

Money & Mission

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Editorial: Is Anyone Paying Attention?

The Internal Audit group assesses ministry units in five areas: operational efficiency, strategic management, financial position, financial reporting and compliance. In each of these areas, it assigns ratings of satisfactory, needs improvement, or unsatisfactory. Based on over 400 audits completed in the last few years, only 14% have received a rating of satisfactory when it comes to compliance with the Army's policies. Clearly, we have a problem—and it is widespread.

Why do some officers and employees ignore the Operating Policy Manual? Why do people joke about their non-compliance, as if it were something to be celebrated? Why do we see ministry units that, in successive audits, show no evidence of fixing the problems identified in earlier audit reports? Why do people not realize that compliance with the Army's policies represents a form of accountability that is not only highly desirable, but required?

The independent and entrepreneurial spirit which drives the leadership of many of our ministry units is to be commended. But, sometimes, this same spirit has undesirable consequences. A fairly new employee confided in me recently that she is amazed at ministry units who don't seem to understand that they are part of The Salvation Army. In her work, she has encountered too many leaders in ministry units who refuse to acknowledge their accountability to The Salvation Army, so much so that one would be forgiven for thinking they were not actually part of us, but independent.

The reputation of The Salvation Army has long been one of careful financial management and stewardship. We must ensure that this reputation is not blemished on our watch. Each of us has a duty to protect and guard it. Are you doing your part?

For back issues and more information, please click [here](#) to go to our webpage

Tax Receipting: Donations of New Merchandise and Inventory

We recently announced the addition of a new "Charity" section to the Territorial Finance Manual (TFM) which provides guidance and procedures on operating as a charity and tax receipting. It is our hope that the guidelines will help the organization navigate these complex areas.

The material has been drawn from a number of sources including previously published material in the TFM, numerous articles in this newsletter and guidelines developed specifically for NRO to assist its thrift stores in the issuance of tax receipts. We have also introduced three forms for use when (a) tax receipts are issued at a location different from the location receiving the donation; (b) a business donates new inventory and the business owner or partner requires a receipt in his/her name; and (c) when vehicles are donated.

We will be publishing material from the new section in regular articles in Money & Mission. In this article, we provide guidelines for tax receipting when donations of new merchandise or inventory are made.

Donations of new merchandise are usually made by businesses, but may occasionally be made by individuals.

To issue an official donation receipt for new merchandise, please follow the steps below:

1. Request a detailed list of items being donated, and their current **selling** price, *prior* to accepting the donation. This detailed list must be supplied by the donor *prior* to donating, and must include:

- Business name and contact information, and logo if applicable
- Itemized product description
- Quantity of each item
- Current selling price of each item.

For an example of such a list, see TFM 090211.4.

2. Inform the donor that the new merchandise will be valued based on fair market value. Typically, this will be at 40 % or less of the donor's selling price – in the example above, the total receipt will be for \$2,465.20 (\$6,163 x 40%). Note that if the merchandise is damaged, FMV will reflect this fact

3. The receiver must determine the estimated valuation *prior* to accepting the donation and communicate it to the donor.

Example: A large shoe company wants to donate 100 pairs of brand-new shoes and would like a tax receipt. They provide the detailed list, and the selling price of each pair of shoes is shown as \$120. However, Fair Market Value for the shoes, or what the shoes can realistically be sold for in a Salvation Army setting, is \$20 each. Therefore, the tax receipt can be issued for \$2,000 (100 pairs of shoes x \$20/pair).

4. If the FMV of any one item is expected to be more than \$1,000, the item must be professionally appraised by an independent third party appraiser.

5. Where official donation receipts are issued offsite, the donation recipient should complete a *Request for Official Donation Receipt Form* (see TFM 0903) to be submitted to the issuing office.

6. An approved copy of the detailed list of items the donor has supplied (list should be signed and dated to confirm receipt of product) must be provided for receipt back-up.

dated to confirm receipt of product) must be provided for receipt back-up.

7. If the donation is from a **sole proprietorship or partnership**, an official donation receipt can be given in the business name, or, in the personal name of the business owner or partner, as long as the donor completes a *Donor Declaration Form – New Merchandise* (see TFM 0903).

8. If new merchandise is being donated by an individual who claims to own it personally, an official donation receipt can be given in the individual's name, as long as the donor completes a *Donor Declaration Form – New Merchandise*.

9. Receipts to incorporated companies must be issued in the company's name only.

Registered Charity Information Return

This is a friendly reminder that all registered charities are required to file the *Registered Charity Information Return* (Form T3010 (15)) within six months of the charity's year end. For Salvation Army units, the deadline is September 30, 2015.

Completing Information Returns can be difficult. The good news is that no changes have been made to last year's form – T3010 (14) – so the task this year may be easier than usual. Nevertheless, we urge units that will be preparing the form themselves to start on it as soon as possible, rather than leaving it until September. The Finance department will prepare the T3010 for its clients, but will require some details to be sent to our various offices. We will shortly be sending instructions regarding the information we need. Page 4 of Form T3010 (15) provides a helpful listing of the documents that together, comprise a complete Return.

The Territorial T3010 Guide in the Territorial Finance Manual is a useful reference source. Also, CRA publishes a guide called *completing the Registered Charity Information Return – T4033 (E) Rev 15*. If you have questions that cannot be answered by referring to these documents, please contact David Dunstan, Senior Director of Planning & Reporting, in the Finance department.

Associated with the *Registered Charity Information Return* is the *Registered Charity Basic Information Sheet* (TF725), a system-generated form with pre-printed information. This is mailed to charities in the month following their fiscal year end, together with the Information Return. The information on the Sheet must be verified, and attached to the Information Return when filed. The Sheet provides peel-off bar code labels to attach to the various documents that are being filed.

Partners in Mission

The Partners in Mission Campaign is ramping up in May with the final amounts raised to be compiled at the end of June. This fundraising campaign provides the money necessary to carry out the ministry of The Salvation Army worldwide. To ensure your unit's annual totals are accurate, please remember to book any top-up amounts through your inter-fund transfer account before the end of June.

Thank you for your continued support of this campaign. The money raised is critical in allowing communities overseas to focus on specific needs such as education, health, income generation and human-trafficking issues.

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



Giving Hope Today

(403) 201.9223

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

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

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For more information about the Finance Department, please visit
<http://salvationist.ca/departments/finance/>

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Money & Mission Editorial Team

Managing Editor:

Alister Mason

Senior Editors:

Patricia Dunbar

Paul Goodyear

Design Editor & Production Manager:

Emilia Kangasjarvi

French Translator:

The Salvation Army Translation Department