



Giving Hope Today

125

Annual Review 2006-2007
Canada and Bermuda Territory
SalvationArmy.ca

Over 1.5 million people were helped by The Salvation Army in Canada and Bermuda last year.

Addictions, Rehabilitation & Shelter

6,300 shelter, addictions, detox and mental health beds provided each night for vulnerable men, women and families
900 people completed addictions and rehabilitation programs
2.1 million meals served

Community Churches

320 community churches

Community & Family Services

994,000 persons assisted with food, clothing or practical assistance
8,000 children went to Salvation Army camps

Emergency Disaster Services

8,900 people helped when disaster struck

Hospice, Health & Long-Term Care

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

Work in Developing Countries

140 projects in 9 countries
2,700 children sponsored
60 Salvation Army officers and lay personnel serving outside Canada

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For 125 years and counting, The Salvation Army has been giving hope by serving the marginalized—those who eke out an existence on the fringes of society. As the largest non-governmental direct provider of social services in Canada, we help more than 1.5 million people each year in more than 400 communities across the country. And each year, the numbers increase.

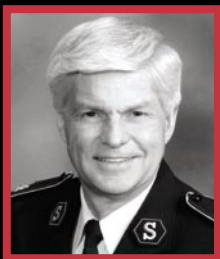
What is The Salvation Army? It's a hand of hope extended through the bars of a prisoner's cell. It's a safe haven for a woman battered and bruised from domestic violence. It's a hot meal and a roof over the head of a homeless person. It's a second chance for a crack addict who has lost everything.

Our uniforms may help us stand out on the street corner, but The Salvation Army does most of its work quietly, without a lot of fanfare. It's our faith that drives us. We believe that a better world is possible because we trust in a God of love. Our mission is nothing less than seeing society transformed and renewed—one person at a time.

Somebody once described the Army as "Christianity with its sleeves rolled up." We're not afraid to go where the need is greatest. You'll find us in filthy back alleys, run-down rooming houses, hospital emergency rooms and dingy prison cells as every day we fight against poverty, addiction and despair.

Thanks to your support, The Salvation Army is helping restore hope for so many in our society. And with the Army, your contributions go further. Eighty-eight cents of every dollar donated goes directly to help the vulnerable in your community—one of the most efficient rates of any charity.

Throughout these pages, you'll discover how a century and a quarter of experience has prepared us to meet the challenges of today. As long as there are people who are hurting, our "Army of Compassion" marches on.



A handwritten signature in cursive script that reads "William W. Francis".

Commissioner William W. Francis
Territorial Commander



Rebuilding Lives

When The Salvation Army first launched its ministry in 1882, Canada was only 15 years old. In the intervening 125 years, the Army's growth has mirrored society's shifting needs. What began as a simple "open-air" meeting in 1882 has blossomed into a comprehensive social service agency and network of churches that make the biblical commandment to "love your neighbour as yourself" a way of life.

Our strength is our ability to adapt to modern realities and make a real difference in the lives of hurting people. The faces and names may have changed and the uniforms may look

a little different, but our mission of compassion remains the same.

The Army is best known for its groundbreaking work with the homeless. We provide the most temporary hostel beds of any agency in Canada, and our focus on transitional housing and job skills help people move toward self-sufficiency one step at a time.

For nearly two decades, Dion Oxford, director of The Gateway hostel in Toronto, has ministered among people on the margins of society. With nearly 50 staff members, The Gateway serves 120,000 meals per year and provides 108 beds each night for men experiencing homelessness.

Yet The Gateway is more than a hand-out—it's a hand up. It's a place where people feel valued and connected to their community. Through housing support, pastoral care, addictions and health services, men are given a sense that they belong.

Dion says, "We called our centre The Gateway because when people walk through our doors, other doors open to them. Over the past eight years, we have helped over 1,000 people get off the streets and into better housing. We have witnessed many changed lives, including our own, in ways that cannot be counted."

Front-line worker Shannon Dunlop says, "The Gateway to me is a place of refuge



and positive transformation, in addition to being a space where ‘street mentality’ is smashed and people are encouraged to be truly themselves.”

The Army also has a proven track record in the field of addictions and rehabilitation. The proof is people like Rick Macdonald, who spent his days staring at the bottom of a beer bottle until The Salvation Army gave him new purpose. “If I had money in my pocket, I would drink until the bars closed,” he recalls.

At 40, Rick lived in the bushes near the Dartmouth, N.S., ferry terminal. He slept curled up in a ball, shivering from the cold, exhaustion and hunger. “I wanted to die in the bush,” he recalls. “I’d lost everything—my job,

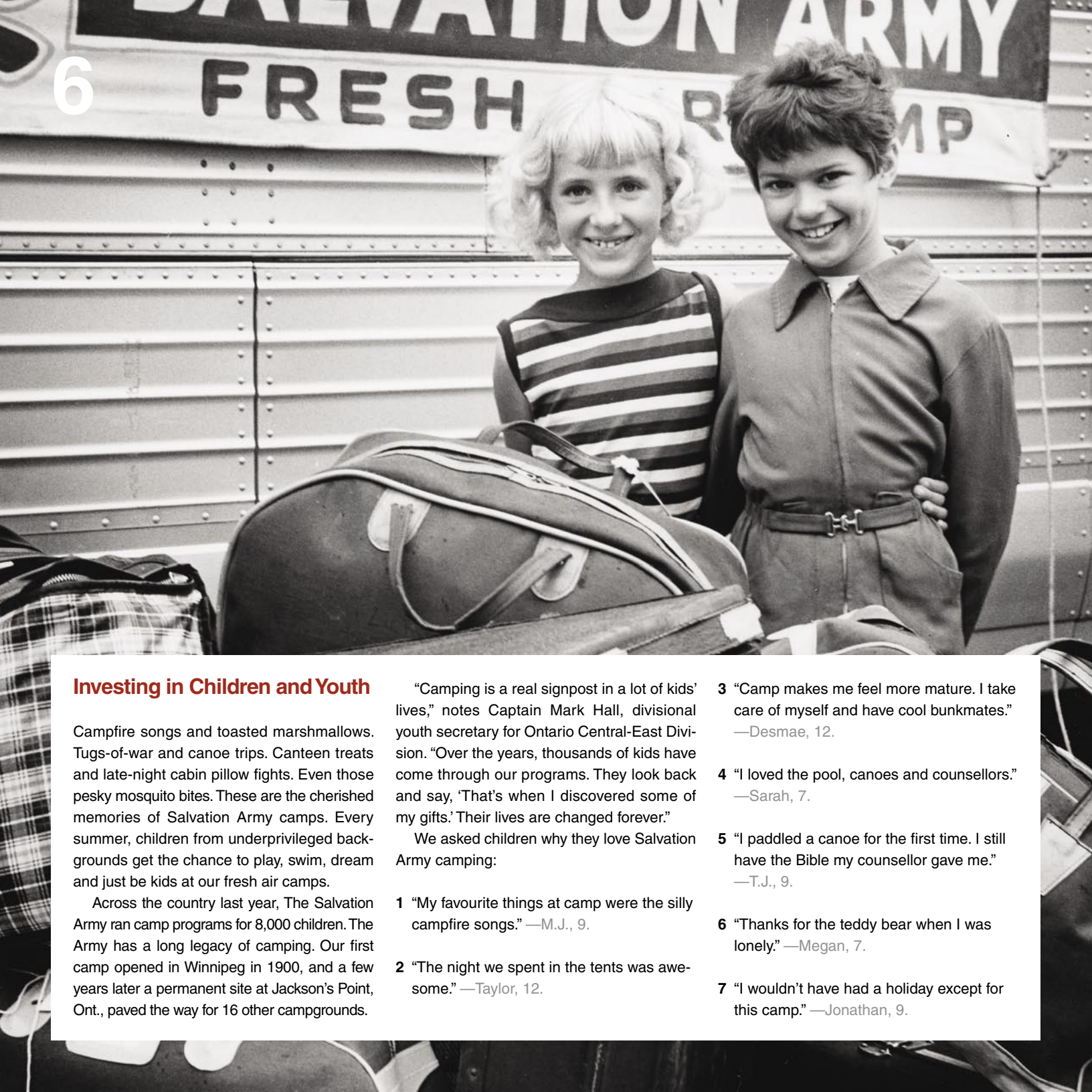
my family, my friends and myself.”

One fateful evening, he contemplated jumping from Halifax-Dartmouth MacDonald Bridge. In desperation, he called The Salvation Army Booth Centre. Sensing Rick was suicidal, Terrance, a counsellor at the centre, allowed Rick to sleep in the chapel until a bed became available. That phone call saved his life. “Rather than running, I admitted my addiction and faced responsibility,” Rick says.

“Rick has a strong desire to help people out of the pits into which they have dug themselves,” says Major Wayne Loveless, executive director at Booth Centre. By volunteering at the Army’s food warehouse

and encouraging people in treatment, Rick is now giving back. “I want the hopeless to know where the help is,” he says.

Helping people put the broken pieces of their lives back together is what The Salvation Army does best. As you read these pages, you may be surprised by the variety of innovative social programs that the Army helped establish. We’ve always been there for the disenfranchised, the destitute and the downtrodden. With your help, and by God’s grace, we’ll continue to battle poverty and despair, and bring hope to the darkest places.



Investing in Children and Youth

Campfire songs and toasted marshmallows. Tugs-of-war and canoe trips. Canteen treats and late-night cabin pillow fights. Even those pesky mosquito bites. These are the cherished memories of Salvation Army camps. Every summer, children from underprivileged backgrounds get the chance to play, swim, dream and just be kids at our fresh air camps.

Across the country last year, The Salvation Army ran camp programs for 8,000 children. The Army has a long legacy of camping. Our first camp opened in Winnipeg in 1900, and a few years later a permanent site at Jackson's Point, Ont., paved the way for 16 other campgrounds.

"Camping is a real signpost in a lot of kids' lives," notes Captain Mark Hall, divisional youth secretary for Ontario Central-East Division. "Over the years, thousands of kids have come through our programs. They look back and say, 'That's when I discovered some of my gifts.' Their lives are changed forever."

We asked children why they love Salvation Army camping:

- 1 "My favourite things at camp were the silly campfire songs." —M.J., 9.
- 2 "The night we spent in the tents was awesome." —Taylor, 12.
- 3 "Camp makes me feel more mature. I take care of myself and have cool bunkmates." —Desmae, 12.
- 4 "I loved the pool, canoes and counsellors." —Sarah, 7.
- 5 "I paddled a canoe for the first time. I still have the Bible my counsellor gave me." —T.J., 9.
- 6 "Thanks for the teddy bear when I was lonely." —Megan, 7.
- 7 "I wouldn't have had a holiday except for this camp." —Jonathan, 9.



At Scotian Glen Camp in Nova Scotia, one camper named David gave his counsellor a big hug before getting on the bus to go home. "This place was made for kids," he said. "There is so much to do. Thanks for caring about me." David returned to an uncertain future, his third foster home in one year. For many kids, camp provides an oasis of stability, love and a real sense of "home."

Counsellor Rebekah Budden didn't relish chasing kids around at the crack of dawn, but the relationships she built were worth it. "It was backbreaking work," she recalls. "Every time you went anywhere, someone wanted a piggyback ride. The kids loved you so much because you cared about them."

At Scotian Glen, the Army partners with agencies such as the Nova Scotia Cancer Society to run Camp Goodtime, where young cancer survivors—many still in active treatment—can enjoy a week in the outdoors, away from the gruelling hospital routine. Other camps host children recovering from severe burns or living with hemophilia.

The Army is also reaching into remote aboriginal communities. One thousand kilometres north of Vancouver, in Dawson Creek, B.C., Captains Roger and Frances Lee take 30 children on a week-long camping trip up the Kiskatinaw River. Activities include rafting, soccer and crafts such as leather making.

In Ontario, the Army is restructuring its camps to divert more money directly into programming. Major Alf Richardson, divisional commander for Ontario Great Lakes Division, notes: "Our new day camps will help us reach more children and encourage them to build lasting relationships in their communities."

Many of the counsellors stay in touch with campers through reunions, parties and letter writing. Some kids transition into our community programs that offer music lessons, pioneer clubs, literacy, anger management and homework help. At The Salvation Army, we invest in young people all year round.



Commitment to Women

"I wanted my life back," says Christine. "For 10 years I was addicted to cocaine and alcohol. I was tired of using all my strength to get drugs. That's when I turned to The Salvation Army for help."

As an early provider of shelter to women in Canada, The Salvation Army opened its first "rescue home" in 1886. A simple wooden cottage in downtown Toronto, it was a place of protection for women involved with alcohol, prostitution, the law, or for those pregnant and destitute. By 1900, the Army was operating 11 rescue homes, two women's hostels and one maternity home.

In response to the growing need for support, the Winnipeg Grace maternity hospital was established in 1906 and quickly developed into a general hospital. In 1920, Calgary launched the first Salvation Army home for unwanted babies and children of broken homes. Since then, the Army has been busy meeting the needs of women and children in distress.

Today in Regina, Gemma House is a six-bed residential care facility for girls 12 to 15. "These girls need a lot of care," says Susan Ballentyne, program director. "They are street kids, drug addicts, alcoholics, or have been sexually exploited. Recently a 12-year-old who lived in 21 foster homes was referred

to us for assistance. No one visits or calls. She depends totally on us for her care. She just wants to belong to someone."

The house is a safe place that overflows with unconditional love. Girls learn behaviour management, structure and routine. The aim of the program is assessment, stabilization and intervention, with the hope of returning the resident to the family home, if that is an option.

In Hamilton, Ont., The Salvation Army Grace Haven gives hope to pregnant 14-year-olds, women and children from refugee camps, and mothers torn by the desperation of drug addiction. The Young Parent Resource Centre includes group-home living



with 24-hour care and an on-site high school program.

When Chandra arrived at Grace Haven she was a scared, shy teen who was six months pregnant. Through the support she received at The Salvation Army she is now a confident young mother who recently received her high-school diploma.

In Toronto's downtown core, Florence Booth House is a 60-bed shelter for pregnant women in the grip of addiction. "We care for women who are spiritually, mentally and physically broken," says Sharon Elliott, program co-ordinator.

Last year, 600 women received assistance through counselling, life skills training,

coping mechanisms for grief and self-esteem, referrals to immigration programs, legal clinics, ID replacement resources and employment centres.

Chenayi was a refugee struggling to find her way in a new country when the Army took her in. "I had lost my luggage and didn't have a penny on me," she recalls. "At Florence Booth House, I was treated with dignity and respect."

In Newfoundland and Labrador, Home With a Heart is a 12-week program offered in Salvation Army family services offices, churches and the Newfoundland and Labrador Correctional Centre for Women that helps single moms get back on their feet.

"When I started this program I was in a dangerously low place emotionally," says Pam, a graduate of the program. "I didn't want to leave my house and I didn't want to interact with people. Home With a Heart helped me regain self-confidence and learn new skills. It taught me how to organize things so my home would be structured. It showed me where my money was going and how I could save it."

Each year, The Salvation Army offers hundreds of women a chance to overcome their struggles and harmful behaviour. In the words of one shelter resident, "Thanks to The Salvation Army, I am a contributing member of society and clean from drugs. They made me realize I am worth something."



Welcoming New Canadians

"Each year hundreds of thousands of people immigrate to Canada, desperate for a new start in life," says Major Holly Patterson, director of immigrant and refugee services in The Salvation Army Greater Toronto Area. "We empower them as they confront the unknown."

Our practical support for immigrants began a century ago. On April 26, 1905, The Salvation Army chartered its first emigrant ship, the SS Vancouver, which set sail from Liverpool, England. Over the next two years, we brought 20,000 newcomers to our land.

Since then the face of immigration has

changed. More than 250,000 immigrants and refugees a year choose to call Canada home, and Salvation Army services have evolved to meet their needs.

"Language instruction, counselling, family reunification, employment and settlement help are critical for newcomers," says Major Patterson. "While many are thriving professionals in their country of origin, foreign credentials are seldom recognized here. We connect immigrants to volunteer opportunities so they can gain Canadian experience."

Amin, a successful lawyer, his wife, Zainab, a teacher, and their three teenage sons fled to Canada when the Taliban came into power in Afghanistan. Zainab was forbidden to work

and Amin's opposition to the new regime made it dangerous for his family to remain in their homeland.

Although safe in Canada, Amin and Zainab couldn't find jobs. Their credentials were not recognized and their English was poor. After receiving help through The Salvation Army's ESL program, Zainab completed a college course and is now a certified chef.

Marcia left Brazil in 2004 with her four sons to be with her new Canadian husband. "Leaving a nice home and stable job was difficult," she says. "My husband worked many jobs to support us. We lived in a rooming house with several other families. All we could afford to eat was cereal and macaroni



and cheese. We were scared, lonely and depressed.”

At The Salvation Army's immigrant and refugee services in Toronto she met Florence Gruer. “It was the first friendly face I found,” says Marcia. “She listened and offered support during the difficult days.”

Etsegenet was an auditor in Ethiopia when a new government came to power, launching hate campaigns against opposition groups. One night she awoke to two soldiers at her front door. They threw her in jail and she was only released when an uncle paid a \$10,000 bribe.

When she heard of the massacre of opposition supporters in other parts of the country,

Etsegenet escaped to Canada. She arrived with one suitcase and \$200. She had no idea where to turn for help, until she discovered The Salvation Army.

She is now employed as a cafeteria worker at the Army's headquarters in Toronto. Her English is improving and she plans to retrain as an auditor. The Salvation Army is assisting her to bring an orphaned niece and nephew to Canada. “When they help me, I feel peace inside,” she says through grateful tears.

The Salvation Army also facilitates after-school tutoring for children of immigrants who struggle with English. “Creating community is important,” says Wendy Park, director of the Army's Multicultural Centre in Winnipeg. “Here

children find friends and gain self-confidence through informal conversation and educational games.”

For those who don't know what the future holds, The Salvation Army helps meet their deepest needs. “I came here scared and with little hope for a better life,” says one refugee. “The Salvation Army gave me a new beginning. I feel happy and safe.”



Supporting our Troops

"We ended up in a 'hot landing zone,' expecting to be shot at as soon as we landed," says Company Sergeant Major Tim Power, recalling his recent tour of duty in Afghanistan. Roadside bombs, nightly gunfire and soaring temperatures are the horrors that soldiers face every day.

Behind the battle gear and armoured vehicles are young men and women who are away from home for the first time. With no thought of becoming heroes, all bravely set out to protect the freedoms that we enjoy.

Throughout its history, The Salvation Army has provided vital services to troops in


war-torn countries. During both world wars and throughout the Cold War, dozens of canteen workers supplied tired soldiers with refreshments and a listening ear. The Salvation Army also boosted morale by providing tents where servicemen could relax, write letters and prepare themselves for the difficult return to the trenches.

"Every front-line soldier of the First World War knew that his true friend was the man in the Salvation Army canteen," says Canadian soldier Will Bird in his classic war memoir, *Ghosts Have Warm Hands*.

At the end of the Second World War, thousands of European "war brides" who had married Canadian soldiers bid tearful

goodbyes to their families. The Salvation Army welcomed them at Canadian ports, arranging support for those experiencing culture shock and homesickness. Hostels across Canada also offered a safe haven to returning soldiers who faced marital break-up, illness, loneliness and drug and alcohol abuse.

Today, The Salvation Army continues to serve and assist Canada's military forces. For two decades, Gladys Osmond, 84, a retired Salvation Army officer, has sent over 100,000 letters to members of the Canadian Armed Forces serving in Bosnia, Syria and Afghanistan. She regularly receives visits from returning soldiers and their families. "I never know who's going to drop by," she



notes with a chuckle.

Care packages also lift the spirits of the troops. The Salvation Army in Newfoundland and Labrador recently sent boxes loaded with magazines, candy, cotton socks, gum, toothbrushes and toothpaste to troops overseas.

"It's hard to put in words our heartfelt thanks for things we miss so much. We really feel the support," says Master Corporal Trevor Bungay, a Newfoundlander serving in Afghanistan.

In Edmonton, Salvation Army church members raised \$2,500 and bought Tim Hortons gift certificates for 279 soldiers from the Edmonton Garrison serving in the Middle East. Now volunteers meet at the church to

send postcards to the soldiers.

"It's really important when we get something from home," says Mike, a Canadian soldier who recently returned from Afghanistan. "It's a whole different world over there."

"The Salvation Army is a valuable partner in providing chaplains to the Canadian Forces," says Salvation Army Captain Patrick Lublink, air force chaplain in Bagotville, Que. "I am regularly in touch with air force members serving in Kandahar and, on the home front, I minister to families of military serving overseas."

Presently, Captain Lublink is in Germany at the U.S. military hospital, caring for Canadian soldiers wounded in Afghanistan.

The Army's program of pastoral care includes crisis counselling, anger management, suicide prevention and family re-integration for soldiers returning from lengthy tours of duty.

"Life as a soldier in a war-torn country is tough," says Bungay. "The hardest thing is being away from family and friends in Canada for months at a time. Thank you, Salvation Army, for your generosity in restoring the down-hearted."



Restorative Justice: Building Healthier and Safer Communities

For more than a century, The Salvation Army has been at the forefront of correctional and justice ministry. In 1890, our first Prison Gate Home was opened in Toronto, providing food, shelter and employment for men recently released from jail. In the years that followed, the Army led the way in parole services, halfway houses and ministry to young offenders.

Last year in Canada, more than 200,000 people entered penal institutions, while 100,000 were placed on probation or granted

parole. Many of these people fall between the cracks of society. For many inmates and their families, the future looks bleak.

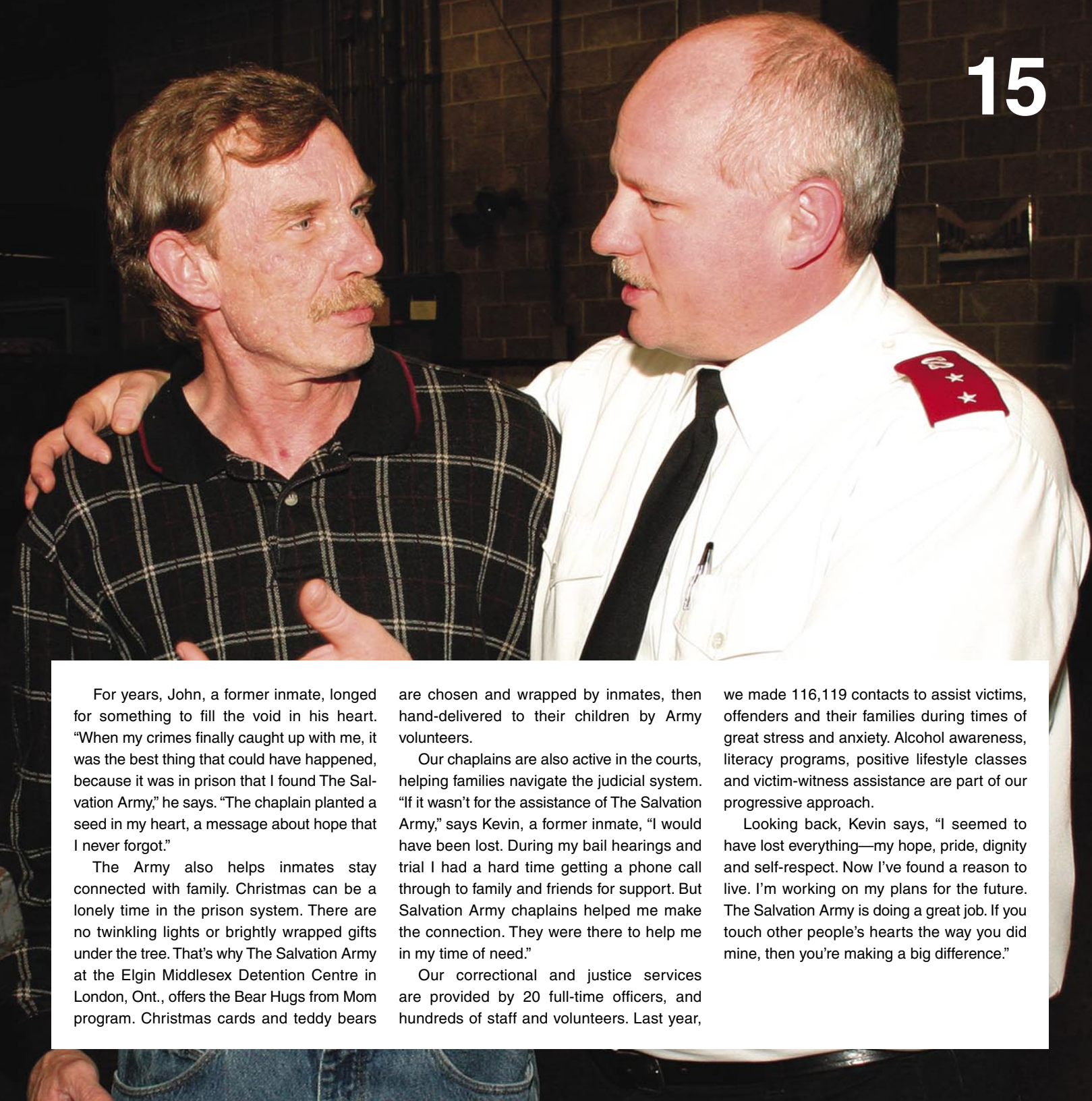
As a child, Peter Johnson remembers watching helplessly as his mother was beaten by a belligerent boyfriend. “My mother was an alcoholic,” he recalls, “and she eventually sent me away for foster care.” A rough upbringing led to poor decisions later in life. To support his drug habit, Peter burgled cars and houses—even churches.

When he was convicted and sent to Pittsburgh Institution in Kingston, Ont., his bunkmates convinced him to attend a Salvation Army weekend retreat. It wasn’t what he expected. “There was a lot of love

and hugs, almost too much to handle, but it felt good. I had never felt this much love in my whole life, not even from my family.”

Although Peter was assured early parole, he waived that right. Why give up a shot at freedom? He wanted to stay and “be a light” to the other prisoners. Peter put his remaining time behind bars to good use, organizing a choir of inmates who lend their voices to chapel services.

Major Al Bain, executive director of Freedom Ministries in Kingston, Ont., knows that men are searching for a new start. “The Salvation Army ministers to offenders and their families in the name of God, believing that no one is beyond redemption,” he says.



For years, John, a former inmate, longed for something to fill the void in his heart. "When my crimes finally caught up with me, it was the best thing that could have happened, because it was in prison that I found The Salvation Army," he says. "The chaplain planted a seed in my heart, a message about hope that I never forgot."

The Army also helps inmates stay connected with family. Christmas can be a lonely time in the prison system. There are no twinkling lights or brightly wrapped gifts under the tree. That's why The Salvation Army at the Elgin Middlesex Detention Centre in London, Ont., offers the Bear Hugs from Mom program. Christmas cards and teddy bears

are chosen and wrapped by inmates, then hand-delivered to their children by Army volunteers.

Our chaplains are also active in the courts, helping families navigate the judicial system. "If it wasn't for the assistance of The Salvation Army," says Kevin, a former inmate, "I would have been lost. During my bail hearings and trial I had a hard time getting a phone call through to family and friends for support. But Salvation Army chaplains helped me make the connection. They were there to help me in my time of need."

Our correctional and justice services are provided by 20 full-time officers, and hundreds of staff and volunteers. Last year,

we made 116,119 contacts to assist victims, offenders and their families during times of great stress and anxiety. Alcohol awareness, literacy programs, positive lifestyle classes and victim-witness assistance are part of our progressive approach.

Looking back, Kevin says, "I seemed to have lost everything—my hope, pride, dignity and self-respect. Now I've found a reason to live. I'm working on my plans for the future. The Salvation Army is doing a great job. If you touch other people's hearts the way you did mine, then you're making a big difference."



Protecting our Environment

For the packrats among us, garbage bags and boxes stuffed with odds and ends can steal our precious space. Clothes that are too big, too tight or out of style fill our closets and basement storage areas. We stash unused toys, appliances and old holiday decorations out of sight.

For this reason, The Salvation Army became one of the first organized recyclers in the world. In 1890, its founder, General William Booth, created and co-ordinated a program for unwanted, yet reusable possessions.

The Household Salvage Brigade, as Booth

named it, were collectors who, with their hand barrow or pony cart, trudged through the streets of London, England, gathering discarded items from homes. The program was not only a means of diverting waste, but it gave hope to the down-and-out. The poor could afford good used items at a reasonable cost.

In 1908, salvage work and the beginning of the retail store program commenced in Toronto. Today, more than 300 thrift stores across the country offer excellent value at an affordable price. Proceeds are channeled back into the services and programs that assist more than 1.5 million people every year.

With our continued commitment to envi-

ronmental responsibility, recent annual totals show that Salvation Army thrift stores have diverted 60 million pounds of materials from landfills across Canada.

Last April, students from Mount Allison University campus in Sackville, N.B. gave more than 300 bags of recyclable clothes, sheets, towels and shampoo to The Salvation Army on Move Out Day. "Over two days the thrift store truck picked up the items," says store manager, Heather Wells. "It helped everyone out. The store received good used items for resale, the students' discards were saved from going to the landfill and Mount Allison didn't have to pay for garbage removal."

In Courtney, B.C., a used jeans program

THRIFT STORE 17



prevents heaps of the torn garments from going to the local dump. Three years ago a thrift-store worker initiated the idea. "In the spring and fall volunteers use damaged jeans, which can't be sold, to create quilts, purses, stadium cushions and aprons," says Major Debbie Allen, pastor and thrift store administrator. "The items generate revenue in the thrift store, proceeds go back into community services and the jeans are diverted from the garbage dump."

The Salvation Army is also demonstrating its commitment to environmental responsibilities in the operation of its facilities. John Frame, one of the Army's social services consultants, says, "Together, with a recognized solar energy

provider, The Salvation Army is encouraging multi-use facilities and shelters to use rooftop solar heating panels to heat hot water."

A number of centres in the Greater Toronto Area have converted to more economical compact fluorescent light fixtures. And in its building designs The Salvation Army is incorporating energy efficient windows, increased thermal resistant walls and roofing, as well as high-efficiency mechanical heating and cooling equipment.

"These systems will reduce utility costs, while allowing a substantial reduction in overall energy consumption. The long-term cost savings will support front-line ministries," says Jeff Barrett, property manager of The

Salvation Army Greater Toronto Area.

Salvation Army facilities are operated as efficiently as possible, so the maximum amount of funds received isn't poured into inefficient, outdated buildings, but rather into its vital social programs. Helping people and saving the planet—it's a great combination.



Financial Review

Introduction

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, 2007, 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.

These financial statements reflect the assets, liabilities and fund balances of the Territorial Headquarters, the 13 Divisional Headquarters, National Recycling Operations, the colleges of The Salvation Army in Canada and Bermuda and Grace Communities Corporation. They include 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.

The statements reflect revenues received by 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.

Separate financial statements are issued for each of the Army's operating units in order to fulfill 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 consolidated charts have been prepared from all operating budgets for the year 2006/07 to help provide an understanding of the overall size and scope of the Army's operations. Total assets are approximately \$1.5 billion and the total annual operating budget is almost \$0.5 billion.

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. They may also be downloaded from our website: www.SalvationArmy.ca.

Financial Highlights

The net financial position of the Governing Council increased by \$60.7 million during 2006/07. Of this amount, unrestricted funds increased by \$26.7 million, while restricted funds grew by \$34.0 million.

The net change in restricted funds is comprised of an increase of \$12.6 million in the Capital Fund, representing the net additional investment in capital assets during the year, an increase of \$2.0 million in endowment funds, which are permanently restricted, and \$19.4 million in other funds that are temporarily restricted.

Major sources of revenue, such as donations to most fundraising appeals and legacies, are managed such that funds are raised in one year and allocated for operations in successive years. This prudent approach ensures that spending plans are in line with funds actually on hand, rather than expectations of future fundraising. However, it does result in surpluses being realized in the financial statements in years of income growth.

In total, revenues of \$298.7 million were realized during the year, an increase of \$7.1 million over 2005/06. \$109.6 million of this revenue, or just over a third, was in the form of donations and legacies. In addition to these amounts raised by territorial and divisional headquarters, over \$40 million was raised directly by operating units, bringing the total public support to The Salvation Army in Canada and Bermuda to over \$150 million during the past year. For the second year in a row, the National Red Shield Appeal, the Army's annual campaign for its social service operations, exceeded all previous records, with a total of \$40.6 million being raised.

The second largest source of revenue, \$73.2 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. After deducting costs of \$68.0 million, net profits of \$5.2 million were made available to fund the operations of territorial and divisional headquarters, as well as to make grants to operating units.

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.

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 local programs and services.

During 2006/07, the General Investment Fund realized a total return of 11.2%, exceeding its relative market benchmark of 10.1%. Over the four-year period ending March 31, 2007, the Fund earned a return of 15.2%, in comparison to a benchmark of 13.7%.

The Fund is managed by external investment managers in accordance with a statement of investment policy and procedures, which prohibits investment in companies whose primary business is the manufacture, distribution or promotion of alcohol, tobacco, pornography, gaming, gaming facilities or armaments.

The asset allocation policy of the Fund at March 31, 2007 was 30% Canadian equities, 30% global equities and 40% Canadian fixed income.

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 2006 for the five most senior officers of The Salvation Army in Canada ranged from \$29,572 to \$42,657, with an average of \$35,403.

Non-officer executives are retained to provide professional expertise in specialized areas. Fortunately, these executives are attracted to the not-for-profit sector because of their own values and sense of mission, so they expect that compensation will not be comparable with the positions they might otherwise hold in industry. There is, however, 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 2006, there were 15 non-officer executives employed by The Salvation Army at its national headquarters whose total employment income for tax purposes was above \$100,000. Their income for tax purposes ranged from \$100,407 to \$192,728, with an average of \$124,504.

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.

Management Responsibility for Financial Reporting

These condensed 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 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

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, 2007 and for the year then ended on which we expressed a reservation in our report dated June 12, 2007. 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.

A handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, stylized font. Below the signature is a horizontal line that starts under the "K" and ends under the "P", with a small upward tick at the end.

Chartered Accountants,
Licensed Public Accountants

Toronto, Canada
June 12, 2007

The Governing Council of The Salvation Army in Canada

Condensed Balance Sheet (in millions of dollars)

March 31, 2007, with comparative figures for 2006

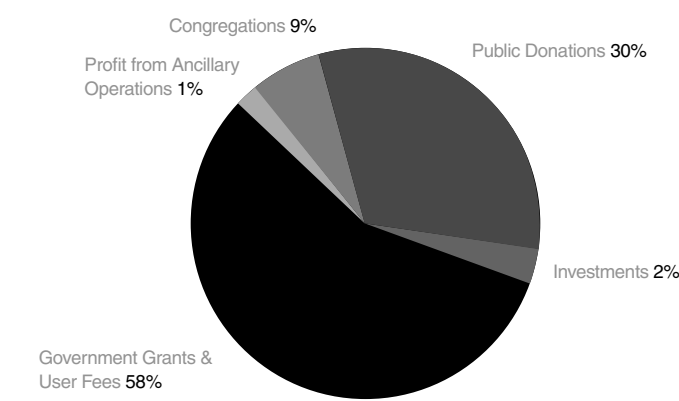
	2007	2006
Assets		
Current Assets:		
Cash and cash equivalents	\$ 71.5	\$ 28.3
Receivables, primarily from other Salvation Army entities	22.2	23.0
Other current assets	3.9	3.9
	97.6	55.2
Investments	491.7	449.1
Accrued pension asset	18.8	20.4
Capital assets	825.2	793.7
	\$ 1,433.3	\$ 1,318.4
Liabilities and Fund Balances		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 31.5	\$ 29.0
Deferred revenue	10.2	13.3
	41.7	42.3
Long-term liabilities:		
Restricted deposits held on behalf of other Salvation Army entities	208.7	160.9
Mortgages payable	84.9	78.8
Post-retirement benefits	39.7	38.2
Other	16.4	17.0
	349.7	294.9
Fund balances:		
Unrestricted Operating Funds	34.1	7.4
Endowment Fund	53.7	51.7
Capital Fund	710.4	697.8
Other Restricted Funds	243.7	224.3
	1,041.9	981.2
	\$ 1,433.3	\$ 1,318.4

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

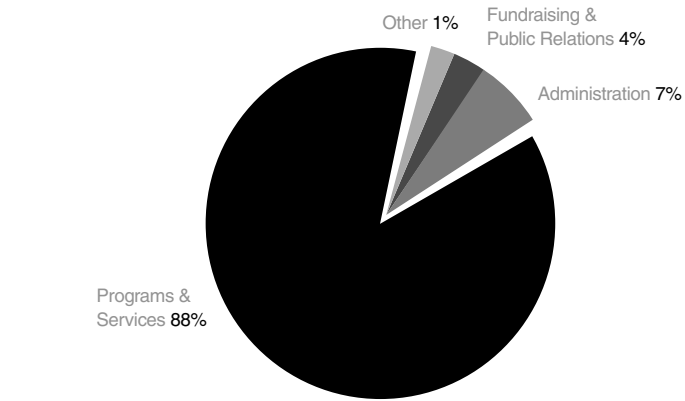
March 31, 2007, with comparative figures for 2006

	2007	2006
Revenue:		
Donations and legacies	\$ 109.6	\$ 108.6
Ancillary operations	73.2	72.4
Capital Contributions	35.6	36.7
Investment Income	40.6	32.1
Levies, assessments, and supervision	25.1	21.2
Net gain on disposal of land and buildings	7.0	12.5
Other	7.6	8.1
	298.7	291.6
Expenses:		
Grants and allocations to other Salvation Army entities	84.3	83.6
Ancillary operations	68.0	65.9
Headquarters' operations and fundraising	46.5	45.9
Other	39.2	36.8
	238.0	232.2
Surplus	\$ 60.7	\$ 59.4
Fund balances, beginning of year	\$ 981.2	\$ 921.8
Fund balances, end of year	\$ 1,041.9	\$ 981.2

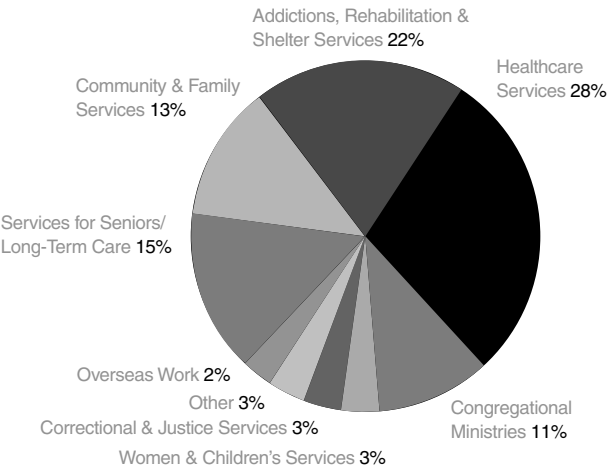
Sources of Funds



Use of Funds



Programs & Services (%)



Financial Overview

Total 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, the following charts have been prepared from operating budgets for the year 2006-07, to help provide an understanding of the overall size and scope of the Army's operations.

To Our Donors

In the past year, you and thousands of other caring donors made thoughtful and generous gifts amounting to \$150 million (approximately \$110 million through the national office and \$40 million through local units). Your generosity helped The Salvation Army carry on its 125-year tradition of compassionate care for vulnerable people. You helped us provide for the physical, emotional and spiritual needs of 1.5 million people last year. Thank you!

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

Accountability

By understanding that a special relationship exists between The Salvation Army and our donors, and by placing accountability at the core, The Salvation Army fosters an environment that encourages mutually advantageous charitable giving and strong long-term relationships. We regard your continued support as crucial to the attainment of objectives and the fulfilment of mission.

The Salvation Army adheres to key values such as honesty, integrity, truthfulness, forthrightness, strict confidentiality and respect for donor privacy. These characteristics serve to build mutual trust—a value by which all strong relationships are enhanced.

Our Fundraising Code of Ethics declares those values by which The Salvation Army, as an organization, and all individuals involved in Salvation Army fundraising activities, are governed. To review the code, please visit our website at www.SalvationArmy.ca/fundraisingethics.

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 call us at 1-800-725-2769 or e-mail us at donor_questions@can.salvationarmy.org 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 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.

Members of The Governing Council of The Salvation Army in Canada

Commissioner M. Christine MacMillan, Chair *(to June 30, 2007)*
Commissioner William W. Francis, Chair *(from July 1, 2007)*
Colonel Glen Shepherd, Vice Chair
Major Neil Watt, Treasurer
R. Paul Goodyear, Secretary
Major Jean Moulton

Territorial Finance Council

Commissioner M. Christine MacMillan, Chair *(to June 30, 2007)*
Commissioner William W. Francis, Chair *(from July 1, 2007)*
Colonel Glen Shepherd, Vice Chair
Paul Thornhill, Secretary
Major James Champ
Mary Ellen Eberlin
Commissioner Marilyn D. Francis *(from July 1, 2007)*
R. Paul Goodyear
Lt.-Colonel David Hiscock
John Kershaw
Major Mona Moore *(to April 11, 2007)*
Major Jean Moulton
Lt.-Colonel Raymond Moulton
Colonel Eleanor Shepherd
Major Howard Smartt *(from April 24, 2007)*
Major Floyd Tidd
Major Neil Watt

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Michael Campbell, Chair *(from April 1, 2007)*
William J. Stafford, Secretary
Julie C. Cays
Lynn A. Clark *(to June 30, 2007)*
R. Paul Goodyear
Carl Hiltz
William T. Pashby
Paul Purcell
Major Neil Watt

Territorial Leaders' Consultative Council

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Commissioner William W. Francis, Chair *(from July 1, 2007)*
Colonel Glen Shepherd, Vice Chair
Graham Moore, Secretary
Major Wilbert Abbott *(to June 30, 2007)*
Major Kenneth Bonnar *(to June 30, 2007)*
Andrew Grenville
Shelagh Guy-Murphy
Catherine Hooper
George Hungerford
Andrew Lennox
Garfield Mitchell
John Perlin
Donald Posterski
Major Audrey Rowe
Major Neil Watt



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Hope
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