

Building Stronger Communities

Canadian Executive Service Organization



Annual Report **2005-2006**



CESO's Mission

To promote the economic growth of the Aboriginal and non-Aboriginal peoples in Canada, developing nations and emerging market economies, through the transfer of knowledge by Volunteer Advisers.

Cover:
Staff of the Shandan Potato Propagation Centre (SPPC) in Shandan, Gansu, China are introduced to the Canadian approach to disease-free potato propagation and production by CESO Volunteer Adviser Dr. Khalil Al-Mughrabi (centre). As a result of the information transferred, the SPPC's next crop of potato seedlings was disease-free.

Produced by:
CESO|SACO Development & Communications Department
June 2006

Contributors:
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(Accurate as of June 2006)

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**Indicates Board members who are also Volunteer Advisers*

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Message from the Chair and Interim President and CEO

During the past year, CESO has capitalized on many opportunities and overcome a number of challenges. Through sustainable results in improving livelihoods and reducing poverty, we successfully demonstrated our unique ability to contribute to building stronger communities abroad and in Canada.

CESO continues to evolve based on a mandate and strategic plan designed to carry us into the future. Through our committed employees and volunteers with strong expertise in numerous fields, CESO delivered 1,489



assignments – 448 International and 1,041 National (870 under the Aboriginal program and 171 under the CESO At Home program). Hundreds of volunteers gave magnificently of their time, skills and knowledge on these overseas and national assignments, the majority of which have been in the areas of governance, accounting, human resources planning, investment planning, municipal government structuring, and strategic planning. It is through the dedication of our volunteers that CESO is able to achieve so much and be among the most cost-effective volunteer cooperation agencies in the world.

At a difficult time in history, where poverty still affects many parts of the world, CESO's initiatives are contributing to Canada's image in a positive way. CESO has placed great emphasis on focus, transparency, accountability, impact, and results. With these guiding objectives, we are targeting our assistance to reach people who need it the most and where we have the expertise to ensure the results expected are achieved.

Gordon Cummings, President and CEO, resigned from CESO on November 14, 2005. On behalf of the board, staff and volunteers of CESO, I thank Gordon for his commitment and contribution to the organization.

On February 27, 2006, the Board of Directors announced the appointment of Paul van der Wel to the position of President and CEO. Reporting to Paul are Terry Brackenridge, Secretary/Treasurer & CFO; Agnès van 't Bosch, Vice-President International Services; Robert G. (Bob) Dickson, Vice-President National Services; Shelley D'Angelo, Director of Development and Communications; and the yet-to-be-appointed Director of Human Resources & Volunteer Services. We are confident that the depth, experience, and energy of our senior management team will allow us to continue to successfully implement CESO's strategic plan and achieve our mandate.

I would like to acknowledge and thank the many partners with whom we share our mandate: Aboriginal, Canadian and southern partners; governments and their agencies; individuals and companies in the private sector; and other civil-society organizations. Throughout CESO's history, our primary partners have been the Canadian International Development Agency (CIDA) and Indian and Northern Affairs Canada (INAC). CESO is proud of the continuing confidence that these agencies have shown in our results over the years and we thank them for their unwavering support, guidance, and cooperation.

To our committed and dedicated Board, employees, and volunteers, please accept my personal and sincere thanks for your hard work and support.



Keith MacDonald, Chair
March 31, 2006

Message from the Vice-President, National Services

For CESO National Services, the 2005-06 fiscal year has been one of transition and renewal, a year that ushered in staff changes, a revitalized vision, a new approach to managing for results, and a focus on diversification – all factors which will foster the continued strengthening of our ability to meet the needs of the communities we serve from coast to coast to coast.

The hiring of two new Regional Managers, a new Office Manager, a new Manager of Operations, and a new Vice-President contributed to a heightened level of energy and builds on the strength of our talented staff and volunteers across Canada. Two national meetings of all staff held in 2005-06 served to reinforce the spirit of renewal and increase our drive to better serve our clients.



The introduction of a results-based management framework, which will guide our work over the coming years, led to the development of a logic model that will be implemented beginning early in 2006-07. These tools will ensure that National Services is better equipped to manage our business, and to measure our results. Most importantly, this approach will allow us to clearly demonstrate to our funders, partners, and clients the positive impact of our work.

In our continuing efforts to diversify our community programs, we are working with the oil and gas industry in Alberta towards an agreement for assignments in northern Alberta in support of Aboriginal communities.

None of this work would be possible without the strong relationship with, and ongoing support of, our major partner, Indian and Northern Affairs Canada (INAC). This support permitted the delivery of 870 assignments in 2005-06, focused on governance and economic development work in Aboriginal communities throughout the country.

As we look forward to the new fiscal year, and the years to come, two related themes will guide our work: strengthening and sustainability. We will strengthen the management of National Services, strengthen program and service delivery, strengthen our focus on governance, and strengthen diverse communities across the country. We will support sustainability by truly building capacity in areas of governance by providing our mentoring, advisory, and training services. Through our work in communities across Canada, we strive to ensure that at the end of the day, our clients will be fully capable of carrying on the work that remains in front of them, having gained the knowledge, confidence, and tools to be successful.

In our long-term vision, sustainability is achieved through our clients' ability to continue to build on this foundation, and achieve further self-development and success whether on an individual, community, organizational, or institutional level.

Bob Dickson
Vice-President, National Services
March 31, 2006

A partner's learning experience

The growing community of Eskasoni is the largest Mi'kmaq community in Atlantic Canada. Students from CESO's MBA Experience Program worked in tandem with the residents to develop plans for tourism-related activities in the Bras d'Or Lake region of the community.

"It was an exceptional technical, social and cultural experience" said Haseen Khan, the CESO VA assigned to help with the project.

BUILDING ON PROGRAM SUCCESSES

Our volunteers have been working in Aboriginal communities since 1969. In 1999, the CESO At Home program began, giving us the opportunity to work with a varied client base in a larger number of communities. Below is a description of some of the programs administered by National Services.

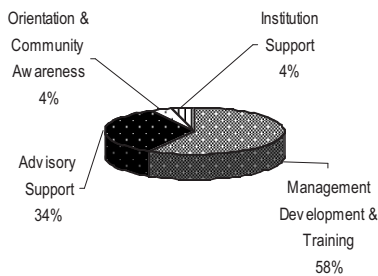
INAC-sponsored Aboriginal Women For Tomorrow workshops

CESO National Services has increased the work we do with Aboriginal and non-Aboriginal communities across the country. Through the INAC-sponsored Aboriginal Women For Tomorrow workshops, aimed at building the capacity of Aboriginal women in areas related to personal, business, and leadership skills, we reached women in 11 communities throughout Ontario. Evaluation results have been extremely positive, but the words of the participants best communicate the true impact of this work:

“Miigwetch to the women who came together for sharing and supporting each other. Thanks to everyone who put these workshops together and all the women who participated. We have learned a lot . . . to better ourselves. I hope we can all come together again and continue supporting each other.”



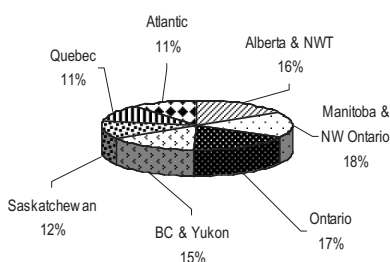
CESO Aboriginal Services Delivered Assignments (by Sector) Total of 870 assignments



Mentoring

Building on our excellent mentoring work in Nunavut, we implemented youth mentorship in four provinces through a project with Aboriginal Business Canada, and we received approval for an increased program under the SME-youth initiative on the island of Montreal. As well, we signed a two-year agreement with the Rural Secretariat of Agriculture and Agri-Food Canada to provide mentoring for community development models, we have nearly finalized an agreement to mentor Aboriginal youth in the Atlantic region, and we began some interesting governance work with Health Canada in Alberta.

CESO Aboriginal Services Delivered Assignments (by Region)



MBA Experience Program

Our innovative program pairs MBA students and First Nation communities across Canada, under the MBA Experience Program – which celebrates its tenth year in 2006-07, and is funded by our long-time supporter, the Royal Bank of Canada. This year, nine projects were completed involving students from seven universities who worked alongside First Nation communities in five provinces.

Métis Development Fund

Our work with Métis communities and organizations continues, funded by the Alberta Government and RBC Royal Bank/RBC Foundation. With organizations such as Aboriginal Voices Radio Inc. we provided mentoring in the development of strategic and operational planning.

Governance and financial management workshops

We also delivered high-quality workshops on governance and financial management primarily in Eastern Canada, importantly supported by the CIBC.

Message from the Vice-President, International Services

The past year has been a significant period of activity for CESO's International Services as we initiated new models in the way we work overseas and launched an ambitious program to engage our volunteers in Canada.

Active in countries in Africa, Asia, Latin America, Eastern Europe and Central Asia, CESO's International staff and Volunteer Advisers (VAs) are guided by CESO's mission to work in partnership with clients and organizations to build stronger communities by reducing poverty, creating sustainable livelihoods, and promoting democratic development.

With its strong focus on building the capacities of small and medium enterprises (SMEs), CESO has explored new local partnerships over the past year with bodies such as Chambers of Commerce, local governments, SME associations, women's cooperatives, and professional and trade associations. In order to broaden the impact of our work, CESO has also been piloting the "cluster development" model of service delivery in the Philippines, Colombia, and Honduras. This model complements CESO's standard practice of providing responsive, problem-focused business assistance to individual clients and has exciting potential for replication in other countries.



Under the cluster model, business development services provided by CESO VAs encourage and support inter-firm collaboration, institutional development and support in targeted industrial sectors. Clustering also spreads the benefits of CESO's assistance to a greater number of clients, grouped towards overcoming common problems and realizing shared goals. This enhances CESO's effectiveness in influencing changes that will contribute to the creation of conditions that promote sustained and equitable development.

CESO has also been expanding its work in promoting good governance. "Governance" may seem like the latest buzz word in development talk, however, good governance is key to development. Indeed, promoting practices that strengthen good governance depends not only on government itself but also on the efforts of an engaged civil society.

CESO launched its new Public Engagement Program in 2005 which aims at informing CESO volunteers, the Canadian public, Members of Parliament and other policy setters about international development as well as collaborating with other development agencies in support of informing and mobilizing volunteers.

Our successful programs would not be possible without the support of the Canadian International Development Agency (CIDA). Through this partnership with CIDA since 1967, CESO Volunteer Advisers have collaborated with thousands of small enterprises, associations, grassroots organizations and local and national public-sector agencies around the world to help them develop and grow.

Agnès van 't Bosch
Vice-President, International Services
March 31, 2006

The cluster approach

The partners for one of CESO's cluster projects in the Philippines came from bakeries. The six individually owned businesses faced many common challenges. With input from a team of CESO volunteers they broadened their product lines, reduced their costs and increased sales and employment. With such positive results, CESO will continue to work with clusters.

EXCITING NEW INITIATIVES

CESO's international program provides services to clients in 150 different sectors. CESO Volunteer Advisers (VAs) work with small- and medium-sized enterprises, governments, communities, and others. Following are some of the exciting initiatives launched over the past year:

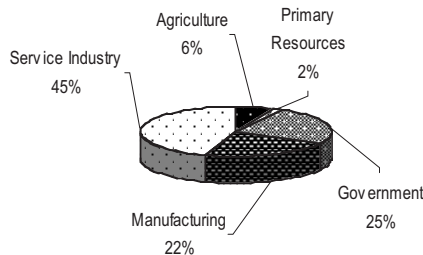
Governance initiatives

CESO launched an innovative project in 2005 focused on strengthening citizen engagement in the African country of Cameroon. A new partnership was born through this project with Canada25, a Canadian organization that brings the voices and ideas of Canadians, aged 20-35, to take action on issues of local and national significance. The project seeks to increase public participation in community development activities and to support the strategic interests of women and youth in local decision making. CESO and Canada25 are working with three Cameroonian partners; two branches of an association of elected municipal officials as well as one non-governmental organization that combats violence against women. The Project will mobilize over 45 CESO and Canada25 VAs and will also host Cameroonian counterparts in Canada.



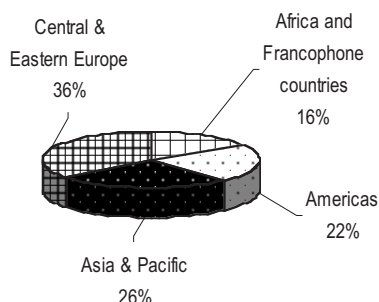
Another example of CESO's interest in undertaking initiatives with new partners was the launch of a project in Haiti this past year in collaboration with three Canadian non-governmental organization (NGO) partners; World

**CESO International Services
Delivered Assignments (by Sector)
Total of 448 assignments**



University Services Canada (WUSC), the Centre canadien d'études et de coopération internationale (CECI) and the Fondation Paul Gérin-Lajoie. Through the expertise of our respective volunteers, the four partner organizations are working in areas of critical need in Haiti. CESO VAs work with Haitian partners in the public and the private sectors to improve government services and to support economic growth. Our three Canadian partners lend their support to Haitian grassroots organizations and work in the areas of basic and post-secondary education.

**CESO International Services
Delivered Assignments (by Region)**



Public Engagement at CESO

A very dynamic team of VAs, Raj Bardouille, David Scrymgeour and David Harvey, worked with CESO's Public Engagement Officer to mobilize CESO volunteers and staff around this exciting new program. CESO is also collaborating closely with other Canadian organizations to raise awareness about the Millennium Development Goals (MDGs) to eradicate extreme poverty and to mobilize VAs and other members of the public in events organized through the international campaign Make Poverty History (www.makepovertyhistory.ca). CESO's dedicated Public Engagement web pages were created in September 2005; a button on the Homepage brings surfers to project goals, events, and resources. Throughout the year, CESO VAs and staff were involved in dozens of events and activities that raised the visibility of international volunteer cooperation and mobilized hundreds of Canadians in support of creating a more just and equitable world.

“CESO SPEAK”

Mentoring

When a struggling, Montreal-based visual artist, Samec Germain, was looking for ways to acquire funding to be able to create her art and eventually exhibit her work, she turned to CESO for help. Samec received guidance from two CESO Volunteer Advisers with sponsorship, grant proposal and media relations experience. Not only did Samec exhibit her work, but she is now being called upon to work as an adviser for funding proposals submitted by other artists.

Samec says, “Creative illustration is lonely work and one does not get a lot of credit. It is the same for volunteer work. This is why I am very happy to have the opportunity to publicly thank CESO.”

CESO services around the world

Governance

CESO's work with municipalities in Bolivia has been successful in helping with urban development, land use, and waste management.

Similarly, in Manitoba, CESO Volunteer Advisers have worked with the Treaty Land Entitlement Committee in strategic planning, public education, and the development of operating systems. We continue to work with this client in internal organizational structure and management planning.

CESO has embarked upon a new governance initiative in Cameroon. Starting in late 2005, and working in partnership with Canada25, over the period of two-and-a-half years, 45 CESO and Canada25 Volunteer Advisers will be mobilized to train Cameroonian counterparts in the development of good governance practices. Assignments will involve assessments workshops, train-the-trainers sessions, and awareness-raising campaigns.

CESO CANADIAN OFFICES

Operations Centre
Toronto, 1-800-268-9052

Nunavut Region
Ottawa, 1-888-522-2873

BC & Yukon
Vancouver, 1-800-986-4566

Alberta & NWT
Edmonton, 1-800-763-6372
Calgary, 403-290-3453

Saskatchewan
Saskatoon, 1-800-579-2376

Manitoba & NW Ontario
Winnipeg, 1-888-949-0177

Ontario
Toronto, 1-800-268-9052

Quebec
Montreal, 1-800-561-0687
Sherbrooke, 819-569-9761 x246
SACO-EST Québec, 418-660-9640 x286

Atlantic Region
Dartmouth, 1-877-795-4876

(THIS LIST IS ACCURATE AS OF JUNE 2006)

Capacity Building

In the fall of 2005, the Temiscaming First Nation in Quebec requested CESO's support in capacity building for the managers and employees of the Band Council. The objective was to improve communication skills and working relationships between staff members and managers, thereby increasing productivity and efficiency.

Staff and managers participated in four separate workshops. Participants felt that these sessions helped build confidence and contributed to solid leadership styles and maturity. Indeed, the Temiscaming First Nation has said that they will be requesting more workshops in the next fiscal year.

Economic Development

Working for a year in the Philippines, CESO staff and volunteers were able to bring together six previously competing small business owners.

United, these entrepreneurs:

- learned that they were able to negotiate better prices for combined product orders;
- were able to share information about well-priced equipment and new production methods; and
- enjoyed increased total sales for all.

They understood that competitors could work toward common goals. Today, their businesses are stronger than ever.

Skills Transfer

A restaurant in Russia which had been in operation for five years and specialized in French cuisine needed help from a CESO food and beverage expert to sustain its competitive position and expand its menu. The CESO Volunteer Adviser reviewed the client's current operations, made recommendations for improvements and provided training to the staff.

The client learned about modern cooking and presentation techniques and was introduced to an assortment of new dishes, which enhanced its capacity to deliver services.

As a result, the client was able to realize its expectations and remain competitive.

CESO OVERSEAS OFFICES

Armenia
Yerevan

Azerbaijan
(Covered by Georgian Country Representative)

Bolivia
La Paz

Burkina Faso
Ouagadougou

Cameroon
Douala

China
Beijing

Colombia
Bogota

Georgia
Tbilisi

Haiti
Port-au-Prince

Honduras
San Pedro Sula, Cortes

Philippines
Cebu City, Manila & Davao City

Russia
Moscow
Chelyabinsk

Senegal
Dakar

Serbia & Montenegro
Belgrade

Sri Lanka
Colombo

Ukraine
Kyiv

(THIS LIST IS ACCURATE AS OF JUNE 2006)

Our clients and partners

CESO clients are special people with ideas, ambitions, hopes and dreams. They may need a mentor or specific expertise to help them in their endeavours, but they already have the most important ingredient, the drive to succeed. We salute their enthusiasm, vision, hard work, and entrepreneurial spirit. As such, their praise is that much more heartening. Here are a few testimonials from our valued clients.

I am a nutritionist / dietician. My professional experience as a project manager in the food processing industry gave me a solid base in recipe development and standardization, nutritional labelling, nutritional sanitation and public education. However, my management skills in the food area were limited. CESO gave me good advice on business plan writing and business start-ups. Thank you again for your support and your good advice!

Client: SME-Youth program client in Montreal, Canada

Our need for an economic opportunity was essential. While we originally requested help with a seedling nursery project, the funds were not available. The Volunteer Adviser (VA) assessed the situation and developed a training program where participants were able to learn the art of jewellery-making, as well as the methods of packaging and marketing it. We were able to start a new line of products that were fast to make and quick sellers.

Client: Deaf farmers group in Trinidad

The VA conducted useful training for each of our staff members, using video and other materials with explanations. The impact of the VA's training is that service quality has improved which results in a higher customer satisfaction. The salary of our women staff was slightly increased . . .

Client: Hotel owner in Azerbaijan

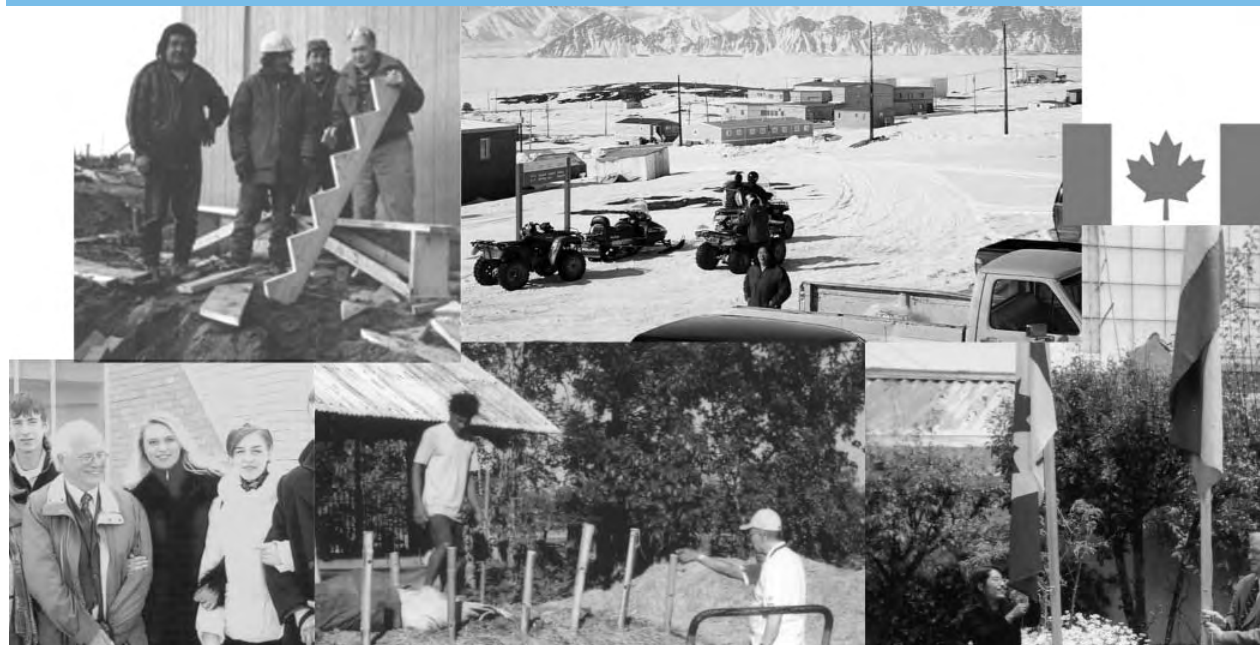
The VA's assistance was excellent and covered all areas of concern such as improvement of the quality and shelf life of the existing products, development of new products, introduction of new production techniques, recycling techniques, and staff training.

Client: Bakery in Honduras

As a seamstress and single mother of two, in 2005, I decided to start my own business making hand-made cloth dolls. I received advice on a market feasibility study as well as step-by step guidelines on export procedures. Thank you to CESO for supporting me in my business start-up.

Client: SME-Youth program client in Montreal, Canada

SHARING SKILLS AND KNOWLEDGE



CESO Volunteer Advisers reach out to clients in rural and urban areas and offer their advice and expertise based on knowledge gained through a lifetime of experience.

DONATING FOR A BETTER TOMORROW



CESO gratefully acknowledges the financial contribution of the Canadian International Development Agency (CIDA) and Indian and Northern Affairs Canada (INAC) towards its programs.

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CESO is proud to recognize the following supporters:

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RBC Foundation
The McCain Foundation
The McLean Foundation

*Indicates Gift in-Kind

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CESO sincerely thanks the following individual and family sustaining members who have made contributions of \$100 or more in the past year, ending March 31, 2006.

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Tony & Sharon Wood*

*Donors who have contributed for 5 or more years.

2005-2006 Financial Statements

STATEMENT OF FINANCIAL POSITION (AS AT MARCH 31, 2006)

	2006	2005
ASSETS		
CURRENT		
CASH AND OPERATING ACCOUNTS	\$ 657,162	\$ 934,179
CASH & SHORT-TERM INVESTMENTS		
- DESIGNATED (NOTE 3)	568,810	228,193
SHORT-TERM INVESTMENTS	55,500	55,500
OPERATING ADVANCES TO REPRESENTATIVES	163,759	192,696
ACCOUNTS RECEIVABLE	398,384	305,850
PREPAID EXPENSES	55,110	55,798
	<u>\$1,898,725</u>	<u>\$1,772,216</u>
LONG-TERM INVESTMENTS		
- DESIGNATED (NOTE 3)	\$1,097,875	\$1,345,360
PROPERTY & EQUIPMENT (NOTE 4)		
	266,190	317,577
	<u>\$3,262,790</u>	<u>\$3,435,153</u>
LIABILITIES		
CURRENT		
ACCOUNTS PAYABLE AND ACCRUED		
LIABILITIES (NOTE 13)	\$ 353,211	\$ 329,606
DEFERRED REVENUE (NOTE 5)	962,774	1,199,023
	<u>\$1,315,985</u>	<u>\$1,528,629</u>
PROVISION FOR EMPLOYEE RETIREMENT		
ALLOWANCES (NOTE 6)	\$ 153,943	\$ 159,476
RENT EQUALIZATION (NOTE 7)	153,296	159,784
	<u>\$1,623,224</u>	<u>\$1,847,889</u>
NET ASSETS		
GENERAL FUND	\$(363,896)	\$(373,652)
FUNDS INVESTED IN PROPERTY		
& EQUIPMENT	266,190	317,577
DESIGNATED FUNDS (NOTE 8)	1,737,272	1,643,339
	<u>1,639,566</u>	<u>1,587,264</u>
	<u>\$3,262,790</u>	<u>\$3,435,153</u>

APPROVED ON BEHALF OF THE BOARD:



_____, Director



_____, Director

STATEMENT OF OPERATIONS (FOR THE YEAR ENDED MARCH 31, 2006)

	2006	2005
REVENUES		
VALUE OF VOLUNTEER SERVICES AT		
ASSIGNMENT SITES (NOTE 9)	\$ 3,143,875	\$ 4,217,045
VALUE OF SUBSISTENCE PAID BY CLIENTS (NOTE 9)	595,320	905,878
CIDA (NOTE 13)	5,184,149	5,909,097
INAC	1,883,993	1,767,760
PRIVATE SECTOR, CLIENTS AND OTHER	<u>1,134,532</u>	<u>1,196,224</u>
	<u>\$11,941,869</u>	<u>\$13,996,004</u>
OPERATING FUND EXPENSES		
VALUE OF VOLUNTEER SERVICES/VALUE		
OF CLIENT PAID SUBSISTENCE (NOTE 10)	3,739,195	5,122,923
INTERNATIONAL ASSIGNMENT COSTS (NOTE 10)	4,097,463	4,635,276
NATIONAL ASSIGNMENT COSTS (NOTE 10)	2,229,304	2,197,936
ADMINISTRATION	902,159	1,000,649
CORPORATE	645,992	571,658
COMMUNICATIONS	174,682	208,530
DEVELOPMENT	118,823	109,864
AMORTIZATION/DEPRECIATION	<u>75,882</u>	<u>80,751</u>
	<u>\$11,983,500</u>	<u>\$13,927,587</u>
EXCESS (DEFICIENCY) OF REVENUES		
OVER OPERATING FUND EXPENSES	\$ (41,631)	\$ 68,417
DESIGNATED FUND REVENUES (NOTE 8)	110,677	75,271
DESIGNATED FUND EXPENSES (NOTE 8)	<u>16,744</u>	<u>89,830</u>
NET DESIGNATED FUNDS	<u>93,933</u>	<u>(14,559)</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 52,302</u>	<u>\$ 53,858</u>

Auditors' Report

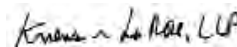
To the Members of
Canadian Executive Service Organization

We have audited the statement of financial position of Canadian Executive Service Organization as at March 31, 2006 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Canada Corporations Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the previous year.

KRIENS-LAROSE, LLP



Chartered Accountants

Toronto, Ontario
May 3, 2006

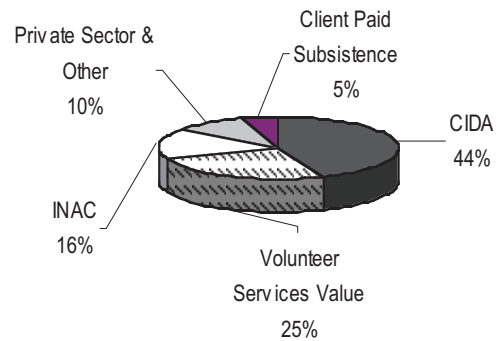
STATEMENT OF CHANGES IN NET ASSETS (FOR THE YEAR ENDED MARCH 31, 2006)

	General Funds	Fund invested in Property & Equipment	Designated Funds	2006 Total	2005 Total
	\$	\$	\$	\$	\$
BALANCE, BEGINNING OF YEAR	(373,652)	317,577	1,643,339	1,587,264	1,533,406
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES	34,251	(75,882)	93,933	52,302	53,858
PURCHASE OF PROPERTY & EQUIPMENT	(24,495)	24,495	-	-	-
BALANCE, END OF YEAR	(363,896)	266,190	1,737,272	1,639,566	1,587,264

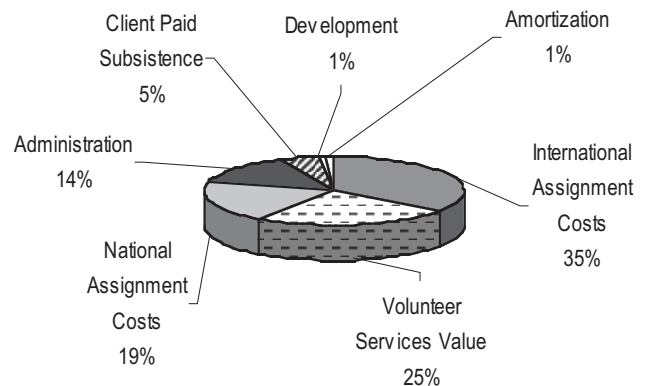
STATEMENT OF CASH FLOWS (FOR THE YEAR ENDED MARCH 31, 2006)

	2006	2005
CASH WAS PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
EXCESS OF REVENUES OVER EXPENSES	\$ 52,302	\$ 53,858
CHARGES TO INCOME NOT INVOLVING CASH:		
AMORTIZATION	75,882	80,751
	128,184	134,609
CHANGES IN NON-CASH WORKING CAPITAL BALANCES:		
OPERATING ADVANCES TO REPRESENTATIVES	28,937	119,535
ACCOUNTS RECEIVABLE	(92,534)	71,498
PREPAID EXPENSES	688	50,214
PROVISION FOR EMPLOYEE RETIREMENT ALLOWANCES	(5,533)	(8,668)
RENT EQUALIZATION	(6,488)	29,611
DEFERRED REVENUE	(236,249)	65,407
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	23,605	(220,189)
	(287,574)	107,408
	(159,390)	242,017
INVESTING ACTIVITIES		
PURCHASE OF PROPERTY & EQUIPMENT	(24,495)	(10,722)
CHANGE IN LONG-TERM INVESTMENTS - DESIGNATED	247,485	123,405
	222,990	112,683
CHANGE IN CASH AND EQUIVALENTS	63,600	354,700
CASH & EQUIVALENTS, BEGINNING OF YEAR	1,217,872	863,172
CASH & EQUIVALENTS, END OF YEAR	1,281,472	1,217,872
CASH AND EQUIVALENTS CONSIST OF THE FOLLOWING:		
CASH AND OPERATING ACCOUNTS	657,162	934,179
CASH AND SHORT-TERM INVESTMENTS - DESIGNATED	568,810	228,193
SHORT-TERM INVESTMENTS	55,500	55,500
	\$1,281,472	\$1,217,872

Revenues 2005-2006



Expenses 2005-2006



1. PURPOSE OF THE ORGANIZATION

Canadian Executive Service Organization's (CESO) mission is to promote economic growth and governance of the Aboriginal and Non-Aboriginal peoples in Canada, developing nations and emerging market economies, through the transfer of knowledge by Volunteer Advisers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the organization are in accordance with Canadian generally accepted accounting principles and their basis of application are consistent with those of the previous year. The organization uses the restricted method of accounting for sponsored programs in which contributions are recognized as revenue in the year in which the related expenses are incurred.

Outlined below are those policies considered particularly significant.

Investments:

Short-term and long-term Investments are recorded at cost plus accumulated income earned. The investments are adjusted to quoted market value when there is evidence of a permanent change from their recorded value.

Property & Equipment and Amortization:

Property & equipment is recorded at acquisition cost. Amortization on computer equipment is provided on the straight-line basis over the expected useful life of five years. Leasehold improvements are amortized on the straight-line basis over the term of the lease.

Tenant Improvements:

Tenant improvements incurred are deferred and amortized on a straight-line basis over the term of the lease.

Revenue Recognition:

CESO follows the deferral method of accounting for contributions. Contributions externally restricted are deferred and recognized as revenue in the year in which the related expenses are recognized. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue from governments and other sources applicable to the financing of the various programs is recorded on the accrual basis. Expenses of operations are recorded on the same basis. Under the terms of operating funds advanced by Canadian International Development Agency (CIDA) it is a requirement that CESO return any unspent funds.

Revenue from private sector donations is recorded when received.

Investment income earned on the designated funds is recognized as revenue when received or receivable as the designated funds are not externally restricted.

Expenses of the designated funds are recognized when paid or payable as the designated funds are not externally restricted.

Donated Services:

The fair value of donated services at assignment sites is reflected as revenue and as an expense in the statement of operations. (Note 9).

Use of Estimates:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

3. INVESTMENTS - DESIGNATED

The designated investments are summarized as follows:

	2006 \$	2005 \$
Cash and guaranteed investment certificates	250,074	18,949
Bonds	1,006,851	1,206,164
Equities	<u>409,760</u>	<u>348,440</u>
	1,666,685	1,573,553
Less: Current investments	<u>568,810</u>	<u>228,193</u>
	<u>1,097,875</u>	<u>1,345,360</u>

The bonds earn interest at rates ranging from 3.46% to 11.45% (2005: 3% to 11.45%) and mature at dates within 2007 to 2010 (2005: 2005 to 2010). The fair market value of the investments as at March 31, 2006 is \$1,670,944 (2005: \$1,582,406).

4. PROPERTY & EQUIPMENT

	Cost \$	Accumulated Amortization \$	Net 2006 \$	Net 2005 \$
Computer equipment	260,316	209,503	50,813	56,858
Leasehold improvements	<u>468,539</u>	<u>253,162</u>	<u>215,377</u>	<u>260,719</u>
	<u>728,855</u>	<u>462,665</u>	<u>266,190</u>	<u>317,577</u>

5. DEFERRED REVENUE

The deferred revenue represents funding received during the year from the Canadian International Development Agency and other sponsors for expenses to be incurred in the next fiscal year.

6. PROVISION FOR EMPLOYEE RETIRING ALLOWANCES

The provision for employee retiring allowances represents CESO's obligation to its employees upon their departure. CESO's obligation to provide any future retiring allowances ceased in March 2000. The March 31, 2006 obligation represents the CESO's obligation as at March 2000, less retiring allowances paid to March 31, 2006.

7. RENT EQUALIZATION

During the 2001 fiscal year, CESO entered into a ten-year and four-month lease agreement for its current office premises. As an inducement to enter into the lease agreement, the landlord agreed to a reduced rental payment for the first five years of the lease and an increased rental payment for the last five years and four months of the lease. The lease payments for the full term of the lease have been aggregated and are being expensed over the term of the lease on a straight-line basis.

The rent equalization balance as at March 31, 2006 represents the rent which would be payable on the straight-line basis less the rent paid to date by CESO.

The liability for the rent equalization will be satisfied by December 31, 2010.

8. DESIGNATED FUNDS

CESO receives/received donations for use on specific assignments as determined by the Board of Directors. These designated funds are held for the purpose of funding programs.

The designated funds are internally restricted and therefore income earned on the designated funds is recognized as revenue when received or receivable and expenses of the designated funds are recognized when paid or payable.

The accumulated investment income earned less expenditures from the funds to March 31, 2006 is an excess of \$312,790 (2005: \$218,857).

	Opening Balance \$	Contri- butions \$	Interest Income \$	Expend- itures \$	Closing Balance \$
Total	<u>1,643,339</u>	<u>3,088</u>	<u>107,589</u>	<u>(16,744)</u>	<u>1,737,272</u>

9. DONATED SERVICES

The value of donated services at assignment sites has been determined as follows:

Volunteer services - the fair value of services donated by CESO Volunteer Advisers has been determined using a consulting rate of \$350 per diem which has been acknowledged by CIDA as being an acceptable rate.

Client paid subsistence - the fair value of subsistence paid by the overseas assignment organizations has been determined based on client supplied information. In the absence of client supplied information an estimate is used based on the monthly subsistence rates provided by the International Civil Service Commission of the United Nations.

10. ASSIGNMENT COSTS

Assignment costs includes the value of volunteer services at assignment sites and subsistence paid by clients as recorded in revenue. In addition to the value of volunteer services (which represents the time spent in the field by CESO Volunteer Advisers), there were many thousands of hours of services given by CESO Volunteer Advisers in CESO offices to assist with recruiting, evaluations, fundraising, the spousal program and other areas. The value of these services has not been reflected as revenue and expense in the statement of operations.

11. LEASE COMMITMENT

The premises lease commitment for the Operations Centre in Toronto, expires in December 2010 and is payable as follows:

March 31, 2007	134,082
March 31, 2008	134,082
March 31, 2009	134,082
March 31, 2010	134,082
March 31, 2011	100,562

The organization is also responsible for common area and operating costs, which were \$280,000 in 2006 (2005: \$275,000).

The premises lease commitments for the Regional offices, expires between October 31, 2006 to July 31, 2009 and are payable as follows:

March 31, 2007	64,000
March 31, 2008	48,000
March 31, 2009	25,000
March 31, 2010	2,000

12. LETTERS OF CREDIT

The organization has provided a irrevocable letter of credit of \$500,000 in favour of Canadian International Development Agency in connection with a contribution agreement with the Canadian International Development Agency.

13. CONTINGENT LIABILITY

An independent audit firm appointed by Canadian International Development Agency (CIDA) recently completed its audit of eligible costs under a contribution agreement between CIDA and CESO for the period October 1, 2002 to September 30, 2004. The audit produced adjustments that may materially affect the financial results of CESO. Although CESO has agreed to certain adjustments (those of which have been accrued in the current financial statements in the amount of \$104,474), the balance of the proposed adjustments are being negotiated by CESO. It is management's opinion that these adjustments, although they are known and could have a material impact on the financial results of the organization, are not determinable as to the likelihood of additional loss and thus not accrued.

It should be further noted that, if the above claim by CIDA is successful, it could affect the cost sharing definition in the current agreements between CESO and CIDA. The potential impact on the current contribution agreement could be material but is not determinable as to its likelihood.

14. INCOME TAXES

CESO is a registered charity under the Income Tax Act and, as such, is exempt from the payment of income taxes.

15. FINANCIAL INSTRUMENTS

Credit Risk

CESO is exposed to credit risk in the account receivable from sponsors and members. In order to reduce its credit risk, the organization has adopted credit policies that include the regular review of outstanding accounts receivable. The organization does not have any significant exposure to individual sponsors or members.

Fair Value

The carrying amounts of cash, short-term investments, operating advances to representatives, accounts receivable, accounts payable and accrued liabilities and deferred revenue approximate their fair values because of the short-term nature of these assets and liabilities.