

MONEY & MISSION

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EDITORIAL: THE ARMY'S "BOTTOM LINE"

Peter Drucker, the best-known management writer of the 20th Century, contributed his services to several not-for-profit organizations in the US, including The Salvation Army. In his book *Managing the Non-Profit Organization: Practices and Principles* he used The Army as an example of an organization that strives to quantify its results - something he considered to be very important:

"Businesses usually define performance too narrowly – as the financial bottom line ...

"In a non-profit organization, there is no such bottom line. But there is a temptation to

downplay results. There is the temptation to say: We are serving in a good cause. We are doing the Lord's work. Or we are doing something to make life a little better for people and that's a result in itself. That is not enough. If a business wastes its resources on non-results, by and large it loses its own money. In a non-profit institution, though, it's somebody else's money – the donors' money. Service organizations are accountable to donors, accountable for putting the money where the results are, and for performance. So this is an area that needs special emphasis for non-profit executives. Good intentions only pave the way to Hell.

"Nonetheless, non-profit institutions find it very difficult to answer the question: What, then, are the 'results' in our institution. It can be done, however. Indeed, results can even be quantified – at least some of them. The Salvation Army is fundamentally a religious organization. Nevertheless, it knows the percentage of alcoholics it restores to mental and physical health and the percentage of criminals it rehabilitates. It is highly quantitative. For many organizations in the non-profit sector, to be specific about results is still odious. They still believe their work can only be judged by quality - if at all. Some of them still quite openly sneer at any attempt to ask 'How well are you doing in terms of the resources you spent. What return do you get?' One sometimes has to remind them of the Parable of the Talents in the New Testament: Our job is to invest the resources we have – people and money – where the returns are manifold. And that's a quantitative term." (pages 139-140)

Can we in the Canada and Bermuda Territory do more to quantify the results of our various ministries?

CHARITY CORNER: CASH SECURITY AND CHARITABLE RECEIPTING

Lt.-Colonel Fred Waters, Secretary for Business Administration

The story is common. You are out representing The Salvation Army and the visibility of The Army attracts a supporter. They walk up and put cash in your hand. It might be five or ten or twenty dollars. They say they don't need a receipt and affirm their admiration for the work we do. These kinds of situations unfold every day somewhere in the territory.

We have earned the trust of the public and how we manage the cash reflects the handling of that trust. The internal audit reports however, repeatedly tell a troublesome story. They report cash not secured, not deposited in a timely manner or in some cases, lost or stolen, because the required safeguards were ignored.

The territory has been working to bring to compliance every ministry unit, and you may have had a visit from the area commander or a divisional business person to inquire about your cash management practices. Is there a safe? Is it adequate? Is the combination changed as required? Are there practices that reduce risk? Is the cash deposited at the bank in a timely manner? At the end of the day, what can you do to reduce risk in real practical terms?

If you have any questions on what is required, take time to review section 5 of the Territorial Finance Manual or ask your divisional headquarters for guidance. We have a responsibility to maintain the public's trust in us and while it takes many years to earn trust, it can be lost in a very short time.

A related matter is our charitable receipting. The proper receipting for donations is critical, and internal audit repeatedly reports that we need to improve our understanding and compliance. So pull up the Finance Manual and read through section 9, and especially 9002. If you have any questions, ask your DHQ or the finance department.

Thank you for your diligent attention to these practical and important matters.

NEW ACCOUNTING STANDARDS FOR CAPITAL ASSETS

CPA Canada has issued revised standards for the capital assets of not-for-profit organizations. Those that are most pertinent to the Army are in *Section 4433, Tangible Capital Assets held by Not-for-Profit Organizations*, which replaces *Section 4431*, with the same title.

This new Section requires that tangible capital assets (property, buildings and equipment) be "componentized", which means that each part of a capital asset with a cost that is significant in relation to the total cost of the item will be separately identified and amortized. A common example would be that of a building, the total cost of which might under the existing standard be amortized over 40 years, but under the new standard separately identifiable components such as the roof and the HVAC (heating, ventilation and cooling) system might be amortized over periods such as 20 years and 15 years respectively.

Under *Section 4433* partial impairments of a tangible capital asset would be recognized by writing it down to its fair value or replacement cost, when conditions indicate that the value of the asset is impaired.

The first financial statements that will be affected by this change will be those for the year ending March 31, 2020.

DID YOU KNOW? IT'S CAMP TIME!

By Arnold Adey, Assistant Financial Secretary

All of our camping programs operate canteens or tuck shops, as do many other residential ministry units. Here are some of the do's and don'ts related to good internal controls in these operations.

- Keep all inventories under lock and key.
- Create a daily sales report to track sales.
- Use a cash register and reconcile daily cash to register and sales report.
- Keep cash in a secure location.
- Use a single account to inventory purchases (62001).
- Use a single revenue account to record sales (57009).
- Deposit excess cash regularly.
- Do not use cash to make other expenditures.

VERSE FROM THE FINANCIAL STEWARDSHIP BIBLE

Psalm 37: 21 "An evil person borrows and never pays back; a good person is generous and never stops giving."

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