



We particularly appreciate volunteer service on the Investment Advisory Committee which oversees two portfolios: the General Investment Fund, valued at \$864 million on March 31, 2014, and the Officers' Retirement Trust Fund, which was valued at \$177 million at that date. Not only is this a great stewardship responsibility, but a relatively small fluctuation in the investment returns can make a significant difference to the operating results.

- Mr. William Chinery, Chair – Retired Managing Director, Blackrock Asset Management Limited
- Mr. Kevin Fahey – Director, Investments, CAAT Pension Plan
- Mr. Michael Gallimore - Management Consultant
- Mr. Yannick Menard - Director, Pension Investments, Bank of Montreal

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Accounting & Financial Reporting Focus

Financial Statement Highlights – March 31, 2014: Part II

In part 1 of this two part series, we focused on the Consolidated Statement of Operations in the financial statements for fiscal 2014. This article comments on the Consolidated Balance Sheet.

While the Balance Sheet shows total assets of \$1,637 million, the most significant account is securities of \$864 million, nearly 53% of the total and reflecting an increase of \$120 million from the prior year. Capital assets (primarily land and buildings) accounted for 90% of other assets in which there was little change.

On the other side of the Balance Sheet, there was no overall movement in liabilities which totalled \$367 million in the current year, the same as in the prior year. All of the increases in assets were, therefore, reflected in the fund balances.

The Army's financial statements can be accessed through the following link:

<http://salvationist.ca/departments/finance/departmentsfinancefinancial-statements/>

Investments

At the end of fiscal 2014, the General Investment Fund (GIF) had a total rate of return of 15.8%. As a result, the value of the GIF increased substantially from \$744.1 million at March 31, 2013 to \$864.1 million the following year end.

The main reason for this impressive result is that 60% of the GIF's assets were invested in equities which performed exceedingly well. The balance of the portfolio was invested in fixed income securities where the returns were much more modest.

In the table below, you will see that investment income is comprised of interest, dividends, net realized gains on the sale of securities and the change in net unrealized gains on securities.

(\$ in 000's)	2014	2013
Interest	\$ 11,777	\$ 11,591
Dividends	11,272	10,363
Net realized gains on sale of securities	32,431	13,556
Change in net unrealized gains on securities	62,948	29,565
	<u>\$ 118,428</u>	<u>\$ 65,075</u>

Interest and dividend income accounted for slightly less than 20% of total investment income for 2014, only 5% higher than in fiscal 2013. However, realized gains increased by 139% while unrealized gains were up by 112%. It should be noted that unrealized gains, which represented 53% of total investment income in 2014, will change according to the performance of the capital markets. One final point: the weakness of the Canadian dollar against other currencies (particularly the US dollar) resulted in some foreign-exchange gains on the GIF's foreign holdings, further enhancing the overall rate of return.

In conclusion, the GIF appreciated considerably in fiscal 2014 primarily due to the realized and unrealized gains in its foreign and domestic equities.

In the News

Financial Management Track at Social Services conference

From October 18 to 21, the Social Services department is holding a national conference on "Responsible for Ministry – Committed to Mission". Participants will be able to choose among various "tracks", one of which will be Financial Management. This will comprise six 90 minute

“Responsible for Ministry – Committed to Mission”. Participants will be able to choose among various “tracks”, one of which will be Financial Management. This will comprise six 90-minute workshops:

- Financial Management 101
- Staying Ahead of CRA
- Accountability in Today’s Environment
- Budgeting: A Necessary Evil or a Key Management Tool?
- How to Read and Interpret Financial Statements
- Protecting the Army’s Assets: Internal Controls and Audits

We hope that these workshops will give participants a better understanding of the reasons for the Finance department’s requirements and how these can be used to better manage ministry units. Each workshop will be conducted by two or three members of the department’s senior management team: Arnold Adey, Patricia Dunbar, David Dunstan, Paul Goodyear and Samantha Moss.

Policies

Imagine Canada Accreditation

The Salvation Army is both a religious denomination and one of the largest charities and providers of social services in Canada. Credibility and accountability on the denominational side is validated through association with other denominations and Christian organizations. However, credibility and accountability as a charity and fundraiser are quite different.

Imagine Canada acts as the “Good Housekeeping Seal of Approval” for charities as well as a voice for charities in Canada. When it introduced its Ethical Fundraising & Financial Accountability Code in 2008, the Army quickly signed on and shortly issued its own Operating Policy (4007) on ethical fundraising, confirming its commitment to this practice.

In 2012, Imagine Canada introduced a standards program. No longer could charities just “sign on” to the code; they would now have to prove that they “live the code.”

The Governing Council agreed that the Army needed to meet Imagine Canada’s standards which represent best practices in fundraising and financial accountability. The Finance department took responsibility for the work involved in responding to the more than 100 standards across five sections: Board Leadership, Finance Accountability & Transparency, Fundraising, Staff Management and Volunteer Management.

As this project commenced, it was encouraging to find that we already follow the standards in many areas, but had simply not documented them. We can be proud of our many initiatives to increase accountability.

General Andre Cox has issued a call to the International Army on the subject of accountability and transparency: “The Salvation Army is a force for positive change; however, the hallmark of our movement needs to be grounded in transparency and accountability. We are going to have to up our game if we are going to significantly continue to impact community in the days and years ahead.”

Applying for accreditation through the Imagine Canada Standards Program is certainly a practical way of responding to the General’s call. It will also reassure our donors that their dollars are being well managed and they can trust us to do what we say we will do.

With our submission to Imagine Canada scheduled for September 30, 2014, pray that its review will go smoothly.

The Finance department thanks all who were involved in contributing to the Army’s submission.

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

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



Giving Hope Today

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<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:

Angela Robertson

French Translator:

The Salvation Army Translation Department