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Strategy x Execution = Results

We hear a lot about strategy these days. It's rare to find a ministry unit, DHQ or THQ department without a strategic plan of some sort. Unfortunately, most strategic plans are not very strategic and even to apply the word "plan" is to adopt a rather loose meaning for the word. What is more concerning, however, is the fact that all too often having a strategic plan doesn't necessarily mean that anyone is working the plan. A strategic plan without execution is just a bunch of words and ideas. Nice words, perhaps, and impressive ideas, even. But without execution, you don't get results. A road map and guide books don't help you get to your destination if you never get in the car and head for the highway. It's like that with strategic plans. They're a valuable tool . . . but only if you execute them.

So, the most important question is not whether you have a strategic plan, but are you actually doing anything to execute it and achieving the results you desire?

Did You Know?

The three largest sources of funding to the Army in fiscal 2011 were government (38%), donations (34%) and fees for service (15%).

Accounting For Contributions to Capital Projects

When a financial scheme receives final approval, the finance department will send out a communication to indicate THQ's accounting treatment for the project and the impact to the ministry unit's financial records. It is important that the instructions given are followed to ensure that all contributions to capital projects are accounted for appropriately. There are two main categories for projects managed at THQ:

1. Projects capitalized at THQ – Ministry units should record all contributions to the project as an allocation to capital project under department 930. There are several expense accounts in the standard chart of accounts that can be used to record the allocation by source of funding such as capital deposit account, local funds or government funding. An interdepartmental transfer should be made to fund the contribution amount from the operating or restricted departments into department 930 to offset the expense.

2. Projects expensed at THQ – These projects are considered to be operational in nature. Ministry units should record all contributions as a grant to THQ under the related operating department. If the contributions originate from a capital deposit account or property maintenance account, an interdepartmental transfer must be made from the appropriate restricted fund into the operating department to fund the expense.

Specific instructions will be given in cases where the ministry unit is to capitalize a portion of the project, or if a combination of accounting treatments is required.

If you have any questions regarding the required entries for a contribution to a capital project please contact the finance department for further guidance.

Financial Reporting

The existing framework for not-for-profit financial reporting in Canada is about to undergo some changes. Effective for fiscal years commencing on or after January 1, 2012, not-for-profit organizations in the private sector (i.e., not government) have the choice to adopt International Financial Reporting Standards ("IFRS") or Canadian Accounting Standards for Not-for-Profit Organizations. The made-in-Canada solution is comprised of Accounting Standards for Private Enterprises ("ASPE"), supplemented by a series of standards that address the unique circumstances and transactions of the not-for-profit sector. It is anticipated that most Canadian organizations will adopt the latter approach.

The finance department is presently engaged in a review of the revised standards with a view to making recommendations concerning the choices to be made for the Army's financial year commencing April 1, 2012 and ending March 31, 2013. Watch for further information in future issues over the next few months.

Donations of Gift Certificates or Gift Cards

These days, it is quite common for ministry units to receive donations in the form of gift cards or certificates. Ministry units may use gift cards to purchase merchandise for their operations or may pass them along to someone in need (e.g. as part of a Christmas hamper). However, although considered a form of near-cash, donations of gift cards are not as straight-forward as cash donations. Before issuing a charitable donation receipt, we must be mindful of several restrictions.

According to Canada Revenue Agency, a registered charity may issue an official donation receipt for a gift card only in the following situations:

a) When the holder of a gift card that has been issued for consideration donates the gift card to a registered charity. For example, an individual purchases a $50 gift card from Wal-Mart and donates the card to Corps XYZ. In this situation, the corps may issue a $50 donation receipt right away, even if the corps does not redeem the card until later; or

b) When the issuer of a gift card donates it to a charity for **no** consideration, the registered charity can only issue an official receipt at the time the charity redeems the gift card and receives property. For example, on April 1, 2011 Wal-Mart donates five (5) $100 gift cards to Corps XYZ. Then, on December 20, 2011, Corps XYZ purchases $390 worth of supplies from Wal-Mart by redeeming four of the gift cards, leaving an unredeemed balance of $110; which is later redeemed in full for more supplies on January 8, 2012. In this scenario, Corps XYZ may only issue a donation receipt dated December 20, 2011 for $390, and another receipt dated January 8, 2012 for $110.

In situation (b) above, it is vital to recognize that Corps XYZ cannot issue an official donation receipt if it does not redeem the card itself but simply passes it along to a third party (e.g. by placing the gift card in a Christmas hamper).

For more information, please contact the finance department.

In the News

CANADA'S ACCOUNTANTS PURSUE MERGER DISCUSSIONS. Representatives of the Canadian Institute of Chartered Accountants, the Certified General Accountants Association of Canada, and Certified Management Accountants of Canada are engaged in discussions with a view to merging their organizations. Decisions are expected early in 2012.

NATIONAL SUMMIT FOR THE CHARITABLE AND NONPROFIT SECTOR. Over 500 representatives of charitable and nonprofit organizations in Canada met in Ottawa in late November 2011 at a national summit hosted by Imagine Canada. Four key priorities were the subject of discussion: improved conditions for the attraction and retention of paid staff; more diversified and sustainable financing; better understanding of the sector and its impact; enhanced support for organizations to engage volunteers / external talent. Graham Moore, territorial secretary for public relations and development and Paul Goodyear, territorial financial secretary, represented 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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