

# Money & Mission

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## Editorial: Accountability

Since his election in 2013, the General has said and written much about accountability in The Salvation Army. It is clear that the General desires the Army to improve its practices around the world. Of course, local standards or expectations for accountability are as varied as the 126 countries in which the Army operates, so there are bound to be some differences in the way in which accountability is interpreted and implemented.

Our framework for accountability, however, must be based not simply on societal expectations or legal requirements or sector best practices, but also on the highest standard for accountability ever set out, namely, the Bible.

Every so often we encounter an officer, employee, lay Salvationist or volunteer who resists the need for accountability, as if he or she is accountable only to God.

Such a position is not only contrary to scripture, it places the integrity of the individual in question. People with integrity do not hesitate to act with complete humility and transparency when it comes to holding themselves accountable to others. Those who may have something to hide, whose practices might fall short, are less willing to be held accountable.

Accountability is the essence of the Christian stewardship. When it comes to our accountability, may we be like the wise steward of whom Jesus spoke, "Well done, good and faithful servant! You have been faithful with a few things; I will put you in charge of many things."

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## Honesty Legally Required in All Contracts

By Christine LeBlanc, Associate Legal Counsel

The Supreme Court of Canada (SCC) recently issued an important decision relating to contract law. In *Bhasin v. Hrynew* (2014 SCC 71) the SCC established two new legal principles that will apply to all contracts: (i) a duty of good faith, and (ii) a duty to act honestly.

What does this mean? In short, it means: “[...] that parties must not lie or otherwise knowingly mislead each other about matters directly linked to the performance of the contract” (from Para. 73 of the judgment). The duty of honesty does not mean that we have to disclose facts unnecessarily, or be unduly loyal to the other side. In other words, there is no need to put the other party’s interests first.

This development may be surprising to some. Although legal principles relating to fairness and honesty exist, these are piecemeal and were never established as actual legal doctrines. Some would argue that all contracts are overshadowed by an ultimate principle of “freedom from interference in contracts”. Courts have, after all, often been hesitant to impose terms that have not been clearly agreed upon by the parties.

So what does the duty of honesty mean for The Salvation Army? Here are a few examples.

1. You found your ideal candidate for a job vacancy, but your ministry unit might be restructuring and could eliminate the position. Must you inform the candidate of the potential restructuring? *Yes.*

2. You have a long-term relationship with a supplier, and you are its largest client. You have found a company that can provide the product at a better price. Can you rely on the 3 month notice of termination provision in the contract? *Probably; however, you should provide more notice if possible. Any non-renewals of long-term contracts may give rise to suspicion and attract litigation.*

3. You had a small fire at your facility and neglected to tell the insurance company about the inoperative fire alarms. For months, the insurer has not returned your calls. Who breached the new duty of honesty? *Both parties.*

4. Can you dismiss your cafeteria service provider and retain that company’s head cook? *No. Besides, there is probably a non-compete clause in the contract.*

5. Can you sign a government funding contract that requires you to be able to provide services in French if none of your staff speak French? *No.*

Dealing fairly and honestly in all contracts is now the law. From now on, contracting parties will be able to rely on – and expect – a minimum standard of honesty from the other party.

## Tax Receipting: New Charity Section in TFM

If you have referred to the Territorial Finance Manual (TFM) recently, you may have noticed that we have added a new section 9, devoted to operating as a charity and tax receipting. We have written often on these topics in Money & Mission, but felt that there was a need to create a central reference containing comprehensive guidelines and procedures. Our goal is to help the organization navigate this complex and sometimes confusing area.

The material has been drawn from a number of sources including previously published material in the TFM, numerous articles in this newsletter and tax receipting guidelines developed specifically for NRO’s thrift stores and other locations.

We will be publishing extracts from the new Charity section on a regular basis in Money and

specifically for NRO's thrift stores and other locations.

We will be publishing extracts from the new Charity section on a regular basis in *Money and Mission*. In the meantime, here are some of the items you should find useful.

- Administration of tax receipts (control, content, dating, replacement etc.)
- Definition of what constitutes a gift for official income tax receipting purposes and what does not
- How to handle gifts in kind and estimate Fair Market Value (FMV) for tax receipting purposes, including an evaluation table for donations of used furniture
- Procedures and form to use when tax receipts are issued at a location other than the one receiving the donation
- Procedures and forms to use when businesses donate merchandise, including guidelines for estimating FMV.
- Guidance on what to do when a business donates new merchandise and the business owner or partner requires a receipt in his/her name. (This is permissible as long as the donor signs a Donor Declaration Form. However, when donations are made by an incorporated company and a tax receipt is requested, it must always be in the company's name.)
- Forms and procedures for donations of vehicles.

We encourage you to test your knowledge in the similarly named section 090214. Designed as a Q&A, this contains examples of situations where there is often uncertainty about whether or not a tax receipt can be issued. Here are a couple of examples, the answers to which are in the section.

Q.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?

Q.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?

While the Charity section will remain, we will be making significant revisions to the TFM in the coming year, as a result of our move to *Agresso* and the resulting changes in financial processes and the Chart of Accounts.

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