

# Money & Mission



## this issue

Editorial 1

Special Feature - Questions 1

Special Feature - Answers 2

## Editorial

As a registered charity, The Salvation Army has an obligation to the Canada Revenue Agency (“CRA”) to ensure that it issues official receipts for income tax purposes correctly. Failure to do so can ultimately result in its registration being revoked, which would have serious consequences for the Army’s ability to raise funds to support its mission. In this issue, we focus on this important area of compliance, providing some common examples of situations in which care must be taken concerning whether or not to issue a receipt, and if so, how to ensure an appropriate value.

On this page, we provide some examples of situations in which you may be asked to issue a donation receipt. Think about each of them and what you would do in the situation given. On page 2, you’ll find the answers. See how many you get right. Score one point for each correct answer. If your total score is seven or more, you’re doing well. If your score is between four and six, you have the basics down, but you need to brush up on the rules governing charitable receipts. If your score is below four, you should stop issuing receipts until you have learned the rules.

Our thanks to Major Gillian Brown of World Missions for her contribution to this topic.

## Special Feature – Tax Receipting

1. A member of your corps has a daughter who is a single mother. He wants to make a donation to the corps to be used to pay the registration fee for his daughter to attend moms and tots camp. Is this permissible?
2. Your corps takes up an offering for a family that has lost its home in a fire. Can you issue receipts for the donations?
3. A group connected with your ministry unit is planning a mission trip. Each member of the team is required to raise funds to help cover his/her travel costs. Can donations be receipted?
4. A local shop owner wants to donate 100 T-shirts that he is having difficulty selling. They are plain white, and he has offered to imprint them with the Army’s Red Shield or any other logo you want for \$1.00 each, but wants a receipt for the T-shirts, which he indicates retail for \$9.99 each. Should you give him a receipt?
5. Your ministry unit’s financial resources are strained. You’ve been promising a key employee that she could go to the national social services conferences, but now you’ve concluded that there just isn’t enough money to allow her to go. The trip will cost about \$2,000. The employee offers to cover her own costs if you will give her a donation receipt. Should you?
6. The local radio station is raising funds to help local families in need at Christmas. They are accepting donations, and want the Army to issue receipts. The funds raised will be used by the radio station to buy food and toys that will be distributed by three community groups, the local Lions Club, the hospital auxiliary, and The Salvation Army. Can you issue the receipts?
7. A donor wants to give you an old car and get a receipt. He says he needs a receipt for \$3,000, but you think you can sell the car for at least \$4,000. Should you issue the receipt? For what amount?
8. You are negotiating a lease for storage space for your Christmas hamper and toy distribution. The landlord offers to give you the space free in exchange for a receipt for the amount he would normally charge a tenant. Should you issue the receipt?
9. A long-time significant donor wants to give you \$1,000 to be forwarded to another organization that does great work, but does not yet have its own charitable registration number. Can you receipt it?
10. A local business is donating \$1,000 for your charity golf tournament. You will include their logo on all of the advertising you do for the event, and allow them to set up a small booth at the event where they can sell their products. Can you give them a receipt?

# Special Feature – Tax Receipting

## ANSWERS

1. No. A donor cannot specify the beneficiary of his gift. That is considered private benevolence. To be charitable, a gift must be under the direction of the charity. A donor may provide broad direction, such as using the gift to help single mothers. Provided the charity's mission includes helping single mothers, it may accept the gift and issue a receipt. But control over the specific individuals who will benefit from a donation must remain with the charity.
2. No. Again, this is private benevolence.
3. Yes, provided that the donors understand that their contribution will be used for the mission trip, regardless of whether the person they are sponsoring actually completes the trip or not. As long as funds will remain in the hands of the charity and are used to pay for other mission trip expenses, a receipt can be issued. If a donor expects that they will receive a refund if the person they wish to sponsor does not take the trip, then no receipt can be issued.
4. No. The fact that the T-shirts represent excess inventory suggests that they do not, in fact, have a value of \$9.99. Rather, they would have to be written down to some lower value at which they could be sold. In addition, a charitable gift must be voluntary and without consideration. If the gift is dependent on an order for imprinting the T-shirts, that order represents consideration, so the gift is not charitable.
5. No. An employee cannot receive a receipt for a donation that is specified to benefit her personally in some way. Although one could argue that conference attendance provides a benefit to the organization, it will also benefit the employee. In addition, the organization is not free to use the donation as it wishes, but is bound to use it for a particular employee to attend a particular conference. As a result, the gift is not charitable.
6. No. In this case, the charity is being used as a conduit to raise funds for organizations that are not charities. The charity would effectively be loaning its charitable registration to the radio station.
7. No. The value the donor places on the vehicle and the price you think you could sell it for are both irrelevant. Any gift in kind over \$1,000 must be appraised by a qualified person who is independent of both the donor and the charity, and the name and address of the appraiser must be included on the donation receipt. You can then issue a receipt for the amount of the independent appraisal.
8. No. You cannot give a receipt for services, rental of space.
9. No. You can only receipt gifts that are given to you for your charitable purposes.
10. No. If a company receives advertising in exchange for a gift, the gift may not be receipted.



Giving Hope Today

## Money & Mission

A publication of the Finance Department, The Salvation Army Canada & Bermuda

Issue 11, Volume III,

March 6, 2013

## 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](mailto:Money&Mission@can.salvationarmy.org).

## Subscription

To subscribe, send us an e-mail with the subject line "Subscribe". To unsubscribe, send us an e-mail with the subject line "Unsubscribe". We'll be sorry to see you go, but we'll promptly take you off our mailing list. Send your request to:

[Money&Mission@can.salvationarmy.org](mailto:Money&Mission@can.salvationarmy.org).

## Editorial Team

**Managing Editor:**

*R. Paul Goodyear*

**Senior Editor:**

*Patricia Dunbar*

**Design Editor & Production Manager:**

*Angela Robertson*

**French Translator:**

*Serge Careau*

## Finance Department Offices

2 Overlea Blvd  
Toronto, ON M4H 1P4  
(416) 425.2111 ext. 2237

116 - 276 Midpark Way SE  
Calgary AB T2X 1J6  
(403) 201.9223

884 - 167 Lombard Ave  
Winnipeg MB R3B 0T6  
(204) 975.0735

1655 Richardson St  
Montréal QC H3K 3J7  
(514) 288.2848

101 - 85 Thorburn Rd  
St. John's NL A1B 3M2  
(709) 579.3919