

Money & Mission



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Did You Know?

According to Statistics Canada's latest survey on giving, 84% of all Canadians over the age of 15 made a donation to a charity or not-for-profit organization in 2010. Newfoundland & Labrador had the highest rate among the provinces with 92% giving, while British Columbia was the lowest at 80%.

Editorial

In the aftermath of Easter, I find myself troubled yet again that the first treasurer of the Christian church committed suicide. The Bible tells us that Judas was the keeper of the common purse of Jesus' disciples. He had responsibility for managing their financial resources, no doubt because Jesus saw in him the gifts and abilities that would make him a good treasurer. The absence of any suggestion to the contrary would indicate that he did a good job. Yet, ultimately, he did not finish well. How could he be so close to the Master, so involved in the ministry, and yet, allow himself to fail so completely? Judas stands as an example to all of us who manage resources.

I feel the same way when I hear of officers and employees who set out with the best of intentions, but end up succumbing to temptation for money that is not their own. No system of internal controls can ever be 100% effective in preventing fraud. As a result, we will always be faced with situations in which one of our own has helped himself to the 'common purse'. We will always feel a sense of sorrow for such individuals for what they are compared to what they might have been. We will be vigilant about implementing controls that will trip them up. And we will continue to pray for wisdom and integrity that will help us to stand firm.

Financial Reporting

THE BUDGET: USEFUL TOOL OR NECESSARY EVIL?

Most ministry units now have an approved budget for 2012/13. You have finished the tedious calculations for yet another year, your funding has been approved and you can file the budget away. Or can you?

The budget can be one of the most useful tools in the effective leader's toolkit. First, it helps ensure that resources are committed to your priorities. If the mission of your ministry unit is evangelism, but there are no funds committed to outreach activities, you're not likely to be successful. The budget helps to ensure that the strategic plan is reasonable from a resources perspective. If the strategic plan indicates that we are going to provide Bibles to every resident of the town this year, but there are no funds available to do so, the plan is useless. The budget and the strategic plan go hand in hand.

Second, the budget provides a useful tool for decision making when things do not turn out as we planned. For example, let's say that the budget assumes that a government agency will provide 25% of the total

funding for a program but, mid-way through the year, the funding is cut. The budget will help determine what must be done to adjust to this new reality. Are expenses in line with original forecasts? Can they be reduced in any area? Can certain expenditures be deferred to another year? Are there other sources of income to make up for the shortfall?

Third, the budget is an excellent tool for monitoring activities throughout the year. For example, utility costs are more than budgeted. Do we understand why? A corps treasurer noticed that the budget for water was being exceeded and decided to investigate. The bills revealed that rates had not increased, but usage had, despite no apparent change in the corps' activity level. An inspection of the water meter revealed that there was a defective overflow valve, with hot water pouring down the drain continually. Because it was in a storage room not used regularly, the defect went unnoticed for several months. The budget helps us answer what happened and why it was different from what we expected. When we address those questions, we have the information necessary to determine what, if anything, needs to be done.

Operating As A Charity

BUSINESS ACTIVITIES

A charity may engage in *related* business activities that accomplish or promote its purposes; however, the fact that a business activity produces income for the charity does not necessarily make it a related business activity. The term **related business** means a business that:

- itself delivers charitable services (for example, providing low-cost housing for the poor);
- is linked and subordinate to the charity's charitable purpose(s) (for example, a hospital parking lot or gift shop); or
- is unrelated to the charity's purposes but is run substantially (i.e. 90% or more) by volunteers (for example, a women's ministry group hosting wedding receptions for a fee).

The term **business** means a commercial activity from which one derives revenues by providing goods or services, with the intention to earn a profit. However, soliciting donations or selling donated goods are examples of activities that are not considered to be running a business.

Charities can lose their registration if they carry on an unrelated business. As a result, before commencing any business activity, it is important that a charity assess whether it can be considered a related business.

For more information, see Canada Revenue Agency Policy Statement CPS-019.

In the News

IMAGINE CANADA ISSUES FIFTH SECTOR MONITOR REPORT -- Imagine Canada has issued another Sector Monitor Report outlining key results from its survey of charity leaders in Canada. You will find it at:

(http://www.imaginecanada.ca/files/www/en/sectormonitor/sectormonitor_v2_n2_2012.pdf)

2010 CANADA SURVEY OF GIVING, VOLUNTEERING AND PARTICIPATING – Statistics Canada has issued a report on its 2010 survey on how Canadians support one another. The report can be accessed at <http://www.statcan.gc.ca/pub/89-649-x/89-649-x2011001-eng.pdf>.

Financial Management

EMPLOYEE OR SELF-EMPLOYED?

Do you know whether the people who work for you are employees or self-employed? The distinction is an important one. If the worker is considered to be an employee, the employer has a number of legal obligations. An employer who fails to make the necessary deductions from an employee's pay will be compelled to pay both the employee and employer deductions, plus penalties and interest.

Generally, the Canada Revenue Agency applies a two-step test to determine whether a person is an employee or self-employed worker. Step 1 involves reviewing the terms of the contract between the worker and the organization to determine the intent of the parties. What did they intend when they entered their business relationship? Do both parties have the same understanding?

Step 2 examines a number of factors to determine the extent to which the worker is independent of the organization, including:

- the level of control the organization has over the worker's activities;
- whether or not the worker provides the tools and equipment;
- whether the worker can subcontract the work or hire assistants;
- the degree of financial risk taken by the worker;
- the amount of responsibility for investment and management held by the worker;
- the worker's opportunity for profit; and
- any other relevant factors, such as written contracts.

Generally, you should assume that workers are employees, unless the relationship has been structured to clearly indicate otherwise. For more information, see Operating Policy 3118 and Canada Revenue Agency Guide RC4110.



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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Money&Mission@can.salvationarmy.org.

Editorial Team

Managing Editor:

R. Paul Goodyear

Senior Editor:

Patricia Dunbar

Design Editor & Production Manager:

Angela Robertson

Finance Department Offices

2 Overlea Blvd
Toronto, ON M4H 1P4
(416) 425.2111 ext. 2237

116 - 276 Midpark Way SE
Calgary AB T2X 1J6
(403) 201.9223

884 - 167 Lombard Ave
Winnipeg MB R3B 0T6
(204) 975.0735

1655 Richardson St
Montréal QC H3K 3J7
(514) 288.2848

101 - 85 Thorburn Rd
St. John's NL A1B 3M2
(709) 579.3919