



**KPMG LLP**

Vaughan Metropolitan Centre  
100 New Park Place, Suite 1400  
Vaughan, ON L4K 0J3  
Canada  
Telephone 905 265 5900  
Fax 905 265 6390

## INDEPENDENT AUDITOR'S REPORT

To The Governing Council of The Salvation Army in Canada

### ***Qualified Opinion***

We have audited the consolidated financial statements of The Governing Council of The Salvation Army in Canada (the Entity), which comprise:

- the consolidated balance sheet as at March 31, 2024
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in fund balances for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the "***Basis for Qualified Opinion***" section of our auditor's report, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at March 31, 2024, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### ***Basis for Qualified Opinion***

In common with many charitable organizations, the Entity derives revenue from charitable donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Entity.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets reported in the consolidated balance sheets as at March 31, 2024 and March 31, 2023
- the charitable donations revenue and excess of revenue over expenses reported in the consolidated statements of operations for the years ended March 31, 2024 and March 31, 2023



- the operating fund balances, at the beginning and end of the year, reported in the consolidated statements of changes in fund balances for the years ended March 31, 2024 and March 31, 2023
- the excess of revenue over expenses reported in the consolidated statements of cash flows for the years ended March 31, 2024 and March 31, 2023.

Our opinion on the financial statements for the year ended March 31, 2023 was qualified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"Auditor's Responsibilities for the Audit of the Financial Statements"** section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.



We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

*KPMG LLP*

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

June 20, 2024

# THE GOVERNING COUNCIL OF THE SALVATION ARMY IN CANADA

Consolidated Balance Sheet  
(In thousands of dollars)

March 31, 2024, with comparative information for 2023

	2024	2023
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 92,409	\$ 75,416
Receivables and other current assets	53,364	41,640
	145,773	117,056
Investments (note 5)	1,571,366	1,431,929
Tangible and intangible capital assets (note 7)	836,150	764,111
Other assets (note 9(a))	4,416	5,061
Accrued pension asset (note 11(a))	18,306	8,423
	\$ 2,576,011	\$ 2,326,580
<b>Liabilities and Fund Balances</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 8)	\$ 114,486	\$ 100,582
Deferred revenue	70,757	32,528
Loans and mortgages payable (note 10)	17,755	9,358
	202,998	142,468
Long-term liabilities:		
Future pension and other retirement benefits (note 11(a))	114,415	115,132
Loans and mortgages payable (note 10)	35,432	42,497
Deposits on life leases (note 12)	10,836	10,932
Other liabilities (notes 9(b) and 11(b))	4,563	6,503
	165,246	175,064
Total liabilities	368,244	317,532
Fund balances:		
Operating (note 13(a))	360,034	407,548
Endowment (note 13(b))	54,862	53,308
Other Restricted (note 13(c))	1,044,959	856,618
Capital	747,912	691,574
	2,207,767	2,009,048
Commitments and contingencies (note 19)		
	\$ 2,576,011	\$ 2,326,580

See accompanying notes to consolidated financial statements.

On behalf of The Governing Council:

  
\_\_\_\_\_  
Chief Financial Officer and Territorial Financial Secretary

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.

  
\_\_\_\_\_  
Chief Operating Officer and Territorial Secretary for Business Administration

# THE GOVERNING COUNCIL OF THE SALVATION ARMY IN CANADA

## Consolidated Statement of Operations

(In thousands of dollars)

Year ended March 31, 2024, with comparative information for 2023

	Operating Fund	Restricted Funds			2024 Total	2023 Total
		Endowment	Other	Capital		
Revenue:						
Public support:						
Charitable donations	\$ 197,327	\$ 12	\$ 39,815	\$ –	\$ 237,154	\$ 234,730
Sale of donated goods	184,865	–	–	–	184,865	177,876
	382,192	12	39,815	–	422,019	412,606
Government funding (notes 15 and 19(d))	431,703	–	7,891	961	440,555	389,966
Fees for service	63,724	–	–	–	63,724	58,591
Investment income (note 14)	180,450	–	737	–	181,187	36,854
Gain on disposal of tangible capital assets	333	–	–	58,930	59,263	18,833
Other	22,802	–	–	647	23,449	15,450
	1,081,204	12	48,443	60,538	1,190,197	932,300
Expenses (note 16):						
Charitable programs and services:						
Additions, corrections and residential	264,217	–	–	–	264,217	228,325
Health care	219,040	–	–	–	219,040	183,980
Community and family services	98,011	–	362	–	98,373	98,811
Congregational ministries	47,478	–	–	–	47,478	46,647
Children and youth	18,141	–	–	–	18,141	15,929
Educational	9,402	–	–	–	9,402	7,543
Overseas development and missions	934	–	5,442	–	6,376	7,208
Other programs and services	18,534	–	–	–	18,534	15,735
	675,757	–	5,804	–	681,561	604,178
Thrift store operations	162,441	–	–	–	162,441	155,132
Headquarters' operations	82,497	–	–	–	82,497	77,848
Fundraising and public relations	25,960	–	394	–	26,354	25,821
Amortization	–	–	–	41,420	41,420	48,799
Other	11,007	–	–	–	11,007	9,438
	957,662	–	6,198	41,420	1,005,280	921,216
Excess of revenue over expenses	\$ 123,542	\$ 12	\$ 42,245	\$ 19,118	\$ 184,917	\$ 11,084

See accompanying notes to consolidated financial statements.

## THE GOVERNING COUNCIL OF THE SALVATION ARMY IN CANADA

### Consolidated Statement of Changes in Fund Balances

(In thousands of dollars)

Year ended March 31, 2024, with comparative information for 2023

2024	Operating Fund	Restricted Funds			Total
	(note 13(a))	Endowment (note 13(b))	Other (note 13(c))	Capital	
Fund balances, beginning of year	\$ 407,548	\$ 53,308	\$ 856,618	\$ 691,574	\$ 2,009,048
Excess of revenue over expenses	123,542	12	42,245	19,118	184,917
Change in cumulative translation adjustment	6	-	-	-	6
Remeasurement and other items (note 11(a))	13,796	-	-	-	13,796
Net interfund transfers (note 17)	(184,858)	1,542	146,096	37,220	-
<b>Fund balances, end of year</b>	<b>\$ 360,034</b>	<b>\$ 54,862</b>	<b>\$ 1,044,959</b>	<b>\$ 747,912</b>	<b>\$ 2,207,767</b>

2023	Operating Fund	Restricted Funds			Total
	(note 13(a))	Endowment (note 13(b))	Other (note 13(c))	Capital	
Fund balances, beginning of year	\$ 382,265	\$ 53,358	\$ 876,542	\$ 666,573	\$ 1,978,738
Excess (deficiency) of revenue over expenses	(16,127)	12	49,605	(22,406)	11,084
Change in cumulative translation adjustment	1,295	-	-	-	1,295
Remeasurement and other items (note 11(a))	17,931	-	-	-	17,931
Net interfund transfers (note 17)	22,184	(62)	(69,529)	47,407	-
<b>Fund balances, end of year</b>	<b>\$ 407,548</b>	<b>\$ 53,308</b>	<b>\$ 856,618</b>	<b>\$ 691,574</b>	<b>\$ 2,009,048</b>

See accompanying notes to consolidated financial statements.

# THE GOVERNING COUNCIL OF THE SALVATION ARMY IN CANADA

## Consolidated Statement of Cash Flows

(In thousands of dollars)

Year ended March 31, 2024, with comparative information for 2023

	2024	2023
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 184,917	\$ 11,084
Items not affecting cash (note 18(a))	(155,008)	35,529
Change in non-cash operating working capital (note 18(b))	40,409	1,445
Contributions to defined benefit and supplementary retirement pension plans	(1,710)	(1,713)
Contributions to other retirement benefits	(5,120)	(4,321)
	<u>63,488</u>	<u>42,024</u>
Financing activities:		
Decrease (increase) in other assets	645	(261)
Repayment of loans and mortgages payable	(7,444)	(9,229)
Increase in loans and mortgages payable	8,776	3,049
Decrease in other liabilities	(1,532)	(448)
Net change in deposits on life leases	(96)	(65)
	<u>349</u>	<u>(6,954)</u>
Investing activities:		
Net proceeds (purchase) of investments	7,346	(16,838)
Additions to tangible and intangible capital assets	(128,221)	(76,716)
Proceeds on disposal of tangible capital assets	74,025	26,553
	<u>(46,850)</u>	<u>(67,001)</u>
Change in cumulative translation adjustment	6	1,295
Increase (decrease) in cash and cash equivalents	16,993	(30,636)
Cash and cash equivalents, beginning of year	75,416	106,052
Cash and cash equivalents, end of year	<u>\$ 92,409</u>	<u>\$ 75,416</u>

See accompanying notes to consolidated financial statements.

# THE GOVERNING COUNCIL OF THE SALVATION ARMY IN CANADA

Notes to Consolidated Financial Statements

(In thousands of dollars)

Year ended March 31, 2024

---

The Governing Council of The Salvation Army in Canada (the "Governing Council"), a corporation established by a Special Act of Parliament, is the primary legal entity through which The Salvation Army, an international movement, conducts its operations in Canada. The Governing Council is a religious, charitable and not-for-profit organization, registered by Canada Revenue Agency for tax-deductible contributions, with every other Salvation Army operation registered as an associated charity of the Governing Council. The Salvation Army Corporation of Bermuda is a controlled entity through which the Governing Council conducts its operations in Bermuda.

The Salvation Army is an international Christian Church. Its message is based on the Bible; its ministry is motivated by love for God and the needs of humanity. Its mission is to share the love of Jesus Christ, meet human needs and be a transforming influence in the communities of the world.

The Salvation Army in Canada and Bermuda (the "Army") comprises Territorial Headquarters, four divisional headquarters, William & Catherine Booth University College, National Recycling Operations, and over 400 operating ministry units, some of which are separately incorporated. Ministry unit operations include corps (churches), community and family services centres, long-term care facilities, hospices and a hospital, transitional housing and shelters, addictions and rehabilitation centres, thrift stores and other social programs.

## 1. Basis of presentation:

These consolidated financial statements present, in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants of Canada Handbook – Accounting ("CPA Canada Handbook"), the assets, liabilities, fund balances, revenues, expenses and cash flows of the Governing Council and its controlled entities.

### (a) Operating Fund:

The purpose of the Operating Fund is to record the administrative and operating activities of the Army, including the receipt and use of funds with no external restrictions.

### (b) Restricted Funds:

#### (i) Endowment Fund:

The purpose of the Endowment Fund is to record the principal amounts of externally restricted endowment contributions and unrestricted funds internally designated as endowments, where the amounts are to be maintained in perpetuity.



# THE GOVERNING COUNCIL OF THE SALVATION ARMY IN CANADA

Notes to Consolidated Financial Statements (continued)

(In thousands of dollars)

Year ended March 31, 2024

---

## 1. Basis of presentation (continued):

External restrictions refer to any conditions or specific uses that have been requested or required by the donors. Internal restrictions refer to those funds which the Army has earmarked for specific purposes, which are not subject to any donor or other third-party restrictions on their use.

### (ii) Capital Fund:

The purpose of the Capital Fund is to record tangible and intangible capital assets, including land, buildings, furniture, equipment and software implementation costs as well as the related debt and net investment of the Army in such assets. Interest expense associated with debt financing is recorded in the Operating Fund.

### (iii) Other Restricted Funds:

The Other Restricted Funds record receipt and use of funds that are either externally or internally restricted (note 13(c)), other than Endowment or Capital Fund items.

Externally restricted funds include the receipt and use of funds for international development campaigns, as well as other donations and legacies with external restrictions, other than endowments.

Internally restricted funds represent reserves designated by the Army for specific purposes, including future years' operations. Included in internally restricted funds is the Army's excess investment earnings reserve. Under Army policy, investment earnings are allocated for operations based on an expected long-term rate of return. In years when actual earnings are greater, the excess is placed in reserve for future years when actual earnings are less than the expected long-term rate of return. This approach helps mitigate the impact of inherent volatility in the capital markets on the Army's operations.

# THE GOVERNING COUNCIL OF THE SALVATION ARMY IN CANADA

Notes to Consolidated Financial Statements (continued)

(In thousands of dollars)

Year ended March 31, 2024

---

## 2. Significant accounting policies:

### (a) Cash and cash equivalents:

The Army considers deposits in banks, certificates of deposit and other short-term investments, with a maturity of 90 days or less, held for operating purposes as cash and cash equivalents. From time to time, the long-term investment portfolio, while having no policy allocation to cash and cash equivalents, holds cash and cash equivalents as a short-term tactical strategy. Such investments are shown under the investments caption in the non-current assets section of the consolidated balance sheet as they are not used for current operating needs.

### (b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. The Army has elected to carry all investments at fair value and as a result, they are revalued monthly. All financial instruments other than investments are subsequently recorded at cost or amortized cost.

Transaction costs incurred on the acquisition or disposal of investments are expensed as incurred.

Receivables are assessed for impairment on an annual basis at the end of the fiscal year. If there is an indicator of impairment, the Army determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Army expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss is reversed to the extent of the improvement, not exceeding the initial carrying value.

### (c) Interest rate hedging:

The Army uses interest rate swaps as a hedging strategy to manage interest rate volatility on some long-term mortgages and uses the accrual basis of accounting for hedges. Gains or losses realized on the settlement of the hedging item are deferred until the settlement of the hedged item.

# THE GOVERNING COUNCIL OF THE SALVATION ARMY IN CANADA

Notes to Consolidated Financial Statements (continued)

(In thousands of dollars)

Year ended March 31, 2024

---

## 2. Significant accounting policies (continued):

At the inception of the hedging relationship, the Army designates that hedge accounting will be applied. The Army formally documents the hedging relationship between the hedging instruments and hedged items. At the inception of the hedge and throughout its term, the terms of the hedging item and hedged item are the same.

Hedge accounting is used only when the notional amount of the swap matches the principal amount of the hedged item, the fair value of the swap at the inception is nil, the fixed rate is the same throughout the swap, the variable rate is based on the same index and includes the same or no adjustment, the debt instrument cannot be settled before maturity, and the swap matures within two weeks of the maturity date of the debt.

### (d) Tangible capital assets:

At the date of acquisition, tangible capital assets are recorded at cost if purchased or constructed and at fair value if contributed.

Tangible capital assets are written down to fair value or replacement cost to reflect partial impairments when conditions indicate that the assets no longer contribute to the Army's ability to provide goods and services, or that the value of future economic benefits or service potential associated with the tangible capital assets are less than their net carrying amounts.

Capital assets with a cost exceeding \$5 are stated at cost, less accumulated amortization, provided for on a straight-line basis over their estimated useful lives, as follows:

---

	Amortization period
Buildings	20 to 40 years
Leasehold improvements	Over the term of the lease
Furniture and equipment	3 to 10 years
Vehicles	5 years

---

Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. Assets under construction are not amortized until they are available for use.

# THE GOVERNING COUNCIL OF THE SALVATION ARMY IN CANADA

Notes to Consolidated Financial Statements (continued)

(In thousands of dollars)

Year ended March 31, 2024

---

## 2. Significant accounting policies (continued):

### (e) Intangible capital assets:

Software implementation costs are stated at cost less accumulated amortization and are recognized under tangible and intangible capital assets. Amortization is provided on a straight-line basis over the expected period of access to the software, which has been determined to be 10 years from the service commencement date. Software implementation costs are not amortized until they are available for use.

### (f) Contributions of materials and services:

The Army receives contributions of goods and materials, as well as a significant amount of time from a substantial number of volunteers each year. The value of these contributions is not recognized or disclosed in these consolidated financial statements due to the difficulty of determining the fair value of the contributions.

### (g) Revenue recognition:

The Army follows the restricted fund method of accounting for contributions. Restricted contributions and endowments are recognized as revenue of the appropriate restricted fund. When a restricted contribution is received for which a restricted fund is not established, the contribution is deferred in the Operating Fund and recognized as revenue in the year in which the related expenses are incurred.

Unrestricted revenues, including donations, government funding and fees for services are recognized as revenue in the Operating Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Sale of donated goods includes sales of used clothing and other goods that have been donated to the Army's thrift stores. Revenue is recognized at the point of sale.

Investment income includes interest income, dividends, net realized gains or losses on the sale of investments and change in net unrealized gain on investments. Restricted and unrestricted investment income is recognized as revenue in the appropriate fund when earned.

# THE GOVERNING COUNCIL OF THE SALVATION ARMY IN CANADA

Notes to Consolidated Financial Statements (continued)

(In thousands of dollars)

Year ended March 31, 2024

---

## 2. Significant accounting policies (continued):

(h) Future pension and other retirement benefits:

(i) Officers' retirement benefits:

The Army maintains a non-contributory defined benefit pension plan for all commissioned officers and auxiliary-captains, which is registered with the Financial Services Regulatory Authority of Ontario. Commissioned officers are enrolled in the plan at the date of commissioning and auxiliary-captains at the date of warranting. The Army also provides other retirement benefits to eligible officers, including supplementary allowances and medical and dental benefits. The Army uses actuarial reports prepared by independent actuaries as the basis for its funding decisions.

The Army accrues its obligations under benefit plans and the related costs, net of plan assets. The following policies have been adopted:

- (a) the cost of pensions and the other retirement benefits earned by officers are actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages of officers and expected health care costs;
- (b) the plan assets, which are recorded at fair value, and the accrued benefit obligation are measured at March 31 of each year;
- (c) the discount rate used to determine the accrued benefit obligation is determined by reference to market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments;

# THE GOVERNING COUNCIL OF THE SALVATION ARMY IN CANADA

Notes to Consolidated Financial Statements (continued)

(In thousands of dollars)

Year ended March 31, 2024

---

## 2. Significant accounting policies (continued):

(d) actuarial gains (losses) on plan assets arising from the difference between the actual and expected return on plan assets for a period are immediately recognized in the consolidated statement of changes in fund balances, as are actuarial gains (losses) on the accrued benefit obligation that arise from differences between actual and expected experience and from the changes in the actuarial assumptions used to determine the accrued benefit obligation. These changes are shown in the consolidated statement of changes in fund balances as remeasurement and other items; and

(e) past service costs arising from plan amendments are recognized immediately in the consolidated statement of changes in fund balances.

### (ii) Employees' retirement benefits:

The Army makes regular contributions to a group Registered Retirement Savings Plan, administered by a third party, on behalf of each eligible employee. All permanent full-time and part-time employees are eligible for enrolment in the plan following completion of three months of service.

Several ministry units are part of multi-employer defined benefit or defined contribution plans under which contributions are made by the individual ministry units (and the employees). The ministry units have no direct liability or entitlement to any unfunded liability or surplus in these plans related to their current or former employees.

### (i) Translation of foreign currencies:

Assets and liabilities denominated in foreign currencies have been translated into Canadian dollars at exchange rates prevailing at the year-end date. Revenue and expenses and allocations have been translated using exchange rates prevailing on the transaction date.

Exchange gains and losses arising from the translation of the financial statements of The Salvation Army Corporation of Bermuda are recognized in the Operating Fund balances on the consolidated balance sheet.

# THE GOVERNING COUNCIL OF THE SALVATION ARMY IN CANADA

Notes to Consolidated Financial Statements (continued)

(In thousands of dollars)

Year ended March 31, 2024

---

## 2. Significant accounting policies (continued):

(j) The Salvation Army Grace Communities Corporation ("GCC") operates three housing units, with two providing tenants with a life lease agreement on the unit they occupy. Life lease agreements are either guaranteed or non-guaranteed and are recorded as follows:

(i) Guaranteed:

Life leases for which the resident is guaranteed a refund of 90% of the purchase price on vacating the unit are accounted for as deposits on life leases when the resident takes possession of the unit, except for the non-guaranteed 10%, which is recognized as revenue. Prior to possession, cash deposits and instalments paid are recorded as deposits on life leases.

(ii) Non-guaranteed:

Life leases for which the resident is not guaranteed any portion of their purchase price on vacating the unit are recognized as sales of the unit when the resident takes possession. Prior to possession, cash deposits and instalments paid are recorded as deposits on life leases.

(k) Use of estimates:

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Items subject to such estimates and assumptions include accrued liabilities, assets and obligations related to future pension and other retirement benefits and the valuation of certain investments. Actual results could differ from those estimates.

# THE GOVERNING COUNCIL OF THE SALVATION ARMY IN CANADA

Notes to Consolidated Financial Statements (continued)

(In thousands of dollars)

Year ended March 31, 2024

---

### 3. Early adoption of newly issued accounting standard:

In accordance with Accounting Guideline-20, Customer's Accounting for Cloud Computing Arrangements, an entity that receives software service has a policy choice to either:

- Expense the expenditures on implementation activities; or
- Capitalize the expenditures on implementation activities that are directly attributable to preparing the software service for its intended use as assets for implementation of software services.

The standards apply to annual periods beginning on or after January 1, 2024. Early adoption is permitted.

The Army elected to early adopt AcG-20, Customer's Accounting for Cloud Computing Arrangements, and capitalize the expenditures on implementation activities related to a new software service package. As a result, the Army has included these expenditures in the amount of \$20,471 (2023 - nil) as software implementation costs within tangible and intangible capital assets (note 7) on the consolidated balance sheet. The software implementation costs are not yet amortized as the software services are not yet in use.

### 4. Credit facilities:

The Army has a demand revolving operating facility bearing interest at the prime rate with a Canadian bank for up to \$5,000 (2023 - \$5,000), to cover overdrafts, as well as standby letters of credit. At year end, the Army had not drawn on this line of credit, other than to issue standby letters of credit (note 19(c)).



# THE GOVERNING COUNCIL OF THE SALVATION ARMY IN CANADA

Notes to Consolidated Financial Statements (continued)

(In thousands of dollars)

Year ended March 31, 2024

## 5. Investments:

An analysis of the carrying value of investments is as follows:

	2024	2023
Cash and cash equivalents	\$ 20,691	\$ 16,715
Fixed income	99,226	1,501
Pooled funds:		
Fixed income	287,388	366,924
Equities	12,301	11,900
Equities	794,398	707,762
Real estate	107,428	113,569
Infrastructure	184,429	154,793
Private debt	65,505	58,765
	\$ 1,571,366	\$ 1,431,929

Fixed income investments mature at various dates between December 2024 and December 2064 (2023 - June 2023 and January 2028), and bear interest at fixed rates between 0.25% and 9.00% (2023 - 0.38% and 2.88%).

The carrying value of investments held in the General Investment Fund totals \$1,562,131 (2023 - \$1,423,653), while \$9,235 (2023 - \$8,276) relates to other investment funds held by the Army.

In addition, current assets include interest and dividends receivable and accrued investment income totalling \$8,106 (2023 - \$3,270) and current liabilities includes investment purchases pending totalling \$4,464 (2023 - \$1,476), bringing the total General Investment Fund value to \$1,565,773 (2023 - \$1,425,447).

# THE GOVERNING COUNCIL OF THE SALVATION ARMY IN CANADA

Notes to Consolidated Financial Statements (continued)

(In thousands of dollars)

Year ended March 31, 2024

---

## 6. Financial risks:

### (a) Investment risk management:

Risk management relates to the understanding and active management of risks associated with all areas of the Army and the associated operating environment. Investments are primarily exposed to interest rate, market price and foreign currency risks. There have been no significant changes to the risk exposures from 2023. The Army has formal policies and procedures that establish a target asset mix, requiring diversification of investments within categories and setting limits on exposure to individual investments. These policies help mitigate the impact of these risks on the Army's investments.

### (b) Interest rate risk:

Interest rate risk arises from the possibility that changes in interest rates will affect the value of fixed income investments held by the Army. This risk is managed by staggering the terms of the investments held, and ensuring diversification of the holdings.

The Army is exposed to interest rate risk on 17 (2023 - 17) instruments on the financing of its properties. The Army has entered into interest rate swaps with major Canadian banks to exchange the variable interest payments for fixed interest rates on all but one (2023 - two) of its variable rate loans. Swap interest rates range from 2.33% to 5.28% (2023 - 2.33% to 6.27%). As at March 31, 2024, the swaps have principal outstanding of \$25,433 (2023 - \$24,358) that reduces on a basis consistent with the repayment of principal of the underlying debt. The swaps mature between August 29, 2025 and August 15, 2033. By effectively converting the interest rates from variable to fixed, the Army has eliminated almost all the volatility, consistent with its interest rate risk management objectives. The one unhedged loan has a principal outstanding of \$345 (2023 - two unhedged loans have a principal outstanding of \$448) as at March 31, 2024 and an interest rate of 6.09% (2023 - 5.74%), tied to the one month bankers' acceptance Canadian dollar offered rate.

### (c) Market price risk:

Market price risk arises as a result of investing in equity investments and fixed income investments. Fluctuations in the market expose the Army to a risk of loss. The Army mitigates this risk through controls to monitor and limit concentration levels.

# THE GOVERNING COUNCIL OF THE SALVATION ARMY IN CANADA

Notes to Consolidated Financial Statements (continued)

(In thousands of dollars)

Year ended March 31, 2024

## 6. Financial risks (continued):

### (d) Foreign currency risk:

As at March 31, 2024, investments in foreign markets represent 58% (2023 - 56%) of the investment portfolio.

Foreign currency risk arises from gains and losses due to fluctuations in foreign currency exchange rates on the Army's foreign investments. The Army does not hedge its foreign currency risk on these investments because individual equities are held for the long term and in multiple currencies. As a result, any residual foreign exchange risk is considered acceptable in the long term without implementing a hedging strategy.

Within the fixed income component of the portfolio, the Army's investment policy allows investment managers to hold a limited amount of non-Canadian dollar denominated bonds and when they do, to employ forward contracts to eliminate any related foreign currency risk.

## 7. Tangible and intangible capital assets:

2024	Cost	Accumulated amortization	Net book value
Land	\$ 151,676	\$ –	\$ 151,676
Buildings	1,050,177	514,476	535,701
Leasehold improvements	33,103	22,442	10,661
Furniture and equipment	102,239	64,534	37,705
Vehicles	24,849	18,860	5,989
Construction in progress	73,947	–	73,947
Software implementation costs (note 3)	20,471	–	20,471
	\$ 1,456,462	\$ 620,312	\$ 836,150

# THE GOVERNING COUNCIL OF THE SALVATION ARMY IN CANADA

Notes to Consolidated Financial Statements (continued)

(In thousands of dollars)

Year ended March 31, 2024

## 7. Tangible and Intangible capital assets (continued):

2023	Cost	Accumulated amortization	Net book value
Land	\$ 137,011	\$ –	\$ 137,011
Buildings	994,595	504,078	490,517
Leasehold improvements	28,272	20,844	7,428
Furniture and equipment	93,670	57,334	36,336
Vehicles	23,022	16,855	6,167
Construction in progress	86,652	–	86,652
	<u>\$ 1,363,222</u>	<u>\$ 599,111</u>	<u>\$ 764,111</u>

As at March 31, 2024, the Army had assets held for sale with a net book value of \$6,913 (2023 - \$15,364).

## 8. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances of \$13,237 (2023 - \$12,874), which include amounts payable for payroll related taxes and government subsidy clawbacks.

## 9. Other assets and liabilities:

### (a) Other assets:

Included in other assets are charitable remainder trusts amounting to \$3,411 (2023 - \$3,411). A charitable remainder trust is an arrangement in which property or money is donated to a charity, but the donor continues to use the property and/or receive income from it while living.

### (b) Other liabilities:

Other liabilities include gift annuities, which are planned giving arrangements, in the amount of \$2,157 (2023 - \$2,370).

# THE GOVERNING COUNCIL OF THE SALVATION ARMY IN CANADA

Notes to Consolidated Financial Statements (continued)

(In thousands of dollars)

Year ended March 31, 2024

---

## 10. Loans and mortgages payable:

Loans and mortgages payable are secured by either investments or tangible capital assets pledged in the amount of \$21,641 (2023 - \$18,466), bear interest at rates ranging from 0.00% to 7.63% (2023 - 0.00% to 7.63%) with an average interest rate of approximately 2.71% (2023 - 2.32%) and extend for terms of up to 9 years from March 31, 2024.

Some of these mortgages are subsidized by governments so that the effective interest rate to the Army is reduced.

Interest expense on loans and mortgages totals \$1,222 (2023 - \$1,418).

The aggregate amount of principal repayments required in each of the next five years and thereafter is as follows:

---

2025	\$ 17,755
2026	7,883
2027	5,723
2028	10,479
2029	2,575
Thereafter	8,772
	<hr/>
	53,187
Less current portion	17,755
	<hr/>
	\$ 35,432

---

# THE GOVERNING COUNCIL OF THE SALVATION ARMY IN CANADA

Notes to Consolidated Financial Statements (continued)

(In thousands of dollars)

Year ended March 31, 2024

## 11. Future pension and other retirement benefits:

(a) Officers' retirement benefits:

	Defined benefit pension plan	Supplementary retirement pension	Other retirement benefit plans	Total future pension and other retirement benefits
2024				
Accrued benefit obligation	\$ 218,190	\$ 21,801	\$ 92,614	\$ 332,605
Fair value of plan assets	236,496	–	–	236,496
Plan liability (asset)	\$ (18,306)	\$ 21,801	\$ 92,614	\$ 96,109

	Defined benefit pension plan	Supplementary retirement pension	Other retirement benefit plans	Total future pension and other retirement benefits
2023				
Accrued benefit obligation	\$ 215,030	\$ 22,283	\$ 92,849	\$ 330,162
Fair value of plan assets	223,453	–	–	223,453
Plan liability (asset)	\$ (8,423)	\$ 22,283	\$ 92,849	\$ 106,709

Continuity of the future pension and retirement benefits (asset) liability is as follows:

	Defined benefit pension plan	Supplementary retirement pension	Other retirement benefit plans	2024	2023
Balance, beginning of year	\$ (8,423)	\$ 22,283	\$ 92,849	\$ 106,709	\$ 120,443
Benefit expense	3,649	1,126	5,251	10,026	10,231
Employer contributions	–	(1,710)	(5,120)	(6,830)	(6,034)
Remeasurement and other items	(13,532)	102	(366)	(13,796)	(17,931)
Balance, end of year	\$ (18,306)	\$ 21,801	\$ 92,614	\$ 96,109	\$ 106,709

# THE GOVERNING COUNCIL OF THE SALVATION ARMY IN CANADA

Notes to Consolidated Financial Statements (continued)

(In thousands of dollars)

Year ended March 31, 2024

## 11. Future pension and other retirement benefits (continued):

The Army's net benefit plan expenses are as follows:

2024	Defined benefit pension plan	Supplementary retirement pension	Other retirement benefit plans	Total
Current service cost	\$ 3,964	\$ 74	\$ 803	\$ 4,841
Interest cost (recovery)	(315)	1,052	4,448	5,185
	\$ 3,649	\$ 1,126	\$ 5,251	\$ 10,026

2023	Defined benefit pension plan	Supplementary retirement pension	Other retirement benefit plans	Total
Current service cost	\$ 4,534	\$ 69	\$ 817	\$ 5,420
Interest cost (recovery)	(153)	854	4,110	4,811
	\$ 4,381	\$ 923	\$ 4,927	\$ 10,231

Additional expenses for officers' benefits, consisting of cash payments made by the Army directly to beneficiaries for its unfunded other retirement benefit plans and other current benefits for the active officers were \$2,417 (2023 - \$2,279).

# THE GOVERNING COUNCIL OF THE SALVATION ARMY IN CANADA

Notes to Consolidated Financial Statements (continued)

(In thousands of dollars)

Year ended March 31, 2024

---

## 11. Future pension and other retirement benefits (continued):

Actuarial valuations for all plans are performed at least every three years. The defined benefit pension plan was last valued for funding purposes as at March 31, 2022. At that time, the plan had a surplus, measured on a going concern basis (i.e., assuming continued operations of the pension plan), of \$50,692 or 28.4%, and a surplus of \$45,565 or 24.9% on a solvency basis (i.e., assuming the pension plan were to be wound up on the valuation date). The surplus reflected in these consolidated financial statements, as an accrued pension asset, is \$18,306 (2023 - \$8,423). The main reason for the difference relates to the discount rates used for the respective valuations, which were 4.9% (2023 - 4.9%) per annum for the accounting valuation at March 31, 2024 and 5.8% per annum for the going concern funding valuation at March 31, 2022.

### (b) Pre- and post-retirement benefits:

Included in other liabilities are accrued pre- and post-retirement benefits of \$2,311 (2023 - \$3,364), representing health and sick leave future payments for certain ministry units.

### (c) Employees' retirement benefits:

The contributions paid and expensed by the Army for the year amounted to \$23,161 (2023 - \$21,518). The assets of the employees' retirement benefits plan are held separately from those of the Army in an independently administered fund.

### (d) Multi-employer benefit plans:

Several ministry units are part of multi-employer defined benefit or defined contribution plans under which contributions are made by the individual ministry units (and the employees). For the fiscal year ended March 31, 2024, contributions were paid and expensed in the amount of \$6,433 (2023 - \$5,612) under the terms of these plans and reflected in these consolidated financial statements as part of charitable programs and services expenses. The ministry units have no direct liability or entitlement to any unfunded liability or surplus in these plans related to their current or former employees.



# THE GOVERNING COUNCIL OF THE SALVATION ARMY IN CANADA

Notes to Consolidated Financial Statements (continued)

(In thousands of dollars)

Year ended March 31, 2024

## 12. Deposits on life leases:

	2024	2023
Balance, beginning of year	\$ 10,932	\$ 10,997
Amounts reclassified from deposits on life lease upon occupancy	31	40
Current year activity:		
Refunds	(123)	(101)
Amounts recognized as revenue	(4)	(4)
<b>Balance, end of year</b>	<b>\$ 10,836</b>	<b>\$ 10,932</b>

Under some life lease contracts signed to date, GCC has committed to each life occupancy resident that upon termination of the resident's life lease, GCC will attempt to lease the unit and reimburse the resident from the proceeds. However, as a minimum, GCC has guaranteed that the resident will receive not less than 90% of the original amount of the life lease proceeds. While repayment of these life lease proceeds could be required at any time, in the opinion of management, it is unlikely that material amounts of such repayments will be required in the next year.

## 13. Fund balances:

(a) The Operating Fund balances includes the cumulative translation adjustment of \$4,823 (2023 - \$4,817) arising from the currency translation of self-sustaining operations in Bermuda.

(b) The Endowment Fund balance is restricted as follows:

2024	Externally restricted	Internally restricted	Total
Ministry units	\$ 8,702	\$ 19,566	\$ 28,268
Divisions	4,413	1,462	5,875
Territorial Headquarters	18,830	1,889	20,719
	<b>\$ 31,945</b>	<b>\$ 22,917</b>	<b>\$ 54,862</b>

# THE GOVERNING COUNCIL OF THE SALVATION ARMY IN CANADA

Notes to Consolidated Financial Statements (continued)

(In thousands of dollars)

Year ended March 31, 2024

## 13. Fund balances (continued):

2023	Externally restricted	Internally restricted	Total
Ministry units	\$ 8,795	\$ 17,926	\$ 26,721
Divisions	4,413	1,462	5,875
Territorial Headquarters	18,823	1,889	20,712
	\$ 32,031	\$ 21,277	\$ 53,308

(c) The Other Restricted Funds balance is restricted as follows:

2024	Externally restricted	Internally restricted	Total
Ministry units	\$ 93,724	\$ 168,686	\$ 262,410
Divisions	60,405	114,375	174,780
Territorial Headquarters	33,095	574,674	607,769
	\$ 187,224	\$ 857,735	\$ 1,044,959

2023	Externally restricted	Internally restricted	Total
Ministry units	\$ 66,800	\$ 158,679	\$ 225,479
Divisions	65,632	104,123	169,755
Territorial Headquarters	31,480	429,904	461,384
	\$ 163,912	\$ 692,706	\$ 856,618

As described in note 1(b)(iii), the Army mitigates the impact of the inherent volatility in capital markets on its operations by planning its spending based on a long-term expected rate of return rather than the actual investment earnings recognized in a particular year. As a result, the Army maintains a reserve with a target balance between 25% and 33% of the fair market value of its investments portfolio. The balance of this internally restricted reserve held in the Other Restricted Funds was \$515,674 (2023 - \$371,238) and represents funds held for future operations in years when actual earnings are below the long-term expected rate of return. The General Investment Fund (note 5) was valued at \$1,562,131 (2023 - \$1,423,653), meaning the reserve balance represents 33% (2023 - 26%) of the market value.

# THE GOVERNING COUNCIL OF THE SALVATION ARMY IN CANADA

Notes to Consolidated Financial Statements (continued)

(In thousands of dollars)

Year ended March 31, 2024

## 14. Investment income:

	2024	2023
Interest	\$ 20,597	\$ 16,380
Dividends	13,807	15,965
Net realized gain (loss) on sale of investments	15,521	(10,723)
Change in net unrealized gain on investments	131,262	15,232
	<u>\$ 181,187</u>	<u>\$ 36,854</u>

## 15. Government funding:

Sources of government funding comprise the following:

	2024	2023
Provincial and territorial	\$ 306,093	\$ 272,781
Municipal	103,006	81,046
Federal	31,456	36,139
	<u>\$ 440,555</u>	<u>\$ 389,966</u>

## 16. Expenses by category:

Expenses comprise the following categories:

	2024	2023
Salaries and benefits	\$ 613,923	\$ 559,145
Other program and general operating	234,418	208,129
Occupancy	115,519	105,143
Amortization	41,420	48,799
	<u>\$ 1,005,280</u>	<u>\$ 921,216</u>

# THE GOVERNING COUNCIL OF THE SALVATION ARMY IN CANADA

Notes to Consolidated Financial Statements (continued)

(In thousands of dollars)

Year ended March 31, 2024

## 17. Net interfund transfers:

2024	Operating Fund	Endowment Fund	Other Restricted Funds	Capital Fund
Funding of operations from reserves	\$ 115,872	\$ –	\$ (116,660)	\$ 788
Funding of tangible and intangible capital asset transactions from operations and reserves	(45,382)	–	(66,992)	112,374
Transfer funds to internally restricted reserves and endowment	(247,542)	2	247,540	–
Transfer of tangible capital asset sale proceeds	1,123	–	74,819	(75,942)
Transfer from reserves to endowments	–	1,540	(1,540)	–
Transfers for future tangible capital asset repairs/maintenance	(8,929)	–	8,929	–
	\$ (184,858)	\$ 1,542	\$ 146,096	\$ 37,220

2023	Operating Fund	Endowment Fund	Other Restricted Funds	Capital Fund
Funding of operations from reserves and endowment	\$ 103,693	\$ (62)	\$ (103,631)	\$ –
Funding of tangible capital asset transactions from operations and reserves	(6,277)	–	(66,776)	73,053
Transfer funds to internally restricted reserves	(64,236)	–	64,236	–
Transfer of tangible capital asset sale proceeds	1,210	–	24,436	(25,646)
Transfers for future tangible capital asset repairs/maintenance	(12,206)	–	12,206	–
	\$ 22,184	\$ (62)	\$ (69,529)	\$ 47,407

# THE GOVERNING COUNCIL OF THE SALVATION ARMY IN CANADA

Notes to Consolidated Financial Statements (continued)

(In thousands of dollars)

Year ended March 31, 2024

## 18. Consolidated statement of cash flows:

(a) Items not affecting cash:

	2024	2023
Gain on disposal of tangible capital assets	\$ (59,263)	\$ (18,833)
Amortization	41,420	48,799
Decrease in pre-and post-retirement benefits	(408)	(159)
Other retirement benefits expense	5,251	4,927
Defined benefit and supplementary retirement pension plan expense	4,775	5,304
Net realized (gain) loss on sale of investments	(15,521)	10,723
Change in net unrealized gain on investments	(131,262)	(15,232)
	<u>\$ (155,008)</u>	<u>\$ 35,529</u>

(b) Change in non-cash operating working capital:

	2024	2023
Receivables and other current assets	\$ (11,724)	\$ 1,920
Accounts payable and accrued liabilities	13,904	(3,591)
Deferred revenue	38,229	3,116
	<u>\$ 40,409</u>	<u>\$ 1,445</u>

## 19. Commitments and contingencies:

(a) Lease commitments:

The Army has lease commitments for premises used in its operations. These leases expire on or before 2057. The lease payments are due as follows:

2025	\$ 27,956
2026	18,204
2027	14,945
2028	9,898
2029	6,056
Thereafter	6,561
	<u>\$ 83,620</u>

# THE GOVERNING COUNCIL OF THE SALVATION ARMY IN CANADA

Notes to Consolidated Financial Statements (continued)

(In thousands of dollars)

Year ended March 31, 2024

## 19. Commitments and contingencies (continued):

### (b) Other commitments:

The Army has entered into software as a service (SaaS) agreements that relate to ongoing services and are typically payable over the contract term in accordance with the payment terms outlined in the agreements. The payments are due as follows:

2025	\$ 4,548
2026	5,254
2027	5,540
2028	3,894
2029	2,234
Thereafter	749
	<u>\$ 22,219</u>

### (c) Letters of credit and letters of comfort:

The Army enters into agreements in the normal course of operations that contain features which meet the definition of a guarantee, according to the CPA Canada Handbook - Accounting. Various debt obligations (such as overdrafts and lines of credit) related to certain ministry units have been directly guaranteed by the Governing Council. No material loss is anticipated by reason of such agreements and guarantees.

As at March 31, 2024, the Army had issued letters of credit totaling \$1,833 (2023 - \$731). These are primarily irrevocable standby letters of credit issued in favour of municipalities and other entities requiring performance guarantees on projects undertaken by the Army.

### (d) Contingent liabilities:

The Army receives government assistance in the form of forgivable loans to fund some capital projects. This funding is considered a grant as long as the Army continues to meet the terms of the agreements. In the event of default, the funding is repayable to the government. As at year end, the total of forgivable loans that would be repayable if the Army defaulted was \$38,062 (2023 - \$40,877). The Army is currently in compliance with all such agreements and, accordingly, no amounts are recorded as a liability in these consolidated financial statements related to this assistance.

# THE GOVERNING COUNCIL OF THE SALVATION ARMY IN CANADA

Notes to Consolidated Financial Statements (continued)

(In thousands of dollars)

Year ended March 31, 2024

---

## 19. Commitments and contingencies (continued):

### (e) Government capital contributions for programs:

The Army acquired title to a property from the City of Yellowknife in fiscal 2019 as part of an agreement to operate a men's homeless transitional facility. Under the agreement, the Army will continue to operate and maintain the facility as required for a set period and upon failure to do so, will transfer the facility and the land on which it stands, valued at \$5,946, back to the City of Yellowknife. The Army intends to operate the program for the foreseeable future and meet all the conditions set by the government with respect to its operation.

### (f) Legal actions:

The Army is party to legal actions arising in the ordinary course of operations. While it is not feasible to predict the outcome of these actions, it is the opinion of management that the resolution of these matters will not have a material adverse effect on the operations of the Army.

### (g) Indemnification of directors and officers:

The Army has indemnified, its past, present and future members of the Governing Council, directors of controlled corporations, officers, trustees, employees and volunteers against expenses (including legal expenses), judgments and any amount actually or reasonably incurred by them in connection with any actual or alleged wrongful act in which any of these individuals are sued as a result of their service, if they acted honestly and in good faith with a view of the best interests of the Army. The nature of the indemnity prevents the Army from reasonably estimating the maximum exposure. The Army has purchased liability insurance with respect to this indemnification.



Giving Hope Today

**The Salvation Army**  
**Territorial Headquarters for Canada and Bermuda**  
**2 Overlea Boulevard, Toronto, Ontario M4H 1P4**  
**416-425-2111 | [SalvationArmy.ca](https://www.salvationarmy.ca)**  
**Charitable Registration No. 107951618 RR 0001**