



Giving
Hope
Today

Annual Review 05 | 06
Canada & Bermuda Territory
SalvationArmy.ca



Over 1.5 million people were helped by The Salvation Army in Canada and Bermuda last year. Some of the services offered include:

Addictions, Rehabilitation & Shelter

5,000 shelter beds provided for the homeless each night
10,000 people with addictions received assistance
1,100 people successfully completed addiction & rehabilitation programs
2.5 million meals served

Community Churches

350 community churches

Community & Family Services

900,000 family members provided with food, clothing or practical assistance
8,500 children went to Salvation Army camps

Emergency Disaster Services

17,000 people helped when disaster struck

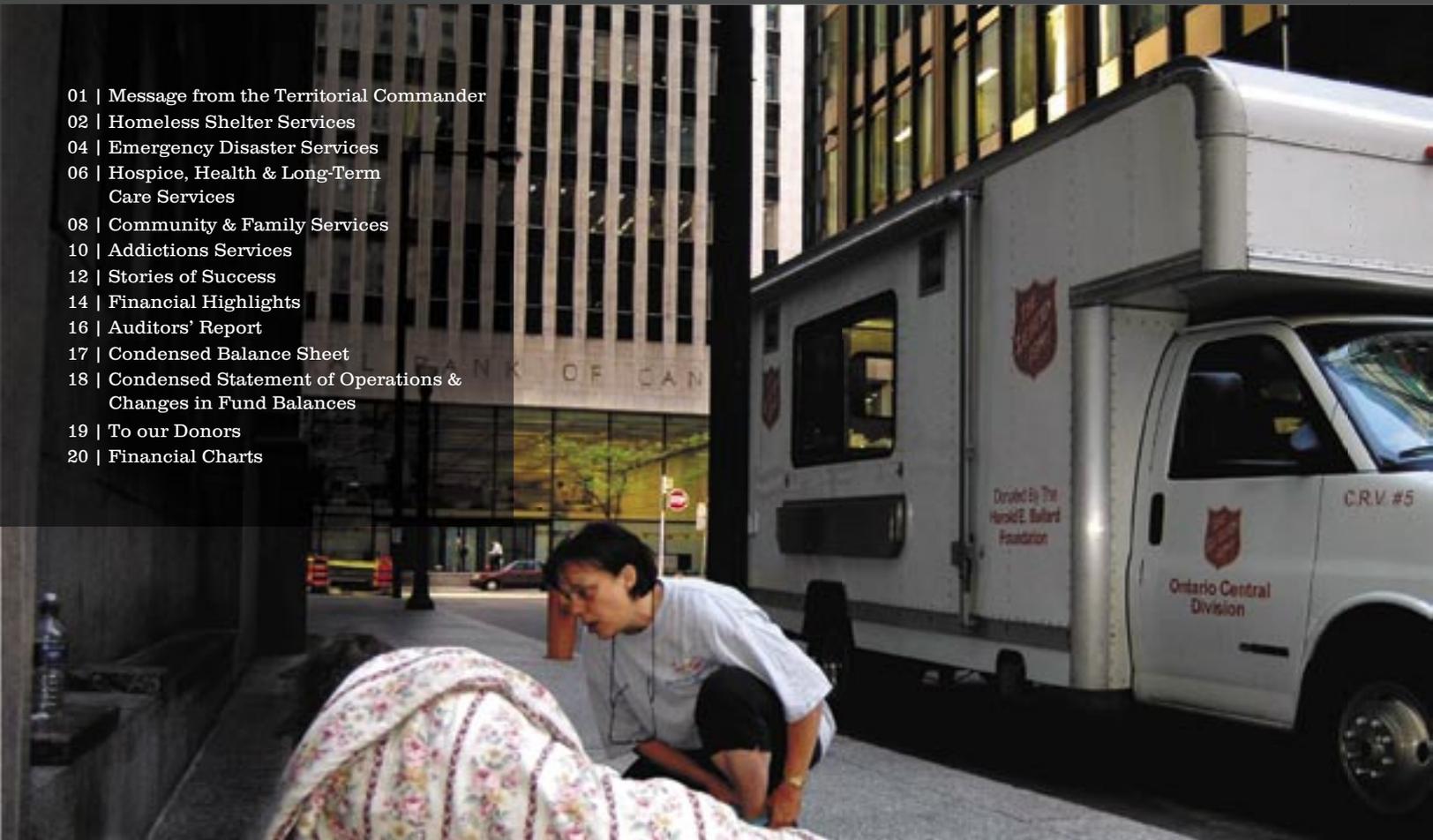
Hospice, Health & Long-Term Care

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

Work in Developing Countries

140 projects in 9 countries
2,500 children sponsored
50 members serving full-time in developing countries

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Giving Hope Today



The Salvation Army doesn't see hope as one of those soft-sided, out-of-focus words. It's a word with edges. It cuts through years of bad habits and poor choices to create a new way of living. It scratches away the grime of despair to let in some light. It fires the courage to apply for a job after years of unemployment. It goads prisoners into new beginnings. It softens hearts, mends friendships, builds relationships and is a companion to joy, opportunity and love.

Others, too, see hope as a word with bite. A young man in an Army shelter lashed out at it. "Hope is a dangerous word," he protested. "It's a carrot—and there's the chance that the carrot could be pulled away." Yet he hastened to add the Army wasn't playing cat and mouse with him. "Hope is an opportunity," he declared. "It's food. It's something when you have nothing. It's a door that opens."

Like that young man I've found that hope is elusive because we often look for it in the wrong place. Instead of searching for it in our daily relationships, we gaze at the big picture. We look for the pot of gold rather than seeing the rainbow. Hope is a question of focus.

The Salvation Army's focus is on the mandate we receive from God. Our task is to reach out to the last, the least and the lost. This is our calling. This is our mission. This is our minute-by-minute reality. Because giving hope today is how we connect the present to the promises of eternity.

We locate our ultimate hope in the promise that nothing can separate us from the love of God.

May God's peace be yours.

A handwritten signature in black ink, reading "M. Christine MacMillan".

M. Christine MacMillan
Territorial Commander

5,000

“Now I lay me down to sleep...” It’s a prayer many of us recited every night as kids. It continues: “I pray the Lord my soul to keep...” This 18th-century poem is designed to bring comfort to small children—but it could also be the signature prayer for thousands of homeless Canadians.

“Now I lay me down to sleep.” This is a prayer asking for help. Those who might feel drawn to the prayer’s mix of fear and dread in someone seeking solace in God are people who don’t know where they are going to lay themselves down to sleep tonight. They are moms and dads, both of whom are working, but who are one step—or even less than one paycheque—away from being turfed out of their apartment. They are teens who run from home or are kicked out before they can be equipped for an independent life. They are addicts with brains too addled to know that they’ve abandoned everything considered essential to civilized life. They are the unemployed who spend their last dollars getting to towns where jobs are offered but who have nowhere to stay until their first payday.

5,000 shelter beds available each night across Canada

“Now I lay me down to sleep.” It’s a prayer of thanks. For 5,000 Canadians every night it is a prayer of gratitude because they are sleeping under the Red Shield. The Salvation Army provides one-third of all shelter beds in the nation. And this, coupled with its range of other ministries, makes the Army the largest non-governmental provider of social services in Canada. Statistics about the homeless are hard to assemble but at one Army shelter less than 20 percent of clients are long-term and 60 percent are there for the first time or needing accommodation infrequently.

Shelter is so basic to every other aspect of our lives. And the lack of shelter, which leaves some people sleeping on the streets, has become one of the iconic images of neglect and despair in our otherwise comfortable and somewhat pampered society. “So many people are homeless because of poor choices,” says Major William Mason, executive director of one of the Army’s addictions and rehabilitation centres. “Through involvement with the judicial system, drugs or alcohol, too often people are giving up on themselves.”

At Mason’s facility, 88 beds are available every night to people who would otherwise be on the street or under a bridge. Many who use the shelter system are homeless due to mental health problems, addictions or sudden dislocations like a marriage break-up and eviction. “Hope is rare around here. It’s precious,” he says. “It’s being able to say I stayed clean for two days. It’s a parolee saying ‘no’ to someone or to a situation that might have caused them to be sent back to jail. Hope is baby steps toward recovery, toward re-integration and contributing to society. Hope is often two steps forward and one step back.”

“Now I lay me down to sleep.” It’s a prayer of hope, the possibility of change and a new beginning. The see-saw nature of working in the shelter system is behind a recent pilot program called Breaking the Cycle of Homelessness operated from the Army’s Belkin House in Vancouver. This five-week trial is moving participants beyond the traditional “three hots [meals] and a cot,” which has characterized the revolving-door nature of much shelter work for decades. Through life skills and job training courses, intensive counselling and help in finding employment and housing, the plan is to assist people to move out of the system. It’s one business that’s considered a success if you never see your client again.

“We see a lot of people who have little hope,” says Major George Perkin, until recently the executive director of Belkin House.



“What we do here is impact people’s lives and give them the hope to carry on. It’s not just housing people. We want to do more. People become self-sufficient and independent here and leave at a higher level than when they came in.”

In the last decade, as governments reduced their involvement in affordable housing creation, the demand for the Army’s 5,000 shelter beds has remained strong. New trends in urban development that are making downtown areas of major cities more attractive to the middle class also mean that the poor can no longer afford to live in these areas. If the initial Breaking the Cycle of Homelessness program is successful, the plan is to unroll it at other Army facilities across Canada. While it may help hard-core shelter users find independence, the beds will not stay empty. According to current trends there are hundreds of homeless still needing assistance. “Now I lay me down to sleep...”

“Hope is baby steps toward recovery, toward re-integration and contributing to society.”

17,000

Wind, water, fire ... when these elements rage out of control they hurt, kill, damage and make us ask hard questions. Why my son? My wife? Why our house or our town? Why here, why now and why us?

When accidents hit, when lightening strikes, our rational selves are forgotten in the panic. There are no easy answers in the wake of emergencies and disasters, but that doesn't stop us from asking questions.

Last year The Salvation Army's emergency and disaster services assisted 17,000 hurt and frightened people. They had tens of thousands of questions, some of which we answered, some of which we couldn't. But we were there with the vital ministry of presence.

Major Neil Lewis is the executive director of The Salvation Army's Centre of Hope in London, Ontario. For almost 20 years he has also been a fixture at all sorts of emergencies and disasters. He's been a volunteer police and fire chaplain, a rescue worker and a team leader for Army relief efforts at high-profile disasters like the Oklahoma City bombing, Hurricane Katrina and 9/11 in New York City. From his years of experience, he knows what victims and survivors need and want in the immediate aftermath of a living nightmare.

"People expect to see the Red Shield at these things. I've even heard people say, 'Oh, The Salvation Army is here, everything is going to be OK now.' In these times people are fragile and they start thinking about spiritual things—they ask the "Why?" questions. We bring bread and soup, but we also offer an added dimension the others don't bring. It's a holistic approach—we minister to the wounded, physically, emotionally and psychologically, but we also minister spiritually. We deal with those questions and needs. If all around you is death, destruction, hurt and pain, the immediate need is for answers. Yet with the spiritual aspects of emergencies, no one is willing to address them except the Army—and they have to be addressed."

No matter the size of the emergency, the Army brings its unique blend of soup, soap and salvation to soothe those who hurt. Whether it's rebuilding after the tsunami, providing tents after the earthquake in Pakistan, assisting with relief efforts during Hurricane Katrina, feeding searchers and comforting the family of a drowning victim in Newfoundland and Labrador, providing a refugee family

**17,000 people helped
when disaster struck**

**“The Army is a messenger
of hope in the chaos of
emergencies and disasters.”**

with temporary shelter, new clothes and furniture after an apartment fire in Toronto, or opening and managing large scale evacuation centres for those fleeing forest fires in British Columbia, the Army is ready to serve—anywhere, anytime.

"Whether it's a big event or a small one, we stand with survivors because there is comfort in the presence," says Lewis. "We don't have all the answers—we can't tell you why something happened. But we can come alongside and minister, bringing something that wouldn't be there if we weren't here. I believe a faith-based approach to these questions is better than an approach that says you should just have a stiff upper lip, suck it up and move on. The holistic approach works. I've seen the difference it makes."

If hope is the expectation of better things, the belief that peace and new beginnings are to be found on the other side of the tears and the pain, then the Army is a messenger of hope in the chaos of emergencies and disasters. "Everyone looks for hope," says Lewis. "Everyone cries out, 'Give me some hope, give me a reason to get up in the morning,' especially when life gets turned upside down in an instant. People are tired of waking up and saying, 'Is this all there is?' After the government and social agencies have done all they can do, the eternal questions keep coming back, raising their voices and demanding answers in the noise of catastrophe. That's where we meet the need. That's where we bring hope."



2,000

Long before governments took over providing medical services to Canadians, faith communities were pioneers in the creation and delivery of health services to people who couldn't afford private care. In the creation of hospitals, nursing homes, hospices, homes for unwed mothers and long-term care facilities, church denominations were at the forefront of building a rich foundation on which provincial health services were eventually established.

From its earliest days The Salvation Army was one of those leaders in health care. And today, while government now runs many institutions started by the Army, the Army remains active in health care by offering 2,000 beds in numerous facilities across the country. These include hospitals, seniors' homes and long-term care facilities plus hospices.

Major Cath McFarlane is the director of spiritual care at the Winnipeg Grace General Hospital and The Salvation Army's Grace Hospice. She supervises numerous chaplains and spends many hours herself comforting sick and dying people. It's not a job many of us would want. She has breathed with sufferers as they gasped their last breath and prayed for peace in moments of terror. What looks like a dark place to the rest of us is a place of hope, she insists, and her task is to bring hope.

"Hope looks different to different people," she says. "For some people hope is that they'll get well, for others that they'll die soon. Some hope that a nurse they don't like won't come back, others hope there is a Heaven, and many hope that they'll live a few more months. My job is to remind them there is hope, they are loved and that their life has had meaning. In a spiritual sense, I let them know that what they've believed all their life is real and I journey with them."



This kind of work is slow, thoughtful and doesn't lend itself well to statistics or program summaries. It's very human work—complicated, full of surprises and inconsistencies, a messy smear of tears and laughter, joy, pain and sadness. There's no agenda except comfort and assurance.

McFarlane recalls befriending a dying man who was bitter and angry. One of his jokes was that he wanted a brass band to play for him. Coincidentally The Salvation Army's Canadian Staff Band—the premier Army musical ensemble in this country—happened to be in Winnipeg. McFarlane convinced a small group of them to visit the hospice and play in the room of the terminally ill patient. Months later, after he died, she spoke with his widow, who recounted how he excitedly called to say, "My band came to play for me."

The health-care field is a strange one. We all want good medical facilities to be close at hand, but we hope we never have to use them. But in a hospital or clinic, doctor's office or hospice, we're all looking for answers and hope. McFarlane says she often doesn't have answers, but by offering her presence—through sitting, talking, laughing, playing cards and praying—she helps others find joy and peace.

The Salvation Army has been doing this kind of work for more than a century. It's not work that gets much attention. But it's the vital, life-sustaining work of hope that goes back to the vision of the Army's founder, William Booth. He was convinced that having a heart directed toward God and a hand outstretched to humanity was the essence of true faith. It meant not abandoning people when they were most in need. It means escorting hope into quiet rooms where loved ones are about to part forever.

"Hope is that we'll not be forgotten or left alone," says McFarlane. "My hope is to see people die without fear, and although there is great sadness, there is no despair."

2,000 health-care beds available

“Hope is that we'll not be forgotten or left alone.”

900,000

For most of us, life becomes too much at some points. Stress, accidents, unemployment, illness... the bumps and grinds of existence all seem to rattle together. A strong support system of family and friends usually helps carry most of us through these tough times. But for others, the hazards of life are more than bumps. They can turn life upside down.

Last year, The Salvation Army provided practical assistance to 900,000 people in Canada. Our community and family services centres throughout the country tend to the basic necessities of life. Food banks and community kitchens ensure people have enough to eat. Hostels and vouchers to stay at motels ensure people have somewhere to sleep. Thrift stores provide reasonably priced clothing and furniture to people in need.

We play music to the elderly in seniors' residences, prepare and deliver Christmas hampers and, in places where the penitentiary is far away, we drive family members of prisoners to jail once a week for visiting.

None of this activity makes the headlines. It is small-scale, individualized and usually very private. After all, who wants the world to know that they needed help from The Salvation Army? But after more than a century of turning our heart to God and our hand to humanity we know that small acts of kindness can mean the difference between hope and despair for countless people.

In Victoria, British Columbia, the Army's Beacon Bus means 200 children each week can start school with the good feeling of a full tummy. For the past 18 months the We Care Hot Breakfast School Program has served poor children at elementary schools in the city. Rhiannon Porcellato is the Army's ministries manager for the breakfast program, which also distributes school supplies at the beginning of the school year. "There is a real need for kids to have proper nutrition, especially in the morning," she says. "All the studies show that children don't learn without good food and we see no reason why low-income kids can't get good nutrition so they can learn at full capacity."

The program currently spends \$5,000 a month on groceries and plans to expand to other schools this September, eventually feeding 600 children per week. "We work really hard to demonstrate the value of each person, even if they don't know themselves," says Porcellato. "We're all valuable in the eyes of God."

On the other side of the country a small group of Salvation Army church members have become deeply involved in the life of a widow from Columbia. Luz Marie Quintaros, moved to St. John's, Newfoundland and Labrador, two years ago with her two young girls. She was in a new city where people spoke a language she didn't understand and one of her daughters became ill. She took the bus to the doctor's office but got off at the wrong stop. Not knowing where she was, not being able to ask anyone for directions, she was in despair. Then she spotted the cross atop The Salvation Army officer training college. There she met a Spanish-speaking Army officer-in-training and soon found the doctor.

Since then Luz Marie's association with The Salvation Army has grown. She attends an Army church and when she needed surgery herself she received practical help in the form of groceries and laundry services from members of the St. John's Citadel New Creations group. "Seeing the cross started it all," says Major Wanda Loveless, one of the pastors at the church. "It reminds us of our responsibility to care for others."

More centrally, some members of The Salvation Army's Glenmore Temple church in Calgary wanted to make a bigger impact in their community. Some new immigrants to Canada living nearby were looking for a place to meet and practise their English and now, once a week, 15 to 18 Chinese persons—who all live within a block of the church—gather at Glenmore and simply chat with several members of the congregation. "We talk about groceries, the weather, jobs and the ways in which Canada and China are different," says the leader, Sandra Russell. "The more we talk, the better it is. It's a great way to get to know our neighbours."

Giving hope today—just a few of the 900,000 people the Army meets every year.



900,000 family members provided with food, clothing or practical assistance

“Small acts of kindness can mean the difference between hope and despair for countless people.”

10,000

Some of our best friends are addicts. For more than a century The Salvation Army has been in an odd, dual position. Since the 1860s the organization was a pioneer of an abstinence lifestyle, long before it became fashionable for the healthy set. For decades the Army advocated staying away from potentially addictive substances such as alcohol, tobacco and recreational drugs. But while rejecting what can hook you, the Army hasn't rejected those who get hooked.



10,000 people with addictions received help

In dealing with persons touched by addiction, hope is always mixed with generous helpings of patience. Major Robin Cuff is the executive director of Grace Haven in Hamilton, Ontario. This busy facility provides addictions treatment for pregnant women and mothers with small children. There is a young parents' resource centre, a residential program for 36 young people and even an on-site high school where young mothers can complete their education while they are learning to overcome their addiction.

“Hope means replacing the insatiable desire for drugs to cover the pain of life with a new desire for healthy relationships,” says Cuff. “For many of the women here, hope is that the cycle of addiction will not be repeated in their kids. Finding hope is not fast. It often comes in glimpses, in teachable moments, in times when things look bleak. That’s when we are there to walk alongside. Sometimes we’re ahead shining a light, sometimes we’re beside them showing the way and sometimes we are behind them offering encouragement.”

Fame doesn’t use many statistics. He prefers to talk about people, life stories and of the lives he’s seen changed. Working with addicts can break your heart since so many slip over and over again. So many who were doing so well end up dead. But Fame is quick to point out one number that means a lot to him about how investing in people—even those whom society has written off—can bring hard-fought victories. “Forty percent of the 95 staff at Harbour Light are ex-clients,” he says with pride. “They came here as addicts and now they work here. That’s hope. That’s the breath of God moving through people’s lives.”

“In dealing with persons touched by addiction hope is always mixed with generous helpings of patience.”

Since its earliest days the Army has helped those who have surrendered control of their lives to an addiction. With detox units, treatment programs, residential facilities and recovery plans, last year the Army helped 10,000 addicts regain control of their lives. For Major Samuel Fame, a recently retired Salvation Army officer who was executive director of the Army’s busy Harbour Light in downtown Vancouver for 15 years, helping addicts find new hope and a new life is a vital work. “This is the heart of what the Army does—no strings attached. We tell people they are safe at the Harbour Light. Here basic necessities such as food and shelter are available. And food and shelter are gateways to detox and treatment.”

At Harbour Light, located one block from an alley full of drug dealers, 780 meals are served each day—286,000 in total last year. In the cold months Army buildings across the street are opened and 185 emergency shelter beds are filled every night. During the warm weather 85 shelter beds ensure some have a proper place to sleep, rather than a patch of concrete. The facility also has room for 22 men and six women in detox, where they deal with the initial tremors and aches of quitting their addiction. Elsewhere 25 federal parolees are housed, fed and supervised, there is a 44-unit safe-housing complex and 75 treatment clients are in residential programming to learn new ways to live.

“Hope lives here,” says Fame. “Regardless of your situation in life, what you’ve done, how sick you are, what a mess you’ve made of your life, this is where people discover that they can start again. Harbour Light is a place of new beginnings. It’s a therapeutic environment. When I look at these people, it could have been me here as an addict rather than them. We are God’s outreached arms. If Jesus was here in the flesh, He’d be right here, doing what we’re doing. What greater honour could it be than to be God’s instrument in people’s lives and seeing them change?”

1

Every year The Salvation Army reaches out to hundreds of thousands of our friends and neighbours. People in need from all levels of society turn to the Army for practical assistance, prayer, friendship and comfort.

Any organization likes to assemble statistics because it is a short-hand method of accountability. Being able to say we gave 62,480 meals to kids in our day-care centres, handed out 328,741 toys last Christmas to needy children, visited 91,955 people in nursing homes and helped 5,181 refugees find a place in their new country—these numbers make tangible the support you have given us.

The Salvation Army helps 1 person at a time

But the number that means the most to us is the number one. It's also the most important number to the people we serve. The number one represents the fact that The Salvation Army serves people one at a time. And this is more than a word game. We believe that since each of us is created in the image of God, we are all infinitely valuable and equally worthy.

When we look into the eyes of people who turn to us for help we are called to treat them as individuals, to help them one at a time. Since finding hope is seldom a team sport and more often a private epiphany, we specialize in bringing God's love and practical care to countless people, each one special and unique. And if we boast of anything, it's these stories of individual lives changed.

1 in British Columbia: Ron Mickelson, 50, is finally clean from a 30-year addiction. He's living in a transitional apartment at the Army's Abbotsford Centre of Hope. "The Salvation Army came to my rescue," he says.

1 in the Yukon: Chico lives in Whitehorse and has spent a great deal of time on the streets. He has lived in the woods, on the side of the road and on a friend's couch; but nothing lasts. The 43 year-old has now made it to The Salvation Army's shelter where he is fed, he has a warm place to sleep and he has people to talk to. Hope grows in places like this, and Chico is now looking for a job and for a better future.

1 in Ontario: Garry Wood is 21 and he is the type that people tend to avoid. He speaks in short, fast sentences and is used to being ignored, abandoned and forgotten. Last year after being kicked out of his small-town Ontario home he fled to Toronto. Soon after arriving Garry got himself involved with a band of punks who begged all day for food. Hope met him under a bridge one day and he took up the Army's offer for shelter. After spending time at the Gateway in downtown Toronto and with the counsellors help, he now has his own apartment.

1 in New Brunswick: 53-year-old Peter spent six months camping beside the Trans-Canada Highway. It was miserable and after losing 40 pounds, he heard about The Salvation Army's shelter in Saint John. He's now been there for a while, with meals every day, friendly staff and things to do. The next few months are already looking better.



1 in Alberta: Hector Carvajal, 40, was a successful doctor in Columbia, but after a kidnapping he fled to Canada. In Calgary the Army gave Hector and his family shelter and is helping him gain the necessary credentials to work as a doctor in Canada.

1 in Manitoba: Naida Eftodie's morphine addiction came to an end at the Army's Anchorage program in Winnipeg. Today she is the supervisor of residential services at the same facility because, she says, she wants to "carry the same message of hope to others."

1 in Newfoundland and Labrador: Tony Boone now remembers that he has responsibilities as a husband and father of three children. The 41-year-old addict is finally sober and is finding hope in the job training, counselling and education he's getting at the Army's Wiseman Centre in St. John's. "Without The Salvation Army, I'd be in my grave."

Our goal is to be a transforming influence in communities across the country. And we do this, one person at a time.

Financial Highlights

Financial Review 05/06

Introduction

The accompanying condensed financial statements summarize the financial position of The Governing Council of The Salvation Army in Canada as of March 31, 2006, and its revenues and expenses during the year then ended.

The Governing Council of The Salvation Army in Canada was incorporated by a Special 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. In Canada, the Army is registered by Canada Revenue Agency for tax-deductible contributions.

These financial statements include information for territorial headquarters and its related entities, as well as for the 13 divisional headquarters. They also include the real estate and investment assets for all Salvation Army entities in Canada and Bermuda because the Governing Council has legal title to these assets and holds them in trust on behalf of the other entities.

These statements reflect revenues received by the territorial and divisional headquarters, and the use of those funds for territorial and divisional operations for capital projects, as well as in making allocations to operating units.

Copies of the complete audited financial statements may be obtained from the Finance Department, 2 Overlea Boulevard, Toronto, Ontario M4H 1P4 or on our website: www.SalvationArmy.ca.

Separate financial statements are issued for each of the Army's operating units in order to fulfil obligations for accountability to local communities, contributors and funders.

A project is currently underway to allow the publication of consolidated financial statements reflecting operating units in Canada and Bermuda by 2010. The accompanying charts on page 20 have been prepared from operating budgets for the year 2005/06 to help provide an understanding of the overall size and scope of the Army's operations. Total assets are approximately \$1.4 billion and the total annual operating budget is almost \$500 million.

Financial Highlights

From a financial point of view, the year 2005/06 was an extremely positive one in most respects, with a surplus of \$59.4 million being realized, compared to \$2.9 million in the prior year. At the same time, caution must be advised in the interpretation of this figure. Unrestricted funds available at the discretion of the Governing Council declined by \$2.0 million, while restricted funds increased by \$61.4 million.

\$22.8 million represents the net change in the Capital Fund, representing the net additional investment in capital assets during the year. Permanently restricted endowment funds increased by \$5.0 million, while another \$9.9 million represents increases in funds that are temporarily restricted until they are used in accordance with the terms and conditions set by donors.

The remaining \$23.7 million represents funds that are restricted as a result of Army policies for investment and legacy income.

The operating budget derives a significant amount of its funding from these sources of income. The Army has implemented policies to lessen the impact of volatility in these sources of income on the annual operating budget.

Under these policies, funds are raised in one year and available for allocation in successive years based on long-term expected earnings, rather than the actual returns realized. This will result in a surplus for financial statement purposes, other factors aside, during periods of above-average earnings, and a deficit in periods of lower than average earnings.

As of March 31, 2006, the Army was holding internally restricted funds of \$74.4 million related to investment and legacy income from the current and prior years, which will be used to fund operations in successive years. Given its past experience, the Army believes the balances of these funds to be at reasonable levels given the volatility of these sources of income.

Management Responsibility for Financial Reporting

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

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.

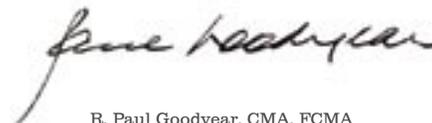
The Governing Council is responsible for the financial statements and is assisted in discharging this responsibility by the Territorial Finance Council, which meets regularly with management as well as internal and external auditors to help ensure the adequacy of internal controls, and to review the financial statements and auditors' report.

The Governing Council appoints the 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.



Neil Watt, Major
Territorial Secretary for
Business Administration



R. Paul Goodyear, CMA, FCMA
Territorial Financial Secretary

KPMG LLP

Chartered Accountants

Yonge Corporate Centre
4100 Yonge Street Suite 200
Toronto ON M2P 2H3, Canada

Telephone 416 228 7000

Fax 416 228 7123

Internet www.kpmg.ca

Auditors' Report on Condensed Financial Statements To The Governing Council of The Salvation Army in Canada

The accompanying condensed balance sheet and 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, 2006 and for the year then ended on which we expressed a reservation in our report dated June 2, 2006. 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 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.



Chartered Accountants | Toronto, Canada
June 2, 2006

The Governing Council of The Salvation Army in Canada
Condensed Balance Sheet (in millions of dollars)

March 31, 2006, with comparative figures for 2005

	2006	2005
Assets		
Current Assets:		
Cash and cash equivalents	\$ 28.3	\$ 12.2
Receivables, primarily from other Salvation Army entities	23.0	23.0
Other current assets	3.9	4.8
	55.2	40.0
Investments	449.1	413.0
Accrued pension asset	20.4	21.7
Capital assets	793.7	772.8
	\$ 1,318.4	\$ 1,247.5
Liabilities and Fund Balances		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 29.0	\$ 15.6
Deferred revenue	13.3	9.1
	42.3	24.7
Long-term liabilities:		
Restricted deposits held on behalf of other Salvation Army entities	160.9	159.3
Mortgages payable	78.8	87.7
Post-retirement benefits	38.2	36.2
Other	17.0	17.8
	294.9	301.0
Fund balances:		
Unrestricted Operating Funds	7.4	9.5
Endowment Fund	51.7	46.7
Capital Fund	697.8	675.0
Other Restricted Funds	224.3	190.6
	981.2	921.8
	\$ 1,318.4	\$ 1,247.5

The Governing Council of The Salvation Army in Canada
Condensed Statement of Operations & Changes in Fund Balances
(in millions of dollars)

March 31, 2006, with comparative figures for 2005

	2006	2005
Revenue:		
Donations, grants and legacies	\$ 108.6	\$ 94.3
Ancillary operations	72.4	66.9
Contributions for capital projects	36.7	18.9
Investment income	30.3	21.9
Levies, assessments and other income	25.6	29.4
Net gain on disposal of capital assets	12.5	
	286.1	231.4
Expenses:		
Grants and allocations to other Salvation Army entities	83.6	77.3
Ancillary operations	65.9	62.2
Headquarters' operations and fundraising	51.4	53.0
Net loss on disposal of capital assets		11.9
Other	25.8	24.1
	226.7	228.5
Surplus	\$ 59.4	\$ 2.9
Fund balances, beginning of year	\$ 921.8	\$ 918.9
Fund balances, end of year	\$ 981.2	\$ 921.8

To our Donors

In the past year, you and thousands of other caring donors made thoughtful and generous gifts amounting to \$140 million (approximately \$110 million through the national office and \$30 million through local units). Your generosity helped The Salvation Army in Canada carry on its 124-year tradition of compassionate care for people in need. You helped us provide for the physical, emotional and spiritual needs of over a million people last year. Thank you!

You are important to us and the people we serve. That is why we are committed to reporting on our progress in addressing issues of interest and concern to you.

Protecting Your Privacy We value your trust and recognize that retaining this trust requires us to guard the confidentiality of the personal information you share with us. We ensure that all personal information is properly collected, used only for the purposes for which it is collected, and is disposed of in a safe and timely manner when no longer required. We do not exchange or rent our donor list. The Salvation Army is an adherent to Imagine Canada's Ethical Fundraising Code.

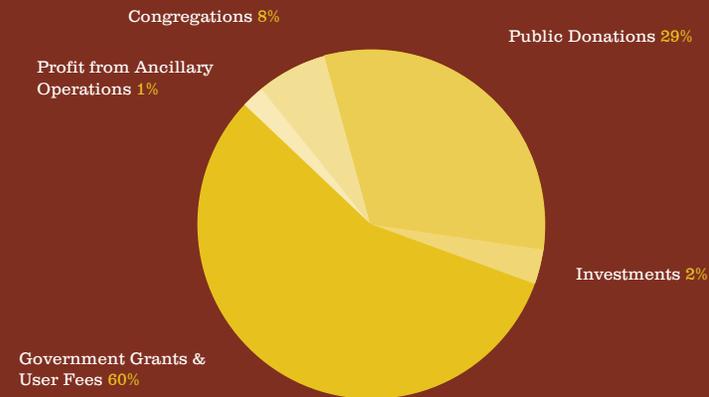
Fiscal Accountability and Transparency In early 2006, The Salvation Army reported that it was the victim of a significant fraud, perpetrated by a former employee. Since that time, we have thoroughly investigated how this occurred and completed a vigorous process to recover what was taken. We are pleased to report that the full amount has been recovered—approximately half through legal action and the remainder through insurance coverage, less a small deductible. A review of internal controls in place at the time of the fraud confirmed that these controls were managed appropriately. Charges were laid in early April by the Toronto Police Services and the former employee has now been sentenced according to law. The Salvation Army would like to take this opportunity to thank all our donors for their overwhelming support and understanding throughout this time.

Fundraising, Public Relations and Administrative Costs We continue to ensure that the highest percentage of your donation is used in direct service delivery. Fundraising, public relations and administrative costs are among the lowest in the charitable sector at 10 percent of our operating budget.

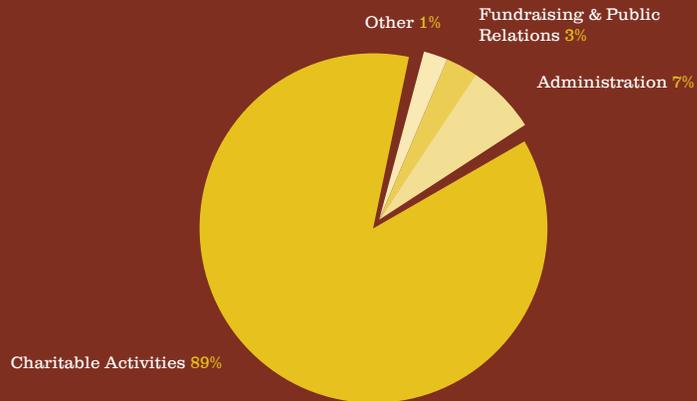
Contact Us We encourage you to visit our website often at www.SalvationArmy.ca. Information about the mission and current work of The Salvation Army is updated frequently. If you ever have any questions, we encourage you to contact The Salvation Army in your area, call us at 1-800-SAL-ARMY (725-2769) or e-mail us at donor_questions@can.salvationarmy.org.

Thank you for your support.

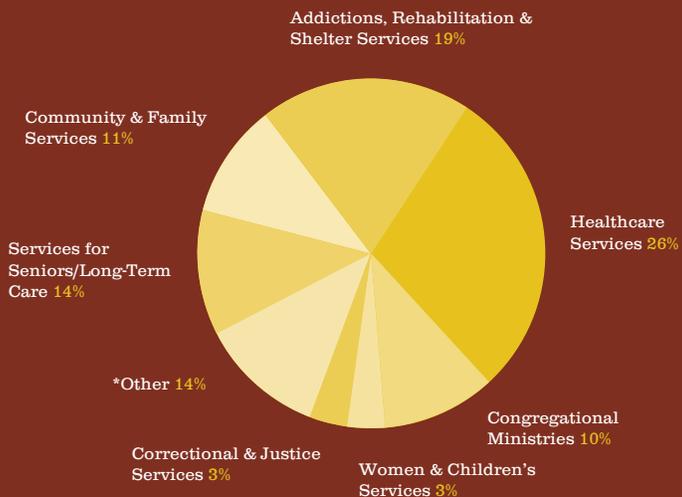
Sources of Funds



Use of Funds



Charitable Activities (%)



*Other includes Camping, Overseas Development and other programs.

Financial Overview

The net operating budget for The Salvation Army in Canada & Bermuda is almost \$500 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, these charts have been prepared from operating budgets for the year 2005-06 to help provide an understanding of the overall size and scope of the Army's operations.

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Major Neil Watt
R. Paul Goodyear

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Public Relations & Development
The Salvation Army
2 Overlea Blvd.
Toronto, ON M4H 1P4

416 425 2111
public_relations@can.salvationarmy.org
www.SalvationArmy.ca



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