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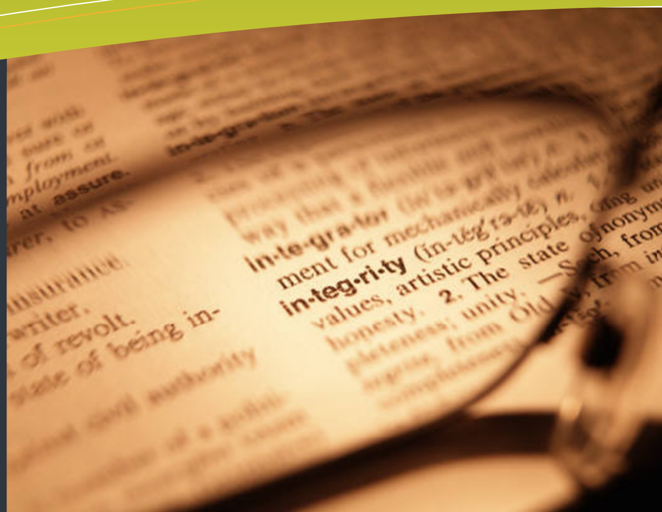
Money & Mission



this issue

Did You Know?

Imagine Canada has created a special website designed to help charities understand their obligations to the Canada Revenue Agency. Called Charity Tax Tools, the new site is really worth checking out. See for yourself, at http://charitytax.imaginecanada.ca/.

Editorial

Most officers, employees, and volunteers who are involved in Army finance possess impeccable integrity. It shows in their work and their stewardship of Army funds. Every now and then, however, we run across questionable practices by some individuals who have responsibility for financial management. By highlighting these practices, we hope to discourage others from making the same mistakes. Here are two examples we've recently encountered.

Some corps are abusing the fact that sales between parts of the same organization are exempt from sales taxes, whereas sales to individuals are taxable. To avoid paying taxes, a corps will order uniforms and other Army supplies for corps members from the supplies and purchasing department, then pass the goods onto corps members without collecting taxes. Individual Salvationists should be ordering directly from supplies and purchasing and paying the appropriate sales taxes. Using the corps books to avoid paying tax is tax evasion. There's no other way to say it, I'm afraid. If you've been guilty of following this practice in your ministry unit, you should stop doing so immediately.

We have also discovered that some individuals are using personal credit cards offering air miles or other loyalty rewards to pay as many business expenses as possible, including those that could be billed to the ministry unit, just so they can accumulate air miles. This practice is not appropriate, for two reasons. First, the practice often denies the Army more favourable credit terms. Second, the practice provides a benefit to the officer or employee which is not available to other staff. Official expenses should be billed by the vendor, or charged to a corporate credit card. Individuals should only charge official expenses to their personal credit cards in limited and infrequent circumstances.

Responsible stewardship starts with the acknowledgement that the funds we handle are not ours. Let's ensure that our practices demonstrate that we understand this.

Obligations of a Registered Charity to File a T3010

Under the *Income Tax Act*, every registered charity must file annually an information return on form T3010. The return must be filed no later than six months after the end of the charity's fiscal period. The Army's fiscal year ends on March 31st, which means that our T3010's are due by September 30th.

The consequences of not filing a T3010 can be severe. Any ministry unit that does not file its return can lose its registered statues and is liable for a $500 penalty. Losing registered statues means the unit can no longer issue tax receipts for donations and will also be liable to pay a revocation tax equal to the full value of its assets.

If a charity's registration is revoked, it can apply for re-registration. In addition to paying the late filing penalty, the charity will need to file all missing information returns. Re-registration will only be granted if the organization meets all of the current registration requirements. The registration process can be a lengthy one.

We urge ministry unit leaders to make sure that procedures are in place to meet the filing deadline.

Year-End is Approaching

It's hard to believe, but we are now in the final days of fiscal 2011. We have received your budgets for fiscal 2012 and are reviewing them prior to presentation to the territorial finance council on March 16, 2011. This means that we will now shift our focus to the preparation of our first ever consolidated financial statements. This project will be our number one priority from now until the end of June, when consolidated financial statements are to be presented to the territorial finance council for approval. Our staff is very excited about this significant milestone in our history. However, we recognize that there is a lot of work to be completed during the next few weeks, if we are to be successful.

We need your help! Unless you've been living under a rock for the past few months, you will know that consolidation will require effort by everyone who has financial responsibility in the territory. This is particularly the case if yours is a ministry unit that manages its own accounting or uses a service provider other than the finance department's regional offices.

The last few issues of *Money & Mission* have provided instruction and guidance to help you understand what you need to do and when. In addition, as noted in the last issue, we've now issued final instructions to every ministry unit in the territory. These documents can be downloaded from the finance department web page on Salvationist.ca or you can send us an e-mail at money&mission@can.salvationarmy.org to request a copy. After reading these documents, if you're still struggling with what you have to do, get in touch with us. We'll have someone on our staff contact you by telephone to answer any questions and walk you through the process.

We're expecting a lot from you, but we promise to give you all the help you need. Our thanks in advance for the significant part that you will play in helping the Army in Canada & Bermuda achieve this significant financial reporting milestone.

Finance Webinars: March 31, 2011

Getting Through Year End: ***Assistance for the March 31, 2011 year end process***
System Requirements:
PC-based attendees: Windows® 7, Vista, XP or 2003 Server
Macintosh®-based attendees: Mac OS® X 10.4.11 (Tiger®) or newer

Space is limited. Register today to ensure a place is reserved for you. Two sessions are being held. Choose the one that is appropriate for you.

Ministry units audited by KPMG
Thursday, March 31, 2011 - 11:00 a.m. to 12:00 p.m. (Eastern Daylight Time)
Register here: https://www3.gotomeeting.com/register/958169910

Ministry units not externally audited
Thursday, March 31, 2011 - 1:00 p.m. to 2:00 p.m. (Eastern Daylight Time)
Register here: https://www3.gotomeeting.com/register/689005614

After registering, you will receive a confirmation e-mail containing information you will need to join the webinar.

To Capitalize or Not to Capitalize

Ministry units frequently ask us how to treat costs associated with property projects - should they be expensed or capitalized? If they are to be capitalized, who should record the costs – THQ or the ministry unit? Here are some answers.

What is a capital expense?

To be treated as capital, the costs in question must be directly attributable to the purchase or construction of a new asset or be considered a betterment. A betterment is defined as "costs incurred which directly contribute to an increase in the useful life or service potential of an existing asset".

Costs associated with furnishings or equipment that are not building fixtures and are over $5,000 are also treated as capital expense.

What is an expense?

Costs incurred to maintain the performance of an existing asset are considered repairs and maintenance and should be expensed when incurred. Below is a list of items that are typically expensed under repairs and maintenance:

- Replacement of existing kitchen or bathroom fixtures and cabinets
- Replacement of existing equipment – e.g. furnace, hot water heater, HVAC unit
- Roof repairs or replacements

Who records a capital expense?

THQ will typically record capital costs associated with the following items on its statements:

- Purchase of a building or piece of land
- Construction of a new building
- Creation of new rooms or additions – e.g. adding a new bathroom or kitchen where one did not previously exist
- Installation of new equipment affixed to the building – e.g. elevator, HVAC unit
- Land improvements – e.g. new or upgraded parking lots

The only capital costs to be recorded by ministry units on their statements are those associated with furnishings or equipment that are not building fixtures and are over $5,000, Ministry units should not be recording capital costs relating to land and buildings.

Need help?

If your ministry unit is involved in a property project and you are unsure of the proper accounting treatment of costs, please refer to section 0608 of the territorial finance manual or contact the finance department for further guidance.

Giving Hope Today

Money & Mission

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Issue 11, March 9, 2011

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**.

Subscription

To subscribe, send us an e-mail with the subject line "Subscribe". To unsubscribe, send us an e-mail with the subject line "Unsubscribe". We'll be sorry to see you go, but we'll promptly take you off our mailing list. Send your request to: **Money&Mission@can.salvationarmy.org**.

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