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TO: Carol Hare

FROM: Beverley Rhodes

RE: GWI Financial procedures and reporting

The current controversy with respect to the dues increase proposed by GWI has prompted me and other CFUW members who are conversant with financial accounting presentation, controls and requirements to look more closely at IFUW/GWI's recent financial statements and related reports. Since you were a member of the IFUW/GWI finance committee during the times in question, the queries arising from the financial reporting in the 2014 and 2015 years are addressed to you. As a result of information received from National Office, there is reference to the draft figures for 2016 and year-to-date 2017; these are included for your reference. The most significant concerns are:

1. Clinton initiative (CHARGE) :

a) Entry into the program --

How was the extent of the commitment determined -- the term and the dollars involved?

Were the projects undertaken in place of, or in addition to, existing programs?

Was the commitment of time, resources and funding discussed and approved by the board?

Were the details of the commitment provided to the finance committee?

Were the details of the commitment provided to KPMG at any time prior to their completing their review of the 2014 accounts?

b) Reporting of the CHARGE commitment --

While the press release announcing IFUW's entry into this program is dated December 16, 2014, there is no specific mention made of the financial commitment involved in this undertaking in the 2014 financial statements either in the commitments note or a subsequent events note.

Was this press release circulated to the national associations?

It is not clear in the 2014 and 2015 IFUW/GWI financial statements whether the program undertaken in this connection is in addition to, or replacing, all or part of programs in place.

Was the reporting of this initiative discussed in the finance committee?  
and with the KPMG representatives?

There is no mention in the 2015 financial statements of --

the extent to which the pledge has been fulfilled

the extent of the pledge remaining to be fulfilled

the cost of the program

any funding received or to be received

The reports included in the CFUW 2015 and 2016 AGM finance books also do not mention --

the cost of this initiative

the time frame covered by the undertaking

whether funding is to be received and, if so, how much

2. Board oversight:

In the ordinary course of things, matters such as management salaries are not decided without board approval. If there were any departure from this procedure, the internal control review included in an annual audit would comment on the situation.

It is also of some concern to see items such as volunteer hours included in the income statement for January - December 2016. In the ordinary course of things, this item would appear in the notes as a matter of information only. And, given that the assumed revenue is set out as income, the related deemed expense would also be included, but there is no indication that this, in fact, is the case. Including an amount for volunteer hours contributed does not increase the bottom line.

3. Formal financial reporting :

a) On a technical level, apparently the financial statements of IFUW, as it then was, were eligible to be reported on based on funds located in Switzerland. Funds located outside Switzerland were not included in this determination. This may be technically correct, but it is certainly not in the spirit of the concept.

b) The report is what in Canada would be called a review engagement report and the report as presented points out specifically what it does and does not cover. Under the circumstances the highlighted section reflects testing that would be more appropriate in the circumstances, even if more expensive.

*We conducted our examination in accordance with the Swiss Standard on the Limited Statutory Examination. This standard requires that we plan and perform a limited statutory examination to identify material misstatements in the financial statements. A limited statutory examination consists primarily of inquiries of organisation's personnel and analytical procedures as well as detailed tests of organisation's documents as considered necessary in the circumstances. **However, the testing of operational processes and the internal control system, as well as inquiries and further testing procedures to detect fraud or other legal violations, are not within the scope of this examination.***

c) The 2015 report is dated nearly six months after the year end -- this could relate to the accounting firm's schedule, but could also reflect the concern, or lack of it, of the management.

d) The report also draws attention to the note in the financial statements dealing with the Federation's strategy. This reference was also included in the 2014 report, but the 2015 report is stronger -- mention is made of "**material** uncertainty that may cast significant doubt about GWI to continue as a going concern." This is only just short of saying that the report is qualified and that the financial statements should be restated on a liquidation basis.

e) The replies to the recent series of questions sent by CFUW's president, Grace Hollett, to Geeta Desai, GWI's president, indicate, at best, naivete with respect to financial reporting matters. It is one thing to keep track on a cash basis for cash flow purposes, but entirely another matter when it comes to formal reporting.

4. Concept of financial reporting:

The notes to the draft 2016 income statement state "we do not owe anyone anything" -- While this may be true of regular creditors, there is the not so small matter of funds withdrawn from restricted reserves.

The notes also state that the 2017 budget does not include an amount for in-kind donations "as this item cannot be accurately calculated." And well it shouldn't, nor should the item appear in the 2016 statement for the same reason. The information belongs in the notes to the financial statements.

There has been mention that delay in settling the bill for the 2016 AGM is the reason for no figures appearing in the 2016 income statement. The procedure in this situation is to make a reasonable estimate and get on with preparing the financial statements (including a note describing the dispute) for the accountants' review.

That there are not yet draft financial statements ready for the accountants is beyond belief.

5. Financial management:

- Spending pattern --

From the issued financial statements available (years ended June 30, 2012 - June 30, 2015), there appears to have been no adjustment made to recognize the reduction in available revenue following the departure of the AAUW.

- Personnel expense --

The wisdom of the board of directors in sanctioning the management salary levels, particularly that of the executive director, is open to question. In the 2012 comparative figures included in the 2013 income statement, salary expense is approximately 176,000 when the executive director position was vacant and double that amount in 2013 (figures in Swiss francs). The year-to-year increases reflected in 2014 and 2015 are not quite so large, 69,000 and 3500 respectively, bringing the totals to 421,000 and 424,000.

Unless additional management staff were hired in the 2014 year, the figures suggest that the annual salary rate for the executive director was in the order of 240,000.

Recently (2014 and 2015), bookkeeping has been done by a person on a contract basis, apparently on an annual fee, as the figure is the same in the financial statements for both years. Whether the number of transactions involved in GWI's operations requires a full-time bookkeeper is open to question, but of more serious concern is whether or not they were getting value for money. My dealings with the bookkeeper would suggest not. The draft figure for 2016 is only marginally less.

- Bookkeeping system --

Whether the accounts are kept on paper, an electronic system or (heaven forbid) on a spreadsheet, the principles are the same -- there should be provision for the system to provide information and the data should be accurate. The only way the accounts can produce questionable information is as a result of questionable data entry -- not some whim of the system.

For the system to produce usable information easily, more accounts make this possible -- any self-respecting bookkeeping program provides this option, so that when the information is required, it is possible to obtain what is required without going through a general account, e.g. "Projects", to segregate the expenses by individual project.

Also, any self-respecting bookkeeping system will produce a draft balance sheet and/or income statement, even if adjusted statements for the accountants' review have not yet been prepared.

The notes also refer to "the bookkeeping system used in the last triennium" and "a new bookkeeping system that is more user friendly ...." This reflects a serious lack of understanding of the whole concept -- user friendly is an advantage, but not a basic requirement.

The question (#3 in Grace Hollett's list) asking what bookkeeping system is in use was not answered.

- Merrill Lynch account --

The answer to Grace Hollett's questions (#7) is rather vague on the grounds that the questions relate to "the previous President and the Board" -- perhaps reference to the minute book and prior years' accounts would have helped.

In conclusion, it is amazing that over the years so many otherwise intelligent women have not seen fit to make sure that IFUW/ GWI acquired adequate reporting systems. That does not suggest that the Board be made up of qualified accountants, but it does suggest that the Board should seek, and be open to, advice on the subject and be ready to recognize their responsibility to member associations and other stakeholders.