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## Tools 2004

Friday, June 18, 2004

International  
Conference Centre  
Ryerson University  
240 Jarvis Street  
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(more details on page 3)

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the newsletter of Prentice Yates & Clark

## Non-GAAP Reporting Standards

Wondering about why your audited statements have changed? The following article, first run in December 2003, outlines the reasons for these changes and their impact on your audited financial statements.

### Reporting

The Canadian Institute of Chartered Accountants (CICA) has released the new section 5600 of the CICA Handbook which lays out the new reporting requirements for entities (including social housing providers) reporting on a basis of accounting other than generally accepted accounting principles (GAAP).

With requirements from funders to prepare the accounts in a manner other than in accordance with GAAP, social housing providers will have an audit report that is different than last year's report. The changes were effective October 1, 2003.

This change compels reporting entities to abide by GAAP in their annual financial statements unless their funder imposes a specific requirement that violates GAAP. In this case the auditor must add a fourth paragraph to the Auditors' Report indicating that the financial statements are not prepared in accordance with GAAP and that the reader should take this into account when they read the statements.

This is the situation with many social housing providers in Canada.

This requirement will also necessitate a note to the financial statements explaining what the non-GAAP basis of accounting is. In many cases providers may already have this note in their financial statements.

This change will clarify the basis on which the figures are being reported. The changes are intended to inform the reader that the statements are not in accordance with GAAP. Rather, they are prepared using a non-GAAP basis of accounting, which is required by the provider and the funder. This new standard lays down a prescribed method for non-GAAP reporting that was previously being done using a variety of methods.

You should look for changes in the Auditors' Report, the engagement letter and the letter of management representations. These changes affect them all.

We are pleased with the introduction of these changes.

In 1999 PYC made a presentation to the CICA about the then proposed changes to the reporting standards and these changes are in line with many of the points we made in our presentation.

We support the changes and believe they will improve the financial reporting to our clients.

### Independence

A fundamental principle of an auditor reporting on an organization's financial statements is that the auditors have no financial or other interest in that client's financial results and can therefore report objectively. They are independent of that client.

There are new requirements that the auditor communicate with each client at each year end that they are independent from that client in accordance with our rules of professional conduct for chartered accountants.

This communication has become known at PYC as the 'independence letter' and is included in our pre audit package which goes out to every one of our audit clients each year.

The history of this new requirement relates back to the problems that have occurred in the USA with a number of large public companies where the auditor's independence was questionable.

The change here relates to process only. We have always been required to be independent of any audit client we report on. We are now required to send a letter and actually analyze our objectivity and conclude that we are independent of the client and can report objectively on that client's annual financial statements.

If you have any questions about any of these changed standards please feel free to contact us at any time and we will be pleased to meet with you to address any of your concerns.Δ

# Managing Your Computer Systems

Are your employees aware of your company's policies for the use of company desktop and mobile computers, software and other computer equipment? Does your company have up-to-date records of all computer hardware, software applications, versions and licensing agreements? Who maintains these records and how frequently are they reviewed and updated?

WHILE computers enable us to work faster and smarter, their widespread use also creates certain risks, including risks of security to information and equipment and potential legal liability. Establishing clear company policies on computer usage and keeping careful records of your hardware and software are good business practices for ensuring your computer systems are continuously available. These measures also help you guard the privacy and confidentiality of your company's competitive information and the data entrusted to you by customers and employees.

## Company Policies and Guidelines

In order to maximize the benefits and minimize the risks associated with the use of computer networks and the Internet, every company should establish policies and guidelines for all users. These should also be periodically reviewed and updated to reflect changes in systems and processes.

Generally, a company's computer policies address:

- Use of hardware (desktops, laptops and peripherals) and software.
- Access to, and use of, the Internet and e-mail.

The viewing, accessing and downloading of text, image, video, sound and software from the Internet.

If your company does not already have these policies in place, there are many books and Internet resources that can help you develop clear company policies and guidelines for computer usage.

Make sure every employee is aware of the importance of the company's computer policies and guidelines, and ensure all employees comply.

## Systems Administrator

While it is every employee's responsibility to comply with the company's computer policies, it is important to assign the authority for reviewing, managing, purchasing and installing new hardware and software to an appropriate individual. As the systems administrator, this person should be the only person authorized to:

- Install or remove software, make software changes, and add computers and peripherals to the company system.
- Maintain application change controls, as the ability to change a program is also the ability to create and alter data.

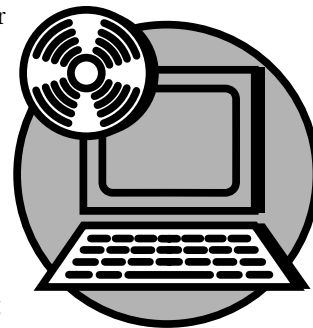
## Computer Records

The systems administrator's responsibilities should include maintaining log records for every computer used in the business, including the make, year, model and serial number as well as the details of the software programs and updates that are installed on each computer.

Keeping a computer log for each computer and regular updating this information can help your company:

- Monitor all software currently used by the company, including registrations, licensing agreements and versions.
- Budget for upgrading equipment and programs.

- Determine if programs are no longer required and should be uninstalled.
- Ensure that all computers have the same versions of communication software, virus scanner, and other tools.
- Create opportunities to discuss requirements with individual employees.
- Help reduce the risks by monitoring computers to ensure unauthorized games or other programs are not installed on company systems.
- Maintain records of software fixes and patches and equipment repairs or upgrades, such as installing more RAM on a computer or replacing a keyboard or mouse.



## Software

The installation of unauthorized programs is a particularly serious risk to your operations and systems security as they could corrupt or change data or applications. Unauthorized programs could also be a source of debilitating worms or viruses. If your system is contaminated with malicious software, your operations could be severely damaged. While an employee may think that installing a game program is a minor violation, every violation of the company's software policy is potentially a major risk to the company's operations.

Make sure all employees understand the importance of following company procedures and approvals for the purchasing, downloading or installing and upgrading of software applications.

The ready availability of many software programs over the Internet makes the downloading of trial versions of products or time-limited versions (called "crippleware") tempting and easy. However, if the software downloaded over the Internet is not properly registered, your company may be in violation of software licenses, a situation that could put your company at risk of penalties and loss of reputation. These risks, along with the risk of malicious viruses, are just as applicable if employees install unauthorized programs that they have brought into the office on a CD-ROM.

Consider penalties for installing software that is not procured through the company's approved procedures.

## Protect Your Company's Data and Computer Systems

Make sure every employee is fully aware of the importance of complying with the company's policies and guidelines for using company computers. Appoint a systems administrator who is responsible for maintaining careful records of your computer systems and applications and ensuring compliance with the company's computer policies. Talk to your chartered accountant about these and other measures that can help you protect your company's data and systems. Δ

# Keeping Track of Vehicle Expenses

If you use your own or a company vehicle for business or employment purposes, it is important to keep careful track of the related expenses that you may claim for income tax purposes.



THE 2003 Budget introduced new rules relating to automobile benefits. As a result, many individuals who are provided with a vehicle by their employer may benefit if more than 50% of the usage is business-related and they travel less than 20,000 kilometres in a year for personal purposes. However, to benefit from this change, the CCRA will require documentation of personal versus business use of automobiles. One of the best ways to keep complete and proper records is through the use of an automobile log that you can keep in the glove compartment of your car.

A recent court case underscores how using an automobile log can minimize your potential tax liability and help you avoid unnecessary assessments. Because the taxpayer could not provide any demonstrable evidence relating to his actual usage of the company-owned vehicle, the CCRA assessor made an estimate based upon assumptions that resulted in a very unfavourable assessment to the taxpayer.

While the taxpayer was ultimately successful in overturning this assessment, the judge commented:

"It is unfortunate that [the taxpayer] did not keep a log recording his personal use of the truck in the years under appeal, as that would have negated the need for this litigation."

## The Automobile Log

When you use your employer's car, you will need a record of the kilometres driven for business purposes. If you use your car for business, you will also need a record of your expenses. You should keep an automobile log in which you record:

- the total kilometres that you drove
- records of any business trips, including date, destination, purpose and total kilometres
- the odometer reading of your car at the beginning and end of every tax year. If you change vehicles during the year, be sure to record the odometer readings at that point as well, and
- receipts for fuel, lubricants, car washes, motor oil and other car-related expenses, which are deductible in proportion to the use of the car for business purposes.

Whether you lease or own your vehicle, be sure to keep daily records of your usage. In particular, note the details of each trip, including such information as the name of the person you saw and the purpose of your visit; for example, "to customer/supplier [name] for a business visit" and "to/from the cottage" for personal use of your automobile. Write down amounts paid for parking and keep the receipts.

## A Fresh Start

If, like many, you jot down your automobile expenses in your day planner and throw receipts into your glove compartment, you likely find yourself scrambling at the end of each year to pull together the documentation of the automobile expenses that you can claim. Maybe it's time to try a different strategy.

The new year is an opportune time to start keeping these records in an automobile log so that your chartered accountant can help you maximize the allowable deductions for the business use of your vehicle. Δ

## PYC Briefs

### Congratulations to:

**Delna Mehta** and **Jyoti Saggur** who have met the requirements for a chartered accountant designation and can now put C.A behind their names.

### Canada Revenue Agency

In December 2003, the Canada Customs and Revenue Agency (CCRA) became the Canada Revenue Agency (CRA). The customs program is now part of the new Canada Border Services Agency (CBSA).

### Registered Charities

Registered charities occupying space in a commercial or industrial property may be eligible for a rebate of 40% of the property taxes paid. The application deadline is February 28, 2005 for 2004 property taxes. For more information contact the City of Toronto, Tax & Water Info Line at (416) 338-4829.

### Tools 2004: Friday, June 18th

**Location: Ryerson University, Toronto**

Tools is the annual one-day conference put on by PYC and Iler Campbell. It includes a range of workshops for senior staff and board members of non-profit and co-operative organizations. It provides tools to assist you and your organization to meet your goals.

You choose one workshop in each of the morning and afternoon from a list of twelve sessions. Topics include governance, equity, communication, internal controls, privacy, employment law, and charities and fundraising. The registration fee is \$150 and includes workshop handouts for the sessions you attend, continental breakfast, two refreshment breaks, luncheon and closing reception. Some workshops are filling up so register as soon as possible.

The full conference brochure is available at [www.pyc.net](http://www.pyc.net). Click on Special Announcements. Any questions? Contact the event planner at Chapman & Associates (416) 363-6509 or [chapman.assoc@sympatico.ca](mailto:chapman.assoc@sympatico.ca)

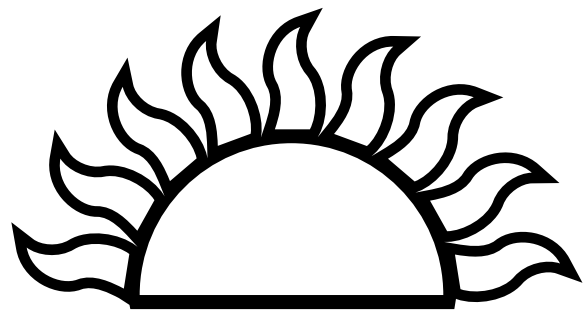
# Reducing Energy Costs

With energy costs continuing to rise, owner/managers and employees need to work together to reduce consumption while at the same time lessening the impact on the environment.

As a starting point, here are some simple practices that can help you and your employees reduce the company's overheads for electricity and heating.

- Close office doors to areas that are not in use. If possible, reduce the airflow or heat to these locations.
- Turn off the lights when they are not needed.
- Use spot heaters to warm areas that tend to be cold rather than turning up the thermostat to heat all areas.
- Replace traditional filament light bulbs with energy-efficient bulbs or fluorescent lighting. Not only will this reduce electricity costs but also the bulbs last up to 12 times longer.
- Use desktop lamps for extra lighting.
- Do not habitually turn on equipment when first arriving at work. Save energy costs by turning on the equipment when it is needed.
- If the company provides staff with outdoor plugs for their car block heaters or inside car warmers, consider the feasibility of installing a timer to turn the power on an hour or more before staff depart rather than having vehicles plugged in all day.
- Check windows for drafts and air leakage. A low cost energy-saver is to tape polythene across window frames where needed.
- Open curtains or blinds to allow as much light in as possible during the day. Close blinds or curtains at dusk to prevent heat escaping through windows.
- Examine your entranceway to determine whether heat is escaping when the main door is opened. Consider improving or adding an enclosure to reduce heat loss.
- If you do not have programmable thermostats, encourage staff to turn the heat down one or two degrees when they are the last ones to leave the premises. Lowering the heat is particularly cost-effective on weekends and holidays.
- For high consumption applications, contact your utility provider and determine the cost advantages of scheduling some processes after peak hours or on weekends.
- Monitor energy usage and analyze any increases in consumption. A review may alert you to methods that need to be changed or equipment that needs to be replaced with energy-efficient models.
- Get energy-saving advice from your utility provider and schedule an energy review of your premises.

These tips can help you save money on your electricity and heating at your business as well as at your home. Encourage your employees to make a conscious effort to reduce energy costs. Post friendly reminders to help make all employees aware that their energy-conserving efforts can make a difference. Δ



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contact us by e-mail, we can be reached at *info@pyc.net*. Some of the articles appearing in this issue of *info@pyc.net* were prepared by the Canadian Institute of Chartered Accountants for the clients of its members.