

Money & Mission



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Did You Know?

Accounting organizations in Canada are discussing the possibility of a merger. While much has still to be decided the plan would be to unite chartered accountants (CAs), certified management accountants (CMAs) and certified general accountants (CGAs) into one professional body with a new designation, the chartered professional accountant (CPA).

Editorial

We hear much about work-life balance these days, but mostly from secular sources. Sadly, our society's emphasis on 24/7 service means we place little emphasis on the Bible's teaching about the need for rest. Yet, Jesus regularly, habitually took time away from the pressing demands on his time to rest and pray.

Richard Swenson writes: "Have you ever noticed that the Bible never says anything about Jesus running? Apparently, Jesus believed that very little of lasting spiritual or emotional value happens in the presence of speed. Busyness, productivity and efficiency are speed words, not Kingdom words."

Mother Theresa told the story of visiting one of the greatest theologians in India. "You talk so much about

God," she said to him, "you must be so close to him." The answer surprised her. "True," the theologian said, "But because I talk a lot about him doesn't mean I talk to him. I find it hard to find time to listen. And, in the silence of the heart, God speaks."

These are busy days for those of us with financial management roles at The Salvation Army. Year-end accounting and financial reporting tasks are keeping us occupied during the day, and, for some of us at least, disturbing our sleep at night as well. But even in busy days, we need to rest, to pause from our activity, to reflect on ourselves and on God, to marvel in his creation, to allow him to restore and re-energize us for the work ahead.

Accounting

INTERNAL CONTROLS

Internal controls are processes or systems that are put in place to help an organization protect its assets. The Salvation Army's key internal controls have been part of our systems for many years. Despite this, we continue to hear of situations where controls are ignored, increasing the potential for loss of assets, particularly through fraud and misappropriation. Here's a quick checklist of basic internal controls that every ministry unit should follow:

1. Always have two people open mail together, and keep a log of any cash or cheques received.
2. Always have cash counted as soon as possible after it is received, and by two people who are unrelated by blood or marriage. If funds are held in a safe overnight, ensure that both of these persons sign a record of the total funds held. Store the record separately from the cash.
3. Always use a regulation safe that is bolted to the floor (see Operating Policy 4005). Never take money home or leave it in a filing cabinet or desk drawer.
4. Always deposit funds promptly.
5. Ensure that two signatories are always available to sign cheques. Do not sign blank cheques under any circumstances.
6. As much as possible, persons who count cash and prepare deposits should not have access to accounting records. Segregation of duties helps ensure that one person acting alone cannot falsify records.

Financial Reporting

TERRITORIAL FINANCES ON SOLID GROUND

Work continues on the year-end audits and the preparation of the Territory's consolidated financial statements for the second year. Financial information for THQ is already available and readers will be pleased to know that there were several very positive results in fiscal 2012.

- The THQ General Fund ended the year with a surplus of \$6 million, rather than a breakeven budget as originally forecasted. Expenses by THQ departments were \$1.2 million under budget, a testimony to the effectiveness of management's budgetary controls and stewardship. In addition, officer benefit plan costs were \$4 million under budget. This is largely the result of actuarial adjustments in the annual valuation of pension and post-retirement benefits obligations. It is also a matter of timing, as these expenses will be incurred next year when accounting standards change. However, the savings across THQ departments are real and can help THQ rebuild reserves in the days ahead.
- National Recycling Operations realized net profit of \$3.6 million and declared a dividend of \$2.9 million. Half of the dividend has been allocated to divisions while the other half has been included in THQ's budget for fiscal 2013.
- The National Red Shield Appeal achieved \$45.1 million, the highest amount in history.
- Legacy income totaled \$37.7 million, up from last year's \$36.2 million.
- Jackson's Point Conference Centre reported net profit for the first time in many years, coming in at \$82,000 which will help the centre with much needed capital improvements and replacements.

In the News

CRA RELEASES NEW FUNDRAISING GUIDANCE --- On April 20, 2012, Canada Revenue Agency released its new *Fundraising by Charities Guidance (CG-013)*, which updates and replaces an earlier policy statement issued in 2009. The new guidance can be accessed at <http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cgd/fndrnsng-eng.html>.

Financial Management

EXPENDITURE AND PAYMENT POLICY

The new expenditure and payment policy (Operating Policy 3410) is the first of its kind in the history of the Territory, as far as we can determine. The policy contains guidelines to help both officers and employees understand their role in the authorization of expenditures.

From their very first appointment, most officers are responsible for authorizing expenditures. Employees may only be given the authority when promoted to a managerial or supervisory role. In either case, there has been little before now to guide someone who is suddenly responsible for authorizing expenditures.

That is the purpose of the new policy. It provides a framework within which individuals exercise their responsibility for authorization of expenditures. It is an important part of the orientation for individuals assuming authority for the first time and a good reminder for the rest of us.

The policy highlights the difference between expenditure authority and payment authority. This is an important distinction, particularly for ministry units that have their accounting performed by the finance department. For example, the executive director of a social service unit may have the authority to incur the expenditure of hiring someone to help organize the Christmas kettle campaign. This is expenditure authority. The finance department's staff has the authority to set the individual up on the payroll, pay him or her and make necessary payroll deductions. This is payment authority.

If you are involved in the authorization of expenditures, you should definitely review the new policy carefully. It will give you a clear understanding of your responsibilities as well as much guidance on how to discharge them effectively.



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:

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