



**THE SALVATION ARMY
CANADA & BERMUDA**

**TERRITORIAL CONSOLIDATED
FINANCIAL STATEMENTS**

**MINISTRY UNIT PREPARATION GUIDE
PART II**

**Finance Department
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INTRODUCTION

This guide is a continuation of the first document which was released in early January 2008 and has been developed to assist ministry units in the Territory prepare and report financial information in the format required for the consolidation project. The first document, entitled *Ministry Unit Preparation Guide - Part I*, outlined some of the more basic accounting concepts and standards that may be new to some ministry units. This document will concentrate on current accounting policies and the changes that are required to facilitate consolidation.

The project's goal is to produce consolidated financial statements for the Territory, incorporating all financial information for ministry units, as well as Territorial Headquarters, Divisional Headquarters, NRO, S&P and the colleges, commencing for the fiscal year ended March 31, 2009. Once this task has been accomplished, consolidated statements will be made public starting for the fiscal year ended March 31, 2010.

Business and finance personnel at ministry units who perform their own accounting must review both sets of guidelines (Part I and Part II) carefully to determine what changes are required to current accounting procedures, in order to meet the standards for consolidation. Those ministry units who have their accounting performed by one of the THQ Finance Department's regional offices will need to understand the required changes to ensure appropriate account coding is provided. The Finance Department will handle any initial restatement required by policy changes.

PURPOSE OF THE MINISTRY UNIT PREPARATION GUIDE – PART II

In order for the Territory to publish consolidated statements for all its operations, there must be assurance that information being presented is accurate, complete and in compliance with Canadian accounting standards for not-for-profit organizations. In addition, all ministry units must conform to a standard set of accounting policies to ensure consolidation is feasible and financial information is presented on a consistent basis.

As plans unfolded for the consolidation project it became evident that some current accounting treatments and practices require changes in order to facilitate the consolidation process, as well as to comply with generally accepted accounting principles. This document deals with these specific changes to accounting policy. It will outline the current practices in place and then describe the changes required to achieve consolidation.

CHART OF ACCOUNTS

With the procedural changes outlined throughout this document, it will become evident that modifications are required to the standard chart of accounts. This document will only concentrate on the impact of and concepts behind such required changes. Specific revisions to the standard chart, required to facilitate the consolidation process, will be issued with the standard budget preparation forms for the 2009/10 fiscal year.

EFFECTIVE DATE

All ministry units are required to adopt the standards set out in this guide for the 2009/10 fiscal year, which commences on April 1, 2009. Although these policy changes will need to be reflected in the March 31, 2009 results in order to obtain comparative numbers, the consolidation team will be responsible for determining the March 2009 financial statement numbers for each ministry unit, which will be brought into the territorially consolidated financial statements. Ministry units will not be responsible for this task. Effective April 1, 2009 however, certain adjustments will be required to ministry unit financial statements, and the consolidation team will assist each unit to ensure the appropriate journal entries are recorded.

MEETING THE NEW STANDARDS

Meeting the new standards will not only help achieve consolidation, but will also ensure each ministry unit in the Territory is producing financial information in accordance with Generally Accepted Accounting Principles (“GAAP”) for not-for-profit organizations in Canada. This will enhance both reporting within the organization, as well as to the ministry unit’s local stakeholders, including Salvationists, members of the public, government, local management, and clients.

For many ministry units, particularly those that already issue audited financial statements, there will be little difficulty in meeting the new standards, other than making certain changes to accounting policies to conform to the territorial norms.

For ministry units that do experience difficulties in meeting the new standards, there are a number of options available that will help address those challenges.

In some cases, existing staff or volunteers who perform the accounting function reasonably well today may be able to meet the demands of the new standards with additional training. Adequate training in basic accounting can usually be obtained through a variety of venues, such as local community colleges or public

school systems. In other situations, staff may be able to perform most of the requirements, supplemented by additional professional assistance to complete the month end or year end closings.

There will, however, be some ministry units where existing staff or volunteers are already experiencing challenges in performing the accounting function. Those who have difficulty completing this function on a timely basis, or experience problems in reconciling bank accounts or performing other specific accounting functions, are likely to face greater challenges implementing the new standards. In these cases, discussions will be needed among personnel at the ministry unit, DHQ and THQ to assess the situation properly. Together, we will be able to determine a strategy that meets the needs of both the unit and the Territory into the future.

In many of these cases, the services provided by the Finance Department's regional offices will be the optimal solution. These services are primarily focused on small ministry units where the Finance Department can add value through providing economies of scale to make the expertise it offers affordable. The Finance Department is also willing to perform the accounting function for large ministry units, if these units find it desirable.

It must be recognized that failure to meet the standards required is not an option if the Territory is to be successful in achieving consolidation on a timely basis. As a result, we recommend that ministry units who anticipate problems plan to address them at an early date. The Finance Department will work with divisional secretaries for business administration to assist ministry unit personnel in coming to terms with these issues.

Funding is available from THQ for small ministry units to assist them in meeting the costs of having the Finance Department perform their accounting. Contact your division for more information on this funding source.

CONSOLIDATION READINESS

The Finance Department is currently reviewing ministry unit financial statements and providing feedback regarding issues that arise during this process. The analysis performed will concentrate on items such as ensuring General Deposit Accounts are appropriately reflected, detailed lists of capital assets are available and depreciation is appropriately applied, the newly introduced inter-departmental section of the chart of accounts is being utilized correctly and balance sheet accounts are reflective of the assets and liabilities of the ministry unit.

Overall, the Finance Department will assess whether the financial statements are being prepared in accordance with GAAP and territorial standards, and if they fairly present the underlying financial position of the ministry unit.

Any ministry unit performing their own accounting function can expect to receive feedback by the end of December 2008, whether or not there are any consolidation or accounting issues to be addressed. Any issues discovered in the financial statements of ministry units who have contracted with one of the Finance Departments regional offices to perform their accounting, will be sent directly to the regional accounting office for resolution.

To ensure the deadline for consolidation can be met, the Finance Department will be grateful for timely responses from ministry units to all communications.

CONSOLIDATION PROCESS

The production of consolidated financial statements requires the elimination of all internally generated income with offsetting expenses within the reporting entity. Internally generated income is any income which is derived from other Salvation Army units within the Canada and Bermuda Territory. Without this elimination, the income and expenses for the Territory will be inflated by the amount of the internally generated income. In other words, to produce accurate consolidated financial statements, any income derived from a Salvation Army entity will need to be eliminated upon consolidation because from the point of view of the consolidated entity, such income is simply a transfer from one branch to another, not income to the consolidated entity. While the actual process of elimination for the Territory's consolidated statements will be performed by THQ, all Army entities will need to be aware of this crucial issue.

Internally generated income can stem from transfers occurring between different departments/sections within the same ministry unit or from transactions occurring between two ministry units, between DHQ and ministry units, between THQ and ministry units, or between THQ and DHQ. It is crucial that all of these transactions be identified and eliminated upon consolidation.

The following example will demonstrate this issue:

A ministry unit operating a corps and a thrift store has budgeted for a grant of \$10,000 from the thrift store to the corps. Prior to recording the transfer, the thrift store has total income of \$60,000 with \$40,000 of operating expenses, and the corps has total income of \$100,000 with operating expenses of

\$110,000. The consolidated operation has income of \$160,000 and expenses of \$150,000 for a net surplus of \$10,000.

Previously, it was common for ministry units to record the grant as follows:

<i>Debit Grants to Corps Expense (Thrift Store)</i>	<i>\$10,000</i>	
<i>Credit Grant Income (Corps)</i>		<i>\$10,000</i>

After this transaction is recorded, the consolidated operation will have income of \$170,000 with expenses of \$160,000 for a net surplus of \$10,000. Although the net surplus has not changed, both income and expenses for the operation have been overstated by \$10,000. The \$10,000 received by the corps does not represent newly generated income; rather it represents a transfer of profits (excess revenue) from the thrift store to the senior corps. These funds have already been recorded as sales income in the thrift store operations and therefore should not be recorded as income a second time.

To ensure income and expenses are not overstated, ministry units must utilize the inter-departmental transfers section of the standard chart of accounts, which was introduced at the beginning of this year, to record internal transfers. Details on this new section, as well as information as to how we will address transfers between various Salvation Army entities, will be outlined later in the document.

ACCOUNTING ISSUES

The following accounting issues will be discussed throughout the remainder of this document:

1. Revenue recognition – deferral versus restricted fund
2. Internal transfers
3. Inter-entity transactions
4. Capital Deposit Accounts
5. Property Maintenance Accounts
6. Capital assets and capital projects
7. Contributed capital
8. Capital loans / Property mortgages
9. Legacy income – reserves
10. Partners In Mission / Home Mission appeal
11. Gifts in kind

Appendix A will provide a summary of each of these issues.

1. Revenue Recognition – Deferral versus Restricted Fund

Under GAAP, two methods of accounting for contributions (i.e. donations, government grants, client fees, etc.) exist; the deferral method and the restricted fund method. In order to understand the application of each one, readers must have an understanding of the different types of contributions (revenues).

Types of Contributions

Endowment contributions are funds which must be maintained, usually permanently, with the interest earned on the funds being used for a stipulated purpose. The purpose of the funds could be specific or general in nature.

Most endowments are currently held at Territorial Headquarters, with the interest earned being distributed to beneficiary ministry units on a regular basis.

Restricted contributions are gifts received with explicit, externally imposed stipulations for the purpose and use of the funds.

Unrestricted contributions would be any contributions that are received, which are free from any external restrictions.

It will be extremely important to understand these types of donations in order to apply the correct accounting treatment.

Deferral Method

The deferral method of accounting is based on matching contributions to the associated expenditures. In this method, revenue would be reported in the same accounting period as the related expenditures, regardless of when the donation was received. The deferral method would only be applied to restricted contributions, as GAAP requires all unrestricted contributions to be recognized as income when received.

Restricted Fund Method

Under the restricted fund method of accounting, donations are recognized as income when received regardless of when the funds are spent, however, any restricted contributions must be maintained as a separate fund balance. Any

expenditure incurred for the intended purpose would be expensed, causing a reduction in the restricted fund balance.

The following example will show the difference in the accounting methods and will illustrate the impact on the financial reporting.

A ministry unit receives a donation of \$5,000 in February from a donor, who has specified these funds to be used to purchase equipment. Prior to the end of the year, \$3,000 is spent for the intended purpose.

Entries to reflect the donation and expenditures under each method would be as follows:

	<u>Deferral Method:</u>			<u>Restricted Fund Method:</u>		
(a) Donation received.	Debit	Cash (Bank)	\$5,000	Debit	Cash (Bank)	\$5,000
	Credit	Deferred Revenue	\$5,000	Credit	Donation Income	\$5,000
(b) Funds spent for intended purpose.	Debit	Deferred Revenue	\$3,000	Debit	Equipment (Exp)	\$3,000
	Credit	Donation Income	\$3,000	Credit	Cash (Bank)	\$3,000
	Debit	Equipment (Exp)	\$3,000			
	Credit	Cash (Bank)	\$3,000			

At year end, under the restricted fund method the income and expense associated with this donation would close out to a separate fund balance account, in order to track the remaining funds independently.

The balance sheet under each method would appear as follows at the end of the fiscal year:

	<u>Deferral Method</u>	<u>Restricted Fund Method</u>
Assets:		
Cash	\$2,000	\$2,000
<hr/>		
Total Assets	\$2,000	\$2,000
<hr/>		
Liabilities:		
Deferred Revenue - Camping	\$2,000	\$ -
 Equity:		
Fund Balance - General		
Fund Balance - Camping		2,000
<hr/>		
Total Liabilities & Equity	\$2,000	\$2,000
<hr/>		

Revenue recognition for the Territory

Currently, Territorial Headquarters is following the restricted fund method for revenue recognition, while the majority of all other Salvation Army units are using the deferral method. In order to consolidate financial statements and ensure appropriate elimination entries can be made, the method of accounting for contributions must be consistent for funds that are processed between various levels of the organization.

Adopting the deferral method of accounting for revenue at Territorial Headquarters would involve significant complexities in the recording of fixed assets, investments and many streams of income. In turn, these complexities would impact ministry units in how contributions to capital projects are accounted for and the way information is recorded and reported to funders. It is also our belief that the restricted fund method provides a better representation of the financial results for organizations that fund operation and capital expenditures separately, as we do in The Salvation Army. In addition, the restricted fund model does more closely resemble the financial reporting for The Salvation Army in other territories and International Headquarters.

In order to minimize the complexities to achieve consolidation and to improve reporting, effective April 1st, 2009, all income received related to the following will need to be accounted for using the restricted fund method at ministry units: Partners in Mission, Home Missions, Child Sponsorship funds, property maintenance accounts and capital deposit account transactions. Any other restricted funds received can be accounted for using the deferral method, unless the ministry unit desires to establish a restricted fund. Typically, a restricted fund should only be established for contributions that recur.

To accomplish the restricted fund method and segregate the fund balance from operating funds, separate departments will be established within Shelby, which will close out to independent fund balance accounts. For the purposes of the examples that are provided throughout this document, the department that is being charged will be disclosed in the parentheses.

2. Internal Transfers

Internal transfers represent funds transferred between two different programs or sections of the same ministry unit. In the past, it was common to record these transactions as an expense in one department with an offsetting entry to record income in another department. As explained previously in this document,

consolidation will require the elimination of all such internally generated transactions.

To address this, the budget process for the fiscal year ending March 31, 2009 introduced a new section to the chart of accounts, namely the “inter-departmental transfer” section. For a detailed explanation of the new section, refer to section 0122 of the Territorial Finance Manual. For readers who do not have access to Lotus Notes or the saDashboard (via the internet), a copy of this information can be requested from your divisional headquarters, or by emailing THQ_Consolidation@can.salvationarmy.org.

Determining the correct accounting entries for an internal transfer will depend on whether the transaction represents a grant or a refund of operating expenditures.

All internal grants or transfers are to be recorded in the inter-departmental transfer section of the chart of accounts. Common examples of these include a grant from thrift stores to other operating sections of the ministry unit, transfers of funds from senior corps to the YP corps, thrift store sales to the family services operation and internal rent charged to other departments within the ministry unit.

It is important to note the postings to the inter-departmental transfer accounts within a ministry unit should always add to zero. In other words, for every debit entry made to an inter-departmental transfer account, there should be an offsetting credit to another departments inter-departmental transfer account. Ministry units must ensure that this holds true throughout the year by verifying the amount reported for interdepartmental transfers on the consolidated income statement is zero.

To illustrate the accounting entries for an internal transfer we can look at the following example:

Example #1 – Transfer:

Taking the example of a \$10,000 grant from the thrift store to the corps as outlined in the consolidation process section above, the accounting entry to record this would be as follows:

<i>Debit</i>	<i>Inter-departmental Transfer (Thrift Store)</i>	<i>\$10,000</i>
<i>Credit</i>	<i>Inter-departmental Transfer (Corps)</i>	<i>\$10,000</i>

In this case, when consolidated statements are generated the debit and credit in the inter-departmental accounts will offset each other, leaving no balance in the account. Total income for the consolidated unit will be \$160,000 with total expenses of \$150,000 for a net surplus of \$10,000. Using this approach, neither income nor expenses are overstated.

The refunds of operating expenses will need to be recorded as an expense allocation within the ministry unit. Common examples of these include shared utility costs, salary allocations and external rent recovery from other operations.

To illustrate the accounting entries required for an expense refund, we can look at the following scenario:

Example #2 - Expenditure refund:

A corps, which operates family services in the same building, currently pays for all building operating expenditures including utilities and repairs. All expenses are charged to the corps operating budget. It is determined the family services' share of these costs is \$6,000 a year, \$2,000 for utilities and \$4,000 repairs.

The following entry would be required to record the transaction:

Debit	Utility expenses (Thrift Store)	\$2,000
Debit	Property repairs expenses (Thrift Store)	\$4,000
Credit	Utility expenses (Corps)	\$2,000
Credit	Property repairs expenses (Corps)	\$4,000

3. Inter-Entity Transactions

Inter-entity transactions are those that occur between two branches of the same organization. For our purposes, inter-entity transactions will exist between two ministry units, between DHQ and ministry units, between THQ and ministry units and between THQ and DHQ. Common examples of these transactions include the following, management support assessment payments, red shield allocations, regional accounting centre fees, interest received from THQ, purchase of Army publications, rental of facilities to other Army entities, sales of Supplies and Purchasing goods to ministry units, officer education grants and camp fees charged to ministry units, DHQ or THQ.

Consolidated financial statements will require all inter-entity transactions to be eliminated as has been explained in the consolidation process section previously. In order to facilitate the elimination process, it will be extremely important to

identify all inter-entity transactions that have transpired. In many of the examples listed above, current accounting treatment provides the necessary breakdown to identify amounts to be eliminated.

DHQ / THQ Grants

In cases where ministry units are receiving grants directly from DHQ or THQ, the funds received must be recorded as income in the appropriate account designated for DHQ or THQ grants.

The following example will illustrate the journal entries required for internal grants received from Headquarters (DHQ & THQ):

A ministry unit received the following annual funding from Divisional Headquarters, \$50,000 red shield funds, \$20,000 from divisional legacy reserves and a \$5,000 general grant. During the year, the unit received \$1,000 from Territorial Headquarters, as a grant from the education endowment fund to assist with the training of officer personnel.

DHQ Funding:

<i>Debit</i>	<i>Cash</i>	<i>\$75,000</i>	
<i>Credit</i>	<i>Grant from DHQ - Red Shield funding</i>		<i>\$50,000</i>
<i>Credit</i>	<i>Grants from DHQ - Legacy funds</i>		<i>\$20,000</i>
<i>Credit</i>	<i>Grants from DHQ - General</i>		<i>\$5,000</i>

THQ Endowment Funding:

<i>Debit</i>	<i>Cash</i>	<i>\$1,000</i>	
<i>Credit</i>	<i>Grants from THQ</i>		<i>\$1,000</i>

Camping programs / Retreats held at Army camps

Camping fees remitted between ministry units and camping programs throughout the territory does pose some challenges and requires some guidelines for recording transactions.

Many times ministry units will collect fees at the local level and remit payment to camps as required. In some cases the fee collected will relate to a ministry unit retreat or event, while in other cases the ministry unit will only be acting as a collection point for general camping programs. The accounting must be treated differently in both cases.

Any participant fees collected for a ministry unit’s retreat or event must be recorded as income in the financial statements, and the rental payment to the camp / venue as an expense. Fees collected by ministry units on behalf of

individuals attending general camping programs must accumulate in a liability account. These funds should not be recorded as income to the ministry unit as the fees do not represent income generated from their operations. When funds are submitted to the camp, the liability account would be reduced.

The following examples will illustrate entries required at the ministry unit level:

(a) Ministry unit event:

A ministry unit collects \$2,000 in registration fees from individuals attending an internal event. The unit receives an invoice in the amount of \$1,750 from the camp where the event is being held, and processes payment. The \$250 surplus is meant to cover additional incidental costs for the event.

The following entries would be made:

Fees collected:

<i>Debit</i>	Cash	\$2,000	
<i>Credit</i>	Special Event Income		\$2,000

Fees remitted to camp:

<i>Debit</i>	Retreat / Special Event Expenses	\$1,750	
<i>Credit</i>	Cash		\$1,750

Incidental costs:

<i>Debit</i>	Retreat / Special event expenses	\$250	
<i>Credit</i>	Cash		\$250

(b) General camping fees collected:

A ministry unit collects \$1,500 from individuals planning on attending the divisional summer sports camp and subsequently remits the payment to the camp on behalf of the attendees.

The following entries would be made:

Fees collected:

<i>Debit</i>	Cash	\$1,500	
<i>Credit</i>	Liability – Camp fees		\$1,500

Fees remitted to camp:

<i>Debit</i>	Liability – Camp fees	\$1,500	
<i>Credit</i>	Cash		\$1,500

In many cases, Salvation Army units provide sponsorships or subsidies to individuals attending camps. When this occurs, the ministry units must record the subsidy portion of the payment as an expense in their financial statements.

To ensure consolidation can be achieved ministry units must record camping transactions as outlined above, as well as provide a summary of all fees remitted to camps that have been expensed in the financial statements (local retreats / events, subsidies and sponsorships). In example (a) above, the amount to be reported to THQ at year end would be the \$1,750 paid to the camp.

Billings between ministry units

In addition to transactions occurring between Headquarters and ministry units, there may be situations where ministry units are billing each other for various services provided. To capture the impact of these transactions, ministry units will be required to provide a detailed listing of revenue collected from other Salvation Army units and any expenses which has been paid from other Salvation Army units as part of the year end package submission to Territorial Headquarters.

Recording of Accounts Payable invoices from internal sources.

To facilitate consolidation, all invoices issued to ministry units from internal sources must be recorded in the accounts payable system in a timely manner. At March 31st, the amounts recorded as receivable from ministry units at Divisional Headquarters or Territorial Headquarters must equal the amounts recorded as payable to DHQ or THQ at the ministry unit. Ministry units must ensure all outstanding items listed on the accounts receivable aged trial balance report provided by THQ and DHQ are appropriately reflected as accounts payable regularly. If an invoice is not recorded in the accounts payable module at year end, then an accrual entry may be required to report the correct amount owed. Guidelines on how to book an accrual entry can be found in *Ministry Unit Preparation Guide - Part I*, issued in January 2008.

4. Capital Deposit Accounts (CDA)

Capital deposit accounts have historically been restricted for the replacement or expansion of capital facilities, and have not been recorded in the ministry unit's financial records. These accounts do represent in many cases a significant amount of money that can be made available to ministry units for operating or capital purposes. In order to present financial statements at a local level which disclose all funds available for use, the capital deposit accounts should be recorded on the ministry unit's financial statements.

The capital deposit account(s) must be reflected as an asset (deposit at THQ) with an offsetting restricted fund balance. Ministry units will be required to record all transactions through the capital deposit account on a monthly basis; in the same manner general deposit accounts are handled currently. Details of the transactions can be obtained from the monthly reports currently provided by Territorial Headquarters.

The establishment of the opening balance on April 1, 2009 will be provided to ministry units by the consolidation team.

To illustrate the typical entries to record transactions throughout the year, assume the following:

A ministry unit receives \$15,000 from an estate, which is deposited into their capital deposit account. Throughout the year the account earns interest of \$500 and a \$5,000 withdrawal for operating purpose is approved by DHQ and processed.

Legacy funds received:

<i>Debit</i> Deposit Account – CDA (Asset)	\$15,000	
<i>Credit</i> Legacy Income (CDA)		\$15,000

Interest earned:

<i>Debit</i> Deposit Account – CDA (Asset)	\$500	
<i>Credit</i> Interest Income - THQ (CDA)		\$500

Withdrawal for operations:

<i>Debit</i> Cash	\$5,000	
<i>Credit</i> Deposit Account – CDA (Asset)		\$5,000
<i>Debit</i> Interdepartmental transfers (CDA)	\$5,000	
<i>Credit</i> Interdepartmental transfers (Operating)		\$5,000

Assuming an opening fund balance of \$10,000 for the CDA; the closing fund balance at the end of the year would be \$20,500 (10,000 + 15,000 + 500 - 5,000).

Ministry units will be responsible to ensure that the balance in the CDA is reconciled to THQ's balance on a regular basis. It should also be noted that at all times the balance in the deposit account asset account must equal the balance of the restricted fund balance.

5. Property Maintenance Account (PMA)

Under current policy, ministry units are required to make regular contributions to a property maintenance account held at Divisional Headquarters, for both program buildings and officer quarters. These funds are currently used to fund property insurance, taxes and property repairs.

Current accounting treatment for PMA contributions has ministry units expensing the contributions made to DHQ, with DHQ recording the contribution as a liability. When actual property maintenance expenses are incurred, DHQ reduces the liability, with no impact to ministry unit financial statements. This treatment is problematic for the production of consolidated financial statements for two reasons.

The first issue relates to the need to eliminate inter-entity transactions and balances upon consolidation. Currently property maintenance accounts are recorded as liabilities at DHQ, however there is no offsetting deposit (asset) recorded at the ministry unit. When consolidating financial data, it will be necessary to have the PMA deposit recorded at the ministry unit.

The second issue results from the requirement to record expenses when incurred in accordance with current generally accepted accounting standards. Current treatment has ministry units recording expenses when contributions are made, with no expenses recorded by either DHQ or the ministry unit when the payment of an invoice occurs.

To address this, the PMA balances will need to be reflected as reserves in the ministry unit's financial records. Contributions to the reserve would be processed as transfers from general funds to restricted funds. Property maintenance expenses funded from PMA's would be recorded at the ministry unit when incurred in the operating departments with an offsetting transfer from restricted funds to general funds.

The following example will illustrate the entries required at the ministry unit:

During the month of June, a ministry unit contributes \$1,000 to the property maintenance account. Also during the month, \$4,250 was spent from the PMA balance to fund a repair of the air conditioner.

Entries to reflect these transactions would be as follows:

Contribution to PMA (issuance of cheque to DHQ):		
<i>Debit</i> Deposit Account – PMA (Asset)	\$1,000	
<i>Credit</i> Cash		\$1,000
<i>Debit</i> Interdepartmental Transfers (Operating dept(s))	\$1,000	
<i>Credit</i> Interdepartmental Transfers (PMA)		\$1,000
Payment of maintenance expenses from PMA account:		
<i>Debit</i> Property Maintenance expenses (Operating dept(s))	\$4,250	
<i>Credit</i> Deposit Account – PMA (asset)		\$4,250
<i>Debit</i> Interdepartmental Transfers (PMA)	\$4,250	
<i>Credit</i> Interdepartmental Transfers (Operating dept(s))		\$4,250

Implementing this change will not only impact the accounting transactions, it will impact the budget process significantly. Going forward, in addition to budgeting the contributions into the PMA account (through interdepartmental transfers), ministry units will be required to budget annually for all property related expenses, which would normally have been paid out of the property maintenance accounts, including maintenance expenses, insurance and taxes.

The following example will illustrate the impact on the budget process:

Ministry unit A will contribute \$7,200 to the PMA for the officer quarters for the year. Expected costs for the year include: Taxes - \$2,500, Insurance - \$550, Maintenance - \$4,500 (of which \$3,000 will be funded from the PMA and \$1,500 from general operations).

The budget proposal for the ministry unit by account would be as follows:

Operating department budget:	
Property taxes	\$2,500
Property insurance	\$550
Property maintenance	\$4,500
Interdepartmental transfer (net expense)	\$1,150
PMA department:	
Interdepartmental transfer (net income)	\$1,150

The interdepartmental transfer is calculated by taking the contribution and deducting any amounts that will be withdrawn from the PMA account throughout the year. In the above example it is the contribution of \$7,200 minus taxes, insurance and the \$3,000 of maintenance expenses that will be funded from the PMA.

6. Capital Assets and Capital Projects

Currently, the value of all land and buildings for each ministry unit are reflected in the accounting records of Territorial Headquarters. With consolidation, this accounting treatment will not change. The recording of these assets at THQ comes through the process of financial scheme approval, followed by the payment of expenditures related to the purchase, building or renovation of the property. Each financial scheme will have corresponding funding sources, which are required to be remitted to THQ to fund the ongoing expenditures.

Recording the transfer of funds must be consistent across the territory. To achieve this consistency, all ministry units must record their capital project contributions as an expense – allocation to capital projects.

These contributions are another example of inter-entity transactions, which must be eliminated when producing the consolidated financial statements. In order to facilitate the reconciliation of the expenses recorded at the ministry unit / DHQ level to the records at THQ, it will be necessary to distinguish funds remitted by their source. In the case of ministry units, there will be five independent general ledger accounts established to record the allocation expenses; namely local funds, general deposit accounts, capital deposit accounts, property maintenance accounts and government funding.

All transactions related to a building project should be recorded in a separate department designated for capital projects, which should close to a segregated designated fund balance. At any point in time the fund balance for capital projects should never be in a deficit and will represent any funds that have been received locally for a building project, which have not been remitted to THQ.

The following example will illustrate the entries required for a capital project:

A ministry unit is engaged in a building expansion costing \$200,000. To fund the expansion - \$75,000 will be funded from the capital deposit account, \$50,000 from government grants, \$60,000 from the general deposit account, and \$15,000 from local funds (\$10,000 from funds raised and \$5,000 from surplus funds). Government funds are received locally at the ministry unit

and remitted to THQ with the \$15,000 local funds. THQ withdraws the funds from the deposit accounts to set up the project.

Receipt of funding sources:

Government Funds received:

<i>Debit</i>	<i>Cash</i>	\$50,000	
<i>Credit</i>	<i>Government Grants income (Capital dept)</i>		\$50,000

Local fundraising cash received:

<i>Debit</i>	<i>Cash</i>	\$10,000	
<i>Credit</i>	<i>Donations income (Capital dept)</i>		\$10,000

Remittance of funds to THQ:

Local / government funds:

<i>Debit</i>	<i>Allocation to capital project–Gov’t funding (Capital)</i>	\$50,000	
<i>Debit</i>	<i>Allocation to capital project–Local funds (Capital)</i>	\$15,000	
<i>Credit</i>	<i>Cash</i>		\$65,000
<i>Debit</i>	<i>Interdepartmental transfer (Operating department)</i>	\$5,000	
<i>Credit</i>	<i>Interdepartmental transfer (Capital)</i>		\$5,000

General Deposit Account:

<i>Debit</i>	<i>Allocation to capital project–Gen. Dep. Acct (Capital)</i>	\$60,000	
<i>Credit</i>	<i>General Deposit Account</i>		\$60,000
<i>Debit</i>	<i>Interdepartmental transfer (Operating department)</i>	\$60,000	
<i>Credit</i>	<i>Interdepartmental transfer (Capital)</i>		\$60,000

Capital Deposit Account:

<i>Debit</i>	<i>Allocation to capital project–Cap. Dep. Acct (Capital)</i>	\$75,000	
<i>Credit</i>	<i>Capital Deposit Account</i>		\$75,000
<i>Debit</i>	<i>Interdepartmental transfer (CDA department)</i>	\$75,000	
<i>Credit</i>	<i>Interdepartmental transfer (Capital)</i>		\$75,000

In this example, note the requirement to process an interdepartmental transfer for the \$5,000 local contribution from surplus funds, \$60,000 general deposit and \$75,000 capital deposit contributions. This is required to ensure that the fund balance designated for capital projects will be zero, as all funds have been remitted to THQ. Without this entry the capital project fund balance would show a deficit balance.

7. Contributed Capital

At times ministry units may receive a donation of capital equipment, which will be used in day to day operations. When this occurs, ministry units must record the asset at the fair value when received. The donated item will be recorded as an asset and depreciated over its estimated useful life if the value is greater than \$5,000. If the value is less than \$5,000, the donated item will be recorded as an expense.

The following example will illustrate the entries that must be recorded:

A ministry unit received a donation of a photocopier on April 1st, which will be used in the office on a day to day basis. The value of the photocopier on April 1st is determined to be \$10,000. The estimated useful life is 5 years.

The ministry unit would book the following entries:

Receipt of photocopier:

<i>Debit</i>	<i>Equipment</i>	\$10,000	
<i>Credit</i>	<i>Donation income</i>		\$10,000

Recording of depreciation for the year:

<i>Debit</i>	<i>Depreciation expense</i>	\$2,000	
<i>Credit</i>	<i>Accumulated Depreciation-Equipment</i>		\$2,000

8. Loans & Mortgages

Currently, ministry units may be responsible for the repayment of debt either from internal loans or external mortgages. Any type of long term debt that exists can be classified either as an operating loan or a capital loan.

An operating loan represents funds that were received to assist the ministry unit in funding general operations. A capital loan will be present if the ministry unit received funds internally or externally to fund the purchase or renovation of a building. The accounting treatment for each type of loan will differ.

With an operating loan, ministry units must ensure the outstanding amount owing to the lender is recorded as a liability in the financial records. As payments are made monthly to reduce the balance owing, ministry units must expense the portion of the payment that represents interest and reduce the liability for the amount of principal repaid. In the majority of cases, operating loans are provided by THQ or DHQ.

The following example will illustrate the entries required for an operating loan:

A ministry unit receives an operating loan from THQ of \$10,000 on April 1st. A repayment schedule is set to repay \$200 / month, until the loan is paid in full. During the year \$2,400 is paid to THQ, of which \$2,000 represents interest charges and \$400 represents principal repaid.

To record the initial loan:

Debit	Cash	\$10,000	
Credit	Loan Payable - THQ		\$10,000

To record the loan payments:

Debit	Interest expenses	\$2,000	
Debit	Loan Payable - THQ	\$400	
Credit	Cash		\$2,400

As monthly repayments are recorded, ministry units will need to refer to the amortization schedule provided to determine the correct amounts to allocate between the loan reduction and interest expense.

For consolidation, all ministry units will be responsible to ensure that the loan payable balance and interest expense incurred ties to the records at Territorial Headquarters at March 31. To facilitate this, Territorial Headquarters will provide ministry units with regular reports on loan balances. If differences do occur, a journal entry will be required to bring the balance in line with THQ records.

The following example will illustrate how to correct for differences encountered:

The opening loan balance at THQ and ministry unit at April 1st is \$100,000. At March 31st, the ministry unit has a loan balance of \$98,500, with interest expenses totaling \$3,500. Territorial Headquarters has records of \$98,200 owing and \$3,200 charged as interest.

To correct this difference, the ministry unit would be required to book the following journal entry to bring the accounting records in line:

Debit	Loan Payable - THQ	\$300	
Credit	Interest expense		\$300

With a capital loan, the outstanding loan amount is not reflected in the ministry unit's financial statements as a liability. Capital loans are not reflected because ministry units do not record the value of the land and buildings to which the

loan applies. In the presentation of the financial statements, it would not make any sense to reflect a liability that relates to an unrecorded asset.

The repayment of principal and interest on these debts must be recorded as expenses to operations when paid. The expense incurred can be interpreted as a rental payment to occupy the building.

The following example will illustrate the entries required in this case:

A ministry unit has a capital loan with THQ, which requires a monthly repayment of \$500, which includes both principal and interest.

The monthly entry required would be as follows:

<i>Debit</i>	<i>Capital loan repayment (expenses)</i>	\$500	
<i>Credit</i>	<i>Cash</i>		\$500

9. Legacy Income / Reserves

Legacy income represents gifts received from individuals after their death through a will. All legacy income is allocated in accordance with the donor's wishes. Current practice will deposit funds to a ministry unit's general or capital deposit account in accordance with current policy, if the income is specified to a particular ministry unit. Other legacies that have been specified for a certain general purpose or geographical area are accumulated at Territorial Headquarters throughout the year and are provided to Divisional Headquarters as part of the budget process.

From a ministry unit perspective, there will be no changes as it relates to legacy income, other than the fact that ministries will now reflect any legacy income which is deposited into their capital deposit account, as a result of reflecting this balance in the financial statements.

10. Partners in Mission (PIM) / Home Missions Appeals

Current treatment of Partners in Mission and Home Missions funds have ministry units recording donations received as a liability on the financial statements. When the funds are remitted to headquarters, the liability accounts are reduced, with no impact on income or expenses at the ministry unit.

The following example will show how the entries are currently processed:

Ministry unit A receives \$5,000 from the congregation for Partners in Mission and \$3,000 for Home Missions, throughout the year. Remittances to headquarters for Partners in Mission and Home Missions at the remittance cutoff dates were \$4,500 and \$2,800 respectively.

Donations received:

<i>Debit</i>	<i>Cash</i>	\$5,000	
<i>Credit</i>	<i>Due to PIM Appeal</i>		\$5,000

<i>Debit</i>	<i>Cash</i>	\$3,000	
<i>Credit</i>	<i>Due to Home Missions Appeal</i>		\$3,000

Remittances made:

<i>Debit</i>	<i>Due to PIM Appeal</i>	\$4,500	
<i>Credit</i>	<i>Cash</i>		\$4,500

<i>Debit</i>	<i>Due to Home Missions Appeal</i>	\$2,800	
<i>Credit</i>	<i>Cash</i>		\$2,800

At the end of the year, the due to Partners in Mission and due to Home Missions accounts would have recorded balances of \$500 and \$200, which would remain as a payable until remitted to headquarters in the following year.

With the decision to recognize contributions under the restricted fund for revenues that flow through the various organizational levels, Partners in Mission and Home Mission funds must be recorded on the ministry unit’s financial statements as income when received and held as a restricted reserve. When funds are remitted to headquarters, ministry units will need to expense the allocation as a grant to headquarters.

Using the same example as above, the following entries would be processed to record the transactions:

Donations received:

<i>Debit</i>	<i>Cash</i>	\$5,000	
<i>Credit</i>	<i>Partners in Mission Income (Restricted contributions)</i>		\$5,000

<i>Debit</i>	<i>Cash</i>	\$3,000	
<i>Credit</i>	<i>Home Mission Income (Restricted contributions)</i>		\$3,000

Remittances made:

<i>Debit Grant to THQ-PIM (Restricted contributions)</i>	\$4,500	
<i>Credit Cash</i>		\$4,500
<i>Debit Grant to DHQ-Home Missions (Restricted contributions)</i>	\$2,800	
<i>Credit Cash</i>		\$2,800

The income and expense accounts established will need to close to a restricted fund balance, which is designated for its intended purpose.

At the end of the fiscal year, the restricted reserve fund balance accounts would be \$500 for Partners in Mission and \$200 for Home Missions. The fund balance at the end of the fiscal year will represent any additional funds that have been received by the ministry unit after the final remittance for the year was made to headquarters.

In the following year, the amount to be remitted will be determined by reading the fund balance section of the balance sheet. For example, at the time of remittance, the fund balance section may look as follows:

411999 Partners in Mission Opening Fund Balance	500	
Partners in Mission Opening Fund Balance - Current	4,800	

		5,300

\$500 represents the funds collected in the prior year after the remittance was made and \$4,800 represents funds raised to date in the current fiscal year. In this case, the ministry unit will remit \$5,300 for the Partners in Mission appeal for the year.

Any ministry units raising funds to support a child through THQ’s Child Sponsorship program would handle those transactions in a similar manner.

11. Gifts in Kind

Gifts in kind represent donations in the form of materials provided to a ministry unit from individuals or local businesses. Current accounting treatment for gifts in kind throughout the territory is varied and inconsistent. Some ministry units are recording the value of these gifts as income with an offsetting expense, while others may not be recording them at all.

According to GAAP, an organization has the choice to recognize the value of gifts in kind in the financial statements, however, the value should only be recorded when the fair market value can be reasonably estimated and when the goods are used in the normal operations and would have otherwise been purchased.

To ensure a consistent treatment of gifts in kind donations throughout the territory, ministry units should record gifts in kind to the extent the donation has been received and would have been purchased for operations had the donation not been received.

FINANCIAL STATEMENT PRESENTATION & DISCLOSURE

There have been a number of new concepts introduced in this document, along with a number of accounting policy changes required to achieve consolidation in the territory. To assist with the application and understanding of all of the information presented, Appendix B provides a detailed example of transactions occurring within a ministry unit during one year. A set of proforma statements have been provided in this appendix to illustrate the impact of the changes on financial statement presentation. Although this example uses a typical corps setting, social service units can still benefit, as the transactions will need to be recorded in the same manner. Social service units can think of the operating funds as different programs run through their operations.

APPENDIX A - SUMMARY OF ACCOUNTING ISSUES

ACCOUNTING ISSUE	CURRENT TREATMENT	REVISED TREATMENT
Revenue Recognition	<ul style="list-style-type: none"> • Restricted contributions are recorded as deferred revenue until funds are spent on intended purpose. 	<ul style="list-style-type: none"> • Restricted contributions related to funds transferred within various levels of the Salvation Army will be recognized as income when received, with unspent balances maintained in a separate fund balance account. • Other restricted funds will be deferred until funds are spent for the intended purpose.
Internal Transfers	<ul style="list-style-type: none"> • Many transfers within a ministry unit are recorded as income to one department and expenses in another department. 	<ul style="list-style-type: none"> • Internal transfers within ministry units will be recorded through the interdepartmental section or as expense recoveries.
Inter-entity transactions	<ul style="list-style-type: none"> • Inter-company transactions currently occur, with little attention on how these transactions are recorded. 	<ul style="list-style-type: none"> • Tracking and the reconciliation of transfers will be required. • Timely recording of all invoices from Salvation Army units is required.
Capital Deposit Accounts	<ul style="list-style-type: none"> • Capital deposit accounts held at THQ are not reflected in the financial statements of ministry units. 	<ul style="list-style-type: none"> • Capital deposits will be recorded in the financial statements as an asset with an offsetting restricted fund balance.
Property Maintenance Accounts	<ul style="list-style-type: none"> • PMA accounts are not reflected in the financial statements of ministry units. • Contributions to the PMA are reflected as expenses when paid. 	<ul style="list-style-type: none"> • PMA accounts will be reflected in the financial statements of ministry units as assets with an offsetting restricted fund balance. • Contributions to the PMA will be reflected as transfers from operations to a restricted fund. • Ministry units will be required to budget for all property expenditures.

ACCOUNTING ISSUE	CURRENT TREATMENT	REVISED TREATMENT
Capital Assets and Capital Projects	<ul style="list-style-type: none"> Contributions to capital projects are recorded as allocations to THQ through the operating departments. 	<ul style="list-style-type: none"> All revenue / contributions to capital projects will need to flow through a separate Capital Projects department.
Contributed Capital	<ul style="list-style-type: none"> Current treatment throughout the territory is inconsistent. 	<ul style="list-style-type: none"> Donated capital will be recorded at the fair value at the time of the donation. If the value is greater than \$5,000, the item will be recorded as an asset and depreciated over the estimated useful life. If less than \$5,000, the item will be expensed.
Loans and Mortgages	<ul style="list-style-type: none"> Capital loans and mortgages are not reflected in the financial statements of ministry units, and repayment of principal and interest are recorded as an expense. Operating loans are recorded as liabilities in the statements, with interest recorded as an expense, and principal repayment as reduction in the liability. 	<ul style="list-style-type: none"> Same as current treatment.
Legacy income / reserves	<ul style="list-style-type: none"> Ministry units record legacy income to the extent it is deposited to the general deposit account. 	<ul style="list-style-type: none"> Ministry units will record legacy income as it is received through both the general and capital deposit account.
Partners in Mission / Home Missions Appeals	<ul style="list-style-type: none"> Income from the appeals are recorded as liabilities on ministry unit books. 	<ul style="list-style-type: none"> Income from appeals will be recorded as income on the ministry unit books, with remittances being recorded as an allocation to headquarters.

APPENDIX B – PROFORMA FINANCIAL STATEMENTS

SCENARIO:

During the year (2009/10 fiscal year) the following transactions take place for Anytown Corps:

- a) Donations of \$11,250 were received for the Partners in Mission appeal. Partners in Mission funds remitted to THQ for the year totaled \$10,830.
- b) Donations of \$6,850 were received for the Home Missions appeal. Home Mission funds remitted to DHQ for the year totaled \$6,940.
- c) Legacy income totaling \$25,000 was received in the capital deposit account during the year. Interest earned in the capital deposit account amounted to \$1,860.
- d) An amount of \$10,000 was withdrawn from the capital deposit account to fund corps operations.
- e) Donations of \$20,000 were received and specified to purchase a new piano for the corps. As of March 31, 2010, the purchase has not taken place.
- f) A refurbished photocopier was purchased for \$5,400 during the year. Depreciation on all equipment owned totaled \$2,290 for the year.
- g) Contributions to the PMA were \$12,000, which was shared between the operating departments (\$6,000 - corps, \$3,000 - F/S and \$3,000 Thrift Store).
- h) Property taxes (\$3,200) and insurance (\$1,200) were paid directly from the PMA account. All expenses were shared 50% corps, 25% family services and 25% thrift store.
- i) Property maintenance expenses incurred and paid locally were \$6,500. All expenses were shared 50% corps, 25% FS and 25% Thrift Store. Anytown corps received a transfer of \$4,320 to offset property maintenance costs from the PMA.
- j) Thrift store profits of \$40,000 were allocated to the corps and family services in the amount of \$15,000 and \$25,000 respectively.
- k) An expansion to the corps building was undertaken and completed. Total cost of the expansion was \$320,300, which was funded by a THQ loan (\$270,000), a withdrawal from the general deposit account (\$20,000) and a withdrawal from the capital deposit account (\$30,300).

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- l) Total capital loan repayments totaled \$29,500 of which \$19,530 was the payment of interest and 9,970 represented the reduction of principal.
- m) Total operating loan repayments totaled \$1,800 of which \$280 was the payment of interest and \$1,520 represented the reduction of principal.
- n) Interest earned in the corps GDA totaled \$930. During the year \$15,000 was withdrawn and transferred to Anytown corps.

Other operating income and expenses for Anytown Corps were as follows:

	Corps	Family Services	Thrift Store
Donations	253,000	195,750	
Red Shield Allocation		65,000	
Fees for Services		112,000	
Sales Revenue			165,000
Other income	21,150		7,850
Salaries and Benefits	138,765	195,470	72,565
General Admin	56,745	67,250	11,050
Program expenses	59,780	110,450	

JOURNAL ENTRIES:

The following journal entries would be required to record the transactions which transpired through the year. Note the following abbreviations used for the departments specified:

- BS Balance sheet account
- Operating Operating department (e.g. senior corps, family services, shelter)
- RC Restricted contributions
- CDA Capital deposit account
- PMA Property maintenance account
- Capital Capital Projects

Department	Account Description	Debit	Credit
a)	To record receipt of donations:		
BS	Cash	11,250	
RC	Partners in mission income		11,250
	To record remittance paid to THQ:		
RC	Payment of partners in mission	10,830	
BS	Cash		10,830

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	Department	Account Description	Debit	Credit
b)		To record receipt of donation:		
	BS	Cash	6,850	
	RC	Home missions income		6,850
		To record remittance paid to DHQ:		
	RC	Payment of home missions	6,940	
	BS	Cash		6,940
c)	BS	Deposit Account – CDA	26,860	
	CDA	Legacy Income		25,000
	CDA	Interest Income from THQ		1,860
d)	BS	Cash	10,000	
	BS	Deposit Account – CDA		10,000
	CDA	Interdepartmental transfers	10,000	
	Operating	Interdepartmental transfers		10,000
e)	BS	Cash	20,000	
	BS	Deferred Revenue - Piano purchase		20,000
f)		To record purchase of photocopier:		
	BS	Furniture & Equipment	5,400	
	BS	Cash		5,400
		To record depreciation on equipment:		
	Operating(C)	Depreciation Expenses	2,290	
	BS	Accumulated Depreciation - F&E		2,290
g)	BS	Deposit Account – PMA	12,000	
	BS	Cash		12,000
	Operating(C)	Interdepartmental Transfer	6,000	
	Operating(FS)	Interdepartmental Transfer	3,000	
	Operating(TS)	Interdepartmental Transfer	3,000	
	PMA	Interdepartmental Transfer		12,000
h)	Operating(C)	Property Taxes	1,600	
	Operating(FS)	Property Taxes	800	
	Operating(TS)	Property Taxes	800	
	Operating(C)	Property Insurance	600	
	Operating(FS)	Property Insurance	300	
	Operating(TS)	Property Insurance	300	
	BS	Deposit Account – PMA		4,400
	PMA	Interdepartmental Transfer	4,400	
	Operating(C)	Interdepartmental Transfer		2,200
	Operating(FS)	Interdepartmental Transfer		1,100
	Operating(TS)	Interdepartmental Transfer		1,100

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	Department	Account Description	Debit	Credit
i)		To record payment of expenses:		
	Operating(C)	Property Maintenance	3,250	
	Operating(FS)	Property Maintenance	1,625	
	Operating(TS)	Property Maintenance	1,625	
	BS	Cash		6,500
		To record PMA transfer:		
	BS	Cash	4,320	
	BS	Deposit Account - PMA		4,320
	PMA	Interdepartmental Transfer	4,320	
	Operating(C)	Interdepartmental Transfer		2,160
	Operating(FS)	Interdepartmental Transfer		1,080
	Operating(TS)	Interdepartmental Transfer		1,080
j)	Operating(TS)	Interdepartmental Transfer	40,000	
	Operating(C)	Interdepartmental Transfer		15,000
	Operating(FS)	Interdepartmental Transfer		25,000
k)	Capital	Allocation to Capital project - GDA	20,000	
	Capital	Allocation to Capital project - CDA	30,300	
	BS	Deposit Account - GDA		20,000
	BS	Deposit Account - CDA		30,300
	Operating(C)	Interdepartmental transfer	20,000	
	CDA	Interdepartmental transfer	30,300	
	Capital	Interdepartmental transfer		50,300
l)	Operating(C)	Capital loan repayment	29,500	
	BS	Cash		29,500
m)	Operating(C)	Interest on operating loan	280	
	BS	Loan Payable	1,520	
	BS	Cash		1,800
n)		To record interest earned on deposit account:		
	BS	Deposit Account - GDA	930	
	Operating(C)	Interest income from THQ		930
		To record GDA withdrawal:		
	BS	Cash	15,000	
	BS	Deposit Account - GDA		15,000

FINANCIAL STATEMENTS:

The financial statements for Anytown Corps would look as follows for the year ending March 31, 2010.

**The Salvation Army
Anytown Corps
Balance Sheet
as at March 31, 2010**

	2010	2009
ASSETS		
Cash & cash equivalents		
Bank	115,295	75,060
General deposit account	35,370	69,440
Capital deposit account	24,215	37,655
Property maintenance account	14,330	11,050
Receivables	360	660
Prepaid expenses	640	900
Capital assets		
Furniture and Equipment	4,860	1,750
	<u>195,070</u>	<u>196,515</u>
LIABILITIES		
Accounts payable & accrued liabilities	4,540	16,990
Operating Loan	4,900	6,420
Deferred revenue	20,000	0
	<u>29,440</u>	<u>23,410</u>
FUND BALANCES		
Operating Funds		
Corps	21,620	60,850
Family Services	49,335	41,120
Thrift Store	48,600	15,230
Capital Fund	0	0
Other Restricted Funds		
Specified Donations	7,530	7,200
Capital Deposit	24,215	37,655
Property Maintenance Deposit	14,330	11,050
	<u>165,630</u>	<u>173,105</u>
	<u>195,070</u>	<u>196,515</u>

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**The Salvation Army
Anytown Corps
Statement of Operations
Year ended March 31, 2010**

	Operating Funds			Restricted Funds				Total	Total
	Corps	Family Services	Thrift Store	Capital Projects	Specified Donations	Capital Deposit	Property Maintenance	2010	2009
REVENUE									
Donations	253,000	195,750			18,100			466,850	462,500
Legacy income						25,000		25,000	-
Interest income	930					1,860		2,790	3,120
Red Shield Income		65,000						65,000	82,500
Fees for services		112,000						112,000	105,000
Sales of textiles and other used products			165,000					165,000	154,890
Other	21,150		7,850					29,000	30,000
	275,080	372,750	172,850	-	18,100	26,860	-	865,640	838,010
EXPENSES									
Salaries & benefits	138,765	195,470	72,565					406,800	395,000
General and administrative expenses	56,745	67,250	11,050					135,045	132,000
Program expenses	59,780	110,450						170,230	162,540
Property and equipment	5,450	2,725	2,725	29,500				40,400	90,100
Amortization	2,290							2,290	1,250
Interest expense	280							280	275
Allocations to other Salvation Army entities									
Management Support Assessment (Note X)	24,860	12,820	12,320					50,000	50,000
Other				50,300	17,770			68,070	40,000
	288,170	388,715	98,660	79,800	17,770	-	-	873,115	871,165
Net surplus (deficit)	-13,090	-15,965	74,190	-79,800	330	26,860	-	-7,475	-33,155

The Salvation Army
Anytown Corps
Statement of Changes in Fund Balances
Year ended March 31, 2010

	Operating Funds			Restricted Funds				Total	Total
	Corps	Family Services	Thrift Store	Capital Projects	Specified Donations	Capital Deposit	Property Maintenance	2010	2009
Fund balance, beginning of year	60,850	41,120	15,230		7,200	37,655	11,050	173,105	206,260
Net surplus (deficit)	-13,090	-15,965	74,190	-79,800	330	26,860	0	-7,475	-33,155
	47,760	25,155	89,420	-79,800	7,530	64,515	11,050	165,630	173,105
Interfund transfers									
Operating fund transfers	10,000					-10,000		-	-
PMA Transfers	-1,640	-820	-820				3,280	-	-
Building project funding	-20,000			50,300		-30,300		-	-
Capital loan payments	-29,500			29,500				-	-
Thrift store profits	15,000	25,000	-40,000					-	-
	-26,140	24,180	-40,820	79,800	-	-40,300	3,280	-	-
Fund balance, end of year	21,620	49,335	48,600	-	7,530	24,215	14,330	165,630	173,105