

Money & Mission

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Editorial: Change

The latest issue of *Outcomes* magazine, published by the Christian Leadership Alliance, quotes Catherine Booth (whom it describes as “Co-Founder of The Salvation Army”) as saying:

“There is no improving the future without disturbing the present.”

As we implement Agresso, our new financial system, 2015 will see significant change and “disturbing the present” for the Finance department and others in the Territory with a financial role. Amongst other things, we will see a new chart of accounts, improved financial reporting, as well as streamlined, more efficient processes. Agresso will be a test of our ability to implement and embrace new technology and the opportunities this brings. How will we do? Perhaps the following prayer can provide inspiration:

“God grant me the serenity to accept the things I cannot change, the courage to change the things I can, and the wisdom to know the difference.” Written by renowned theologian Reinhold Niebuhr, this prayer appeared in 1972 in the Preface to Ross Skinner’s authoritative tome *Accounting Principles: A Canadian Viewpoint*. Skinner observed that accounting, like

politics, is the art of the possible, so accountants might do well to adopt the prayer.

In a search for a more modern version of "the accountants' prayer", the internet offered up the following: "Lord, help me be more relaxed about insignificant details, starting tomorrow at 10:53:16 am, Eastern Daylight Saving Time."

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Tax Receipting: Gifts in Kind

The Canada Revenue Agency defines "gifts in kind," which are also known as "non-cash gifts," as "gifts of property. They cover items such as artwork, equipment, securities, and cultural and ecological property."

A contribution of service such as time, skills or efforts is not property and, therefore, does not qualify as a gift or gift in kind for purposes of issuing official donation receipts.

Although the Income Tax Act does not forbid donations "in-kind", caution is advised. The safest method is through a cheque exchange as follows:

1. The unit purchases the property being donated, paying the market value of the property by cheque.
2. The donor makes a donation to the unit in the same amount as the cost of the property.
3. The donor receives an official donation receipt.

If a donor insists on an official donation receipt for a gift-in-kind donation, rather than the above exchange of cheques, the following rules apply:

1. Receipts cannot be given for property of nominal value (i.e. used clothing, household knick-knacks, etc.)
2. Receipts cannot be given for merchandise, the cost of which has been, or is to be, charged as a business expense of the donor (excluding inventory).
3. For single items valued at less than \$1,000, a 'knowledgeable' staff member of the receiving charity may establish the fair market value. If there is no one on the charity's staff qualified to value it appropriately, even if the value is below \$1,000, it will require an independent appraisal.
4. If the value of a gift in kind is \$1,000 or more, it always requires an independent appraisal, signed by an objective third party who is qualified to appraise the item's value. The receipt is to contain a brief description of the property, as well as the name and address of the appraiser, if the value exceeds \$1 000
5. In the acceptance of a gift of property the same due diligence is required as if the property were being purchased

Full documentation on gifts in kind is to be retained on file for internal, external and government audits.

Determining Fair Market Value

The amount paid for gifts in kind is to be the fair market value (FMV) which is the price the goods would command in an open and unrestricted market between a willing buyer and a

willing seller who are knowledgeable, informed and acting independently of each other. For The Salvation Army, FMV can be determined as:

- The price for which an item will sell or has sold in a thrift store or similar location. Pricing should be done by an experienced manager or designate.
- The price an item actually sells for if disposed of through other channels (e.g. on-line auction). In these instances, donors should be advised that they will have to wait for the sale of the item before a tax receipt can be issued.
- The valuation of a qualified appraiser independent of both the charity and the donor if the FMV of any one (1) item is expected to be more than \$1,000, or if there is no one on the charity's staff qualified to value it appropriately, even if the value is below \$1,000.
- If a unit keeps a donated item for its own use, it may take some research to determine the FMV. If it is a new item, FMV can be established through an on-line search for other similar items or through local retail outlets. If the item is used, it is recommended that a local thrift store or NRO be contacted for an estimate of FMV.

Financial Freedom is the Freedom to Give

On December 18, 2014 *The Globe and Mail* ran an article by columnist Tim Cestnick with the above title. He used Canada Revenue Agency statistics from 2011 (the latest available) to make the point that the highest-earning Canadians are not, as a group, the most generous, and asked who experiences the greater financial freedom: the person who hoards his money because he is concerned about not having enough, or the one who gives generously because he recognizes that he has what he needs? Cestnick cited the following statistics:

Level of income	\$0 - \$30,000	\$30,000 - \$60,000	\$60,000 - \$100,000	\$100,000 - \$150,000	Over \$150,000
Number of tax returns filed	13.3 million	7.5 million	3.8 million	1.1 million	627,350
Average income per return	\$13,670	\$43,164	\$76,135	\$118,760	\$311,778
% claiming donations	7.1%	30.5%	43.6%	54.4%	65.1%
Average donations claimed	\$752	\$895	\$1,411	\$1,813	\$8,048
Average donations as % of income	5.5%	2.1%	1.9%	1.5%	2.6%

Cestnick observed that, while those in the lowest income bracket claimed donations which averaged 5.5% of the average income per return, those in the higher income brackets donated, on average, a significantly smaller percentage of their average income – in the 1.5% to 2.6% range. Without wanting to defend the higher earners for their apparent parsimony, that 5.5% may give a misleading impression of generosity: the very small proportion of donors in the lowest income bracket (7.1%) would probably have come primarily from the upper end of that bracket – incomes in excess of \$20,000 or \$25,000.

Cestnick makes the point that clinging to our money does not bring financial freedom. He says that we will never know financial freedom until we are willing to let go of some of what we have. However, he does not define what he means by “financial freedom”, which is surely a very personal matter, depending on one’s age, family obligations, job situation and other circumstances .

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Giving Hope Today

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

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