STREAMLINING YOUR YEAR-END FINANCIAL CLOSE IN 2026

CHARITY VILLAGE

Presented by: ENKEL

Enkel

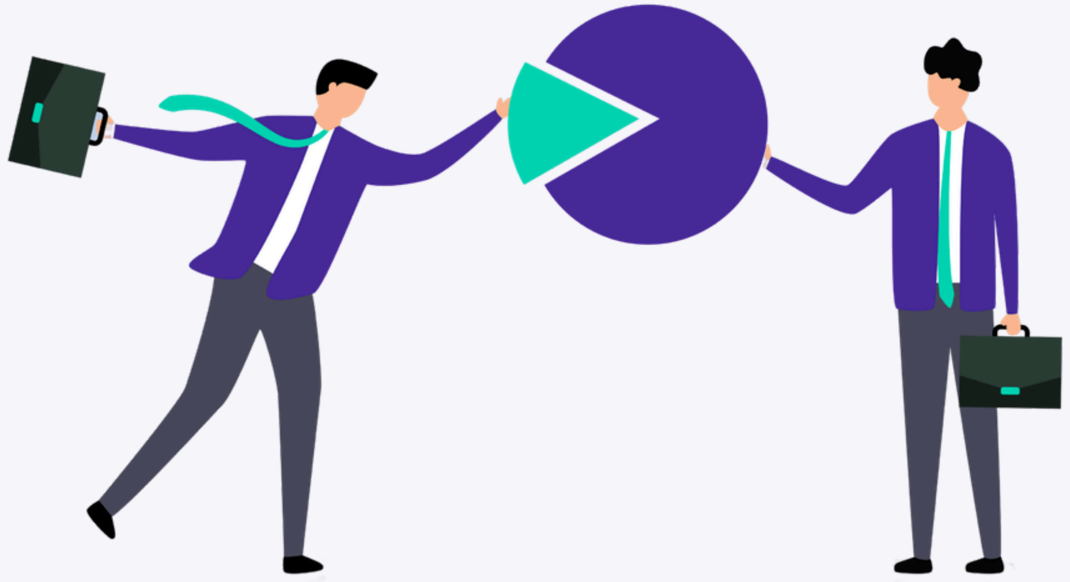
[en-kel] Adjective | Simple

Co-founded in 2016 with a simple problem in mind, "You can't build a great organization without good books."

- Working with hundreds of diverse Not-for-Profit Organizations across Canada
- Financial operations support: Bookkeeping, payroll, and more
- Strategic Guidance: CFO and Controllership

Acknowledgement: Enkel would like to acknowledge that our offices are situated on the unceded traditional territories of the xʷməθkʷəy̓əm (Musqueam), Sḵwx̱ wú7mesh (Squamish), and səlilwətaɬ (Tsleil-Waututh) Nations.

Enkel: A true finance partner



Our operating model

- Deep expertise in not-for-profit accounting and reporting
- A team-based model ensuring continuity and person independence
- Industry-leading QA processes with periodic internal audits
- Ongoing financial oversight, reporting, and strategic support
- Continuous process improvement across finance workflows

What You Get

- Reliable, board-ready financial reporting every month
- Confidence in accuracy, controls, and year-end readiness
- A finance manual tailored to your organization detailing processes, controls, and key finance information
- A finance partner that understands your operations and evolves with you

Today's Speakers

Omar Visram
Enkel Co-Founder & CEO
@Enkel

Shirley Wolff
CFO, Client Services
@Enkel

ENKEL

Overview

- Understanding Audit Requirements
- Audit vs Review Engagements
- Preparing for an Audit: Process & Documentation
- Strengthening Internal Controls
- Leveraging Technology for Financial Operations
- Building an Efficient Year-End Close

Interactive Poll

How ready are you for your upcoming audit/review engagement (on a scale of 1-5)?

1. Not started – No preparation yet
2. Early stages – Some awareness, minimal prep done
3. Partially prepared – Key items started, but gaps remain
4. Mostly ready – Most documents and processes in place
5. Fully audit-ready – Organized, reconciled, and confident

A Clean Year-End Close

A Clean Year-End Close Builds Stakeholder Trust

For many nonprofit leaders, the year-end close feels like a chaotic marathon. Yet a streamlined, audit-ready process is a powerful tool for strengthening your organization.

Auditor Confidence

A well-organized close reduces audit time, costs, and findings.

Funder Trust

Clean financials and transparent reporting strengthen relationships with governments and donors.

Board Oversight

Clear financial data enables the board to make informed strategic decisions.

Regulatory Compliance

Proper documentation ensures CRA compliance and reduces risk of non-compliant findings.

Organizational Clarity

Year-end close provides a financial snapshot that guides strategic planning for the year ahead.

Audit Readiness

Know Your Audit Requirements: Soliciting vs. Non-Soliciting Status

Applies to nonprofits incorporated under the Canada Not-for-profit Corporations Act (CNCA).
Organizations incorporated under provincial legislation should review their applicable legislation.

Soliciting Corporation

Has received more than **$10,000 in public funds** (gifts, donations, government grants) in a single financial year.

Non-Soliciting Corporation

Has received **no public funds** or less than $10,000 in public funds in each of its three previous financial years.

ORGANIZATION TYPE	REVENUE	REQUIREMENT
Soliciting NPO	Under $50,000	Review (default); audit or no review possible
Soliciting NPO	$50,000 - $250,000	Audit (default); review possible
Soliciting NPO	Over $250,000	**Audit (Mandatory)**
Non-Soliciting NPO	Under $1 Million	Review (default); audit or no review possible
Non-Soliciting NPO	Over $1 Million	**Audit (Mandatory)**

Important: Audit, review, or compilation requirements may also be set by: funding or grant agreements, lending agreements, Organizational bylaws, board resolutions, accreditation standards and stakeholder expectations (funders, donors, members)

Audit vs. Review Engagement

Understanding the Level of Assurance

Audit Engagement

Highest Level of Assurance
Auditor provides an opinion that financial statements are free of material misstatement.

Detailed Examination
Includes testing of internal controls, verification of transactions, and third-party confirmations.

Positive Opinion
States "In our opinion, the financial statements present fairly..."

Higher Cost & Effort
More time-intensive and expensive, but required by legislation or major funders.

Review Engagement

Limited Assurance
Auditor determines whether financial statements are plausible.

Inquiry & Analysis
Focuses on analytical procedures and discussion with management rather than detailed testing.

Negative Assurance
States "Nothing has come to our attention..."

Lower Cost
Less expensive and faster, suitable for smaller organizations.

Key Takeaway: While a review is less expensive, an audit provides greater credibility and may be necessary to meet legislative and funder requirements. Always check your stakeholder expectations.

Plan Ahead: The Audit Process

Preparation

- Organize records
- Prepare reconciliations
- Oversight by audit /finance committee

Fieldwork

- Test internal controls
- Interview personnel
- Verify transactions and balances

Review

- Review findings
- Discuss adjustments
- Management letter

Final Report

- Finalize report
- Sign representation letter
- Deliver to board

The Audit-Ready Checklist

Pre-Audit Checklist

Get Organized Before Auditors Arrive

- ☑ Trial balance up to date
- ☑ All bank accounts reconciled
- ☑ Accounts receivable/payable schedules prepared
- ☑ Capital asset register updated
- ☑ Deferred revenue continuity schedule prepared
- ☑ Grant tracking documentation ready
- ☑ Payroll records organized
- ☑ Board minutes and resolutions filed

What Auditors Need: Essential Documentation

Prepare these key documents to ensure a smooth audit process

Financial Statements (Prepared During the Audit))

- Statement of Financial Position (Balance Sheet)
- Statement of Operations (Income Statement)
- Statement of Changes in Net Assets
- Statement of Cash Flows
- Notes to Financial Statements prepared in accordance with **ASNPO***.

Financial Schedules

- Bank reconciliations & statements for all accounts
- Accounts Receivable aging report
- Accounts Payable aging report
- Capital asset continuity schedule
- Prepaid expense schedule
- Accrued liabilities schedule
- Deferred revenue schedule

Governance & Compliance

- Board meeting minutes
- Updated bylaws or letters patent
- Grant agreements & funding letters
- CRA correspondence
- Payroll tax remittances (PD7A)
- Board of Directors list for the fiscal year
- Budget for the fiscal year (if available)

Notes to Financial Statements in accordance with ASNPO*

Internal Controls

Strong Internal Controls Prevent Fraud, Errors, and Audit Findings

Internal controls are not just about compliance; they are the operational checks and balances that protect your organization's mission and reputation.

Fraud Prevention

- **Asset Protection:** Safeguards cash and physical assets from theft or misuse.
- **Deterrence:** The presence of controls discourages potential misconduct.
- **Detection:** Increases the likelihood of catching irregularities early.

Accuracy & Reliability

- **Error Reduction:** Catches manual entry errors before they impact reports.
- **Data Integrity:** Ensures financial statements truly reflect the organization's position.
- **Audit Efficiency:** Reduces the time auditors spend testing and correcting data.

Accountability

- **Compliance:** Ensures adherence with accounting standards, legislation, and internal policies.
- **Donor Trust:** Demonstrates that restricted funds are used as intended.
- **Role Clarity:** Defines who is responsible for authorization and recording.

Five Essential Internal Controls

Every Nonprofit Must Have These in Place

Segregation of Duties

Separate authorization, recording, and custody so no one person handles a transaction end-to-end.

Authorization & Approval

Set clear approval limits so expenses and payroll are signed off before payment.

Reconciliation & Review

Reconcile bank and card statements monthly and have a second reviewer check accuracy.

Documentation

Keep invoices, receipts, and contracts filed and accessible as the paper trail for transactions.

Physical Security

Secure cash, cheques, and sensitive documents; restrict access to financial systems.

Internal Controls Implementation Checklist

Assess your organization's current financial governance

General Control Environment

- [ ] Organization chart clearly defines reporting lines and responsibilities
- [ ] Written financial policies and procedures manual is up to date
- [ ] Conflict of interest policy is signed annually by board and staff

Cash Receipts & Revenue

- [ ] Cash/cheques are logged immediately upon receipt by someone other than the bookkeeper
- [ ] Deposits are made weekly or daily
- [ ] Restricted contributions are tracked separately from general funds

Cash Disbursements

- [ ] Invoices are approved by a manager before payment
- [ ] Cheques/electronic payments over a certain threshold require two signatures/approvers
- [ ] Access to online banking is restricted and monitored

Payroll & HR

- [ ] Payroll register is reviewed by Executive Director before processing
- [ ] Timesheets are approved by supervisors
- [ ] Personnel files contain current salary authorization letters

Financial Reporting

- [ ] Bank reconciliations are reviewed monthly by someone independent of the preparer
- [ ] Budget vs. Actual reports are reviewed by the Board quarterly
- [ ] Journal entries are reviewed and approved

IT & Security

- [ ] Financial data is backed up regularly and securely
- [ ] User access rights to accounting software are reviewed annually

Common Financial Reporting Issues Identified in Nonprofit Audits

Improper Revenue Recognition

Issue

Many nonprofits struggle to correctly recognize revenue from restricted donations and grants, especially when funding spans multiple years.

Revenue may be:

- recognized too early
- recognized too late
- misclassified between restricted and unrestricted funds

Prevention Strategy

- Track restricted vs unrestricted contributions clearly
- Review grant conditions and timelines
- Apply proper deferral and recognition rules under ASNPO

Expense Misclassification

Issue

Expenses are not properly allocated between:

- Program expenses
- Management & administration
- Fundraising

Incorrect allocation can distort the program expense ratio, which stakeholders often review.

Prevention Strategy

- Establish a clear expense allocation policy
- Track staff time or cost drivers
- Apply allocations consistently year-to-year

Interactive Poll

How would you rate the effectiveness of your internal controls (on a scale of 1-5)?

1. Very weak – Little to no formal controls in place
2. Basic – Some controls exist but are inconsistently applied
3. Moderate – Core controls in place, some gaps or risks
4. Strong – Well-defined and consistently followed
5. Best-in-class – Robust, monitored, and continuously improved

Leverage Technology

Modern Tools Reduce Manual Work and Minimize Errors

The Four Pillars of a Tech-Enabled Finance Function

Cloud Accounting Systems

- **Real-Time Access:** View financial data from anywhere.
- **Automated Backups:** Security and updates handled automatically.
- **Integration Hub:** Connects with other operational tools.

Bank Feeds & OCR*

- **Efficient Data Entry:** OCR extracts data from receipts and invoices.
- **Regular Reconciliation:** Transactions import automatically.
- **Paperless Audit Trail:** Documents attach directly to transactions.

Grant Tracking & Reporting

- **Fund Accounting:** Track restricted vs. unrestricted funds.
- **Budget vs. Actual:** Monitor grant spending in real-time.
- **Custom Reporting:** Generate funder-specific reports quickly.

Payroll & Expense Management

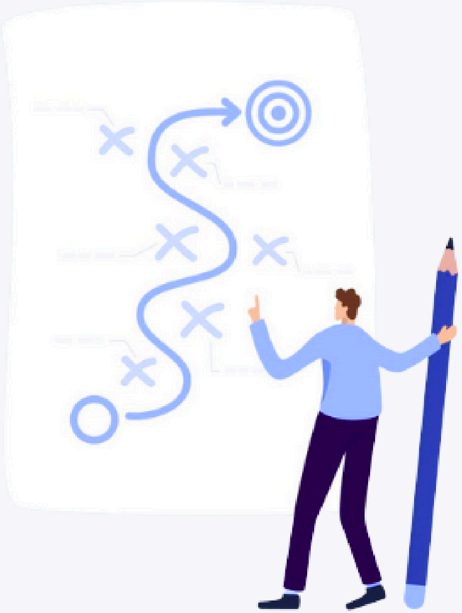
- **Automated Calculations:** Eliminate manual tax and deduction errors.
- **Direct Deposit:** Streamline payments to staff and volunteers.
- **Approval Workflows:** Digital approvals ensure compliance.

*OCR (Optical Character Recognition) - Technology that reads text from scanned documents, receipts, or invoices and automatically converts it into data that accounting software can use.

Interactive Poll

How extensively do you use technology to enhance your financial processes and internal controls (on a scale of 1-5)?

1. *Manual – Mostly spreadsheets and paper-based processes*
2. *Limited – Some tools, but heavy manual work remains*
3. *Moderate – Mix of manual and automated systems*
4. *Advanced – Strong use of integrated tools and automation*
5. *Fully optimized – End-to-end digital, automated, and scalable*



Building Your Year-End Close Process

A Step-by-Step Process for a Smooth Close

From Preparation to Final Sign-Off

1 Preparation

- Review prior year management letter points
- Confirm audit dates with firm
- Clean up old AP/AR items
- Review capital asset register

2 The Cut-Off

- Perform physical inventory count (if applicable)
- Ensure all revenue/expenses are recorded in correct period
- Close books for AP/AR entry
- Download all bank statements

3 The Close

- Reconcile all bank & credit card accounts
- Post accruals and deferrals
- Reconcile salaries and wages to T4 summary
- Prepare draft financial statements

4 The Audit

- Provide "Prepared by Client" (PBC) list items
- Be available for auditor queries
- Review draft audit report
- Present to Board for approval

Create a "Paper Trail"

Best Practices for Organizing and Maintaining Audit Evidence

THE GOLDEN RULE

"If it isn't documented, it didn't happen."

Aim for the **Re-performance Standard**: An outsider should be able to understand the transaction lifecycle from the documents alone.

Go Digital & Centralized

Use secure cloud storage (Box, SharePoint, Google Drive) with a clear, consistent folder structure by year and category.

Standardize Naming Conventions

Make files searchable. Use a format for names and folders so anyone can find invoices quickly.

Link to Source Transactions

Attach digital copies of invoices and receipts directly to the transaction entry in your accounting software.

Capture Review Evidence

Document who approved a transaction and when. Save email approvals as PDFs and attach them to the payment record.

Communicate with Confidence

Build Trust Through Transparent Communication

Tailor Your Financial Reporting to Your Audience

Board of Directors

PRIMARY GOAL: STRATEGIC OVERSIGHT

- **Executive Summary:**
  Key metrics & health indicators.
- **Variance Analysis:**
  Clear reasons for major deviations from budget and the previous year.
- **Risk Assessment:**
  Reserve levels & cash forecasts.

Funders & Grantors

PRIMARY GOAL: COMPLIANCE & IMPACT

- **Program Specifics:**
  How funds were used.
- **Outcome Measurement:**
  Spending tied to results.
- **Adherence:**
  Grant terms met.

Donors & Public

PRIMARY GOAL: TRUST & ENGAGEMENT

- **Visual Storytelling:**
  Charts showing program vs admin expenses.
- **Annual Report:**
  Narrative that humanizes numbers.
- **Accessibility:**
  Simple, at-a-glance highlights.

Understanding Your Audit Report

Decoding the Auditor's Opinion

ANATOMY OF THE REPORT

Opinion Paragraph

The most critical section. It states whether the financial statements present fairly, in all material respects, the financial position of the organization.

Basis for Opinion

Confirms the audit was conducted in accordance with Canadian Auditing Standards (CAS) and identifies the framework used (e.g., ASNPO).

Responsibilities

Clearly distinguishes management's responsibility (preparing statements, internal controls) from the auditor's responsibility (expressing an opinion).

THE VERDICT: TYPES OF OPINIONS

Unqualified

The "Clean" opinion. The auditor concludes that the financial statements are free from material misstatement.

RESULT: SUCCESS

Qualified

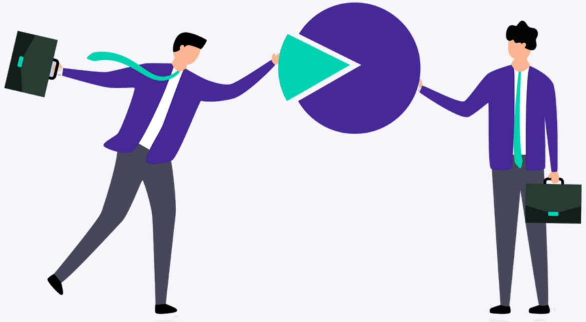
"Except for..." The statements are fairly presented, but with a specific limitation. Common in NPOs for cash donations where completeness cannot be verified.

RESULT: ACCEPTABLE WITH NOTE

Adverse / Denial

The statements are materially misstated or the auditor could not obtain sufficient evidence to form an opinion.

RESULT: MAJOR ISSUE



The Enkel Advantage

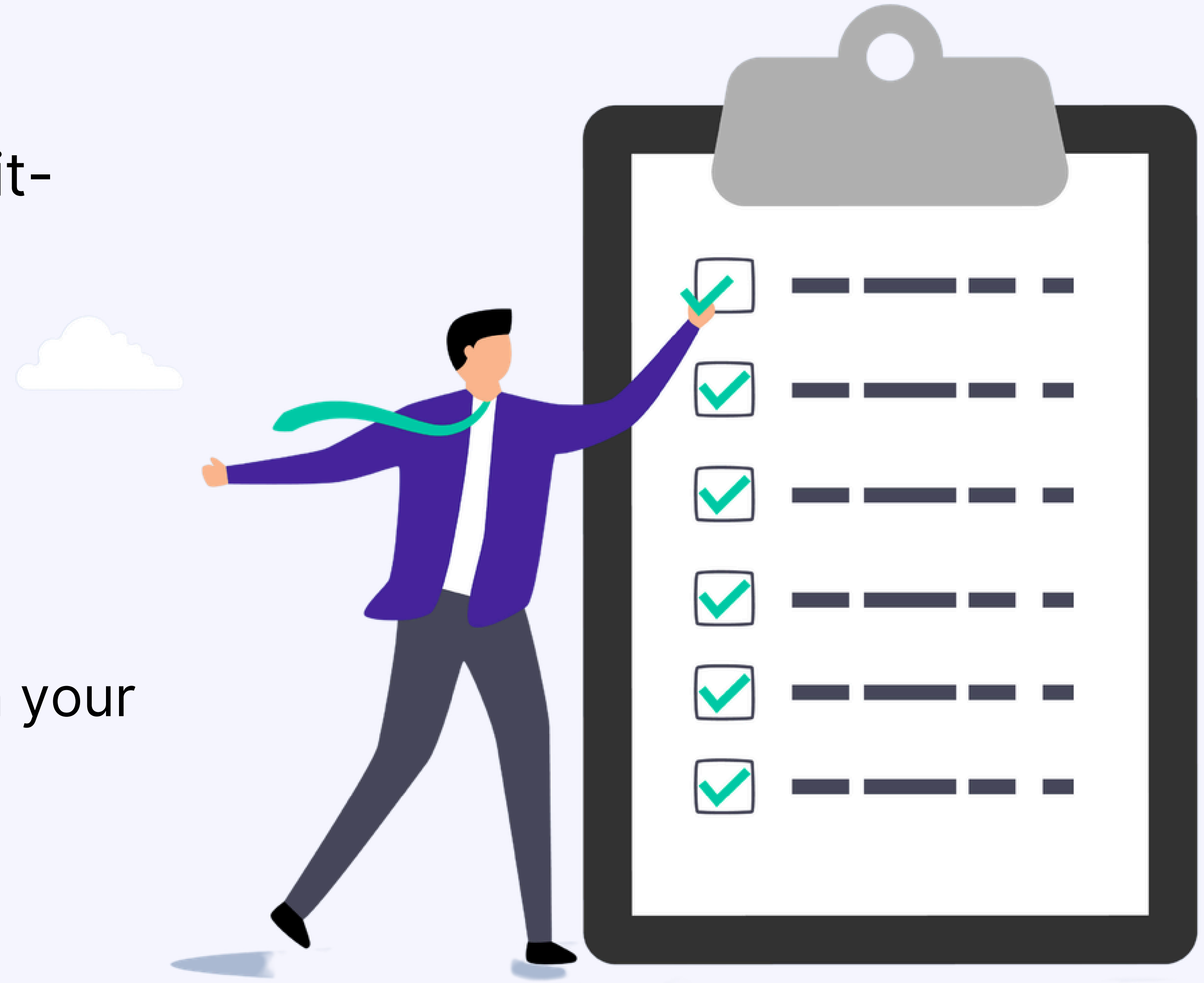
Not ready for your upcoming audit?
Looking to stay ahead next year?

Partner with Enkel for long-term success

We provide hands-on support to get your books cleaned up, audit-ready, and set up for a stronger year ahead.

How does it work?

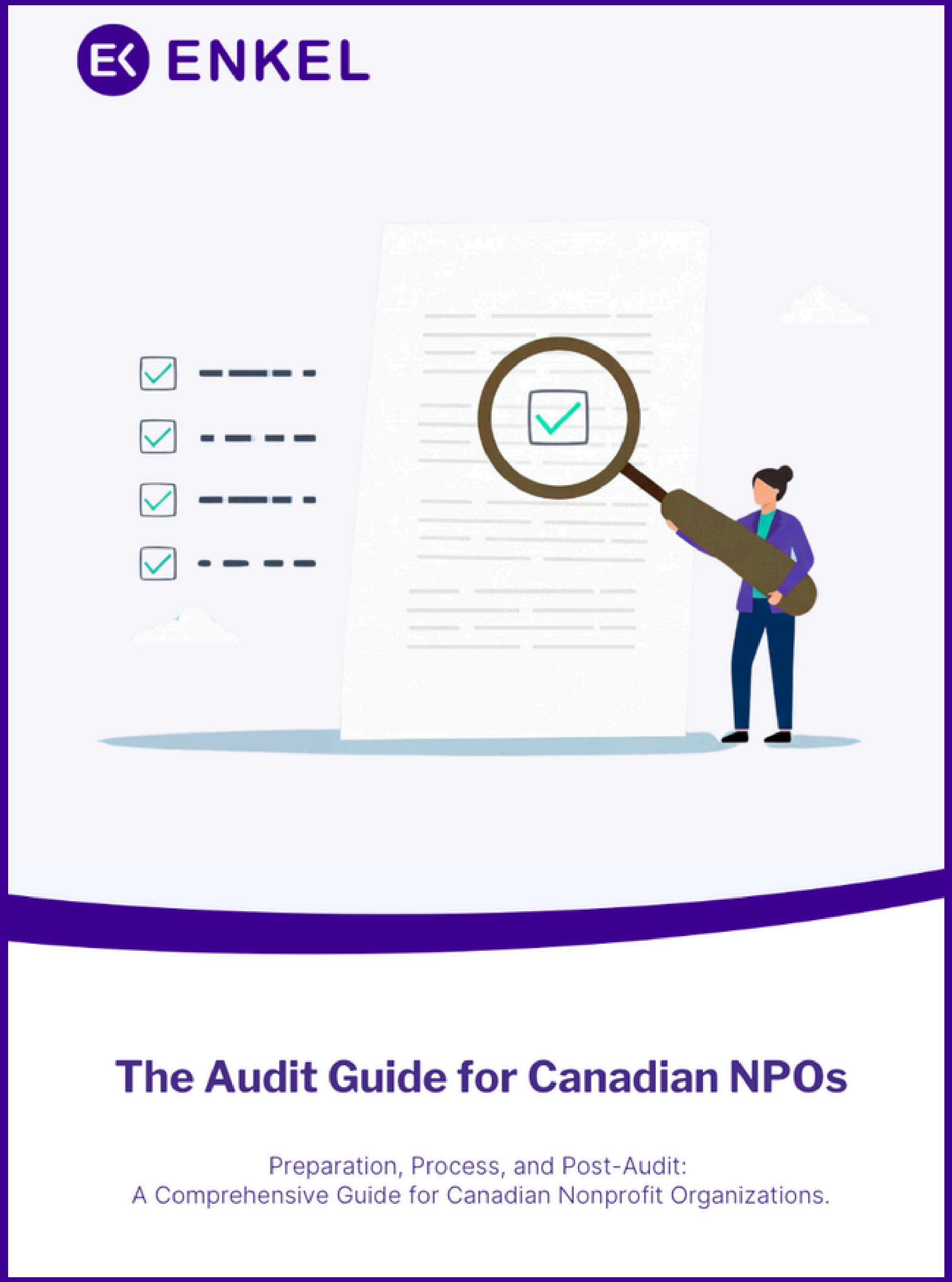
- We do a deep dive into your books and complete any outstanding bookkeeping
- We prepare a comprehensive audit support package based on the requests from your accounting firm
- Our team of Bookkeepers, Controllers, and CFOs work directly with your accountants to ensure all required support is provided
- We identify gaps and implement improvements to strengthen your bookkeeping processes for next year



You will get a clear, organized set of books, audit readiness, and a team ready to keep your books in good shape for next year.

Link: **https://bit.ly/partnerwithenkel**

Further Reading & Tools



Free E-Book

What You'll Learn in the E-Book

- When your nonprofit needs an audit or review under Canadian legislation
- How to prepare your team and documentation for a smooth audit process
- Common audit findings and how to avoid them
- Best practices for internal controls and financial reporting

SCAN ME

https://bit.ly/EnkelAuditGuideEbook

Q&A and Interactive Discussion

ENKEL

Thank You!