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Money & Mission

Editorial

Budgeting and Strategic Priorities

As this issue is being released, members of the Territorial Finance Council will be meeting to review the 2014/15 budgets for THQ and DHQ entities, as well as divisional proposals for allocations to ministry units.

Today's meeting is the culmination of work that commenced last April when we commenced calculation of projections for the year ahead and started developing proposals

Giving Hope Today

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QUOTES WORTH REPEATING

"In the social sectors, the critical question is not 'How much money do we make per dollar of invested capital?' but 'How effectively do we deliver on our mission and make a distinctive impact, relative to our resources?" - Jim Collins

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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To unsubscribe, send us an e-mail with the subject line "Unsubscribe". We'll be sorry to see you go, but we'll promptly for key fiscal strategies to be implemented.

In the months since then, leadership at every level in the territory has been engaged in developing budgetary plans for 2014/15. It's difficult to calculate precisely how many person hours have been committed to this planning exercise, but it is significant.

There are those among us who will say that the time spent preparing the budget is a waste of time, but I would beg to differ. Developing a budget is the way in which we breathe life into our plans for mission. It's really the test of whether we mean what we say is important to us.

I will always remember that during General Linda Bond's term as chief secretary, she asked to what extent I thought the budget actually reflected our strategic priorities. No one had ever asked that question before, and it provided a perfect opportunity for us to discuss which parts of the budget reflected mission priorities and which parts simply provided resources to keep doing what we had always done.

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For some, the budget has been finalized and put away, with little thought to be given until it is time to prepare the next one. For most, we hope that the budget will be a key management tool to help keep us on track in the year ahead. We also hope that the exercise of planning has helped us to better understand the cost of what we do, not only in terms of dollars and cents, but also in terms of the lost opportunity of doing “X” when we could be doing “Y”. As long as the mission return on investment associated with “X” is higher than that to be derived by “Y”, we’re making the optimal choice, but what if that isn’t so? Do we have the courage to stop doing “X” in order to apply resources to “Y” with the expected increased mission return on investment? This is really the most important question to be asked as we approve the budget for another year.

Accounting & Financial Reporting Focus

Year-end for Ministry Units

In the next few weeks, the 2013/14 fiscal year will close and the year-end process will begin. THQ, DHQs, and externally audited ministry units will close their books on April 16, while other ministry units are scheduled to close their books by May 2. At this time, the financial reporting team at THQ will commence the task of consolidating the results of over 450 entities, preparing adjustments to eliminate inter-entity payables, receivables, revenues and expenditures, while drafting the consolidated financial statements.

By now, all ministry units performing their own accounting should have received a year-end preparation package, which will help ensure a smooth consolidation process. If you did not receive the package, please e-mail THQ_Consolidation@can.salvationarmy.org to receive a copy right away. THQ finance clients will be contacted directly by your local finance staff with requirements to ensure a successful year-end.

Below are a number of items that should be completed so that you are ready for year-end:

- Review the general ledger in detail, ensuring any errors found are corrected prior to year-end.
- Ensure all bank reconciliations are current, writing-off any stale-dated cheques (i.e. uncashed cheques outstanding for six months or longer), and record any permanent adjustments.
- Evaluate prepaid expense accounts to ensure that only amounts that meet the definition of an asset appear in the balance.
- Review all additional balance sheet accounts to ensure that there are appropriate account reconciliations for each account. (i.e. accounts receivable and payable sub-ledgers balance to the control accounts, prepaid accounts are up-to-date)
- Review all expenses to ensure that any items valued at $5,000 or more acquired during the year have been capitalized, and all depreciation and amortization entries are up to date.

- Ensure that all related party transactions are recorded to the correct accounts (i.e. red shield allocations, deposit accounts interest, etc.)
- Review deferred revenue and contributions accounts so that that appropriate amounts have been recognized as income in the current year.
- All Salvation Army Editorial magazines should be posted to 722800 SA Publication Purchases to ensure the consolidation team can easily identify the inter-entity transactions.
- Do not post any entries directly to fund balances as this will result in variances to the opening fund balances.
- Do not post to your general ledger after the published cut-off date.
- If you are an audited unit, ensure that you record audit adjustments and reconcile your audited financial statements to Shelby.This is critical as discrepancies will cause fund balance issues in the current year as well as in future years.

Charity Corner

Charitable Giving vs. Private Benevolence

The difference between a charitable gift and private benevolence is an important issue for all charities to understand because official receipts for income tax purposes cannot be issued for gifts received for the funding of private benevolence.

The Income Tax Act's definition of charitable gift restricts donors from choosing the specific beneficiaries of their donations. A donation subject to a general direction from the donor that the gift be used in a particular program operated by the charity is acceptable, provided that no benefit accrues to the donor or anyone not at arm's length to the donor.

When a charity does not have ultimate control over donated funds, or when a benefit accrues to the donor from donated funds, these funds do not constitute a gift and are not eligible for an official donation receipt

The Canada Revenue Agency (CRA) views private benevolence as an otherwise charitable act which provides a benefit to a specific predetermined individual (or group of individuals). Funds collected for acts of private benevolence do not meet the requirements of charitable "gifts" as defined by the Income Tax Act, and as a result, a charity cannot issue charitable receipts to the donors of these monies. Nor should a charity be involved as a conduit by which individuals make contributions for acts of private benevolence.

The main factor that results in an act of private benevolence is that the beneficiary is identified before donations are collected and disbursed. The following are some examples of seemingly charitable acts, which do not meet the requirements of the Income Tax Act and, as a result, are viewed by the CRA as private benevolence:

1. A corps takes up a collection to help support an overseas missionary who is in need of medical treatment.

2. A donor wants to assist a particular family whose house and possessions have been lost to a fire.
3. A donor wants to pay camp fees on behalf of a relative or friend who is attending a summer camp.

In all of these situations, while the assistance provided is commendable, the contributions made are designated for the benefit of a specific person or persons who were previously chosen by the donors, and as result, constitute private benevolence, rather than charitable giving.

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