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A publication of the Finance Department, The Salvation Army Canada & Bermuda Territory.

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Money & Mission



Editorial

INTEGRITY: TRUSTWORTHINESS AND ACCOUNTABILITY

The Salvation Army's list of core values includes integrity which is defined as: "we are honest, trustworthy and accountable". Some would say that trustworthiness and accountability are out of sync. If I am trustworthy, why do I have to be to be accountable?

Accountability is the "proof in the pudding". It is the objective evidence that, in fact, I am honest and trustworthy. I may be completely trustworthy, but, if I am not being accountable, how is anyone to know that I am trustworthy other than me?

The finance department takes great care with the financial statements it publishes. We want them to be a true reflection of the Army's financial position and the revenues and expenses associated with our operations. Great effort goes into ensuring they are as accurate as possible. Without an external audit, however, we recognize that the credibility of our financial statements is open to question. The auditor's report lets everyone know that our trustworthiness has held up to scrutiny. It is tangible evidence of our integrity.



Giving Hope Today

Volume IV, Issue 3
November 6, 2013

DID YOU KNOW?

CANADA REVENUE AGENCY CHECKLISTS

The Canada Revenue Agency has a number of checklists available to help organizations keep track of various requirements for operating as a charity. They can be downloaded from <http://www.cra-arc.gc.ca/chrts-gvng/chrts/chcklists/menu-eng.html>

IN THE NEWS

WORST CHARITIES --- A year-long investigation in the U.S. has supposedly identified America's 50 worst charities. The report, by the Tampa Bay Times, highlighted charities that channel most of the money they raise to professional solicitors, deceive donors and inflate the amounts they report spending on their mission. While some are critical of the report, it is another call to ensure that their practices can stand up to external scrutiny. (Source: The Chronicle of Philanthropy).

Subscribe era where there is no distinction between government and public organizations, The Salvation Army must set an example for others to follow. We are people of integrity and we are willing to demonstrate it through our accountability.

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Comments, Suggestions?

Do you have comments on any of the topics raised in this issue, or suggestions for a future issue? Write to us at: Money&Mission@can.salvationarmy.org.

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Charity Corner

ISSUING CHARITABLE RECEIPTS

A registered charity **cannot issue receipts** for the following:

1. for contributions of services provided to the charity (services do not qualify as gifts);
2. on behalf of another organization or charity; OR
3. in a name other than the name of the true donor.

An example of the first instance would be when an agreement to rent property is negotiated with a landlord who is prepared to charge less than fair market value in exchange for a receipt. Unfortunately, a landlord cannot receive a receipt for discounted or free rent. Provision of space is considered a service and, as noted above, services do not qualify as gifts under the Income Tax Act.

In cases where a landlord wishes to make a donation, the rental agreement should be established at fair market value, and the landlord should write a cheque back to the Army for any donation amount. Care should be taken to avoid referring to the planned donation in the rental agreement. To do so could be interpreted that the 'donation' was consideration for signing the agreement, which would nullify the donation as a charitable gift. If the donation is mentioned in the agreement at all, it should be very clear that it is a voluntary act on the part of the landlord that is ancillary to the agreement. The best approach is to avoid any reference to the donation in the agreement. Of course, this means that there is a risk that the landlord will default on his pledge to provide a donation. But this is the risk that we assume with all pledges.

The second situation can occur when we are asked to cooperate with another organization with a similar mission or programs as ours. In a number of cases, we have been asked to issue charitable receipts on behalf of other organizations that do not have charitable status and then turn the funds over to them to be administered. This contravenes the Income Tax Act. A registered charity may not issue receipts for gifts that it will allocate to other organizations to administer. No matter how benevolent or worthwhile the other organization's activities may be, any funds diverted to it by a charity will represent a breach of charitable trust and place its registration in jeopardy.

The third case is the most frequently observed. This is when you receive a cheque from "John Doe", but are asked to issue the receipt in the name

Comments, Suggestions?

Do you have comments on any

Subscribe of a third party who is a relative or friend. This is
Share permission to issue Past Issues the name of
Issue an individual or organization, the funds must have
Past Issues been received from that person or entity.

Ensuring that you do not issue receipts in these three situations will save you a lot of grief if you are subjected to a charity audit by the CRA.

Special Feature

CONNECTING THE DOTS: PART III



The purpose of this six-part article is to help connect the dots between some of the recent policy initiatives that call for increased accountability measures and the forces behind them. There are four key issues that are driving our focus on accountability. In the last issue, we reviewed the theological imperative for accountability.

The second key issue is societal expectations. Never before in our history has there been such an overarching expectation in our society that public and charitable organizations will be accountable for the way they spend their funds.

Just mention the eHealth scandal in Ontario or the expense issues in the federal senate and you will understand how outraged people are about leaders who violate the rules and misuse public funds for their personal gain.

The Canada Revenue Agency is increasing its focus on how charities are spending funds; we are seeing more disclosure and reporting requirements, more funding for charitable audits and a greater range of penalties that can be levied against charities.

In Ontario, we've seen new rules that impact all branches of government as well as organizations, such as The Salvation Army that fall into the broader public sector as a result of government funding. These rules call for increased disclosure of information such as policies governing reimbursable expenses and more stringent requirements in areas such as contracting for goods and services.

We've seen increasing media attention on how public organizations and charities spend public funds and donations. Across the charitable sector, it is clear that we are going to have to make much more information available publicly and answer more questions about how we use the funds entrusted to us.

of the topics raised in this issue, or suggestions for a future issue?
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