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Money & Mission

this issue

Did You Know?

The Salvation Army was one of the first religious and charitable organizations to publicly issue its annual financial statements, audited by an independent firm of accountants. In fact, financial statements audited by Josiah Beddow & Son, an independent firm of chartered accountants, were first issued in 1865.

Editorial

Return on investment (ROI) is a common business concept. It's a measure of results used to evaluate the efficiency of an investment or a number of different investments. To calculate ROI, the benefit (return) of an investment is divided by the original cost of the investment, with the result expressed as a percentage or a ratio.

Recently, we've been asking about something we call the mission return on investment (MROI). As we evaluate proposals and discuss how we are allocating resources to long-standing programs and services, we have been asking whether the investment makes sense in terms of the mission outcomes achieved.

I want to stress at the outset that the mission return on investment cannot be completely measured in numbers. It also requires a careful examination of outcomes in qualitative terms. And it is not simply about outputs such as number of meals served or beds offered. It is about outcomes critical to the mission of the Army, as in lives transformed or dignity restored.

At its simplest, examining a project or program from a MROI perspective means assessing whether the mission it accomplishes is worth the investment of resources we are making, compared to other possible investments.

In a world where resources are limited, we must also recognize the "opportunity cost" of the investments we make. The opportunity cost of undertaking "X" is the inability to do "Y" because the resources have been dedicated to "X". However, what if "Y" is deemed to be more effective in achieving mission outcomes than "X"? We have created a real problem because we are allocating scarce resources to a less optimal program or service.

Evaluating the mission return on investment and the opportunity cost of a particular program or service will help ensure that our resources are allocated not simply to programs and services that we have traditionally operated, but to those which produce the best return in terms of mission effectiveness.

So, what's the MROI of your ministry?

Requirements for Funding Work Outside Canada

The Canada Revenue Agency ("CRA") imposes strict requirements on Canadian registered charities that fund work outside of Canada. The two key requirements are as follows:

1. The CRA does not allow Canadian charities to simply transfer funds to organizations outside of Canada unless the organizations that receive the funds are "qualified donees" (which include Canadian registered charities). As a result, our territory cannot simply transfer funds to organizations outside Canada, even if these organizations are other Salvation Army territories or ministry units. The CRA takes the position that a Canadian charity can only "work with or through other organizations provided it employs certain structured arrangements that allow it to retain direction and control over the use of its resources."

2. The CRA requires Canadian charities to maintain adequate reports and records to document how funds are spent in foreign jurisdictions.

To ensure that our territory complies with CRA requirements, we now have a formal agreement with the Army's International Trustee Company ("SAITCO") which allows SAITCO to act as our agent when we fund work in other countries. As a result, all activities related to any unit of The Salvation Army in Canada contributing in any way to the work of the Army or another organization or an individual in another country must be coordinated through the World Missions Office at Territorial Headquarters. This includes contributions of funds, goods or services, including short term mission trips.

In essence, this means:

- **All funds for overseas work must be channeled through THQ.** No Salvation Army unit may directly or indirectly allocate funds overseas nor can Salvation Army funds be given directly to international personnel who are visiting Canada.
- **Official receipts for income tax purposes must be issued by THQ** (except contributions to the Partners in Mission Appeal).
- **Short-term missions trips must be coordinated with the World Missions Office at Territorial Headquarters**.
- **All specified donations must be allocated to a program or project that can be managed through the agency agreement with SAITCO**. THQ can no longer accept individual specified donations for other foreign activities, including those intended to support the work in which Canadian reinforcement personnel are engaged.

For more information, see Operating Policy 4018 or contact the Director of World Missions at THQ.

What Are Charitable Gifts?

A charitable receipt may be issued by a charity when it receives a charitable gift from a donor. The word "gift" means a voluntary transfer of property for no consideration. This means that the donor can not receive any benefit or consideration for the gift. Note, also, that charitable receipts may only be issued to the individual making the gift, and not to any other third party.

To qualify as a gift to a charity, an amount must be given to the charity for its use in pursuing its own charitable objectives. A charity may not act as a conduit to simply transmit funds to a person or to an organization that, under CRA rules, are not considered to be related in any way to the donating charity. This applies even if the recipient is a charity carrying out similar activities (e.g. a corps in Canada and a corps in the United States). The Canada Revenue Agency would challenge an official receipt issued by a local church for funds which are simply channeled to a third party, such as a foreign charity that is not established and registered in Canada.

Simply put, a charity may only issue official receipts for gifts which come under its control, and which it uses in carrying out its charitable activities.

The following donations do not qualify for an official tax-deductible receipt:

a) donations to charities outside Canada
b) donations to individuals
c) donations of services
d) donations of merchandise where its cost has been charged as an expense of business
e) donations of used clothing and furnishings of little value

For more information, please refer to section 1 in the Territorial Finance Manual.

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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