

# Money & Mission



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## Did You Know?

For accounting purposes, there are 464 separate ministry unit entities in the Canada and Bermuda Territory. 324 are clients of the finance department's regional accounting offices, while 140 have their own accounting personnel.

## Editorial

Welcome to *Money & Mission*. This is the first in a series of bulletins designed to keep you informed of important financial issues and initiatives.

We hope our bulletins will have something to say to anyone involved in finance, at any level of our organization. You will find them particularly helpful if you actually perform the accounting function for your ministry unit.

Each issue will be a maximum of two pages in length. With an investment of just a few minutes of your time, you'll be able to read up to date information on a variety of topics that will help you do your job better.

For the coming year, our plan is to publish twice per month from October to June. After that, our schedule will depend on what we hear from you, our reader.

In this issue we focus on:

- the project to consolidate financial statements,
- a change in accounting standards that affects all not for profit organizations and
- the rules associated with operating as a charity.

## Consolidated Financial Statements

For the year ending March 31, 2011, territorial financial statements will, for the first time, include ministry units.

This will be a significant achievement and welcomed by the Army's stakeholders. For a number of years, donors, governments and other constituents have sought a complete picture of the Army's operations in Canada and Bermuda.

So what does consolidation mean for you? If the finance department performs your accounting, you may see a change in your financial statements as we approach consolidation. This will depend on whether or not your ministry unit is externally audited.

If you are with a ministry that performs its own accounting, consolidation may have a greater impact.

However, we have prepared several resources to help you. The Territorial Finance Manual contains complete information on the accounting policies to be followed by all ministries. Lotus Notes users will be able to access the manual online. If you do not have online access, please contact the finance department to obtain a copy.

In addition, the finance department issued two detailed consolidation guides in 2007 and 2008, both of which can be found at <http://salvationist.ca/departments/finance/consolidated-statements/>.

Watch for future issues of our bulletins. We will devote significant space to this project over the coming months.



## Obligations of a Registered Charity

There are a number of rules that must be followed in the operation of a registered charity. Since these rules are not always well understood, we want to ensure that you have a solid understanding of your obligations. We will be addressing the most important rules in our bulletins. In this issue, we focus on the definition of a charitable gift.

Before you can issue an official income tax receipt to acknowledge a gift, you must first assess whether it meets the definition of a charitable gift.

A charitable gift is a voluntary transfer

of property intended to further the charitable objectives of the organization.

A gift cannot result from a contract. For example, you cannot sign an agreement to give someone a donation receipt in exchange for something they will do for you.

Nor can you receipt a contribution that represents "private benevolence". This is when a donor uses the charity as a conduit to benefit an individual known to him or her rather than the charitable objectives of the organization. For example, you cannot make a gift to a

charity and ask it to use the funds to benefit a particular person. A gift by an individual to a corps for the purpose of paying camp fees for his or her son or daughter would not be a charitable gift.

For helpful information on a variety of issues relating to the rules charities must follow, we highly recommend Charity Tax Tools (<http://charitytax.imaginecanada.ca/>), a new website sponsored by Imagine Canada. The site is full of helpful information in a highly readable style. The Territorial Finance Manual also contains useful information.

### Accounting Issue:

## Reporting revenue and expenses in gross amounts

Historically, it has been common practice to net certain revenues and expenses when they are reported in financial statements. Recently, however, generally accepted accounting principles have been amended to require organizations to report all revenues and expenses at their gross amounts.

This means, for example, that you can no longer report the net profit from a fundraiser as income or revenue; rather, the total proceeds must be shown in revenue and the total expenses must be shown separately.

This new accounting standard was effective for the year ending March 31,

2010. If you have not already made this change to your accounting, you are now required to do so. This will allow us to consolidate your statements.

For additional guidance on this issue, please refer to the Territorial Finance Manual.

## Who's Who

Arnold Adey is assistant financial secretary at territorial headquarters. Born and raised in Corner Brook, Newfoundland, Arnold is a certified management accountant and holds a master of business administration from Memorial University.

In his role, Arnold oversees the finance department's offices in St John's, Montreal, Winnipeg and Calgary, as well as the accounting operations group (receivables and payables) in the Toronto office.



Arnold Adey  
Assistant Financial Secretary

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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](mailto:Money&Mission@can.salvationarmy.org).

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