



this issue

Editorial 1

Did You Know 1

Gift In Kind Donations 1

MoneySense and The Salvation Army 2

Ottawa Rewriting Rules for Charities 2

Fraud in the NFP Sector 2

International Headquarters Audit 2

Did You Know?

As of March 2011, the territory's investment in capital assets (predominantly land and buildings) was just over \$1 billion at cost. Capital asset depreciation or amortization was \$300 million, for net book value of just over \$700 million.

Editorial

In a world where we are accustomed to rapid change, it is surprising how many of us are reluctant to admit that tested and tried ways of doing things are no longer working for us. To use the analogy from scripture, how do we find new wineskins in which to pour the wine, instead of trying to make do with the old ones?

It requires us to step back from our daily operations, to take the time to ask ourselves how we can become better at what we do, and whether we are focused on the right things. Recently, senior staff in the finance department held a conference to tackle these questions.

In the year ahead, we have identified three areas of focus—automation, integration, and client needs. Our goal is to further automate the processing of financial transactions, to reduce manual work, eliminate duplication, increase the speed of processing and reduce errors. We will begin research to determine the best way of better integrating the Army's financial and related systems. Finally, we will roll out several initiatives to help us better understand and serve the needs of our primary customers—people at both headquarters and in ministry units who have responsibility for financial management.

Of course, you don't have to wait to be asked . . . drop us a line at Money&Mission@can.salvationarmy.org. We'd love to hear from you.

Operating As A Charity

GIFT IN KIND DONATIONS

With the Christmas season fast approaching, many ministry units can expect to receive donations of gifts in kind to aid their various programs. When issuing an official tax receipt for these donations, the recommended method is an exchange of funds at the fair market value of the goods received, with the donor then returning the funds to the ministry unit as a donation. If the donor insists on an official receipt for a gift in kind donation, the following rules apply:

1. You must issue the receipt at the fair market value of the goods received. Please remember that receipts should not be issued for goods of nominal value (i.e. used clothing or furniture, etc.)
2. If the item is valued at under \$1,000, a knowledgeable staff member may establish the

fair market value. For items over \$1,000, you must use an independent appraiser who is not associated with the recipient charity or the donor to establish the item's value.

3. You cannot issue gift in kind receipts for the donation of time or services. In order to qualify as a gift in kind donation, it must be a gift of tangible goods, with their ownership transfer to the charity.
4. If you issue a gift in kind donation receipt, record the value of the gift in your ministry unit's financial statements as gift in kind income, with an offsetting entry to the associated expense line. Make sure that you retain documentation supporting the valuation of each item for all gift in kind receipts issued to ensure that you state the related income and expense appropriately.

For more information, please refer to Operating Policy 4602 or section 103 of the Territorial Finance Manual.

Financial Management

MONEYSENSE AND THE SALVATION ARMY

MoneySense magazine publishes an annual review of charities. In this year's report, "Canada's 10 biggest charities", THQ is in spot #4. The problem, of course, is that *MoneySense* draws its information from charity information returns filed with Canada Revenue Agency, and all Salvation Army operations file separate returns. In addition, due to the way in which we structure our fundraising activities, most of the fundraising expenses are recognized at THQ, but most of the fundraising revenues are recognized at ministry units.

Were *MoneySense* to rely on the Army's consolidated financial statements, we would be in spot #1, which would be nice, but is not the most important reason for us to want *MoneySense* to use consolidated information.

The problem is that *MoneySense* gives the Army an overall grade of B-, compared to United Way of Toronto's A+ and World Vision's B+, because it draws erroneous conclusions from the information on the CRA website.

So, what would *Money Sense's* conclusion be if they were willing to use consolidated information?

On Reserve Fund Size, *MoneySense* gives the Army a grade of "C", based on its conclusion that we have sufficient reserves to fund operations for 3 years, 8 months. Based on our consolidated financial statements at March 2011, we had \$91.9 million in operating reserves, which represents 1.9 months operations based on the 2011 total operating expenses of \$567 million.

On the measure of Fundraising Efficiency, *MoneySense* gives the Army a grade of "B", based on its conclusion that we spend \$11.44 to raise \$100. The Army's total fundraising and public relations costs as a percentage of donations received amounted to \$11.85 per \$100 in fiscal 2011H. However, because we do not track fundraising and general public relations costs separately (as many other organizations do), and because our P.R. staff are involved in emergency disaster and other direct service activities in addition to fundraising, the actual cost per \$100 would be much lower. This may well be an issue that we will need to address in the future by tracking time spent by staff on fundraising versus other activities.

On Overall Charity Efficiency, *MoneySense* gives us a "D", based on its conclusion that only 64.4% of funds raised go to programs. In actual fact, the 2011 financials show that 87% of every dollar raised goes to programs and services.

The one "A" that *MoneySense* gives the Army is on governance and transparency. We are at least grateful for one accurate grade. Our consolidated financial statements and the annual review for 2010/11 posted on the web at www.salvationarmy.org contain a wealth of information and really set the bar for other organizations in this respect.

The other 9 organizations (listed in order of fundraising revenues) and the grades they received are World Vision Canada (B+), United Way of Greater Toronto (A+), Heart and Stroke Foundation of Ontario (B-), Canadian Cancer Society, Ontario Division (B-), SickKids Foundation (C+), Canadian Red Cross Society (A-), Plan International Canada (B+), Canadian UNICEF Committee (B+), Canadian Diabetes Association (C).

Territorial headquarters staff is currently discussing whether we could change the current approach to charitable registration to allow for a single charity information return.



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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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In The News

OTTAWA REWRITING RULES FOR CHARITIES - The federal government has announced its intention to completely overhaul the way it finances charities, requiring more accountability for outcomes and relying more on business and the public at large.

FRAUD IN THE NOT FOR PROFIT SECTOR - On October 27, 2011, Paul Goodyear, Territorial Financial Secretary, made a presentation to the Association of Certified Fraud Examiners on "Fraud in the Not-for-Profit Sector: Lessons Learned". In the presentation, Goodyear told the story of the Army's experience with fraud and misappropriation and the steps taken to prevent this in future.

INTERNATIONAL HEADQUARTERS AUDIT - The territory is audited by International Headquarters every three years. Two auditors from IHQ, Lt. Colonel Edmund Chung and Major J.P. Ramos are presently visiting THQ for this purpose. The audit runs from October 31 to November 18, 2011.