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Money & Mission

this issue

Did You Know?

Almost 1,500 charities have had their registration revoked by Canada Revenue Agency to date this year. Of these, half have been revoked for failure to file the Charity Information Return (T3010).

Editorial

In our last issue, we reported on the finance department's strategic plan for the next three years and outlined the four major priorities of that plan. These are:

Automation: *Embracing new technology to improve efficiency across the organization.*

Staff development: *Engaging and equipping for mission.*

Client needs: *Seeking to better understand and respond to frontline needs.*

Financial management: *Achieving excellence in stewarding the Army's resources.*

We are finalizing an action plan of specific projects and initiatives that focus on each of these areas, but in the meantime, several projects are already underway. We will be telling you more about these in future issues.

The way in which the finance department conducts its business will be radically changed in the next three years as we transform from paper to electronic documents and from manual to automated processes. By reducing time spent recording transactions, we will have more time for in depth analysis and meaningful reporting to better serve decision makers throughout the organization.

Charity Corner

GIFT IN KIND DONATIONS

Determining when it is appropriate to issue a gift in kind tax receipt continues to be confusing for many. Yet, as a charitable organization, it is critical that we adhere to the CRA's guidelines for issuing charitable tax receipts. This article sheds some light on gift in kind receipting.

There are several steps to follow when examining a gift in kind donation. The first, and most important, is to determine whether it meets the CRA's criteria for a gift in kind donation. According to the CRA, a gift in kind is defined as a gift of property other than cash, such as capital property or personal property. A donation of services such as time or expertise does not qualify as a gift in kind donation and is not eligible for a charitable tax receipt.

If a donation constitutes a gift in kind donation, the next step is to ensure the gift is valued appropriately. The goods must be valued at fair market value, which is the price the goods would receive in an open market. Items valued over $1,000 must be valued by an independent appraiser who is not associated with the charity or the donor. Items under $1,000 can be valued by a knowledgeable staff member.

When issuing an official tax receipt, we recommend that you use the cheque exchange method. This requires the ministry unit to pay fair market value for the goods received and the donor, in turn, to donate the funds back to the ministry unit as a cash donation. A tax receipt can then be issued for the cash donation. Make sure that you retain appropriate documentation to support the fair market value of the donation.

If you issue a gift in kind donation receipt, record the value of the gift in your ministry unit's financial statements as gift in kind income, with an offsetting entry to the associated expense line.

For more information, please refer to Operating Policy 4602 or section 103 of the Territorial Finance Manual.

Policy Perspective

MANAGEMENT SUPPORT ASSESSMENT

Almost since the inception of the Army, it has been customary for ministry units to contribute to the operating costs of divisional and territorial headquarters. In the beginning, the charge was established as a tithe so that corps, in particular, would tithe on their income, in much the same way as they expected their members to do. Over the years, the concept had many ad hoc adjustments so that, by 1996, there were a variety of policies in place across divisions and types of ministry unit. In 1996, Management Support Assessment ("MSA") was first introduced and a common rate set for all types of ministry units. There was still much divergence in practice over successive years until 2009, when the territory introduced a standard approach and the finance department was asked to develop an automated calculation and collection process. That process resulted in consistent application of the policy across ministry units for the first time in the territory's history.

Operating Policy MSA describes the services provided by divisional and territorial headquarters to ministry units to assist them in understanding the basis for the charge and explaining the cost to their funders and donors.

Since 1996, the rate has been reduced from 10% to 7.5%, and it will be reduced further to 7.25% as of April 2013. The territory's goal is to reduce MSA to 5%. To help accomplish that, while still generating sufficient revenues, the original cap of $50,000 has been increased in stages as the rate has been reduced. This ensures that the largest ministry units pay their fair share of the costs, rather than having small ministry units bear a disproportionate burden. As of April 2013, the cap, which is currently at $72,500, will be set at the greater of $75,000 or 1.5% of total income.

Based on our analysis, most ministry units in the territory will pay less in 2013/14 as a result of these changes. Only 25% of units will pay more (units with total income over $1 million), and only 4% will face increases of more than $2,500 for the year (units with total income of $5 million or more).

In the News

GOVERNING COUNCIL APPROVES IMAGINE CANADA STANDARDS --- The Governing Council has approved the adoption by The Salvation Army in Canada of Imagine Canada's new standards program for charities. The application process has commenced and a working team at THQ is preparing the documentation requirements. It is hoped that the Army will be accredited by mid-2013. For more information on the standards program, please visit www.imaginecanada.ca/standards_initiative.

NATIONAL CHARITIES WEEK --- Bill 458, now before the House of Commons, proposes to extend the deadline for charitable donations to the end of February and designate the last week of February each year to be National Charities Week. A private member's bill, the proposal would give Canadians to the end of February to make charitable contributions that could be claimed on the tax return for the previous tax year ending December 31.

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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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