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Money & Mission

this issue

Editorial

"We sure could use a little good news today." So goes the song made popular by Anne Murray in the early eighties. The song may be thirty years old, but the sentiment is still relevant. We're bombarded with bad news on every front.

There's no doubt that we are facing many serious issues and that the world could be in much better shape, but we've got to stop focusing on the negatives. There are a lot of good things happening, too.

A respected colleague and mentor recently directed my attention to an article entitled Reasons for Rejoicing by Paul Johnson in the April 23, 2012 edition of Forbes magazine. It's well worth a read if you can locate a copy.

Johnson contends that, if we look back a few decades, there were plenty of naysayers who predicted doom and gloom for this humble planet of ours. Most predictions have been wrong. Johnson says, "The world is becoming a better place. That simple fact is based on hard evidence that gives the lie to various pessimistic and gloomy prophecies . . ." He goes on to support his argument by rebutting a number of theories that have dominated the doom and gloom agenda for some time. Johnson's conclusion: "The world is on the brink of an unprecedented era of prosperity and progress . . . We have good reasons to count our blessings."

Did You Know?

Booth University College now has a four-year Bachelor of Business Administration degree program and is developing a Certificate in Business Administration program for Salvation Army officers and employees.

Accounting

ACCOUNTING FOR PENSIONS & OTHER POST-RETIREMENT BENEFITS

The Accounting Standards Board has issued an exposure draft outlining proposed changes in the accounting for pensions and other post- retirement benefits. The proposal would eliminate the current smoothing approach which allows an organization to defer and amortize changes in the values of plan assets and liabilities, with all fair value changes recorded immediately.

This new approach would result in greater volatility from year to year, commensurate with the volatility in financial markets. However, it would result in much better valuations on the balance sheet, simpler accounting and disclosure requirements and easier to understand information.

Once approved, these changes would be effective for fiscal years commencing on or after January 1, 2014. The finance department will continue to monitor this proposal and will provide appropriate direction to affected ministry units, well in advance of the change.

Financial Management

MANAGEMENT SUPPORT ASSESSMENT: YOUR MONEY AT WORK

Most people in our organization know about Management Support Assessments or "MSA". However, not as many people understand why MSA exists and how it is used. MSA was introduced in 2006 to replace what had originally been introduced as a tithe from ministry units to headquarters. Although the concept of tithing had been in place almost since the Army's beginnings, over the years it morphed into a variety of charges and bases for sharing the Army's overhead costs among ministry units.

The new MSA policy introduced a standard definition and basis for assessment so that MSA could more equitably be charged to all ministry units.

In the beginning, MSA was a charge of 10%, subject to an overall maximum of $50,000 per year. There have been several changes since 2006; today, the assessment rate is 7.5%, with a maximum of $72,500 per year.

In fiscal 2012, MSA accounted for $16.3 million of revenue to territorial headquarters, which represented just under 38% of its total revenue for the year. MSA, investment earnings and legacy income together account for 99% of revenue.

The territorial headquarters budget covers the operating expenses for territorial headquarters, including allocations to the College for Officer Training and Booth University College ($17.5 million), the eight divisional headquarters in Canada ($10.3 million), and a number of territorial allocations and grants ($9.2 million).

These grants and allocations included a $4.5 million subsidy to the officer benefit plan (over and above the officer benefit levy paid by ministry units), $1.0 million in congregational ministry grants, $0.7 million to cover costs related to officer appointment changes, and $0.7 million to International Headquarters.

MSA avoids the need for services provided by THQ departments to be charged on a fee for service basis. There are some exceptions where such fees are charged, e.g. for regional accounting services.

The territory's goal is to reduce MSA to 5% over time, thereby reducing the burden to smaller ministry units.

In the News

IMAGINE CANADA LAUNCHES STANDARDS PROGRAM ---- On May 8, 2012, Imagine Canada launched its new standards program. Imagine Canada and its partners on the project, Volunteer Canada and the HR Council for the Nonprofit Sector, say the program is "designed to strengthen public confidence in the charitable and nonprofit sector...[and] is one of the first-of-its-kind globally at a national level." Seventeen organizations have been accredited under the program to date. The Salvation Army is discussing its accreditation with Imagine Canada and hopes to achieve this in the near future.

NEW REPORT ADVOCATES CHANGES TO LAW ON CHARITY FUNDRAISING ---- A new report released by the C.D. Howe Institute says that Canadian law should permit charities to raise funds through business income from both related and unrelated businesses. In *At the Crossroads: New Ideas for Charity Finance in Canada*, authors Adam Aptowitzer and Benjamin Dachis find that, in the face of financing challenges, charities need the flexibility to finance their non-profit activities through businesses governed by separate, arm's-length boards.

RED SHIELD APPEAL STATISTICS ISSUED ---- A recent report by the Public Relations & Development department at territorial headquarters indicates that 85% of funds raised in the national Red Shield appeal comes from three sources: 59% from the direct mail program, 14% through local public relations offices and 11% from internet donations. The annual blitz, once the cornerstone of the Army's fundraising, now raises less than 1% of total funds which amounted to $45 million in the fiscal year ending March 31, 2012.

THE SALVATION ARMY
Giving Hope Today

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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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