



Giving
Hope
Today

ANNUAL REVIEW 2007 / 2008
CANADA *and* BERMUDA

SalvationArmy.ca

MORE THAN *1.5 million* PEOPLE WERE HELPED BY THE SALVATION ARMY *in* CANADA *and* BERMUDA LAST YEAR

Addictions, Rehabilitation and Shelter

6,370 shelter, addictions, detox and mental health beds provided each night for vulnerable men, women and families

2,000 people completed addictions and rehabilitation programs

2.3 million meals served

Community Churches

311 community churches

Community and Family Services

863,000 persons given food, clothing or practical assistance

6,600 children attended Salvation Army camps

18 Daycare centres provide a total of **1060** available spaces

Emergency Disaster Services

7,350 people helped when disaster struck

Hospice, Health and Long-Term Care

200 hospital beds provided

1,500 long-term care and supportive housing beds provided

40 hospice beds provided

Work in Developing Countries

100 projects in **16** countries

2,660 children sponsored

53 Salvation Army officers and lay personnel serving outside Canada

Personnel

950 active Salvation Army officers

915 retired Salvation Army officers

8,400 employees

1.4 million volunteer hours provided

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Dear friends

Canada is facing uncertain economic times. The deterioration in economic and financial conditions in the United States has had significant spillover effects globally, and The Salvation Army's helping hand is needed more than ever.

As an international Christian organization, The Salvation Army is there every day, at any hour, providing assistance to our friends, neighbours and communities in times of need, either great or small.

In its compassionate concern to exemplify the love of God for a broken world, The Salvation Army reaches out to the desperate, the lonely, and the forgotten in our society. And you are making our visions and goals a reality. When you give to The Salvation Army, you are investing in the future of marginalized and overlooked people in your community.

The Salvation Army has grown to be the largest non-governmental direct provider of social services in Canada, and thanks to the thousands of donors who gave so generously last year, we provided practical assistance to more than 1.5 million people across the country.

While you read stories in this report of those who have conquered life's obstacles you will see that The Salvation Army is not only committed to the immediate needs of individuals such as food, shelter and clothing, but we offer a variety of programs aimed at equipping people to make a new start in life and become useful and contributing members of society.

When needed, we stand for them and advocate on their behalf. Our desire is that through our services we can renew broken families, rehabilitate those who have lost control of their lives to addiction and empower those who have found themselves homeless.

In more than 400 communities across Canada and Bermuda, our social services are engaged in ongoing evaluations to determine how best they can serve the demographics of that community. We want to be innovative, progressive and effective.

We are grateful to all our donors who have shown confidence in our vision by entrusting us with their generous gifts. Through these donations, we will continue to reach out to hundreds of thousands who need help for today and hope for tomorrow.

*Commissioner William W. Francis
Territorial Commander*

TRANSFORMING *lives* EVERYDAY

Les, 50, has great hope for a better future as he struggles to abandon years of drug and alcohol addiction. “I am in a safe, supportive environment where deep emotional change is taking place. The Salvation Army is saving my life.”

Located 25 kilometres north of Mission, B.C., on an isolated tract of land in the unspoiled forests of the Cascade Mountains, The Salvation Army Cordula and Gunter Paetzold Rehabilitation Centre, Valley of Miracles, has been helping addicts for 45 years. This 120-bed facility offers adult males 19 and older a chance to break the cycle of addiction.

“My dad left when I was a year old,” says Les. “I was raised by my mom in an oppressive religious environment. Because of my faith, I was segregated from my school mates and was an easy target for emotional persecution.

“At 10, I was sexually abused by a long-time friend in the dugout of a baseball field. He was like a big brother to me. The scene haunts me to this day.”

Les abandoned his faith at 13 and a few years later found himself addicted to drugs and alcohol. “By 18 I couldn’t put five days together without being intoxicated or getting high.”

Over the years, because of his addictions, Les lost a business, his marriage and his two daughters. He has been homeless many times. “My kids know me as a junkie who lives under a cardboard box. They are afraid of me.”

Les hit rock bottom when he stole from his mother to support his habit. Pathetic and desperate for help, he turned to The Salvation Army.

As part of his rehabilitation, Les was introduced to the Expressive Arts Therapy program. Arts Therapy identifies and addresses the client’s blocked efforts to express “stuck points” that inhibit recovery. Using creative ways of expression, it teaches self-sufficiency, stress reduction and relapse prevention.

Last year, across the country, 2,000 people completed addictions and rehabilitation programs through The Salvation Army, and The Salvation Army provided 6,370 shelter, addictions, detox and mental-health beds for vulnerable men, women and families.

Clients vary in age, culture, educational and socio-economic status. They range from factory workers to professionals. Some are institutionalized and some are living on the streets or have been convicted of criminal offences.

The Salvation Army’s counselling, support and other therapeutic services are transforming lives and assisting clients in become functioning members of society.

At the Paetzold Centre, Les continues to process and conquer core issues that he has carried with him for many years. “I am grateful to The Salvation Army for an opportunity to make real changes in the quality of my life.”



Les finds emotional and physical healing in the
Valley of Miracles.

Photo by Darcie Brown



Frankie and his counsellor celebrate his courage to abandon the streets, which he called home.

Photo by Sacha Blackburne

a FRESH START

I had hit rock bottom when I staggered through the doors of The Salvation Army Harbour Light, a rehabilitation centre for alcoholics and substance abusers in Bermuda,” says Frankie.

“My life was a hopeless mess. I was a cocaine addict, a heroin addict and an alcoholic. My home was the streets and I slept in abandoned cars.”

Drug addiction and alcoholism are harsh realities in our communities and last year, in Canada and Bermuda, 2,000 people completed Salvation Army addiction and rehabilitation programs.

For Frankie, his first exposure to marijuana and alcohol was when he was 10. Up to this point, his life was turbulent. When he was six, his mom shuffled him off to be cared for by his grandmother and he didn’t know who his father was until he was eight.

The pain of abandonment by both parents was more than he could handle. “I couldn’t cope, and the drugs appeared to make me feel better. Before long, drugs and alcohol became my only food. By 13, I was using daily.”

Homeless at 15, Frankie bounced around between friends’ homes and his mom’s house. He quit school and did what he had to do to get high. “I robbed my family and businesses. I took any opportunity to steal so I could get the drugs.”

This downward spiral continued for 23 years. He lost his family, went through more than 10 jobs and was forced to give up his only child.

Then, one night, in the back of an abandoned car, Frankie realized that heroin had stolen his life and alcohol had washed everything he’d ever owned down the drain.

The next day, at 38, Frankie went to The Salvation Army Harbour Light where he was accepted into the eight-month residential treatment program. “Here I found compassion, patience, counselling, practical help and a fresh start. They saw something in me that I couldn’t see, because the drugs had twisted my thinking.”

Frankie graduated from the program in 2003. Because of his courage and perseverance, and support from The Salvation Army, he is a full-time supervisor for a courier company, his son now lives with him, and for the first time in his life he has an apartment.

“I still have my ups and downs,” says Frankie. “Everyday challenges and decisions are hard for me. Harbour Light continues to help me.”

Success can be a slow and grueling process. The journey may take years. Families may give up and clients may give up on themselves, but The Salvation Army is always ready to give a helping hand.

a SILENT MINISTRY

Lisa (not her real name) put her two small children in their pyjamas, tucked them in and prayed with them. Moments later she left their room, swallowed an excessive amount of pills and called The Salvation Army Suicide Crisis Line. She was convinced that her children would be better off without her. She was scared and didn't want to die alone," says Stephanie Oliver, director for program, at The Salvation Army Suicide Prevention Services in Hamilton, Ont.

"It was 3:43 a.m. when I answered the call," continues Stephanie. "Tearful, with laboured breathing and a faint voice, Lisa said, 'I don't think anyone can help me now. It's going to be over soon. I just can't take the darkness any more.'"

Stephanie called 9-1-1 and continued to speak with and encourage Lisa until help arrived. "Stay with me, your children need you, you're not alone. I'm here for you, help is on the way." Within minutes, the paramedics arrived finding her unconscious, but still alive. It was 3:56 a.m.

After her husband abruptly left her and the children, Lisa struggled to make ends meet and take care of the children on her own. She faced ongoing challenges and feelings of failure increased with every passing day. Severely depressed and beyond hope, she planned to go to sleep, forever.

By calling the Suicide Crisis Line, Lisa saved her children

from growing up without a mother. With the ongoing support of The Salvation Army she has received counselling, attended job readiness workshops, and gained some financial stability.

In Hamilton, Ont., The Salvation Army Suicide Prevention Services operates a 24-hour Suicide Crisis Line that provides immediate telephone support, intervention and referrals at any time of the day or night to individuals experiencing varying degrees of crises.

Many who call battle with underlying issues such as addictions, abuse and loneliness. Across Canada, 450 Salvation Army centres of operation work to restore hope and dignity to those who have lost control of their lives. And after the crisis is over, support systems are put in place to help people survive and thrive.

The Suicide Crisis Team is comprised of trained volunteers and staff that work diligently to provide intervention. Many organizations and government services direct distressed and/or suicidal individuals to the Army's Suicide Prevention Services due to the unique and vital service that this program provides.

The Suicide Crisis Line in Hamilton receives thousands of calls every year from those who find themselves in the midst of their darkest hours. Pain, despair, and overwhelming hopelessness can strike at any moment.



When suicide seems the only way out, Stephanie affirms callers that life is truly worth living.

Photo by Krista Jefferson



Thousands of children of incarcerated parents across Canada are hungry for a willing listener.

Photo by Jeremy Watt

LEFT BEHIND

Disruption of families due to parental incarceration is overwhelming and the children, who have committed no crime, pay a steep price.

Research shows that at least 20,000 Canadian children are separated from a parent because of incarceration every year.

The Salvation Army Correctional and Justice Services is a beacon of hope for the incarcerated parent, and a source of comfort for the children affected, in more than 50 communities throughout Canada and Bermuda.

In 1901, The Salvation Army recommended to the federal government that a prisoner probation system be adopted. This led to Canada's first parole program. Since then, The Salvation Army has provided spiritual and practical assistance to victims, offenders, ex-offenders and their families who have been involved in the criminal justice system.

As pleas for help are ongoing, The Salvation Army continues to meet the needs of those in despair. In June 2005, The Army's Correctional and Justices Service in Moncton, N.B. initiated a support group for children ages 6-16 who are affected by parental incarceration.

One of their clients, Sean (not his real name), clearly recalls the day his mom left him behind. "I was six when my mom told me she was going away. I thought she was attending a conference with her work. I'm now 14 and still waiting for her to come home."

At 15, Sean's mom discovered she was pregnant with Sean, and the father quickly abandoned her. For the next few years she submerged herself in alcohol and drugs and left Sean to be cared for by his grandmother.

Bad choices in friends and drug use led Sean's mom to theft at local stores. The behaviour escalated until, at 22, she was arrested and imprisoned for bank robbery. Since then, Sean has only seen his mother a few times.

"I was angry and confused," he says. "I found out she was in prison when I heard my grandmother tell someone on the phone. At the time, I was too young to understand. I just knew I had no mom and had to live with her broken promise that she would be coming home."

Frank Leonardi, support group facilitator, states, "Studies have shown that children of incarcerated parents are at greater risk of exhibiting school-related problems, involvement in gangs and drug use. Effective support groups and programs can reduce destructive conduct and institute coping mechanisms."

Says Sean, "I had lots of fears. The Salvation Army helped me to understand that there is good in the world. I had fun at group sessions, felt safe and was able to trust someone with my deepest hurts. They didn't leave me behind."

HOPE *in the* MIDST OF HEARTACHE

The Salvation Army has a rich history of meeting basic human needs when personal disaster strikes. As the largest non-governmental direct provider of social services in Canada, last year The Salvation Army assisted 863,000 persons with food, clothing or practical assistance.

Tracy, 38, was an emotional wreck when she walked through the doors of The Salvation Army in Red Deer, Alta. “As a single mom, I had to quit my job to care for my two-year-old son. My car broke down and my daughter’s cancer had returned. I had no food, no diapers and was facing eviction. I had no one to turn to.”

For 12 years, Tracy was a victim of physical and mental torture by her husband. “I was pushed in front of moving vehicles, guns were pressed to my head, I was thrown through car windshields and hospitalized countless times,” she recalls. “Six years ago, I had him arrested when he attempted to suffocate me in front of our children. Since then, it’s been a long road involving financial, physical and emotional turmoil.”

Within a year of becoming a single mom, Tracy turned to crack cocaine. “I never used before. The drug abuse made things worse. I was engulfed by guilt and shame, and I suffered from low self-esteem. I turned my two children over to my parents to be cared for and left all I owned. At 33, I was

addicted to drugs, living in a shelter, and had two blouses and a pair of pants to my name.

“For me, there was no fixing my life. Then one day I woke up, pulled myself together and decided to make a new start for myself and for my kids.”

Tracy went back to school, found employment, a home and a new partner. But when Tracy discovered this partner was an addict, she asked him to leave. Soon after, test results confirmed she was pregnant with his child.

“Once again, I found myself without hope. As a child The Salvation Army provided my family with a Christmas hamper filled with food and toys, so I turned to them for help,” says Tracy. “Immediate practical and emotional support gave me the hope I needed to get through to the next day.”

From coast to coast, Salvation Army Community and Family Services consistently evolve to meet society’s needs. Beyond emergency assistance, after-school programs provide a safe place for latchkey kids, client trusteeship programs assist those who have difficulty ensuring that their rent and other bills are paid, and social programs for seniors ensure that a better life does exist.



Tracy is determined to make a new start following shattered dreams and broken relationships.

Photo by Gregory Sawisky



A victim of physical and emotional torture, Lynne finds a safe shelter and the strength to start over.

Photo by Jeremy Watt

GIVING WOMEN NEW HOPE *for* RECOVERY

Searching for a better way to deal with the pain of life, more than 200 women came to The Salvation Army Homestead in Toronto last year. Residential and day treatment programs offer hope to women struggling with substance abuse.

When Lynne arrived at the Homestead she was addicted to Graval, devouring 50 to 100 tablets every night. Her story is one of courage, survival and determination.

“If you talk, I will have you killed.” Lynne was used to such threats; they usually followed brutal beatings by her husband, George (not his real name). For 12 years, Lynne and her two children lived in fear. With bullying and intimidation, George kept Lynne from revealing his abusive behaviour.

When they met, both were active churchgoers. George had a history of alcohol and drug abuse, but he had cleaned up. Or so Lynne thought.

“We had been dating for a few months when George first hit me,” Lynne recalls. “The severe blow to my head came as a complete shock.”

He was deeply apologetic and promised it would never happen again. She trusted him and they married.

It wasn't long before George secretly resumed using cocaine and alcohol and the beatings escalated. Sometimes Lynne was beaten five times in one week.

Convinced she was the cause of George's outbursts, Lynne attempted suicide several times, slicing her arms with razor blades or broken pop bottles.

In addition to the abuse, someone was setting fire to their homes. Lynne and George moved more than 30 times during their 12-year marriage. She knew the arsonist was George, but was too afraid to confront him.

One evening, as Lynne was preparing supper George asked, “Do you smell smoke?” Hurrying into the hall, Lynne discovered that their apartment building had been set ablaze.

That night, while George slept, Lynne nervously crept out of the apartment. Fortunately, the children were staying overnight at her parents' home. The next day, Lynne reported George to the police.

Lynne quickly turned to Graval to numb her inner pain. Before long, she was consuming massive amounts on a daily basis. As a result, she was charged with impaired driving, lost her job, her daughter moved out and her son became a ward of the court. She called The Homestead.

Now, following extensive rehabilitation, Lynne is gainfully employed as a family services worker, has her own apartment, and is a mentor to others who have made bad choices.

“Addiction can happen to anyone,” says Lynne. “The Homestead accepted me for who I was. I was finally safe and had the support I needed to reclaim my body, mind and spirit.”

MEETING HUMAN NEEDS *as they* ARISE

Part of The Salvation Army's mission involves meeting human needs as they arise. Through its wide range of humanitarian programs and services in 400 communities across Canada, The Salvation Army is a hand to the hurting, a voice for the powerless and protection to the most vulnerable in our societies.

"Every life is worth investing in," says Ron, 36. "When I met The Salvation Army six years ago, alcohol was my best friend. I was unemployed, homeless, severely depressed and wanted to end my life."

Ron is a resident of Unity Place, in Thunder Bay, Ont. Here, affordable accommodation and unique assistance is given to individuals who struggle with an array of difficult problems. For 20 years, The Salvation Army has provided support programs for those living in the building.

Maureen Lammi, program director, says, "Residents suffer from mental illness, developmental and learning disabilities, brain injury and addiction issues. Without the care and compassion The Salvation Army gives, clients could not be functioning members of society. Many would be faceless and nameless."

All 34 tenants, ages 30-70, require assistance with one or more of the four most common activities of their daily living: housekeeping, meals, personal hygiene and medication. Furthermore, Unity Place facilitates independent

living through programs in life skills, group learning, social recreation and advocacy.

Before he came to Unity Place, Ron was gainfully employed, but the death of his grandfather, his lifeline, sent him on a downward spiral. Anxiety and depression, among the most common of mental illnesses in Canada, took hold of him and his alcohol abuse escalated. He lost his job and found himself scraping out a miserable existence on the streets.

Now Ron is a part-time driver for The Salvation Army soup van, a mobile service that takes hot meals to the destitute on a daily basis.

"It's my turn to help people," says Ron. "I remember what it's like to be on the other side. The soup van is more than just a meal. It's obvious that the personal contact people receive at this feeding centre nourishes them as much as the food does."

Because The Salvation Army met him at his point of greatest need, Ron beat the streets, is able to work and found purpose in life.

In response to community need, last year, as the largest non-governmental direct provider of social services in Canada, The Salvation Army gave hands-on service to 1.5 million people through innovative new programs, as well as continuing our established, caring services.



Once an invisible member of society, Ron gives back to the community.

Photo by Philip Lindsay

FINANCIAL REVIEW

The accompanying condensed financial statements summarize the financial position of The Governing Council of The Salvation Army in Canada (“The Governing Council”) as of March 31, 2008, and its revenues and expenses during the year then ended.

The Governing Council was incorporated by an Act of Parliament in 1909 for the purposes of administering the property, business, and other temporal affairs of The Salvation Army in Canada. The Salvation Army is a religious, charitable and not-for-profit organization, registered by Canada Revenue Agency for tax-deductible contributions.

The Salvation Army in Canada and Bermuda is comprised of almost 500 individual operating units, scattered throughout all 10 Canadian provinces, the Yukon, Nunavut and the Northwest Territories, as well as in Bermuda. The Army’s operations include corps (churches), community centres, hospitals, long-term care facilities, hospices, transitional housing, addictions and rehabilitation centres, and various other social programs. The Army is the largest non-governmental provider of social services in Canada.

These financial statements reflect the financial position and operations of the Territorial Headquarters, 11 Divisional Headquarters, National Recycling Operations, the College for Officer Training, William and Catherine Booth College, and Grace Communities Corporation. In addition, they include real estate and investment assets for all Salvation Army

operations in Canada because the Governing Council is the legal owner of these assets and holds them in trust on behalf of operating units.

Separate financial statements are issued for each of the operating units in order to fulfill obligations for accountability to local communities, contributors and funding agencies. A project is currently underway to permit the publication of consolidated financial statements reflecting all operating units by 2010. In the meantime, the accompanying consolidated charts on page 22, have been prepared from all operating budgets for the year 2007/08 to help provide an understanding of the overall size and scope of the Army’s operations in Canada and Bermuda.

Copies of the complete financial statements from which these condensed statements have been derived are available on request from the Finance Department, 2 Overlea Boulevard, Toronto, Ontario M4H 1P4, or may be downloaded from our website at www.SalvationArmy.ca.

FINANCIAL HIGHLIGHTS

During, 2007/08, the Governing Council realized a deficit of \$2.6 million, compared to a surplus of \$60.7 million in the prior year.

In total, revenues of \$276 million were realized during the year, a decrease of \$24 million from 2006/07. Of this revenue,

\$110 million was in the form of donations and legacies. In addition to the amounts reflected in these financial statements, another \$40 million was raised directly by operating units, bringing the total public support to The Salvation Army in Canada and Bermuda to more than \$150 million during the past year.

For the third year in a row, the National Red Shield Appeal, the Army's annual fundraising campaign for its social-service operations, exceeded all previous records, with a total of \$42.2 million being raised. These funds are essential to the Army's provision of social services in communities all across Canada, many of which are experiencing financial challenges at this time.

Income from bequests totaled \$43.4 million, down slightly from the prior year. Just under \$23.0 million of the total was restricted for use in specific locations or for particular programs or services. The Army maintains effective systems to ensure that funds are used in accordance with the testator's wishes in all cases. Where funds are unrestricted, they are allocated to the territorial budget and used for territorial and divisional headquarters operations, as well as to make grants and allocations to operating units.

The second largest source of revenue, \$75.7 million, was from ancillary operations, most of which represents the sale of used textiles and other goods through the Army's thrift stores and recycling centres and rental of excess space in buildings owned by the Army. After deducting costs of \$73.7 million, net profits of \$2 million were realized.

Investments are centralized in the General Investment Fund, which holds in trust the surplus operating funds, endowments, and long-term donor-restricted funds of all Salvation Army units. Interest is paid on constituent accounts based on prevailing market rates. Net profits from the Fund are used to offset costs of administration, as well as to make allocations to programs and services.

The General Investment Fund is managed by external investment managers in accordance with a statement of investment policy and procedures, which establishes quality

constraints, as well as prohibiting investment in companies whose primary business is the manufacture, distribution or promotion of alcohol, tobacco, pornography, gaming, gaming facilities, or armaments. An investment advisory committee assists the Army by regularly reviewing both the investment policy as well as individual manager's performance.

Investment income totaled \$42.9 million, compared with \$40.2 million in the prior year. The Governing Council has implemented a spending policy for investment income, which results in budgetary allocations being based on long-term expected earnings, rather than actual income realized in a particular year. This approach lessens the impact of the natural volatility of capital markets on the annual operating budget. In the four-year period ending March 2008, the Fund earned an average return of 8.2%, well above its benchmark of 7.6%.

Levies and assessments represent fees charged to operating units to cover overall management and administrative costs at divisional and territorial headquarters, as well as costs of programs administered nationally, including insurance and officers benefits.

Capital contributions represent funds received for building projects, either constructing new facilities such as the \$26 million Harbour Light Centre in downtown Toronto, which is currently under construction, or renovating existing buildings such as renovations totaling \$14 million now underway at the Sunset Lodge in Victoria. Contributions to these projects include capital reserves withdrawn from restricted deposits held on behalf of operating units, as well as grants from governments, and the results of capital fundraising campaigns.

Expenses increased from \$239.0 million in 2006/07 to \$278.0 million in 2007/08. Most of the increase can be attributed to a net loss on disposal of capital assets of \$30.9 million. The Army transferred ownership of its Grace General Hospital in Winnipeg to the regional health authority on April 1, 2008. Although title was held by the Army, the provincial government had contributed virtually all of the funds for capital expenditures over the years and, as a result, when the operations were transferred to the regional health authority,

the assets were also transferred. This transaction resulted in a net loss for financial statement purposes of \$34.8 million, which was offset by net gains on disposal of other properties.

More detailed information concerning the statement of operations can be found in the complete financial statement package, as noted above.

EXECUTIVE COMPENSATION

The compensation package for all commissioned officers of The Salvation Army includes housing accommodation, with furnishings and utilities provided by the Army, a leased vehicle or vehicle allowance, and a cash allowance based on years of service. The cost of compensation provided to senior officers is comparatively lower than that paid to executives in other similar organizations. The employment income for tax purposes reported in 2007 for the five most senior officers of The Salvation Army in Canada ranged from \$30,106 to \$53,445, with an average of \$40,101.

Non-officer executives are retained to provide professional expertise in specialized areas. While salaries are typically less than comparable positions in the for-profit sector, there is increased competition among large and complex not-for-profit organizations for professional staff and, as a result, compensation for executives in the sector has increased in recent years.

In 2007, there were 18 non-officer executives employed by The Salvation Army at its territorial and divisional headquarters whose total employment income for tax purposes was above \$100,000. Their income for tax purposes ranged from \$102,393 to \$203,073, with an average of \$131,995.

There is a tension between paying competitive salaries to attract the right people on the one hand and ensuring that executive compensation does not reach unreasonable levels on the other. This tension is particularly acute in the not-for-profit sector where organizations and donors are both concerned about keeping administrative costs low so as to maximize funds available for direct service delivery. We believe that The Salvation Army is managing this tension well.

PUBLIC ACCOUNTABILITY

The Salvation Army recognizes its accountability for the financial resources placed at its disposal by its contributors for the furtherance of its mission to serve the most vulnerable in our society.

The Salvation Army's social conscience stems from its Christian values. While it is both a Christian denomination and a social-service agency, and believes in a holistic ministry, the Army maintains separate financial structures for its social-service programs and its community church operations. Where community churches receive funding from the National Red Shield Appeal, they are required to demonstrate that these funds have been used for social and community services, rather than congregational ministries.

AUDITORS' REPORT ON CONDENSED FINANCIAL STATEMENTS

To the Governing Council of The Salvation Army in Canada

The accompanying condensed balance sheet and condensed statement of operations and changes in fund balances are derived from the complete financial statements of The Governing Council of The Salvation Army in Canada ("The Salvation Army") as at March 31, 2008 and for the year then ended on which we expressed a reservation in our report dated June 13, 2008. Our opinion stated that except for our inability to satisfy ourselves concerning the completeness of revenue from the general public in the form of donations and legacies, the complete financial statements are, in all material respects, fairly presented in accordance with Canadian generally accepted accounting principles. The fair summarization of the complete financial statements is the responsibility of management. Our responsibility, in accordance with the applicable Assurance Guideline of The Canadian Institute of Chartered Accountants, is to report on the condensed financial statements.

In our opinion, the accompanying condensed financial statements fairly summarize, in all material respects, the related complete financial statements in accordance with the criteria described in the Guideline referred to above.

These condensed financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles. Readers are cautioned that these statements may not be appropriate for their purposes. For more information on the financial position, results of operations and cash flows of The Salvation Army, reference should be made to the related complete financial statements.

The logo for KPMG LLP, featuring the letters "KPMG" in a bold, sans-serif font, with "LLP" in a smaller font to the right. A horizontal line is drawn underneath the text.

*KPMG LLP, Chartered Accountants,
Licensed Public Accountants
Toronto, Canada | June 13, 2008*

MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

These financial statements are the responsibility of management. They have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations as established by the Accounting Standards Board of the Canadian Institute of Chartered Accountants.

The preparation of financial information is an integral part of the ongoing management of the Army. Management has established internal control systems to ensure that all financial details are objective and reliable, and that the organization's assets are safeguarded.

The Governing Council has overall responsibility for the financial statements, assisted by the Territorial Finance Council, which meets regularly with management as well as internal and external auditors to help ensure the adequacy of internal controls and to review the financial statements and auditors' reports.

The Governing Council appoints the external auditors and approves the financial statements, based on a recommendation from the Territorial Finance Council.

The financial statements have been audited by external auditors KPMG LLP, Chartered Accountants. Their report outlines the scope of KPMG's examination as well as their opinion on the financial statements.

A handwritten signature in black ink, appearing to read "Neil Watt".

*Neil Watt, Major
Territorial Secretary for Business Administration*

A handwritten signature in black ink, appearing to read "R. Paul Goodyear".

*R. Paul Goodyear, CMA, FCMA
Territorial Financial Secretary*

THE GOVERNING COUNCIL OF THE SALVATION ARMY IN CANADA CONDENSED BALANCE SHEET

(IN MILLIONS OF DOLLARS)

March 31, 2008, with comparative figures for 2007

	2008	2007
Assets		
Current Assets:		
Cash and cash equivalents	\$ 53.4	\$ 71.5
Receivables, principally from Salvation Army entities	22.3	22.2
Other current assets	4.5	3.9
	80.2	97.6
Investments	592.5	491.7
Accrued pension asset	19.6	18.8
Capital assets	807.4	825.2
	\$ 1,499.7	\$ 1,433.3
Liabilities and Fund Balances		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 40.5	\$ 31.4
Deferred revenue	8.7	10.2
	49.2	41.6
Long-term liabilities:		
Restricted deposits held principally for Salvation Army entities	212.4	208.7
Mortgages payable	93.9	84.9
Post-retirement benefits	41.7	39.7
Other	16.2	16.4
	364.2	349.7
Fund balances:		
Net unrealized gains on investments	47.0	–
Internally restricted	165.0	142.8
Unrestricted	17.4	29.5
Endowment	68.2	53.7
Other restricted	103.2	105.5
Capital	685.5	710.5
	1,086.3	1,042.0
	\$ 1,499.7	\$ 1,433.3

**THE GOVERNING COUNCIL OF THE SALVATION ARMY
IN CANADA CONDENSED STATEMENT OF OPERATIONS
AND CHANGES IN FUND BALANCES**

(IN MILLIONS OF DOLLARS)

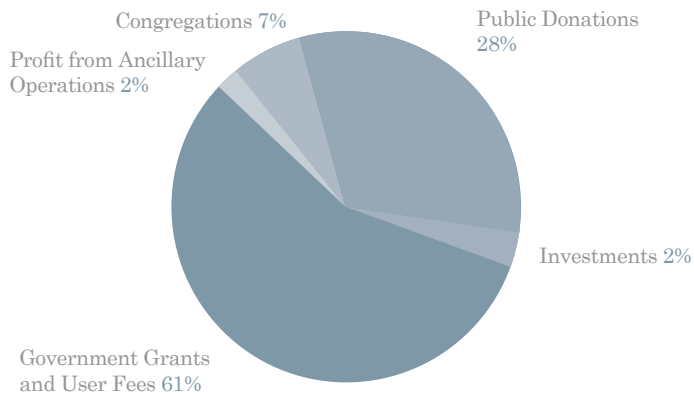
March 31, 2008, with comparative figures for 2007

	2008	2007
Revenue:		
Donations		
National Red Shield Appeal	\$ 42.2	\$ 40.6
Legacies	43.4	44.2
Other	24.5	24.8
	110.1	109.6
Ancillary operations	75.7	73.2
Investments	42.9	40.2
Levies and assessments from other Salvation Army entities	25.7	25.1
Contributions to capital projects	18.6	41.2
Other	3.1	10.9
	276.1	300.2
Expenses and allocations:		
Grants and allocations to Salvation Army entities	86.1	89.0
Ancillary operations	73.7	68.1
Territorial and Divisional Headquarters' operations	32.7	29.6
Fundraising and Public Relations	18.9	17.6
Depreciation	14.4	13.7
Officer benefit plans	12.5	12.3
Net loss on disposal of capital assests	30.9	—
Other	9.5	9.2
	278.7	239.5
Excess (deficit) of revenue over expenses and allocations	\$ (2.6)	\$ 60.7
Fund balances, beginning of year	\$ 1,041.9	\$ 981.2
Adjustment to fund balance (Change in accounting policy)	47.0	
Fund balances, end of year	\$ 1,086.3	\$ 1,041.9

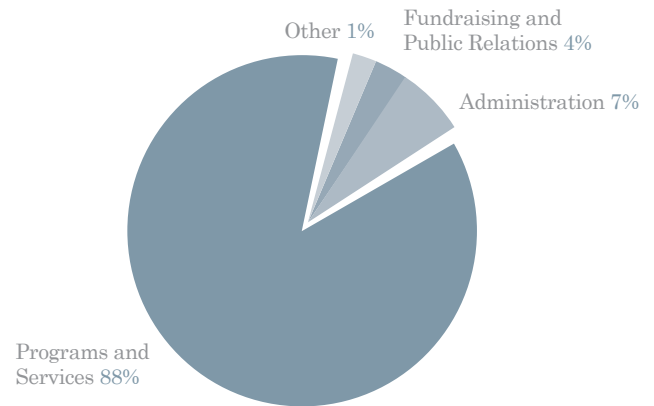
FINANCIAL OVERVIEW

The total operating budget for The Salvation Army in Canada and Bermuda is more than \$600 million annually. Separate financial statements are issued for each of the Army's almost 500 operating units. Due to the fact that consolidated statements are not yet available, the following charts have been prepared from operating budgets for the year 2007-08, to help provide an understanding of the overall size and scope of the Army's operations.

SOURCES of FUNDS



USE of FUNDS



To our donors,

During the past year, you and thousands of other compassionate donors made generous gifts amounting to \$151 million (approximately \$110 million through the national office and \$41 million through local units). For more than 125 years, your support has helped The Salvation Army carry on its tradition of caring for the vulnerable and marginalized in communities across Canada. Without you we would not be able to provide for the physical, emotional and spiritual needs of more than 1.5 million people each year. We thank you for your commitment!

ETHICAL FUNDRAISING and ACCOUNTABILITY CODE

The Salvation Army places a high value on its relationship with you, our supporters. We believe that transparency and accountability are essential to our success. With this in mind, we have recently joined Imagine Canada's Ethical Code Program.

The Ethical Fundraising and Financial Accountability Code represents a set of standards to help manage and report charitable activities responsibly. By adhering to these standards, we are complying with generally accepted practices for soliciting and managing donor dollars. This is important because you, our supporters, are entitled to transparency and the greatest impact possible for your investment in us.



GIFTS of SECURITIES

In May 2006, the federal government completely eliminated capital gains tax on charitable gifts of appreciated securities. This provided many generous donors with an opportunity to increase their financial support of our work. We have well-established procedures in place to make it easy for you to take advantage of this attractive giving option. Please contact us for more information.

FUNDRAISING, PUBLIC RELATIONS and ADMINISTRATION COSTS

We continue to ensure that the highest percentage of your donation is used in direct service delivery. Fundraising, public relations and administration costs are among the lowest in the charitable sector at 11% of our operating budget.

CONTACT US

We encourage you to visit our website often at www.SalvationArmy.ca. Information about the mission and current work of The Salvation Army is frequently updated. If you ever have any questions, please do not hesitate to contact The Salvation Army in your area, call us at 1-800-SAL-ARMY (725-2769) or e-mail us at donor_questions@can.salvationarmy.org. Thank you for your support.

Circle of Hope

Recently The Salvation Army has established a legacy society to recognize thoughtful individuals who have made a commitment to a future gift, such as a bequest, annuity or gift of life insurance. Please contact us for more information on becoming a member.

We are honored to welcome the following individuals to our Circle of Hope and we thank them for partnering with us in giving hope always to vulnerable individuals and families:

Josephine Annett

John Barclay

Mary Barnett

Josephine Black

Mr. and Mrs. Carlton Carter

Thomas A. Caster

James Colling

Brian Collins and Amanda Demers

Verna Conklin

Connie Cook

Charlene Creary

Robert Davies

Michael G. Falco

Thomas W. Fox

Evangeline Gallant

Christopher Ganas

Walter Gate

Gedaliah (Zack) Glaser

Sarah Gow

Hans W. (Peter) Graab

Lini Grol

Janet Holliday

Frank Holroyd

Evelyn Hudson

Major Helen Ingleby

Kitty Lederer

George Linton

Netta MacInnes

Wilma McBrearty

Marjorie McCullough

Jean McDermid

Bert Mercer

David Moore

Jean Pamenter

Winsor and Ruth Ann Pepall

Yvonne Pettit

Marjorie Platt

Barbara Price

Ronald Pullen

Janet Reid

Jack Royle

Thomas & Eileen Russell

Mr. and Mrs. James Russell

Mr. and Mrs. James Simms

Joan Stevenson

Carmen Swackhammer

Richard Tawton

Helen Therrien

Gordon Vallance

Marcus Verwoerd

Enid Walker

Ruth D.H. Webster

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Today

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