

Faculty of Commerce

Faculty of Commerce - Papers

University of Wollongong

Year 2001

How financial statements enhance(d) the
long-term survival of an international
religious/charitable organisation

H. J. Irvine

University of Wollongong, hirvine@uow.edu.au

This conference paper was originally presented as Irvine, HJ, How financial statements enhance(d) the long-term survival of an international religious/charitable organisation, Second Accounting History International Conference, Osaka, Japan, 8-10 August 2001.

This paper is posted at Research Online.

<http://ro.uow.edu.au/commpapers/123>

**HOW FINANCIAL STATEMENTS ENHANCE(D) THE LONG-
TERM SURVIVAL OF AN INTERNATIONAL
RELIGIOUS/CHARITABLE ORGANISATION**

A paper prepared for the Second *Accounting History*
International Conference

Osaka
8-10 August 2001

by

Helen Irvine

Department of Accounting & Finance
University of Wollongong
NSW 2522 Australia

Email: helen_irvine@uow.edu.au
Telephone: 61 2+ (02) 42215919
Fax: 61 2+ (02) 42214297

Please do not quote without the author's permission

Abstract.

The Salvation Army is a large international religious/charitable organisation with a high profile in Australia. In recent years, the profile of its financial reports has grown, particularly in the context of corporate fundraising. This is one manifestation of the importance for the Army, over its history, of a sound financial reputation. It has always relied heavily on external funds to continue its operations, and its financial statements are, and have been, a useful means by which its image has been enhanced, and it has established a legitimate claim for these funds. The Salvation Army's founding and early years, in the second half of the 19th century in England, provide evidence of this early legitimising role of its financial statements. This is consistent with institutional theory, which emphasises the importance of such legitimacy, but challenges the notion, prevalent in academic literature on accounting in religious organisations, that there is a resistance to the use of accounting as a "secular" activity in an organisation with a "sacred" mission. While techniques and presentation have changed, the need for a resource-dependent organisation like The Salvation Army to create an acceptable financial image in the eyes of the public, has not changed.

Introduction.

Religious/charitable organizations in Australia currently operate in a highly competitive environment, in terms of fundraising. Cutbacks in government funding, together with an increasing reliance on corporate philanthropy, and the need to go to the public for donations in order to maintain existing programs, means that the spotlight is on such organizations to present an image that promotes them as worthy recipients of funds. Financial accountability is one means by which this can be accomplished, with organizations demonstrating not just good stewardship, but pro-actively using financial statements as a means by which their image can be enhanced.

The Salvation Army in Australia is such a religious/charitable organization. Part of a world-wide Christian church, probably better known now for its social work than its evangelistic work, it was founded in England in the mid 1800s. In that era, when poverty and social injustice were rife, the new Christian Mission¹, early in its life, became an organization with a focus on good works and a reliance on the public for funding. Even in those early days, the presentation of a sound financial image was vital to its ability to attract funds and to deflect criticism of its methods. In that sense, while the social setting and pressures of today are unique and different from those present at the time of its founding, for organizations like The Salvation Army, dependent on funds from sources apart from their own members, a reliable financial image has always been critical to organisational survival.

This paper first provides a brief overview of The Salvation Army Australia Eastern Territory's current financial statements, funding and image. Secondly, an institutional

view of legitimacy, and the role of financial statements in achieving that legitimacy, are put forward. The notion of a sacred/secular tension is also explored. The early history of The Salvation Army is then described, with a focus on fundraising, financial reporting and some early financial controversies before conclusions are drawn about the importance, to resource-dependent religious/charitable organizations like The Salvation Army, of a sound financial reporting record.

Current financial reporting in The Salvation Army in Australia.

Financial Statements.

The April 1997 business launch² of The Salvation Army Australia Eastern Territory's³ Red Shield Appeal⁴ in the Illawarra provided a clear demonstration of the use of financial statements as an aid to image-creation and consequently, fundraising. Following a lunch and a speech by a well-known Sydney Olympic identity, where the Army's social ministry was highlighted, guests were presented with two glossy booklets. One was entitled "Taking it to the streets" (1996) and was a summary of the work of The Salvation Army as seen by six high-profile Australians. The other was a companion book, entitled "The Salvation Army Australia Eastern Territory Consolidated Financial Statements June 30 1996" (1997). It was a corporate-style set of annual accounts, well presented, in accordance with Australian Accounting Standards, complete with Notes, a statement by the trustees, and an independent audit report by Coopers & Lybrand.

Tucked into the back of the annual report was a sheet of pink paper with the heading "1997 Red Shield Appeal Investment Slip". It invited guests to "dig deep" by investing in

the future of others through the Red Shield Appeal, and gave them the opportunity to donate as an individual or a company, by cheque or credit card. Salvation Army people positioned strategically at the tables guided discussion and followed up the queries of guests. The approach was caring yet professional, people-focused yet business-like, mission-oriented yet realistic about the money needed to fund that mission. It was an exercise designed to attract corporate sponsorship. The financial reports may have been published to a standard in keeping with towards today's corporate culture, they may have indicated an organization in touch with current financial reporting requirements, and the whole fundraising presentation, together with the introduction of the reports, may have fitted in with the latest marketing methods, but there was a sense in which the entire exercise was nothing new for The Salvation Army. From its earliest days it has relied on the public for funds, and it has therefore needed to present itself as an organization with impeccable financial credentials. Methods may change, but the underlying essence remains the same: sound financial statements enhance(d) reputation, and therefore ensure the survival of such an organization.

Fundraising.

The Salvation Army has been particularly successful at fundraising throughout its history. According to figures produced in an Industry Commission (1995, C25) Report, The Salvation Army, including both Eastern and Southern Territories, was the largest community social welfare organization in Australia, in terms of income, with total combined income of \$255.5 million. The major components of this income were in the form of government funding, public fundraising, and fees for services provided. In 1997,

Red Shield fundraising accounted for 14% of the total income of the Australia Eastern Territory, a reflection of the Army's dependence on the goodwill of the general public.

Changes in the funding environment of The Salvation Army and similar organizations have occurred in recent years. Cutbacks in government funding (Lyons, 1997, pp. 206 - 207; Adams, 1997, p. 118; O'Neill, 1997, p. 121) represent a philosophical shift towards competition within the charitable sector, with a government commitment to a three-way partnership between business, the community sector, and government (Lyons, 1998, p. 1). The new managerial culture of the public sector has been absorbed into organizations that receive government funding, and the emphasis now is strongly on developing corporate sponsorship, as well as maintaining existing contributions from the general public. These changes have brought with them increasingly specific requirements for financial reporting to both government departments and the need to impress corporate sponsors with an image of financial accountability and sophistication. In order to raise funds in this competitive environment, charitable organizations must develop a variety of strategies, all of which are highly dependent on the image they can project to the general public.

Accountability, financial reporting and image.

It has been recognized that the "Salvos" are "at or near the top" of the hierarchy of charities, with "brand recognition" and major donors, but even they have been "doing it tough" (Moore, 1998) in an environment highly competitive for charity dollars. The Salvation Army, like many other charitable organizations, must be conscious of its image in the public arena, particularly in the way it orders its financial affairs. In the current

Australian institutional environment, charities are required to use donated funds responsibly, and to exhibit a high degree of stewardship and accountability, to both the general public and the government, regarding the accounting systems they implement (Irvine, 2000, p. 15; O'Neill, 1997). Until the mid 1990s, Army accounting was cash-based, and stressed accurate record-keeping and accounting for funds received, wise expenditure and careful recording, with financial reports that were consistent with current financial reporting guidelines. As accounting practices have changed over time, it has been essential for the Army to present a financial image in keeping with that which is valued and esteemed by society, from the time of its founding until today. Financial reports are one way this can be achieved, as demonstrated by the role of financial statements in the Eastern Territory's 1997 Red Shield Appeal business launch.

Any organization in the public eye, if it is to maintain an image of financial reliability, must avoid financial scandals of any description. The Army has not been taking for granted public acceptance and its lack of financial scandal. In Australia, not only has it not been touched by a scandal of that nature in recent years, but also, it has been creating a certain visibility for itself, in the corporate arena, with the publication of its annual financial statements. These reports have been prepared not just to fulfill the strict letter of the law (the Army's trust deeds and government requirements), or to deflect any potential criticism of the Army's financial practices, but pro-actively to create an image of an up-to-date, financially responsible organization conforming with generally accepted accounting principles. This image, overlaid as it has been on the Army's excellent existing reputation for social action, has been overtly linked with requests for donations, hence the link between accountability, financial reporting, image and fundraising.

Throughout its history, and particularly in its early years, The Salvation Army has recognized the need for a sound financial reputation, and has produced financial statements that enhance such a reputation. While the techniques may differ across the years, and while the issues may change from financial scandals to accrual accounting, from persecution to iconic status, from negative publicity to intentional marketing, the underlying thread has been the careful promotion of the kind of financial reputation that will engender confidence and encourage donations. This reliance on a sound financial reporting image, a feature of The Salvation Army since its founding, is consistent with the emphasis on legitimacy in institutional theory, but offers a challenge to the notion that there is a resistance, in "sacred" religious organizations, to the use of a "secular" technology such as accounting.

Legitimacy and the sacred and secular.

Institutional theory has the capability of considering the wider organizational and social context of accounting practice by emphasizing the influence of the institutions both of society and of the organization. It suggests that these institutions, which have been described as "societal expectations of appropriate organizational form and behavior", take on "rule-like status in social thought and action" [Covaleski and Dirsmith, 1988, 562], and develop over a period of time. Instead of, or in addition to, technical considerations, organizations adopt institutionally acceptable practices in order to legitimate their existence [Covaleski and Dirsmith, 1988, 562], and ultimately, to assure themselves of an inflow of funds by means of which they can continue to operate. Conformity with institutional rules and expectations, institutional theorists have suggested, is required to

ensure an organization's survival, as much as is achieving "high levels of production efficiency and effectiveness" [Covaleski et al, 1993, 66].

This drive of organizations towards achieving legitimacy in relation to their environment (DiMaggio and Powell, 1983; Gooderham et al, 1999, p. 507) is achieved by institutional isomorphism, the process by which organizations "incorporate the practices and procedures defined by prevailing rationalized concepts of organizational work and institutionalized in society" (Meyer and Rowan, 1977, p. 340). This driving force represents the struggle by organizations for survival in an increasingly organized and inter-connected society.

Societal institutions, legitimacy and success.

Institutional theorists talk of the "survival value of conformity", and how compliance to institutions such as regulatory structures, government agencies, rules, laws, and professions, leads to "enhanced stability, legitimacy, social support and prestige" (Oliver, 1997, pp. 101 - 102). These "institutions" or "larger rules" (Meyer et al, 1992, 65 - 66) can be thought of as "reflections of rationalized institutional rules" (Meyer and Rowan, 1977, p. 340), as "shared knowledge and belief systems" (Scott, 1995, p. 13), or as "rules of knowing" (Mills and Murgatroyd, 1991, p. 1). They are built into society, and provide blueprints for organizing by making specific "the forms and procedures an organization of a particular type should adopt if it is to be seen as a member-in-good standing of its class" (Barley and Tolbert, 1997, pp. 93 - 94). Intangible elements, these influences are something that can be made visible by means of the tangible elements of organizations, when they are put into practice. While it is difficult explicitly to define what institutions

are, and while they may not be "substantive things" at all, since they are intangible, we think and live as though they are real (Allport, 1933, p. 13).

Because organizations want to be viewed as competent and acceptable, they therefore find value in compliance with these institutional expectations, because through such compliance they are viewed as legitimate and receive the prestige, stability, access to resources, and social acceptance they require in order to survive (Oliver, 1991; Ang and Cummings, 1997; Meyer and Rowan, 1977; Oliver, 1997; Meyer et al, 1992). Because of this, there is a tendency for organizations within a particular organizational field to become similar in structure and practices. This process, known as institutional isomorphism, leads to organizational homogeneity [DiMaggio and Powell, 1983; Booth, 1995; Powell, 1985; Covalleski et al, 1993, 66]. Consequently, in an institutionalized environment, organizations compete for "social fitness rather than economic efficiency" (Powell, 1985, p. 565), so conformity with institutional rules ensures survival, and hence success (Baum and Oliver, 1991; Meyer et al, 1992; D'Aunno et al, 1991). Financial reporting, and the accountability it purports to exhibit, is one of these institutions whose legitimizing power organizations must recognize if they are to survive.

Accounting as a legitimizing activity

The pervasive nature of accounting in society means that organizations that adopt "rational" accounting and management practices are more likely to be rewarded, and since organizations require funds in order to continue, this is the kind of legitimacy they seek (Dent, 1991, p. 707). Any organization that does not conform to societal expectations about how accounting ought to be performed, and about the accountability

and transparency required in financial reporting, risks showing to disadvantage against its competitors, losing legitimacy and ultimately funding.

Religious/charitable organizations, like other organizations, cannot be closed systems, because they must be open to, and are dependent upon, the flow of resources from their external environment. They must be concerned about "bolstering their reputations, good standing and desirability as fund recipients in order to enhance and stabilise their resource flows" ⁵ (Bielefeld, 1992, pp. 52 - 53). Booth (1995) suggested that institutional isomorphism meant that management control practices had spilled over from the commercial sector to the voluntary sector, by means of the requirements of funding operations, institutionally acceptable practices and solutions, and professional networks. The accountability that is demanded of religious/charitable organizations, and other nonprofit organizations, as a result of institutional expectations, has had a major impact on the management and accounting practices nonprofit organizations have employed. Accounting is increasingly being appealed to as an indicator of good management, providing value and legitimacy by its very presence. It therefore has a role that goes beyond mere technical considerations, being a practice constructed "in response to societal expectations" (Dirsmith, 1986, p. 357). Much more than a "simple technique", it is a powerful legitimizing tool (Carruthers, 1995), and nowhere is its visibility more apparent than in the presentation of an organization's financial statements.

The sacred and the secular.

In spite of the prevalence of accounting as an institutionalized activity, it has been proposed that there is some inconsistency, or some potential resistance, to the notion that

a church, whose agenda is primarily spiritual, should be concerned with money, and as a result, make use of the practice of accounting, which has its roots in the secular world of money and business. Laughlin (1988), in his study of accountability and accounting systems within the Church of England, began with some insights into the "central dynamic" of religious organizations, basing his work on Durkheim's division of all things into the "profane" and "sacred". This notion of a dialectic, a tension between opposing forces, formed the basis for his assertion that within religious organizations there was a potential for resistance to accounting, based on the tension between the need to rely on the secular world for the funding of religious work, and the desire to protect the "central sacred sanctuary" of belief from corruption by those very secular forces which helped to keep it going (Laughlin, 1988, pp. 23 - 24).

Booth (1993, p. 50) made the observation that "the dominant ends in (religious) organizations are transcendental, which makes any empirical assessment of their achievement impossible". Accounting and management practices would therefore provide inappropriate measures of spiritual success, a powerful example of a sacred/secular tension. The relationship between a church and money, therefore, could be thought of in dialectical terms as similar to a master-servant relationship. Hegel (1971, p. 175) considered the complex tension inherent in such a relationship, where the servant, in the very act of serving the master, eventually exceeded the master in worth, thereby reversing the two roles. While relying on money to fulfil its mission, a church's very spiritual nature requires an independence of belief and thinking, so a tension develops between two ways of thinking, being resolved by the interaction between the two opposition notions (Gaarder, 1996, p. 303). The resolution, if made, however, is never set, according

to this approach, as the dialectical process, "a clash between a purpose or standard and its attempted fulfillment" (Taylor, 1979, p. 59), is a continuous working out of the dichotomy between opposites. The difficulty in a Christian service organization is of balancing the mission/money tension in a way that preserves the character of its mission (Jeavons, 1994, pp. 157 - 158), with implications for the way the organization embraces (or resists) fundraising methods, management principles and attitudes to accountability and accounting.

Perhaps this proposed dialectic tension between churches and money is resolved in practice in at least two ways. It may be resolved through the orientation a church has with the world. Kaldor et al (1994, p. 70) made a distinction, based on the work of Weber and Troeltsch, between a church and a sect, with the former having an open orientation to the world in the hope of influencing it, and the latter seeing the world as evil, and drawing a strict boundary around its members. The historic orientation of a religious organization therefore will be a determining factor in the extent to which this tension is felt, and the manner in which it is dealt with. William Booth's mission was one of involvement in the world, an emphasis adopted by the Army towards breaking down the barriers between the "so-called sacred and secular", with a great involvement of Army personnel in "that wicked world" (Watson, 1964, p. 274).

The response of members of a religious organization to accounting will therefore have something to do with that organization's historic belief system and culture, and its openness to embracing "secular" practices. Swartz (1998, p. 324) suggested that many religious organizations were open to embracing these practices, as evidenced by the two

broad institutional processes at work, secularization and institutional isomorphism. This openness has been observed in other research on the use of accounting in religious organizations, with budgeting being used to further a church's mission (Irvine, 1996) and to aid members of a religious community in the ordering of their entire life, including their financial affairs (Jacobs and Walker, 2000).

The second possibility for resolving any potential dialectic tension between churches and money is through the transformation of money through the practice of philanthropy, or for other religious purposes. Jesus advised a certain rich young man to give away his wealth to the poor (*The Bible*, Matthew 19:21). Members of the early Christian church held their property in common, and saw the giving of alms to the poor "not as a matter of mercy, but of justice, for the earth was seen as belonging to all people, and no-one had a right to more than he or she needed" (Singer, 1993, p. 60). William Booth, the founder of The Salvation Army, believed that "the bad can be sanctified, the secular made sacred - the devil's tunes, the brewer's money, the trade in the market-place" (Watson, 1964, p. 96). An organization that depended on raising funds from the world at large, as distinct from its own members, would need to take this view, virtually eliminating any distinction between the sacred and the secular as money (and accounting) were seen as a means of achieving a sacred mission, and therefore acceptable.

The issue becomes whether any religious organization, and The Salvation Army in particular, can afford to neglect the legitimizing power of accounting. A brief introduction to the social setting in which The Salvation Army began follows, and then a description of its early history. These sections indicate that a variety of factors, including

its historic societal setting, its unique founder⁶, William Booth, its history, its sense of mission, and its resource-dependence, all combined to result in The Salvation Army's embracing accounting as a powerful demonstration of accountability and legitimacy.

Early history of The Salvation Army.

The importance of the societal setting.

The family tree of The Salvation Army in Australia stretches back to England in 1865, when William Booth began the Christian Mission in London. Figure 1 below, "The historical context of The Salvation Army" outlines the influence of external institutional pressures and historic influences, all of which, together with internal factors, set in motion the Army's reliance on public funds, and its consequent use of financial reporting as a legitimizing activity.

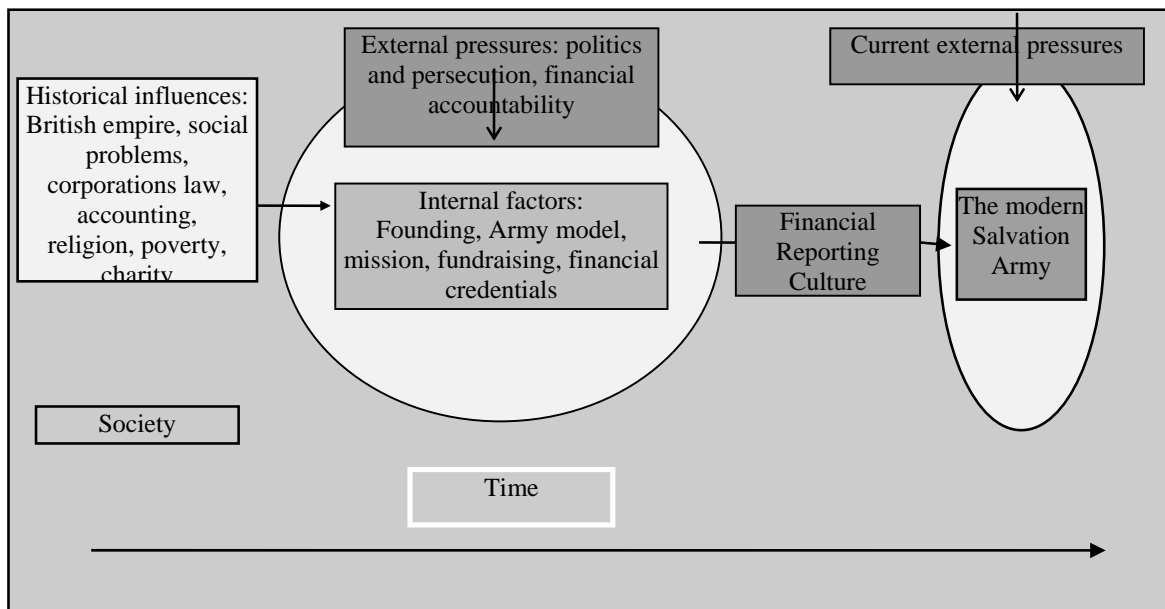


Figure 1. The historical context of The Salvation Army.

The historic setting.

The era in which The Salvation Army began was an age of turbulence in England. The Victorian empire was expanding rapidly worldwide, and in the mid 1800s, with a growing industrial base, and a rapidly expanding worldwide empire, England enjoyed what was probably the most prosperous period in its history. As corporations and investment flourished, and England's financial empire expanded, the accountancy profession also developed.

The Institute of Chartered Accountants began in 1880, the existence of an accountancy profession giving a stimulus to developments in auditing, with examinations being conducted, recommendations on professional conduct of audits instituted, and articles on auditing produced in *The Accountant*⁷ from the 1880s onwards (Chatfield, 1977, p. 121). From the 1890s, auditing was gradually upgraded in terms of analysis rather than detailed "routine verification" (Chatfield, 1977, p. 120). Even at this early stage of its history, the accountancy profession was subject to pressures from competing interests, with the development of corporations, the principle of limited liability, the expectations and requirements of creditors and shareholders, and the increasingly large amounts of money that were being invested in these corporate structures all providing the impetus for the development of accounting practices. Corporate officials often made up their own minds about what disclosure to provide in financial statements (Chatfield, 1977, p. 99), with conservatism, stressing the anticipation of possible losses and the understatement of profits (Yamey, 1977, p. 28), rather than the overstatement that had occurred in previous

years⁸. It was a time of incredible change and development in the financial world and in the existence and format of financial reports.

Yet this financial development and expansion happened against a background of poverty, drunkenness, crime, an unfair legal system, incredible inequities in the distribution of wealth, and "no attempt at Concerted Action" (Booth, 1890) to alleviate these painful symptoms of a society where power was vested in the hands of the wealthy. In spite of the efforts of social reformers to legislate better living and working conditions for English people, life was a grim business for the poor. While it was the official denomination of the country, The Church of England was very much a social and economic, perhaps more than a religious, institution, having little effect on the rising tide of poverty and the social upheaval going on around it. It was into this England that William Booth and Catherine Mumford were born in 1829.

The founder, the organization and his mission.

William Booth.

From a poor background, William Booth was converted to Christianity as a young man. His working life began in a pawn shop, while he preached in his spare time. From 1851, he devoted his time to preaching, and by 1855 he had become a Methodist New Connexion travelling campaigner, on a wage of £2 per week. In that year he was married to Catherine Mumford, a committed Christian with strong feminist views, and ordained as a Methodist New Connexion minister three years later. Catherine was a powerful

preacher, preaching for twenty-eight years as William's faithful partner in his life's work (Collier, 1965, p. 42).

In 1861, William Booth resigned from the New Connexion. He formed the Christian Revival Association, which was later absorbed into the East London Christian Mission, which, in turn became The Christian Mission. He was deeply committed to ministering to the poor. Few clerics of the day "sought to grapple with their (the poor's) problems", and over 6,000 parsons "owed their livings to wealthy private patrons". William Booth's sole aim, in 1865, at the foundation of The Christian Mission, was "to convert the outcasts the clergy did not reach" and then pass them onto other churches. He often came home "bruised and bloodied", and found that his converts would not go to established churches (Collier, 1965, pp. 48 - 52).

In spite of Booth's authoritarian nature, the Christian Mission had a democratic constitution, and its Annual Conference made decisions about the running of the ministry (Watson, 1964, p. 22). After years of abiding by the decisions of a committee of thirty-four people, Booth became increasingly frustrated, so that when in 1876 he was approached by a deputation of evangelists, with grievances, demanding an autocracy (Collier, 1965, pp. 64 - 65), he agreed. He confessed that he did not want to found a new sect, but nevertheless, in 1878, at the annual conference of The Christian Mission, it was resolved by a three quarters majority to scrap the mission's Deed Poll, create a new Deed Poll, and put control of all mission property and operations in Britain, or any other country, in William Booth, as General Superintendent, "or his nominee" (Collier, 1965, p. 65; *The Salvation Army (New South Wales) Property Trust Act 1929*, 1959, p. 2).

An army model.

Booth had been a keen follower of the careers of Wellington and Napoleon, and followed the concept of militant Christianity. He spoke of "siege operations" against the Devil and was described in 1876 as the "General of the Hallelujah Army". His mission was taking on an Army-like culture and gradually was referred to as a volunteer Army, and then, in the 1878 Deed Poll of The Christian Mission, as

... a SALVATION ARMY recruited from amongst the multitudes who are without God and without hope in the world, devoting their leisure time to all sorts of laborious efforts for the salvation of others from unbelief, drunkenness, vice, and crime (*Christian History*, 1990, p. 25).

In that year, Booth composed his "*Orders and Regulations for the Salvation Army*", maintaining that he could not run his "army" without a system (Collier, 1965, pp. 75 - 76). A combination of rules, and homilies about the lives Salvationists were required to live, it was uncompromisingly strict. In 1879 in Salisbury, a Salvationist and his three sons, thinking the movement "lacked something", brought brass instruments along to their meeting, and accompanied the singing of songs. Hit tunes of the day were adapted into songs the Salvation Army could sing. Booth's comment "why should the Devil have all the best tunes?" indicated his willingness to use whatever methods were necessary to reach people with his message.

With all the accompaniments of an Army, The Christian Mission officially changed its name to The Salvation Army in 1880. William Booth became "The General" instead of the "General Superintendent". The Army model continued to gain momentum, with the use of Army terminology and the introduction of uniforms⁹. The Army grew, according

H. Irvine. How Financial Statements Enhance(d) the Long-term Survival of an International 19 Religious/Charitable Organisation.

to William Booth, because of an "unqualified acceptance of military government and discipline" (Booth, 1890, Appendix 2), "the government that God himself has invented" (Wiggins, 1964, pp. 237 - 238).

The mission.

Early in his ministry, William Booth recognized the difficulty of preaching the Christian gospel to people "whose whole attention is concentrated upon a mad, desperate struggle to keep themselves alive" (Booth, 1890, p. 45). While his intentions were, at grass roots, uncompromisingly spiritual, he saw evangelical conversion as "a concomitant of drastic social and economic change - less a religion of stained-glass windows and the music of J. S. Bach, than of soap and a square meal, with noise, cheerful songs, and everyone so busy that they could not be bored" (Watson, 1964, p. 21). Booth's early "random attempts at social work" included the establishment of "Food-for-the million" shops, where the poor could buy hot soup day and night and "a three-course dinner for sixpence". Eventually abandoned because of "administrative headaches", they were nevertheless an attempt to set into place a strategy for offering substantial and tangible assistance to the poor (Collier, 1965, p. 58).

A formal strategy was offered by Booth, when in 1890 his treatise "*In Darkest England and the Way Out*" was published, and became, overnight, a runaway best seller¹⁰ (Collier, 1965, p. 187). A stupendous undertaking, it was an attempt to apply the Christian faith to an increasingly industrialized civilization, a recognition that England was socially bereft. In it Booth asserted that there was no need to look to "darkest Africa" to confront problems in desperate need of attention. He maintained that of the 31 million population

of Great Britain (apart from Ireland), 3,000,000 lived in "darkest England" as paupers, often homeless, and starving. They were the "submerged tenth", and he likened their condition to the slavery that had been so justly condemned in England sixty years earlier (Booth, 1890, p. 23). His famous "cab horse charter" proposed that human beings were worth at least as much as a cab horse, of whom it was said, "when he is down he is helped up" and "while he lives he has food, shelter and work" (Booth, 1890, p. 20).

In 1890 the Social Reform Wing of The Salvation Army was established. While the Army was described as "not a social reform organization", it was one that applied social reform and welfare work "to the principles on which it was founded" (Sandall, 1966, p. 74). Booth was convinced of the theological justification for a doctrine that included "both personal salvation and social salvation" (Green, 1990, pp. 29 - 30). In 1910, on his 81st birthday, he eschewed a dichotomy between the sacred and the secular, when he described the linkage between the spiritual and the social work as being essential, the "outcome of the spiritual life of its members" (Sandall, 1966, p. xiv).

Fundraising.

From the early founding of The Christian Mission, and later The Salvation Army, Booth's background, experience and sense of what he wanted to achieve were inextricably linked to the raising of money. From a poor background, and ministering to the poor, he was conscious always of needing to attract sponsorship and donations. With a focus on the "submerged tenth" of society, there was no possibility of raising funds from that quarter, so there was a need to move in sectors of society in which there was first an appreciation of such a mission, and secondly, a willingness to contribute to the

mission. He always had to have his eye on the possibilities for funding, since funding this mission was always a challenge. He chose not to link himself with an established organization where funds may have been more assured, but to launch out on his own with a new venture. His very nature made him a unique leader and that in itself set the scene for the financial needs his mission would always have.

In 1851, his ministry was able to begin because of the generous support of Edward Rabbits, the owner of a chain of boot stores in London, who offered him twenty shillings per week for three months, in order that he might devote his time to preaching (Collier, 1965, pp. 33 - 34). By the time the "Darkest England" scheme was put forward twenty-five years later, the Army had raised more than £18,750,000 for its work (Collier, 1965, p. 185). The incredible expansion in the work and influence of the Army had occurred by combining with the vision a vigorous fund-raising style and an attempt to keep expenses as low as possible. Bramwell Booth (William's son) described money as the "sinews" of the Salvation war (Woodall, 1995, 18; Thompson, 1985, 21), and from its earliest days, the Army gained a reputation for its constant efforts at money raising. The collection box became a regular accompaniment to Salvation meetings, as illustrated by a music-hall chorus of the 1880s:

... General Booth sends round the hat; Samson was a strong man, but he wasn't up to that (Booth, 1977, p. 115)!

Early donations came from several philanthropists, but financial pressures were always acute. Early appeals were made to members and friends. The Christian Mission Magazine (1870a, p. 93) of April 1870 informed readers that over £50 per week was required to keep the mission going, dependent as it was on "the voluntary offerings of the Lord's

people". Later, in August that year, "friends" were advised that "our funds for carrying on this great work are completely exhausted ... brethren and sisters, you must help us or our work must cease" (*The Christian Mission Magazine*, 1870b, p. 128). Constant pleas came from the Army's magazine over its early years, not only for money, but also for donations of goods:

- our extensive operations, and their purely missionary character, render the work very costly, and only help from without ... can enable us to go forward in the coming year (*The East London Evangelist*, 1869, p. 236);
- our coffers want replenishing (*The Christian Mission Magazine*, 1871, p. 96);
- help by saving us from anxiety in financial matters (*The Christian Mission Magazine*, 1872, p. 90);
- we must give more liberally ... we must collect more diligently (*The Christian Mission Magazine*, 1873, p. 82);
- 'Funds again!' I think I hear you say, dear reader, yes, funds again! (*The Christian Mission Magazine*, 1874a, p. 67);
- Wanted, clothing of all descriptions for the poor! (*The Christian Mission Magazine*, 1875, p. 28).

The Army constantly looked for new ways of raising money. The Self-Denial appeal was introduced by William Booth in *The War Cry* on 14th August 1886, in order to expand the Army's work in Europe. Fifty thousand people were invited to join the "Self-Denying League"¹¹ and to register their pledge to boost the contents of the "War Chest" (Wiggins, 1964, p. 216). It became an annual appeal, focused not only on Salvationists, but also on the public. General Booth, in 1908, said of the scheme, that it had proved to be one of the "greatest religious financial successes of the age", having attracted the admiration of

"almost every religious and philanthropic organization in existence" (Thompson, 1985, p. 9).

Other schemes were also successful. The formation of The Salvation Army Property League resulted in more property being acquired in 1887 than in the previous 17 years of its history (Wiggins, 1964, p. 234). The "Universal Exhibition of Thank-Offerings" in 1887 was organized by the Army in order "to give every corps, officer, soldier and friend an opportunity of presenting to the Lord a portion of their *goods* (small or large) as a token of their thankfulness to Him for raising up The Salvation Army and sending forth its officers into this and other lands" (Wiggins, 1964, p. 242). Army officers sent out to new corps were responsible for raising their own finances. Tithing was promoted as a desirable spiritual and financial practice for all Army officers, soldiers and friends, and other creative fund-raising efforts were devised, including harvest festivals, the Tea League¹², and the Lord's corner¹³.

At the end of 1888, General Booth presented a "memorial" to the British Home Secretary, outlining the situation of "vast numbers of men and women" in East London slums. His assertion was that such shocking conditions in which people were living demanded some "special and extraordinary effort on behalf of the state". This was the Army's first request to the government for aid, but their request for £15,000 was denied. It was to be several years before the British government followed the example set by the Victorian Government in Australia in the early 1890s (Fairbank, 1983, pp. 90 - 91), when it provided funds for The Salvation Army to perform charitable works.

Booth's "*In Darkest England*" scheme of 1890 set a target of £1,000,000. To anybody else, this might have seemed an extraordinary amount of money, but in spite of the fact that William Booth had been "bedevilled by money troubles" since the early days of the Army (Watson, 1964, p. 93), he was unapologetic about his request for funds to put his scheme into operation. He gave examples of the cost to Britain of various war expenses that greatly exceeded the £1 million he was requesting, and which were paid without hesitation by a government committed to extending its worldwide empire:

When John Bull goes to the wars he does not count the cost. And who dare deny that the time has fully come for a declaration of war against the Social Evils which seem to shut out God from this our world? (Booth, 1890, p. 251).

Within three months of Booth's call to "arise in the name of God and humanity, and wipe away the sad stigma from the British banner that our horses are better treated than our labourers" (Booth, 1890, p. 282), £102,559/1/2d had been contributed to the scheme. Booth's logic in his Darkest England scheme was that it would not be "irrational" to expect that the government, or some local authorities, would eventually assist in the plan, since it could ultimately be expected to provide relief in the rates and taxes of the country. He conceded that perhaps the scheme was so vast that it ought to be undertaken by the Government itself, but since nobody appeared to be doing anything about such a vital work, the Army was prepared to undertake it if the financial help was provided (Booth, 1890, p. 267). The Army was thus willing to be a channel for the funds provided by concerned donors, and possibly the government, in order to undertake the work for which they had the vision.

The Army became involved in financial institutions, with its Deposit Bank being set up in 1890¹⁴. There were sixty-four branches in England, Scotland, Wales and Jersey, and one third of deposits were invested in government securities, with the remaining deposits being lent on mortgage on real estate. Interest paid was 2.5% per annum, and all profits went towards The Salvation Army (Wiggins, 1964, 220). The following year, General Booth took over the Methodist and General Assurance Society Ltd. The Army turned it into a "self-formed, self-sustained organization with an administrative staff" (Wiggins, 1964, 227).

Trading was another source of funds for the Army. General Booth had expressed the desire that the Army's social work should become self-funding over a period of time. There was no shame in being involved in business activities, providing they adhered to strict ethical standards. *The War Cry* of 19th April 1902 detailed reasons why the Army ought to indulge in such activities, and why they ought to be supported. The Salvation Army uniform needed to be produced, *The War Cry* and other periodicals needed to be produced, the Army wanted its people to procure "the best possible goods at a reasonable price", and since profits went towards international missionary work, buying from the Army would assist in promoting "the work of salvation throughout a sin-cured world" (Wiggins, 1964, 224).

In all its fundraising schemes, in the Army there was no distinction seen between the money and the mission, the sacred and the secular. The Salvation Army Deposit Bank, was defended as being "as righteous as collections and admission fees" (*All the World*, 1890a, p. 29) in its payment and earning of interest. A direct link with the "sacred"

mission was claimed when the question was asked in an Army publication, "is it more "religious" to put one's money by in the traditional old stocking than in a bank which uses all its surplus capital simply and solely to multiply mission halls? We think not!" (*All the World*, 1890b, p. 208). William Booth urged Assurance officers of the Army's Life Assurance Company to be "God's agents", ideally allying "business principles" with "religious practice" (Wiggins, 1964, 230 - 231). These "business principles" included accounting.

Early financial reporting and credentials.

Early financial practices.

Financial accountability and the proper keeping of accounts were always important to William Booth, and consequently to The Salvation Army. As General Superintendent of the Christian Mission, Booth had enormous financial power to expend money which had been contributed to the Christian Mission, provided he should annually "publish a balance-sheet duly audited of all such receipts and expenditure" (*The Salvation Army (New South Wales) Property Trust Act 1929*, 1959). This requirement remained in force when the name was changed to The Salvation Army in 1880¹⁵.

The finances of The Christian Mission were made public in early editions of *The Christian Mission Magazine*, where, together with rousing stories of the work the mission was accomplishing, were included, from time to time, Balance Sheets of various branches of the mission (*The Christian Mission Magazine*, 1875, p. 28¹⁶; *The Christian Mission Magazine*, 1876a, p. 54¹⁷), or summaries of the "State and Finances of the Christian

Mission" at various times. *The Christian Mission Magazine* (1876c, p. 172) of July 1876 included information about the amount "contributed by the people towards the support of the work", as well as details of other mission statistics such as the number of members, public speakers, preaching services, and "anxious inquirers". Some branches had not submitted financial returns, and no information was given regarding the amount expended in the running of the various mission branches, or how much they held in funds. These summaries appeared semi-regularly in early editions of the Mission's magazine, as did "The Reports from the Districts" (*The Christian Mission Magazine*, 1874b, p. 226¹⁸).

The Balance Sheet of The Christian Mission for 1877 - 78 listed Receipts and Expenditure, and was "audited and found correct" by a firm of Public Accountants from London (*The Salvationist*, 1879, p. 84). The publication of the Balance Sheet for the year ending 30th September 1879 (*The War Cry*, 1880, p. 3) included an explanation of the policy of producing annual Balance Sheets, and an assurance that "every penny received and spent in connection with the Army has thus been publicly accounted for from the first days of The East London Christian Revival Society till this day". Appendix 1, "*The Salvation Army Balance Sheet for the year ending 30th September 1879*" presents a copy of the contents of this Balance Sheet. The amount received from "outside sources" represented 63% of total receipts, and there was a recognition that this kind of support warranted financial accountability. Refuting the charge that the Army had never published Balance Sheets, it was pointed out that this Balance Sheet, for 1879, was actually the 14th that the Army had produced, and that "a firm of auditors of the highest respectability have audited our books for years past" (*The War Cry*, 1880, p. 3). The

assurance was given that The Salvation Army wanted to remain open about its financial affairs, and that more information would be made available on request.

Some years later *The Times* printed an article about The Salvation Army's 1887 Balance Sheet, alleging that it was the first Balance Sheet the Army had published. The Field-Secretary, in his *War Cry* response, noted that "The General has written to them reminding them of their previous article¹⁹, and enclosing balance sheets for ten years. Surely that old tale about our issuing no balance sheets is not going to start again!" (Wiggins, 1964, p. 213). It has been suggested that since its early days, the Army has highly valued financial accountability, and the image it provides, and has sought to implement an accounting system so rigorous that it has earned "the unqualified commendation of financial experts and authorities who had cause to study its workings (Wiggins, 1964, pp. 212 - 213).

William Booth was reported to place great trust in the Army's public auditors who looked after their accounts (Booth, 1977, p. 116). A story Bramwell Booth (the Founder's son) recounted was about Henry Labouchere, the editor of the paper *Truth*, who was openly critical of the Army's finances, alleging that it had no accounts to show. After one of these attacks, William Booth invited Labouchere to visit the Army's headquarters, and he arrived to find one of the partners from the Army's auditing firm there, with all the accounts ready for his perusal. After one and a half hours of "going over the books, examining the Vouchers, and talking to members of the Staff", he was apparently quite satisfied, and after that, became "more or less a friend". The chief value of his approval of the Army's finances, according to Bramwell Booth, was in the fact that "he was so

great an authority on such matters that when he took a thing up and even faintly praised it people accepted its credentials right away” (Booth, 1977, pp. 119 - 120).

In putting forward the Darkest England scheme, Booth (1890) relied on the Army's size, its zeal, its reliance on the power of God, its successful record so far, and its Army discipline, as proving its capability in following through the grand plan. In an appendix to his book, Booth (1890) listed the qualifications of the Army for administering the Darkest England scheme. His choice of information to be included was interesting: the number of "Officers or Persons wholly engaged in the Work", a list of property vested in the Army, a catalogue of the social work of the Army, including the number of officers then managing those social branches, details of weekly and monthly circulation of Army publications, and, significantly, a Balance Sheet, and an explanation of the system of producing audited Balance Sheets for International Headquarters, for "every corps in the world", and every Divisional and Territorial headquarters (Booth, 1890, Appendix 1).

The emphasis seemed to be on accountability to the public, and a desire to be frank and open about the Army's dealings in the world, including financial management. The Darkest England trust deed provided for the General to be a "genuine legal trustee", with all properties vesting in him as trustee. The moneys and properties raised through the Darkest England scheme were to be kept separate from those of The Salvation Army, and any breach of trust by the General would be proceeded against by the British Attorney-General (Sandall, 1966, p. 97). According to Bramwell Booth, his father never touched any of the Army's money after the first ten or twelve years of the movement. While financial arrangements were in his name, they were “attended to by others”, because the

founder realized “the necessity for exactness and economy in dealing with money, both private and public” (Booth, 1977, p. 116).

In General Booth's opinion, wherever his soldiers were given the freedom to act, they so swiftly proved their worth "to the hilt" that the authorities would soon step in to subsidize their work (Collier, 1965, 149). The Army was not averse to accepting public or government funding to establish or maintain their work, and this attracted attention to them, sometimes in a negative way. They desperately needed to be perceived by the public as a reputable organization, if they were to continue to receive the funding they required, but their requests for public money, together with the Army's unusual methods, unfortunately led to a considerable amount of detrimental public sentiment.

Criticisms of the Army.

Persecutions.

From its earliest days, The Salvation Army has had a strange and intense relationship with its public, because it has always been a high-profile public movement. It did not confine its activities to church buildings, but went out onto the streets, preaching, marching, and making music. In 1903, recalling the time when the Army began, William Booth said "I was laughed at, mocked at, ridiculed and given the cold shoulder by all sorts of people, religious and otherwise, but I went forward" (Wiggins, 1964, 251). In the early days of the "Hallelujah lasses"²⁰, any publicity that kept the Army's purpose before the public was thought to be "good publicity", including bell-ringing, a crimson-draped

donkey, and other stunts designed to attract attention and enable the Army to present its message (Collier, 1965, 77).

But the Army was not merely putting on a show. Its message was not without effect. While William Booth maintained in *The War Cry* in 1886 that Salvationists were not to mix themselves up with political parties²¹ (Sandall, 1966, 263), nevertheless, the Army was highly political. Outspoken in its condemnation of the evils of alcoholism and prostitution especially, the Army early attracted the anger of publicans and brothel owners, who accused them of taking away their customers (Collier, 1965, 104). For years, Salvationists faced persecution in the form of peltings with sticks and stones, mud, egg yolk, and other missiles. One day in 1882, in Great Britain alone, nearly seven hundred Army personnel were "brutally assaulted on the streets, simply for preaching the gospel" (Barnes, 1990, p. 16), while sixty Salvation Army buildings were wrecked by mobs (Collier, 1965, p. 107). Publicans and brothel owners launched "a savage all-out counter-attack" aimed at annihilating the "too-powerful Salvation Army". On one occasion, as Salvationists were battered and bleeding, with buckled instruments covered with blood and egg-yolk, William Booth, always eager to capitalize on any opportunity for publicity, urged, "Now's the time to get your photographs taken!" (Collier, 1965, pp. 104 - 107).

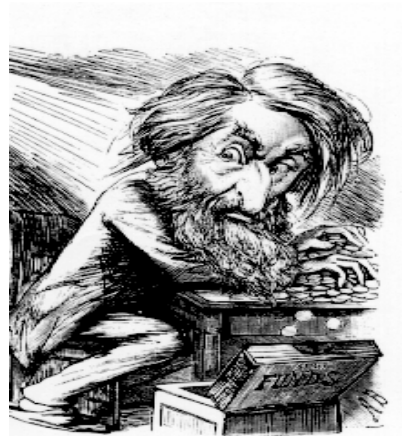
This conflict came to a crescendo in Torquay in 1888 when ninety-nine Salvation Army men and women were arrested for marching with music through the streets. Penalties included fines and imprisonment. Finally, the conflict was overcome, and The Salvation Army was granted the right to conduct their meetings in the public streets on Sundays.

The strife over the right to march had been long and difficult, but even though this level of persecution had abated, there was still the spectre of financial innuendo surrounding the Army's controversial schemes and fundraising efforts.

Issues of financial accountability.

Rumors about the Darkest England scheme.

The Darkest England proposal put the Army in the spotlight once more, not only because of the controversial nature of the scheme, but also because of the vast amounts of money the scheme was to cost, and the donations that it attracted. Figure 2 below, “*A caricature of William Booth*”, is typical of the “abusive cartoons” about William Booth that were published in the 1890s²² (Ervine, 1934, pp. 544 - 545).



NOW, MR. BOOTH, LET US KNOW WHAT YOU ARE
GOING TO DO WITH ALL THIS MONEY!

Figure 2. A caricature of William Booth.

Rumors began to circulate about the financial aspects of the scheme, and the Army in particular. The officer who had been in charge of one segment of The Darkest England

scheme resigned, and it was believed that there were irregularities in the way the finances raised were being accounted for and used²³. One rumor even suggested that Booth was planning to abscond with £2 million of funds from the Darkest England scheme. General Booth wrote in *The War Cry* of 6th August, 1892:

... I have been charged definitely with using the money given for the poor for my own glorification, luxurious indulgence and family aggrandizement ... The accounts of the social scheme it has been alleged are imperfectly kept ... and the whole of our financial statements are unreliable ... It has been said that the money has not been spent at all, or not as proposed ... (Sandall, 1966, p. 92).

The London Times suggested a committee of five should check on the fund's legal and financial aspects, and that inquiry was held in 1892²⁴. The committee considered whether the money raised was devoted exclusively to the Darkest England scheme, whether it was expended in a "businesslike, prudent and economical manner, with properly kept accounts" and whether the property so raised was secured from "misapplication" (Sandall, 1966, p. 94). The result of their findings vindicated Booth, finding that he had "drawn no income from mission or Army funds in twenty-seven years as an evangelist" (Collier, 1965, pp. 195 - 196). Further, the committee held that "... books are kept on a proper double-entry system ... audited by a firm of very competent chartered accountants ... vouchers of all payments are kept"²⁵ (Sandall, 1966, 94). *The Times*, however, suggested that while the social wing of the Army was substantially in debt, the "spiritual wing" was so prosperous that it could advance the money to keep the social work going (Sandall, 1966, 96).

Some specific criticisms.

Manson (1906) was a strong critic of The Salvation Army. He was not persuaded by the findings of the 1892 committee, by the increase in positive public perceptions about the Army, or by other claims that the Army was financially open and accountable. His book contained a stinging rebuke to the Army, centered not only on its finances, but also on a range of other issues. He maintained that the public ought to be more interested in what the Army was doing, since, unlike other denominations or sects, it relied very heavily on the public to supply the funds necessary for its work (Manson, 1906, p. 2). He questioned whether the work of the Army was actually being accomplished, citing the failure of the Army to publish statistics about its numerical strength (Manson, 1906, p. 14).

He enumerated several other shortcomings of the Army's organization and financial accountability, including the fact that the public were largely unaware of the purpose to which their donations were put (Manson, 1906, pp. 21 - 22), the use by local corps (church groups) of funds donated by the public for their religious activities (Manson, 1906, p. 37), the relatively small contribution made to the overall finances of The Salvation Army by Salvationists, and the Army's involvement in financial money-making schemes had caused it to lose its soul²⁶ in "worldly enterprises" (Manson, 1906, pp. 63, 92). He highlighted as sinister the power held by General Booth to "sell and mortgage the property of his trust without any restriction", and called for a "complete annual publication of the receipts and expenditure of all the Army's financial departments from the corps upwards (as being) absolutely essential" (Manson, 1906, p. 281 - 282).

According to Manson, the balance sheets which were produced showed nothing of the principles of financial administration by which the Army was governed, and "the imposing provision of a first-class firm of chartered accountants to audit them" did not allow the public to see whether the return to the public was "in due relation to their sacrifice", being outside the scope of a firm of chartered accountants (Manson, 1906, p. 41). The public, he claimed, therefore had no reason to suspect that anything was wrong.

The Army was very much aware of these and other criticisms, and sought to correct these impressions at every opportunity. The tenor of the Army's response was to present the Army as a financially reliable organization. The primary claims to financial reliability rested on the provision of a Balance Sheet audited by a reputable firm of auditors, the separation of various funds in order to ensure that donations were used for the purposes for which they were given, and the existence of a reliable accounting system, including a stringent budgeting process, and strict monitoring of expenditure.

By the time William Booth died in 1912, the tide of persecution and misunderstanding about the Army, its work, and what it stood for, appeared to have turned. By then, governments "began to understand what the Army set out to do", and began to make a major reassessment of its value to society (Barnes, 1990, p. 16). Many factors contributed to the Army's survival over these early years, but it is certain that had the Army not been able to present financial statements that could withstand scrutiny, its integrity would have been seriously compromised, and its survival doubtful.

Conclusion.

The Salvation Army of today is the product of one man's vision, the society in which it was formed, its own distinctive culture, and the institutional forces that have influenced it during its lifetime. Throughout its turbulent history, the Army has struggled to establish credibility, to promote its mission, to develop and maintain its own distinctive identity, and to raise the funds necessary to fulfill its mission. Its survival can be attributed to its ability to maintain an image acceptable to society, both in terms of its social work and the way it conducts its financial affairs.

Accounting has been shown to be a powerful societal institution. As one of the components of the Army's unique culture, it has had a significant role to play in presenting an acceptable financial image. The presentation of audited financial statements has been, and currently is, one vital aspect of the financial accountability the Army has displayed to its own members and to the public. Not only have they been used to deflect criticism, but also to create an image of financial transparency and competence. The Army has never been reticent in discussing money or fundraising. Similarly, accounting, far from being perceived as a "secular" intrusion into its "sacred" affairs, has enjoyed an important position in the organization, particularly in the form of financial statements. Throughout its history, the presentation of audited financial statements, in a form acceptable to the day, has been a valuable aid to assuring the public of the Army's financial credentials and thereby securing a legitimate claim to the funds it needs to continue its mission. Methods may change, but in order to survive, the Army has needed to present itself as a worthy recipient of public funds. In every era, this has necessitated

the promotion of a reputation of financial integrity, by whatever means are currently acceptable. It is suggested that other resource-dependent religious organizations, especially those with an open orientation to the world, are likely also to demonstrate little conflict between the sacred and the secular, and are also likely to embrace accounting as a valuable legitimizing tool.

A further research question could be one emphasized by Covalleski et al (1993, p 66), who observed that the process whereby institutionalization occurs can be seen as a "profoundly political" process, reflecting the relative power of interests and actors. They suggested that once established, accounting systems which were intended to be symbolic and provide legitimacy, actually transcended that status, and were found to influence the way "external *and* internal constituents think about and act concerning the organization" (Covalleski et al, 1993, p 67). An interesting research question, therefore, could be to consider the extent to which "institutionalized legitimating practices ... penetrate and influence internal organizational practices" (Covalleski et al, 1993, p 68). In other words, does the enforcement of formal organizational practices which have come about as a result of institutional pressures result in "merely cosmetic changes", or do they have an impact on, for example, internal resource allocation decisions (Covalleski and Dirsmith, 1988, p 565)? It may be that at this level, there could be resistance to "secular" accounting practices, when accounting actually attempted to do more than legitimize an organization's existence and claim for financial resources. In this sense, issues of power and the way it is used in the creation, adoption and maintenance of institutional practices, could, therefore, be of great interest.

References.

- Adams, D., (1997), "Surfing the fad of contracting - the Tasmanian experience", *Third Sector Review*, Volume 3, pp. 99 - 120.
- All the World*, (1890a), "Army Finance", London: The Salvation Army, January, p. 29.
- All the World*, (1890b), "Army Finance", London: The Salvation Army, July, p. 208.
- Allport, F. H., (1933), *Institutional Behavior*, New York: Greenwood Press, Publishers.
- Ang, S. and Cummings, L. L., (1997), "Strategic Response to Institutional Influences on Information Systems Outsourcing", *Organization Science*, Volume 8, No. 3, May-June, pp. 235 - 256.
- Barley, S. R. and Tolbert, P.S., (1997), "Institutionalization and Structuration: Studying the Links between Action and Institution", *Organization Studies*, Volume 18, No. 1, pp. 93 - 117.
- Barnes, C., (1990), "The Army under siege", *Christian History*, Issue 26, Volume IX, No. 2, p. 16.
- Baum, J. A. C. and Oliver, C., (1991), "Institutional Linkages and Organizational Mortality", *Administrative Science Quarterly*, Vol. 36, pp. 187 - 218.
- Bielefeld, W., (1992), "Non-profit funding environment relations: theory and application", *Voluntas*, Volume 3, May, pp. 48 - 70.
- Booth, B., (1977), *Echoes and Memories*, London: Hodder & Stoughton.
- Booth, P., (1993), "Accounting in Churches: A Research Framework and Agenda", *Accounting, Auditing and Accountability Journal*, No. 4, pp. 37 - 67.
- Booth, P., (1995), *Management Control in a Voluntary Organization*, New York: Garland Publishing, Inc.
- Booth, W., (1890), *In Darkest England and the Way Out*, London: International Headquarters of the Salvation Army. (Reprinted by Charles Knight & Co. Ltd., London, 1970, Sixth Edition).
- Carruthers, B., (1995), "Accounting, Ambiguity, and the New Institutionalism", *Accounting, Organizations and Society*, Volume 20, No. 4, pp. 313 - 328.
- Chatfield, M., (1977), *A History of Accounting Thought*, Huntington, New York: Robert E. Krieger Publishing Co.
- Christian History*, (1990), "The Christian History Timetable", William Booth (1829 -
- H. Irvine. How Financial Statements Enhance(d) the Long-term Survival of an International 39 Religious/Charitable Organisation.

1912), Issue 26, Volume IX, No. 2, pp. 24 - 25.

Collier R., (1965), *The General Next to God*, London: Collins.

Covaleski, M. A. and M. W. Dirsmith, (1988), "An Institutional Perspective on the Rise, Social Transformation, and Fall of a University Budget Category", *Administrative Science Quarterly*, Volume 33, pp 562 - 587.

Covaleski, M. A., M.W. Dirsmith and J. E. Michelman, (1993), "An Institutional Theory Perspective on the DRG Framework Case-mix Accounting Systems and Health-care Organizations", *Accounting, Organizations and Society*, Vol. 18, No. 1, pp 65 - 80.

Dacin, M., (1997), "Isomorphism in Context: The Power and Prescription of Institutional Norms", *Academy of Management Journal*, Volume 40, No. 1, pp. 46 - 81.

D'Aunno, T., Sutton, R. I. and Price, R. H., (1991), "Isomorphism and External Support in Conflicting Institutional Environments: A Study of Drug Abuse Treatment Units", *Academy of Management Journal*, Volume 34, No. 3, pp. 636 - 661.

Dent, J., (1991), "Accounting and organizational cultures: a field study of the emergence of a new organizational reality", *Accounting, Organizations and Society*, Volume 16, No. 8, pp. 705 - 732.

DiMaggio, P. J. and Powell, W. W., (1983), "The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields", *American Sociological Review*, Volume 48, April, pp. 147 - 160.

Dirsmith, M. W., (1986), "Discussion of 'Social Environments and Organizational Accounting'", *Accounting, Organizations and Society*, Volume 11, No. 4/5, pp. 357 - 367.

Ervine, St. J. G., (1934), *God's Soldier: General William Booth*, London: William Heinemann, Ltd.

Fairbank, J., (1983), *Booth's Boots: The Beginnings of The Salvation Army Social Work*, London: The General of The Salvation Army.

Gaarder, J., (1996), *Sophie's World*, London: Phoenix House.

Gooderham, P. N., Nordhaug, O., and Ringdal, K., (1999), "Institutional and Rational Determinants of Organizational Practices: Human Resource Management in European Firms", *Administrative Science Quarterly*, 44, pp. 507 - 531.

Green, R. J., (1990), "William Booth's Theology of Redemption", *Christian History*, Issue 26, Volume IX, No. 2, pp. 27 - 30.

Hegel, G. W. F., (1971), *Philosophy of Mind* (Translated by A. V. Miller), Oxford:

H. Irvine. How Financial Statements Enhance(d) the Long-term Survival of an International 40 Religious/Charitable Organisation.

Oxford University Press.

- Industry Commission, (1995), *Charitable Organisations in Australia Report No. 45*, 16 June, Melbourne: Australian Government Publishing Service.
- Irvine, H., (1996), "Pass the plate around again: a study of budgeting in a local church", Fourth Critical Perspectives on Accounting Symposium. New York, April.
- Irvine, H., (2000), "Powerful Friends: the institutionalisation of corporate accounting practices in an Australian religious/charitable organisation", *Third Sector Review*, Volume 6, No. 1/2, pp. 5 - 26.
- Jacobs, K., and Walker, S., (2000), "Accounting and accountability in the Iona community", a Paper presented at the Sixth Interdisciplinary Perspectives on Accounting Conference, Manchester, England, 9th - 12th July.
- Jeavons, T. H., (1994), *When the Bottom Line is Faithfulness. Management of Christian Service Organizations*, Bloomington, Indiana: Indiana University Press.
- Kaldor, P., Bellamy, J., Powell, R., Correy, M., and Castle, K., (1994), *Winds of Change, National Church Life Survey*, Sydney: Southwood Press.
- Laughlin, R., (1988), "Accounting in its Social Context: An Analysis of the Accounting Systems of the Church of England", *Accounting, Auditing and Accountability journal*, Volume 1, No. 2, pp. 19 - 42.
- Lyons, M., (1997), "Contracting for care. How much is there and is it the way to go?", *Third Sector Review*, Volume 3, pp. 205 - 215.
- Lyons, M., (1998), "Government funds to enhance business and community sector partnerships", *ANZTSR Newsletter (Newsletter of Australian and New Zealand Third Sector Research)*, No. 2, p. 1.
- Manson, J., (1906), *The Salvation Army and the Public. A Religious, Social and Financial Study*, London: George Routledge & Sons Limited.
- Meyer, J. W. and Rowan, B., (1977), "Institutionalized organizations: formal structure as myth and ceremony", *American Journal of Sociology*, pp. 340 - 363.
- Meyer, J. W., Scott, W. R. and Deal, T. E., (1992), "Institutional and Technical Sources of Organizational Structure: Explaining the Structure of Educational Organizations", reprinted in *Organizational Environments, Ritual and Rationality*, edited by Meyer, J. W. and Scott, W. R., pp. 45 - 67, Newbury Park: Sage Publications.
- Mills, A. J. and Murgatroyd, S. J., (1991), *Organizational Rules, A Framework for Understanding Organizational Action*, Philadelphia: Open University Press.

Moore, A., (1998), "Corporate philanthropy in Australia", *Business Sunday*, November 22, http://businessunday.ninemsn.com.au/bx_story2.asp?id.

Oliver, C., (1991), "Strategic Responses to Institutional Processes", *Academy of Management Review*, Volume 16, No. 1, pp. 145 - 179.

Oliver, C., (1997), "The Influence of Institutional and Task Environment Relationships on Organizational Performance: The Canadian Construction Industry", *Journal of Management Studies*, Volume 34, No. 1, pp. 99 - 124.

O'Neill, D., (1997), "Structuring government/community sector relations: the role of service agreements in Victoria", *Third Sector Review*, Volume 3, pp. 121 - 137.

Powell, W. W., (1985), "The Institutionalization of Rational Organization. A book review of *Organizational Environments: Ritual and Rationality*, 1983", by J. W. Meyer and W. R. Scott, Beverly Hills, CA: Sage Publications, *Contemporary Sociology*, pp. 564 - 66.

Sandall, R., (1966), *The History of the Salvation Army. Volume III. 1883 - 1953. Social Reform and Welfare Work*, London: Thomas Nelson and Sons Ltd.

Scott, W. R., (1995), *Institutions and Organizations*, Thousand Oaks, USA: Sage Publications.

Singer, P., (1993), *How are we to live? Ethics in an age of self-interest*, Melbourne: Text Publishing Company Pty. Ltd.

Swartz, D., (1998), "Secularization, Religion, and Isomorphism. A Study of Large Nonprofit Hospital Trustees", in *Sacred Companies. Organizational Aspects of Religion and Religious Aspects of Organizations*, edited by N. J. Demerath, N. J., Dobkin Hall, P. III., Schmitt, T., Williams, R. H., pp. 323 - 348, New York: Oxford University Press.

Taking it to the streets, (1996), The work of The Salvation Army as seen by six high-profile Australians. No place of publication given: The Salvation Army.

Taylor, C., (1979), *Hegel and Modern Society*, Cambridge: Cambridge University Press.

The Bible, (1984), New International Version, Grand Rapids, Michigan: Zondervan Bible Publishers.

The Christian Mission Deed Poll, (1878), "Declaring the Doctrines and Constitution of The Christian Mission", 7th August, London: Ranger, Burton & Frost.

The Christian Mission Magazine (1870a), "A Treasury of revival literature and a record of evangelical work among the people and organ of The Christian Mission", edited by William Booth, London: Morgan and Chase, Volume II, 1869 - 1870, April.

H. Irvine. How Financial Statements Enhance(d) the Long-term Survival of an International 42 Religious/Charitable Organisation.

The Christian Mission Magazine (1870b), "A Treasury of revival literature and a record of evangelical work among the people and organ of The Christian Mission", edited by William Booth, London: Morgan and Chase, Volume II, 1869 - 1870, August.

The Christian Mission Magazine (1871), "A Treasury of revival literature and a record of evangelical work among the people and organ of The Christian Mission", edited by William Booth, London: Morgan and Scott, Volume III, 1871, June.

The Christian Mission Magazine (1872), "A Treasury of revival literature and a record of evangelical work among the people and organ of The Christian Mission", edited by William Booth, London: Morgan and Scott, Volume IV, June.

The Christian Mission Magazine (1873), "A Treasury of revival literature and a record of evangelical work among the people and organ of The Christian Mission", edited by William Booth, London: Morgan and Scott, Volume V, June.

The Christian Mission Magazine (1874a), "A Treasury of revival literature and a record of evangelical work among the people and organ of The Christian Mission", edited by William Booth, London: Morgan and Scott, Volume VI, March.

The Christian Mission Magazine (1874b), "A Treasury of revival literature and a record of evangelical work among the people and organ of The Christian Mission", edited by William Booth, London: Morgan and Scott, Volume VI, August.

The Christian Mission Magazine (1875), "A Treasury of revival literature and a record of evangelical work among the people and organ of The Christian Mission", edited by William Booth, London: Morgan and Scott, Volume VII, March.

The Christian Mission Magazine (1876a), "A Treasury of revival literature and a record of evangelical work among the people and organ of The Christian Mission", edited by William Booth, London: Morgan and Scott, Volume VIII, March.

The Christian Mission Magazine (1876b), "A Treasury of revival literature and a record of evangelical work among the people and organ of The Christian Mission", edited by William Booth, London: Morgan and Scott, Volume VIII, July.

The Salvationist (1879), "with which is incorporated the *Christian Mission Magazine* being the organ of The Salvation Army, a record of work for God and the People, edited by William Booth, London: Morgan and Scott, Volume XI, March.

The East London Evangelist (1869), "a record of Christian work among the people and organ of the East London Christian Mission", edited by William Booth, December 1, London: Morgan and Chase, Volume 1.

The Salvation Army (New South Wales) Property Trust Act 1929, (1959). An Act to provide for the temporal affairs of The Salvation Army of New South Wales,

Sydney: Government Printer.

The Salvation Army Financial Statements 1996, (1997), Australia Eastern Territory Consolidated Financial Statements, June 30, Sydney: Territorial Headquarters.

The Salvation Army Year Book 1927, (1927), London: Salvationist Publishing & Supplies.

The Salvos, (2000), <http://www.salvos.net/redshield/>

The War Cry, (1880), "The General Finances of The Salvation Army", 17 January, p. 3.

Thompson, A., (1985), "A Century of Self Denial", in *The Salvation Army Year Book 1986*, pp. 17 - 21, St Albans, Great Britain: The Campfield Press.

Watson, B., (1964), *A Hundred Years' War. The Salvation Army: 1865 - 1965*, London: Hodder and Stoughton.

Wiggins, A. R., (1964), *The History of the Salvation Army. Volume IV. 1886 - 1904*, Great Britain: Thomas Nelson & Sons Ltd.

Woodall, A., (1995), "The Sinews of War", In *The Salvation Army Year Book 1996*, pp. 18 - 20, London: Powage Press.

Yamey, B. S., (1977), "Some Topics in the History of Financial Accounting in England, 1500 - 1900", in *Studies in Accounting*, edited by Baxter, W. T. and Davidson, S., pp. 11 - 33. London: The Institute of Chartered Accountants in England and Wales.

¹ The original name of the organisation now known as The Salvation Army.

² This was held on 29th April, 1997 at The Salvation Army's Wollongong corps premises.

³ The Australia Eastern Territory comprises Queensland and New South Wales, with the Australian Capital Territory. The Southern Territory is made up of the remaining states and the Northern Territory.

⁴ The Red Shield Appeal is the major annual public fundraising "event" of The Salvation Army in Australia. The Appeal has been conducted in Australia since 1965, and includes a national doorknock, business appeal and direct mail campaign (The Salvos, 2000, <http://www.salvos.net/redshield/>).

⁵ This quotation refers to nonprofit organisations, of which religious/charitable organisations are a subset.

⁶ A new organisation, if it is to be successfully established, will be influenced not only by existing institutional expectations (Dacin, 1997, p. 52), but also by its founder.

⁷ The official journal of the Institute.

⁸ The speculation which characterized the inception of the railroads was fuelled by deliberate overstatement of profits (Chatfield, 1977, p. 99).

⁹ Army uniforms were introduced in 1880, when Captains could apply for them and pay for them out of their own pocket; some bandmen wore second-hand military uniforms; the weekly newspaper of the Army was "*The War Cry*"; banners and flag proclaimed the motto "Blood and Fire", the crimson flag symbolizing the blood of Christ and blue standing for purity.

¹⁰ The first edition, of 10,000 copies, sold out on 20th October 1890, the first day of publication. The second edition of 40,000 sold out a month later, with third, fourth and fifth editions being equally popular. Profits made from the sale of the book were donated to the scheme (Sandall, 1966, p. 79).

¹¹ They were to go without "some article of food or clothing, some little luxury, some ornament, some pleasure" (Wiggins, 1964, p. 216).

¹² The Salvation Army packaged tea, and at one stage had 43,344 customers (Wiggins, 1964, p. 225).

¹³ Produce grown in the garden would be sold, with proceeds going to the Army (Wiggins, 1964, p. 225).

¹⁴ The bank began with no capital. Its only security was "Booth's good name" (Watson, 1964, p. 98).

¹⁵ The original deed poll remained intact: "... everything in the within Deed contained relating or referring to The Christian Mission" now referred to "The Salvation Army" (*The Christian Mission Deed Poll*, 1878).

¹⁶ The Balance Sheet of the Chatham Branch was included as a model, since it was "all but self-supporting", and "a remarkable example of economical Mission work" (*Christian Mission Magazine*, 1875, p. 28).

¹⁷ The Balance Sheet for the Middlesboro branch of the Mission revealed receipts from Sunday offerings, tobacco money, donations, and male and female believers' classes, with a final balance in hand of £9/11/3 (*Christian Mission Magazine*, 1876, p. 54).

¹⁸ They were usually presented in a positive light, for example, as disclosing "very cheering facts" (*The Christian Mission Magazine*, 1874, p. 226), and usually stated that the information was incomplete.

¹⁹ *The Times* had earlier published an article on the Army's 1885 Balance Sheet.

²⁰ This was the nickname given to young Salvationist women.

²¹ In 1887 General Booth issued a General Order which forbade the use of Salvation Army barracks for political meetings of any kind. Later, in 1900, he said that while officers were free to vote, the Army was "neutral", and politics was "not its work" (Wiggins, 1964, p. 190).

²² Other critics described William Booth as "Field Marshal von Booth", a "brazen-faced charlatan" and a "pious rogue" (Collier, 1965, p. 194).

²³ Commissioner Frank Smith apparently objected to the association of the social wing with The Salvation Army, and rumours grew that funds raised from the Darkest England scheme were being merged with the general funds of The Salvation Army (Sandall, 1966, pp. 101 - 102).

²⁴ The inquiry began with five members, one of whom was Mr. Edwin Waterhouse, then the President of the Institute of Chartered Accountants. They held eighteen meetings, and called thirty witnesses (Sandall, 1966, p. 93). Access to all records was given, and sixteen of the social centres were visited. The committee found that the money was being "properly spent", and gave the scheme their full approval (Watson, 1951, p. 19).

²⁵ The Deed Poll declaring the Trusts of the Darkest England Scheme gave the General power to "determine and enforce the laws and to superintend the operations" of the scheme, provided that "full accounts of all moneys contributed collected or received for the said Scheme and of the application thereof shall be kept in such manner as to keep the same always distinct and separate from the accounts of all other funds of the Salvation Army" (Sandall, 1966, pp. 328 - 329).

²⁶ This assertion was always refuted by The Salvation Army, where money was not seen as an evil influence, but something which could assist the Army in its mission to save men and women. The Army was described as being in the "big business" of salvation (*The Salvation Army Year Book 1927*, 1927, p. 19).

Appendix 1. The Salvation Army Balance Sheet for the year ending 30th September 1879.

| Dr | RECEIPTS | £ s. d. | EXPENDITURE | Cr |
|----|---|------------|--|------------|
| | | | | £ s. d. |
| | To Total Subscriptions and Donations for - | | By balance overpaid September 30th, 1878 | |
| | “ General Work, including Advance (£500) obtained last year for Completion of New Halls | 4,548 13 0 | | 479 19 10 |
| | “ Sick and Wounded (D.S.) | 375 12 4 | Advances to 108 Stations (see Schedule below) | 2,020 2 5 |
| | “ Millwall New Hall | 70 19 1 | “ Relief Given to Sick and Wounded, together with Cost of Special Appeals | 422 6 6 |
| | “ Training of Evangelists | 101 2 0 | “ Cost of Monthly Magazine, Books, Tracts, &c., for nine months together with Grants of Books | 1,623 7 1 |
| | “ Thanksgiving Fund | 12 0 0 | “ Cost of Plant, Machinery, Stock, &c., in Printing Department, together with Payments for necessary Alterations of Premises | 524 17 10 |
| | “ Amounts received from and on Account of certain Stations (see Schedule below) | 561 15 9 | “ Training of Evangelists, together with Expenses of Evangelists on Trial | 353 14 9 |
| | “ Amounts received for Books, Magazines, &c., sold by Book Room during 9 months | 1,419 8 8 | “ Expenditure at Councils of War, Cost of Special Evangelistic Effort, and Special Charges | 166 18 1 |
| | “ Balance overpaid September 30th, 1879 | 104 16 1 | “ Reconnaissance (“Searching out the Land”) and Northern District General Expenses | 322 11 10 |
| | | | “ Office Expenses, Salaries of Clerks, Stationery, Repairs, Furniture, Auditors’ Fees, &c. | 444 1 6 |
| | | | “ Expenditure on Millwall New Hall | 125 19 5 |
| | | | “ Legal Charges, with Salaries of Secretaries | 286 2 7 |
| | | | “ Travelling Expenses | 162 16 11 |
| | | | “ Postage and Telegrams | 135 2 11 |
| | | | “ Printing and Postage of Annual Balance Sheet, Cost of Appeals, &c. | 126 4 11 |
| | | | | £7,194 6 7 |

NOTE.- That the total amount received from Outside sources towards our General Expenses is only £4,723 10s. 5d.
 That out of this Fund has been paid towards relief of the Sick beyond the Special Fund for their assistance, £46 14s. 2d.
 For establishment of our Printing Department, £324 17s. 10d.
 Towards cost of fitting up Millwall Hall, in excess of the money specially contributed for that object, £35 0s. 4d.
 Thus leaving available for General Spiritual Purposes, only £4,096 18s. 1d.
 That our payments have exceeded our receipts by £104, and that we owe a deal more since then.

Audited and found correct
 JOSIAH BEDDOW & SON, Public Accountants,
 2, Gresham Buildings, Basinghall St., E.C.

£7,194 6 7

NOTE.- Should these statements leave any Officer or man in uncertainty or doubt, as to any matter, write at once to Headquarters, as we wish every one connected with the Army thoroughly to understand what funds it has, and how they are spent.