

Money & Mission



this issue

Consolidation Update **1**

Financial Reports **2**

Who's Who: Paul Goodyear **2**

Did You Know?

89% of charities audited by the CRA do not issue tax receipts correctly. Common errors include not having all of the required elements on every receipt, issuing receipts for donations of services and issuing receipts for another organization. To obtain complete guidelines for charitable receipts, see the Territorial Finance Manual or the Canada Revenue Agency website.

Editorial

In a recent workshop, we presented a list of principles fundamental to the Army's financial management. Our list included such principles as stewardship, integrity, moderation, accountability, efficiency, and self-support. When asked if anything was missing from the list, one participant suggested faith. What does faith mean in the context of financial management?

Taken to the extreme, it means that we rely on God to provide for our needs, forgetting everything the textbooks say about prudent financial management. At the other end of the spectrum, God expects us to manage resources wisely, with faith playing no part in our management. I believe that the truth lies somewhere in the middle. We are expected to prudently manage our resources, relying on God to give us wisdom and to supply our needs.

In the Old Testament story about Joseph in the land of Egypt, God tells Joseph in a dream that the land will face seven years of plenty in its harvest of crops, followed by seven years of famine. God warns Joseph to reserve some of the crops from the years of plenty to provide food in the years of famine.

This is faith in action in financial management: managing our resources with care, saving for the future, then leaving the results in God's hands and trusting Him to meet our needs.

*When we have exhausted our store of endurance,
When our strength has failed ere the day is half
done,*

*When we reach the end of our hoarded resources,
Our Father's full giving is only begun.*

(Annie Johnson Flint, 1866-1932)

Consolidation Update

As we release this issue, year-end closing activities are well underway across the territory. The books at THQ, DHQs and externally audited ministry units have now closed, and accounting staff are busy preparing schedules and reports for external auditors.

If yours is a ministry unit that is not externally audited, you still have a couple of weeks until the May 13th deadline to complete your year-end and to close your general ledger. This is not a time to

procrastinate, however. If you haven't started, we strongly encourage you to do so now.

It is essential that you meet the May 13th deadline, if we are to issue the territorial consolidated statements on time. None of us has the option of missing deadlines this year

Our thanks in advance for your full cooperation!

Making Sense of Your Financial Reports

The number one priority in managing a ministry unit is to meet mission objectives. These can range from delivering a family services program, ministering to a congregation or running a long term care facility, with many variations in between. Some of you may not consider financial reports to be particularly important in meeting mission objectives. On the contrary, your ability to obtain and understand accurate, timely financial statements is vital to successful management. Here are three critical reports that can be of great assistance to you in managing your unit.

Balance Sheet:

The balance sheet reports the financial position of your unit at a particular point in time. For example, a balance sheet dated February 28, 2011 will list all your assets (items that have value such as cash, equipment, etc.) and all your liabilities (obligations such as accounts payable, loan payable, etc.). The difference between the two represents the fund balance of your unit at the end of February, 2011. The fund balance represents the residual value of your unit after all obligations have been met. A unit should always have a positive fund balance; otherwise, it is technically bankrupt. Reviewing the fund balance (and any restrictions on it) will tell you what resources are available to meet mission objectives.

Statement of Operations:

The statement of operations reports the revenues and expenses of your ministry unit over a period of time. The Army accumulates revenue and expenses over a one year period (April to March), with monthly progress reports. The difference between revenue and expenses indicates a net profit or loss. Comparing actual performance to your budgeted revenue and expenses will help you determine whether you are following the plan established during the budget process. If you are not meeting your financial plan, you can take corrective actions to ensure you meet mission objectives.

Detail Ledger Report:

The detail ledger report lists all transactions against each of the accounts in your accounting system. It provides detailed back-up to support the numbers reported in both the balance sheet and statement of operations. For example, if the statement of operations indicated that \$8,000 was spent on office supplies which is \$4,000 over budget, the detail ledger shows you exactly what payments made up this balance. It may be that equipment has been purchased earlier than planned or it could be an unforeseen emergency purchase. Regardless, there is now a shortfall of \$4,000 against your budget which needs to be addressed.

Your financial statements are much more than an accounting necessity. Used properly, they are an invaluable management tool. Reviewing them on a monthly basis helps ensure that you will meet your financial plan and your mission objectives.

Keep an eye out for an announcement about a webinar on this topic during the coming year!



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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:

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Who's Who

PAUL GOODYEAR is the territorial financial secretary for Canada and Bermuda. A member of the finance department since 1987, Paul served as chief accountant and assistant financial secretary before being appointed to his current post in 2001. In addition to his role as the territory's chief financial officer, Paul is a member and corporate secretary of The Governing Council of The Salvation Army in Canada, the principal corporation through which the Army manages its temporal affairs. He holds a bachelor of commerce degree from the University of Toronto and a master of business administration from Trinity Western University. In addition, he is a Certified Management Accountant, and, in 2003, was appointed as a Fellow of the Society of Management Accountants of Canada. He has been married for twenty-three years and has three young-adult daughters.



R. Paul Goodyear
Territorial Financial Secretary