

Did You Know?

The late Colonel Robert Watt holds the distinction of being the longest-serving financial secretary in the history of the Canada and Bermuda Territory, having served for 17 years from 1948 to 1965. Watt spent his entire officer career in finance appointments, commencing with the Canada West THQ finance department in Winnipeg in 1929.



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Editorial

In an article for the Philadelphia Social Innovations Journal, David Hunter argues that there is virtually no credible evidence that most not for profit organizations actually provide any social value. We beg to differ.

The story of The Salvation Army's work in Canada and around the world is one of transformed lives, of men, women and children who came through the Army's doors hopeless and left, not just with the basic necessities of life, but with renewed hope and purpose.

The critics say that we have no reliable systems to measure outcomes. That's because you can't measure the value of a transformed life.

This is the work that we are engaged in. For those of us who battle daily with budgets and spread sheets, vouchers and disbursements, policy and compliance, it may seem that we are far removed from the trenches where the Army's real warfare goes on.

But in the streets of our cities, under the bridges, beside park benches, in shacks and tenements that hardly deserve to be called "home", our colleagues, both staff and volunteers, are delivering hope.

So, roll up your sleeves. Pay attention. They deserve our best. Your job, and mine, is to ensure that the financial resources entrusted to the Army are managed with prudence and excellence so that they can have the maximum impact on mission outcomes that our colleagues in the trenches are working so hard to achieve.

In The News

ACCOUNTING STANDARDS CHANGES LOOMING --- The Accounting Standards Board and the Public Sector Accounting Board have announced a joint project to review and revise certain features of current accounting standards for not-for-profit organizations in both the private and public sectors. A draft statement of principles has been released for comment by September 2013.

Accounting & Financial Reporting Focus

Work on the March 2013 year-end and external audit is well underway. By the time this issue reaches you, ministry unit audits will be complete and, in most cases, audited financial statements will have been approved for publication.

Preliminary financial information about the territory as a whole is becoming available and we are pleased to share some highlights.

The Territorial Headquarters General Fund finished the year with a surplus of \$1.3 million, on track with the approved budget overall.

Most of THQ's commercial operations did well. National Recycling Operations realized a net profit of \$7.4 million, almost \$1 million ahead of budget. Jackson's Point Conference Centre realized a profit of \$104,000. The Supplies & Purchasing Department realized a small loss of \$55 thousand, due to some extraordinary expenses.

Grace Communities Corporation did well in terms of cash flow prior to depreciation, but had a deficit of \$0.4 million after depreciation of \$1.1 million had been recorded.

The Army's investment portfolios had a strong year despite continued volatility in the capital markets. The General Investment Fund realized a return of 9.5%, while the Officers' Retirement Trust Fund achieved 9.8%. Both funds outperformed their benchmark of 8.0%.

Fundraising results were mixed. Legacy income was up 9%, with total income of \$41.2 million, of which 52% was free of any donor specifications or restrictions. The National Red Shield Appeal showed a slight decline for the first time in a number of years. \$44.1 million was raised, down almost \$1 million from last year. Much of the decrease can be explained by a large legacy earmarked for the Appeal in 2012, without a similar amount being received this year. The World Services Appeal realized \$1.2 million, up \$0.1 million from last year.

Divisional results were mixed as well. Most divisions realized surpluses. Only Alberta, British Columbia and the Maritime Divisions incurred deficits. All but one division has sufficient unrestricted and uncommitted reserves to fund three months' operations, and that division (Ontario Great Lakes) is on a plan to achieve the target reserve level.

Preliminary results for ministry unit show that 163 of 466 units (for accounting purposes) incurred deficits, compared to 191 in fiscal 2012. The average deficit declined to \$53,000, compared to \$57,000 last year. However, 26 ministry units have a deficit greater than \$100,000, compared to only 11 last year. 265 ministry units have sufficient unrestricted reserves to fund three months' operations, up from 235 last year.

Overall, the finance department's view is that the Army in Canada and Bermuda is in reasonably good financial shape, with most indicators on a positive trend line. We continue to be concerned about the financial position of ministry units with deficits. When they are temporary, they are of little concern. When they recur year after year and result in the erosion of a unit's reserves to the point that its future viability is in jeopardy, then we have to be very concerned. We are pleased, however, with the overall reduction in the number of ministry units with deficits this year and the increase in the number with sufficient unrestricted reserves.

Reader Reaction

FRANCHISING THE SALVATION ARMY

Our editorial about innovation in the April 17 issue prompted this response from a reader:

"My view in 30 years knowing our down turn in Officer ranks and the battle we have in a flooding market of Thrift Stores is sewn up in one word "FRANCHISE".

I have looked at this for the last 15 years and thought why not start with our Thrift Stores. Franchise licenses to small communities. Rules set down for every store. Percentages collected and licensing fees collected as in any franchise.

They can use the Army name. We control as any Franchiser would without the work involved of collecting clothing etc.

If it works for Thrift Stores why not look at doing it with our churches. We still control the qualifications of those we allow to run our churches as Pastors etc. I know there would be some work to it but we are already seeing Corps unofficered that could be given over to a Pastor looking for a church. Still a franchise set up. When you think of it that's exactly what our Corps are. The members pay all the bills, do the upkeep, manage the programs both Army and others (Alpha eg.). We pay our franchise fee in the way of MSA and we are monitored as to whether we are living up to the franchise agreement O&R and Minutes. We use the music that the franchiser supplies and we are licensed for music under their name.

I'll leave it there but that's my view of our future survival."

What do you think? Could we franchise The Salvation Army? Should we?



Giving Hope Today

Money & Mission

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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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