTAN is director of financial reporting and consolidation at territorial headquarters. David completed his undergraduate degree in commerce at the University of Toronto in 1995. He then continued his studies in accounting, earning the Certified Management Accountant designation in 2002.

His career has been spent entirely in the not for profit sector in various accounting and financial management roles. At territorial headquarters, he has held several positions, including senior financial analyst, assistant chief accountant, chief accountant, and director of the Ontario regional accounting group.

David's volunteer service has included a term as a corps treasurer. He understands the challenges of financial management at every level of the organization.

David lives in Brooklin, Ontario with his wife and two children.

External Audit By David Dunstan

If your ministry requires an external audit by KPMG, please note that, for the year ended March 31, 2011, the deadline for completing the audit is May 31, 2011. Completing the work necessary for KPMG to finalize the audit report by that date is essential so that your results can be consolidated into territorial financial statements.

Here is a list of critical responsibilities and dates that we must all follow to ensure that our deadline for the audit is met.

Your Responsibilities:

1. Audit readiness – prepare all financial statements with note disclosures prior to the arrival of the external auditors. Complete all account reconciliation

2. Availability – ensure that your key personnel are available to answer the auditor's questions for the duration of the audit. Avoid absence of key staff during the audit to ensure its timely completion.
3. Audit conclusion / reconciliation – at the audit's completion, you may have to enter adjustments into your accounting system. Please post these entries and reconcile the reports from your accounting system to the audited statement immediately after the audit is completed.

**** NOTE** – Clients of the finance department will not be responsible for items 1 and 3, as our regional offices will complete them.

Key Dates:

January 12	Audit fees and process communicated by the finance department
April 22	General ledger closes (no further postings for March 31, 2011)
April 29	Draft financial statement and notes are completed
Early to mid-May	External audit begins (KPMG will provide specific dates for your ministry unit at a later date)
May 31	External audit is completed
June 3	Audit adjustments are posted to the accounting system and reconciled to audited statements

If you have questions about these dates or responsibilities, please contact your regional director of accounting (for ministry units whose accounting is performed by the finance department) or David Dunstan at david_dunstan@can.salvationarmy.org for other ministry units.



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Comments, Suggestions?

Do you have comments on any of the topics raised in this issue, or suggestions for a future issue? Write to us at:

Money&Mission@can.salvationarmy.org.

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