Salvation Army emergency disaster services personnel responded just hours after a tornado touched down near Evansville, Ind., killing at least 22 people and leaving immense destruction in its wake. In less than two days, The Salvation Army served more than 3,000 meals and provided emotional and spiritual care to hundreds of residents devastated by this tragedy.
A society is best transformed when it is lifted from the bottom:

when one elderly man is given warm shelter for the evening;

when a struggling mother is offered support; or when a troubled youth receives key guidance at a critical moment.

Throughout the nation, The Salvation Army is helping transform society one life at a time, leading as it serves. It’s a story as old as the Army itself. Older, in fact: Perhaps it started when a good man washed His friends’ feet.
It is a joy to welcome you to The Salvation Army’s annual report for 2007!

While most traditional corporations address annual reports to their shareholders, we do not, because The Salvation Army has only one shareholder. God brought The Salvation Army into being, through the inspired work of William Booth on the streets of London, nearly 150 years ago. The rest of us are merely stewards of that original divine inspiration — a sacred trust that we did not invent and that we cannot complete on our own. We are here to meet human needs. We are here to help transform society. And if we are here to lead, we lead best only when we serve most.

The Salvation Army is an army in every sense of the term. It has its share of rules, regulations and protocols. But it is also superbly flexible, powered by the vision and dedication of thousands of officers and staff members around the country, as well as 3.5 million registered volunteers who are truly the hands and feet of the Army today. Because of that vision and flexibility, we are uniquely positioned to make a defining difference in our nation and the world.

Beginning one year ago, I have had the privilege of serving as National Commander of The Salvation Army in the U.S.A. During that time, I have stood before a vast number of groups and met many outstanding leaders both within and beyond our ranks who share our vision for transforming our nation.

There are widening gaps in America. There are obvious gaps of educational and economic opportunity: More than 39 million people in this great country...
live in poverty. Yet perhaps our most dangerous threat is a growing gap of faith, as our nation’s spiritual moorings continue to erode. Our spiritual heritage is a precious legacy. It is our primary engine of hope in America’s constant struggle to rediscover and reinvent her own basic goodness. And the Army is in the middle of that struggle.

The Salvation Army’s twin missions of ecumenical ministry and social service support one another. Just like a bird, we soar only on the strength of both wings. Were we just a church, we would not be able to serve as many people. Yet if we were just a social-service organization, lives would not truly be transformed. A man or a woman — a boy or a girl — is a whole person. Our mission is always to the whole person; we don’t divide or categorize an individual. Redemption is spiritual, physical, emotional and intellectual. Real transformation must involve the whole person. That’s fundamental to who we are, and it works.

As you read the pages of this report, you’ll see stories of whole lives being transformed through the work of The Salvation Army in America. Four words sum it up: “Doing the Most Good.” That is not a boast; it’s a pledge. More than that, it is a spiritual commitment, a covenant to focus our efforts in the years ahead. Everywhere I travel, I meet people who fundamentally “get it,” who understand and endorse the continuing mission of our movement in transforming lives around the nation.

America has a unique relationship with The Salvation Army. Though most don’t have a full appreciation of the extent of our work, almost every American sees that work somewhere. They see it in a summer camp for underprivileged youth in New York State. They see it in an addiction-treatment facility in Florida. They see it in a health-care clinic in Wisconsin. And they see it in an outreach to crystal meth users in Hawaii. In almost every community in the nation, our fellow citizens see the dedication of officers, staff members and volunteers, quietly and diligently giving of themselves to do the most good.

Katrina, Kroc and community
On occasion, “doing the most good” garners the entire nation’s attention. Following the devastation of hurricanes Katrina and Rita, donations to The Salvation Army were more than three times the remarkable giving levels that followed the attacks of September 11, 2001. The largest disaster-response effort in our history allowed us to directly serve...
people in every state who were affected by the hurricanes. In fact, the effort continues to this day. Of course, the Katrina response was unique only in scale. Wherever disaster strikes — from flooding in the South to tornados in the Midwest to wildfires in the West — The Salvation Army is there, delivering tangible help to begin healing lives. More than 2.5 million Americans are served annually by our disaster-response efforts.

As we have seen so many times at moments of natural disaster and national crisis, challenge often brings out the best in a community. But in today’s modern world, a sense of community is hard to maintain. We retreat to our homes and our busy lives, often unaware of the needs of our neighbors, let alone the rich texture of the community around us.

Fortunately, Joan Kroc had a vision for community centers that would bring people together and create powerful connections. We are grateful that Mrs. Kroc trusted The Salvation Army, just as millions of other Americans do with their donations. She trusted us with what was then the single largest gift ever bestowed to a charitable organization. Her gift of more than $1.5 billion does not fund ongoing operations of The Salvation Army. We continue to rely on the generosity of other donors for that. Instead, Mrs. Kroc’s gift is funding the development of community centers around the nation.

The first Kroc Center in San Diego helped revitalize a whole community in eastern San Diego. Now plans are underway to develop 30-40 Kroc Centers. As these centers are built, each will be unique. Plans for all Kroc centers are driven locally by those people best aware of the needs and personality of the community.

I’ve been in several cities with Kroc centers in early stages of development. One local leader said to me, “We have been able to get all these divergent voices around the same table talking about the future of this city for the first time. Your people did that.”

In the end, it is our people who make the difference. Not just our staff members, but our stakeholders: people like you. Everyone who shares our vision for transforming communities one life at a time — a commitment for doing the most good — is a stakeholder in the work and mission of The Salvation Army. And through their work, the whole nation is made better, one community at a time. For example:

> The Access House in Kansas City, Mo., provides
a structured environment for homeless people with severe and persistent mental illness, giving the kind of medical stability and living skills that allow them to transition to new lives off the streets. (Their story begins on page 8.)

> The Birmingham Free Clinic gives medical and pharmacy students valuable clinical time while providing vitally needed medical care to underserved communities in the Pittsburgh, Pa., area. (That story begins on page 11.)

> Sallie House provides a loving, nurturing environment for children in the St. Petersburg, Fla., area who have been removed from their homes due to abuse or neglect. (Their story begins on page 12.)

> The Bell Shelter provides a broad array of services for more than 400 homeless clients in a residential center at a converted military facility in Bell, Calif. (That story begins on page 15.)

Each of these programs embodies the mission of The Salvation Army in a unique way, but all share this in common: Each effort was formed when government or community leaders approached The Salvation Army, asking us to help with a pressing need. That really speaks to The Salvation Army’s position of trust in our society, a position reinforced by everyone who serves with us.

Frankly, I can’t even tell you how many Salvation Army staff members and volunteers are personal heroes of mine. Every day, I am inspired by those who give of themselves to help transform our society. Thank you for your own willingness to join our mission and help shape our journey as we labor together — doing the most good.

May God bless you!

Dear friends,

In a world of constant change, The Salvation Army is a constant source of hope. When disaster strikes a community — or when the disaster is personal — those who are hungry or hurting find encouragement, renewal and a new beginning under the shield of The Salvation Army.

In my new capacity as chairman of the National Advisory Board, my admiration for the Army has only deepened. One of the world’s most admired organizations of compassion for more than 150 years, The Salvation Army is making a difference — every day, everywhere — in the lives of people whom so much of society has forgotten. Through the tireless efforts of officers, staff members and volunteers, the Army works in virtually every community in the nation — promoting our most timeless values by providing for immediate needs. When he founded the Army, William Booth described it as, “Soup, Soap and Salvation.” Today, we call it, “Doing the Most Good.”

Yet in a constantly changing landscape, The Salvation Army and those of us who support its work must be willing to grow and evolve. We must learn the potential mission benefits of emerging technology. We must connect with the next generation of officers, staff, volunteers and community leaders in an ever-more diverse society, for they will soon inherit the vision and mission of this organization. Finally, we must steadfastly preserve the covenant of trust that the Army has built with the American people over many years.

I am convinced that no organization is better equipped to face the growing challenges that face our society than The Salvation Army.

Thank you for your continuing support of the Army and its mission.

Sincerely,

Rob Pace
National Commander
David Wright reaches into the dumpster and pulls out an abandoned garden hose. Snipping off the metal fitting, he is pleased; brass gets him 80 cents per pound. Wright then continues on with his daily circuit of businesses and remodeling sites within the few blocks surrounding his current home at The Salvation Army’s Access House, where a different kind of recycling takes place. There, previously discarded lives — and people like David Wright — are given renewed reason for hope.

“The Salvation Army tries to make you feel like family,” Wright says. “They don’t give up on people. They want to see you succeed and make a life for yourself again. They really care.”

First opened in 1996, Access House is a partnership between The Salvation Army and Kansas City’s Truman Medical Center. The program provides a structured environment for homeless people diagnosed with such severe and persistent mental illnesses as schizophrenia, major depression or bipolar depressive disorder. With access to a safe haven for a longer term (stays can last three to six months), clients are given the stability and treatment needed to develop lasting solutions for their lives.

“When you get people off the streets and into a safe place to live, you give them the right medication and the right social structure, they can get better,” says Barbara Watt, who works with the program through Truman’s Assertive Community Outreach. “It’s just exciting to see our people do well.”

Since many residents come to the program with a dual diagnosis — substance abuse as well as mental illness — they are expected to participate in group meetings and pass drug screenings. Clients’ medications are closely monitored as they develop living skills in a structured environment. During the day, residents are encouraged to work, which raises self-esteem and builds job skills, while encouraging financial savings.

Some of David Wright’s recycling earnings have allowed him to buy gifts for his daughter, whom he had given up for adoption.

“I had a wasted life,” Wright says of his 35 years of addiction. “I’ve lost my home, my family. I finally lost my little girl to an adoption.”

Yet, his progress has allowed Wright to begin rebuilding a relationship with his daughter, through the cooperation of her adoptive parents. Occasionally, he gets to visit. “I just abide by their rules. They show me respect and I show them respect.”

Access House staff members try to build a similar atmosphere of mutual respect by engaging with residents during free time in the evenings. Wright’s favorite activity is painting. “It keeps me busy,” he says. “It keeps my mind off of . . . stuff.” Often, other residents and staff join in.

“I don’t think I’ve met one staff member who is just working for a paycheck,” says resident Michael Hyrne as he wrestles with a crafts project. “They are here to help people. And I thank the Lord every night when I go to bed. I am blessed in so many ways. And I’m grateful, because when I came here, I was a wreck.”

“But you look good now, Michael,” Wright says, with a laugh.

“I know,” Hyrne says with a smile. “I know.”
Access House resident Michael Hyrne (top) shares a laugh with staff member Bridget Chinyere during a crafts session. David Wright (above) collects discarded metals for recycling, allowing him to buy gifts for family and save for eventual independence. Resident Christine Coleman (right) reads the Bible in her room.
Centers of Operation: 2,526
Volunteers: 766,161
People Served: 7,506,248

Crammed office space is no match for camaraderie as nurse Melanie Lorentz and clinical director Mary Herbert review office records (top). While Dr. Jason Zhou (above) performs a medical examination on a clinic patient, Dr. Robert MacDonald (left) reviews a patient’s medical history.
When things get busy, a curtain provides the only privacy in the Birmingham Free Clinic’s wood-paneled examination room. Occasionally, people have to walk through to access a small office for psychiatric counseling or the clinic’s only restroom. At a free clinic, you make the most of what you have.

As Dr. Jason Zhou examines a patient, the man mentions occasional chest pains. Zhou immediately lays the man back on the examination table and performs an electrocardiogram (EKG) using a portable device the clinic has obtained. Not state-of-the-art, but it provides a reliable — and comforting — diagnosis: no heart problems.

“In the hospital, we might [order] a lot of lab tests, but here we do what we can,” says Zhou, who also works as a resident at Shadyside Hospital, part of the University of Pittsburgh Medical Center. “Here, we do the EKG ourselves. It’s more hands-on medicine.”

The Birmingham clinic offers free medical care for Pittsburgh’s disadvantaged South Side, as part of The Salvation Army’s Health, Wellness and Medical Services Ministry. Founded in 1993, the ministry operates four free clinics in partnership with several university schools of medicine, dentistry, pharmacy and nursing. Medical students provide diagnoses and treatment under the supervision of experienced physicians. Since its founding, the program has evolved from strictly a volunteer effort to being integrated into curricula at each school, giving medical students practical diagnostic experience while providing vital medical care to underserved populations.

“The really neat thing,” says clinical director Mary Herbert, “is to see these students from multiple disciplines — pharmacy, medicine, nursing — choosing to come here and be involved over multiple years. We’ve seen some students come in as new volunteers who don’t know how to take a blood pressure or interview the patient, and they leave here four years later virtually independent — examining patients and just running their findings past the doctor for approval. The educational experience of this clinic is unique.”

For years, Dr. Robert MacDonald helped educate medical students from his faculty position at the University of Pittsburgh School of Medicine. Since retiring in 2000, he now donates time weekly to the Birmingham Free Clinic. “I get a lot out of these residents too,” he says. “They continue to teach me.”

More than that, he sees it as a way to serve the community. “This is the best way I can love my fellow man,” MacDonald says. “You’ve got to do something more than just put money into the collection plate on Sunday morning.”

“The program provides the additional benefit of exposing a generation of health-care professionals to the work of The Salvation Army,” says Paul Freyder, co-founder of the Birmingham Clinic.

“This program has opened up the ministry of The Salvation Army,” Freyder says. “If we were suddenly told that the universities could no longer afford to send their medical students out, my belief is that these doctors would find a way to get out here anyway. They would find a way to help.”

And as tomorrow’s doctors and pharmacists learn about community medicine, today’s needs are being met in powerful ways. “I don’t think I have spent a day in this clinic,” says Mary Herbert, “and left that day without knowing 100 percent that we’ve done a tremendous amount of good in the community.”
A child arrives at midday to the discrete compound in a nondescript neighborhood. With her caretakers, she waits several moments after a loud bell announces their arrival. Soon she is welcomed in, shown around and given a bed that until this morning belonged to another little girl. She knows no one. She has no idea how long she will stay. But for now, this is home.

“When kids come here, they come scared,” says Karen Braun, director of children’s services for The Salvation Army in St. Petersburg. “They are worried about their family and their future, afraid of what’s ahead of them. So our job is to help them relax, fit into the environment, have fun and be a kid again.”

For these children, “home” is Sallie House, the Salvation Army’s 18-bed, group-care environment for children. Children are placed in Sallie House by courts due to such family crises as substance abuse, domestic violence and mental-health issues. Sallie House was created in 1990 as a temporary solution for Florida’s shortage of foster homes. Since then it has become a vital part of the system, providing a stable, loving environment for children in crises they rarely understand.

“They are all experiencing great loss,” says Cynthia Matthews-Hamad, community-based care coordinator. “They are being separated from their parents. We can look at their families in a judgmental light and say, ‘This family is not capable of raising you and loving you.’ But to them, it’s Mom and Dad.”

Each situation is different, but an average stay lasts 79 days. During that time, outside of Sallie House, the system is at work to rehabilitate the child’s family situation, if possible, or to arrange for a suitable long-term solution. But within the walls of Sallie House — two buildings that house nine children each, joined by a courtyard — it’s all about the fun.

“There’s a bit of a summer camp feel around here,” Braun says. Fun and play are essential for children who have had little of each. Often at Sallie House, she says, children who have faced development difficulties can blossom. “Fun is very serious business here. If kids are not having fun and are not playing, they are not catching up.”

An art project can help a child open up. Playing games can teach cooperation and the value of a shared goal. Enjoying time together makes Sallie House seem more like home. “The past is pretty scary for them, the future may be scary, but right now, we’re having fun,” says administrator Susan Graymire.

Caring for children lines right up with the mission of The Salvation Army.

“Jesus Himself said, ‘Let the little children come,’” Graymire says, “and what we do is keep them safe and protect them. I can’t think of anything that would better fit with what Jesus called us to do than to take care of these little children.”

Although caring for abused and neglected children can be challenging, sometimes the biggest challenge is seeing the children leave. “They all steal a little bit of your heart,” Matthews-Hamad says. “But it’s funny, because they’re stealing your heart but they’re giving you more — more capacity to love the next child that comes along.”
Centers of Operation: 2,169
Volunteers: 1,281,491
People Served: 17,344,070

The sky’s the limit as program volunteer Alyssa Petrino (top) has fun with children on a swing set at Access House. Chris Haynie talks with a child during a “time out” (above), and Shalondria Ricks (right) comforts a child during afternoon play time.
The Bell Shelter helped screenwriter Eric Monte (top) put his life back together and leave for a new future on his own. Steven Beltran washes dishes as part of his work duties (above), while Terrace Menefield (left) uses the computer lab to teach himself how to build a computer and sound-mixing system.
Eric Monte is packing up his memories. And he has plenty. In the 1970s, Monte created the classic sitcoms “Good Times” and “What’s Happening!!” He also wrote the screenplay for the highly regarded film *Cooley High*. Yet after years of professional setbacks and personal struggles, Monte ended up homeless in Los Angeles and, eventually, at The Salvation Army’s Bell Shelter.

“The Salvation Army was absolutely great,” Monte says. “They got me off the street and put a roof over my head. They let me put my life in order. They did me a tremendous favor.”

Eric Monte is now packing his goods to return to his native Chicago — with a job, an apartment and several creative projects already in the works. For Monte, as for so many others, a stay at the Bell Shelter is a chance to start over.

Founded in 1988, the Bell Shelter offers a comprehensive array of services from its converted military facility, tucked into a commercial sector of Bell, Calif., outside Los Angeles.

“Our location is ideal,” says Alexandra Tostes, associate director. “We are not on skid row, so we don’t have dealers sitting on the corner, offering drugs every time you walk outside. A lot of programs are concentrated in the downtown area, right at the front lines of addiction.”

With a residential shelter, a drug-and-alcohol treatment facility, as well as emergency and transitional housing programs, the Bell Shelter hosts more than 400 clients at a time. What was once a World War II-era munitions storage facility is now a hub of activity for clients trying to rebuild their lives.

Because of the scale of the shelter, Bell is able to offer a wide variety of programs, including comprehensive counseling, an in-house school offering GED classes, several computer labs and a gym, as well as job-training programs. Except for those with disabilities or under the close supervision of addiction programs, clients are expected to spend their days working or building essential skills. Clients are charged modest fees and encouraged to save, to prepare for their future independence.

During his stay at Bell, Terrace Menefield secured a stable job as an electrician. In the computer lab, he taught himself to custom-build computers and has now assembled a digital sound mixing studio in his living area. The Bell Shelter made some exceptions to allow that in Menefield’s room because, he says, “they saw my passion.” Menefield looks forward to living independently and pursuing a future in the music business. Soon, he hopes to finish a CD of hip-hop and R&B tracks.

“The Bell Shelter gave me a place to stop worrying about my next meal,” Menefield says. “It gave me a starting point for the rest of my life.”

“Their success is our success,” Tostes says. “There is no Bell Shelter without the clients we serve. When you see them succeed, it makes all the hard work worthwhile.”

For Nathan Medina, success means freedom from 20 years of drug addiction. To avoid jail, Medina agreed to drug treatment. After years of homelessness and separation, he now has his family’s support and encouragement.

“Someday, I want to get ahead of the judge that sent me to The Salvation Army — and I want to thank him,” Medina says. “Because of him and because of this place, I have my life back.”
This summary represents a combining of data extracted from the Audited Financial Statements of six corporations. Four of these—the Central Territory, the Eastern Territory, the Southern Territory and the Western Territory—supervise 8,500 units of operation throughout the United States including Puerto Rico, Guam and the Marshall Islands. The two remaining corporations are the World Service Office and the National Corporation. Inter-corporation transactions have been eliminated for presentation purposes.

The Salvation Army has successfully rendered service in America since 1880 by maintaining conservative financial policies, enabling it to meet human needs without discrimination. Operating support represents funding provided by outside sources for the ongoing operations of the Salvation Army. Revenues are classified as operating or non-operating based on donor restrictions and/or designations by the corporate Boards of Trustees.

During 2006 the Army spent $3 billion in serving people, up from $2.75 billion the prior year. Eighty-three cents of every dollar spent, or $2.5 billion, went toward program services, with the remainder accounted for by management and general expenses of $349 million and by fund-raising costs of $148 million. Approximately 77 percent of these expenditures were funded by public and other operating support received during the year, with the remaining funding provided by the release of net assets that were previously donor-restricted or board-designated for long-term projects.

Total public support—both operating and non-operating—was $1.64 billion, changed from $3.63 billion in 2005. It comprised $902 million of general contributions, $200 million of legacies and bequests, $388 million of gifts-in-kind, and $144 million of allocations from local United Way and similar funding organizations.

During 2006 non-operating revenues comprised $286 million of unrestricted legacies and bequests and net investment gains of $406 million; these funds were designated by the Boards for replacement and maintenance of facilities and equipment. Other categories of non-operating revenue include $108 million of public gifts restricted temporarily and permanently by the donors and $214 million from miscellaneous sources.

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About 58 percent of the Army’s net assets consist of land, buildings and equipment ($2.97 billion) plus invested board-designated reserves for future capital expenditures, ongoing facilities maintenance and specific programs ($2.61 billion). The remainder primarily comprises investments of donors’ temporarily restricted gifts and permanently restricted endowments.

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Reaching out to those in need in your community is our highest goal. Our pledge is to maintain the highest standards of financial accountability to continue to deserve your trust. Salvation Army centers are audited by independent certified public accountants in accordance with generally accepted accounting principles. These audited financial statements, along with the opinions of independent certified public accountants, are available at the addresses shown on page 18.
STATISTICAL HIGHLIGHTS
Fiscal Year Ended September 30, 2006

FINANCIAL HIGHLIGHTS
Fiscal Year Ended September 30, 2006

INCOME $3,324 MILLION

OPERATING EXPENSES $2,996 MILLION
The Salvation Army in the United States is divided into four territories. The National Commander and the National Chief Secretary serve in coordinating capacities. Each territorial commander operates under the general policies laid down by International Headquarters in London. National policy is established by the Commissioners’ Conference, over which the National Commander presides. Thus, while the local leadership adjusts to meet conditions in each community, all officers are subject to the same broad, overall policies.

The Salvation Army’s U.S. service began in 1880 and was first incorporated on May 12, 1899, in the State of New York. It is a tax-exempt 501(c)(3) organization. Contributions to it are deductible for Federal Income Tax purposes to the extent permitted under Section 170(b)(1)(A) of the Internal Revenue Code for individual donors and Section 170(b)(2) for corporations.
MISSION STATEMENT

The Salvation Army, an international movement, is an evangelical part of the universal Christian Church. Its message is based on the Bible. Its ministry is motivated by the love of God. Its mission is to preach the gospel of Jesus Christ and to meet human needs in His name without discrimination.