

THE SALVATION ARMY
NORTHEAST FLORIDA AREA COMMAND OPERATING FUND

(a division of The Salvation Army Northeast Florida
Area Command, a unit of The Salvation Army,
a Georgia Corporation)

FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION
Years Ended September 30, 2010 and 2009

THE SALVATION ARMY
NORTHEAST FLORIDA AREA COMMAND OPERATING FUND
(a division of The Salvation Army Northeast Florida Area Command,
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JAMES KNUTZEN & ASSOCIATES, C.P.A.'s, P.A.

5150 Belfort Road, Bldg. 300
JACKSONVILLE, FLORIDA 32256
(904) 725-5832 FAX (904) 727-6835
Email: office@knutzencpa.com

James Knutzen, C.P.A., M.B.A.
Todd Middlemas, C.P.A., M.B.A.
Richard Axelberg, C.P.A.
Christina E. Gibson, C.P.A.
Barbara Towle, C.P.A.
Margaret R. Dodson, C.P.A.
Peter F. Carroll, C.P.A.
Adelina E. Anderson, C.P.A.

MEMBER OF
AMERICAN AND FLORIDA
INSTITUTES OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Trustees
The Salvation Army, A Georgia Corporation

We have audited the accompanying statements of financial position of The Salvation Army Northeast Florida Area Command Operating Fund (the "Operating Fund"), a division of The Salvation Army Northeast Florida Area Command, a unit of The Salvation Army, a Georgia corporation, as of September 30, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Operating Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Salvation Army Northeast Florida Area Command Operating Fund at September 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2011 on our consideration of the Operating Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants, agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

JAMES KNUTZEN & ASSOCIATES
C.P.A.'s, P.A.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, "*Audits of States, Local Governments, and Non-Profit Organizations*," and Section 215.97, Florida Statutes and Chapter 10.650: "Rules of the Auditor General" and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "James Knutzen & Associates".

James Knutzen & Associates, C.P.A.'s, P.A.
Jacksonville, Florida
January 12, 2011

THE SALVATION ARMY
NORTHEAST FLORIDA AREA COMMAND OPERATING FUND
(a division of The Salvation Army Northeast Florida Area Command,
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STATEMENTS OF FINANCIAL POSITION
September 30, 2010 and 2009

ASSETS

	<u>2010</u>	<u>2009</u>
Operating Assets:		
Cash and cash equivalents (Notes 2 and 3)	\$ 1,217,506	\$ 1,169,312
Accounts receivable (less allowance for doubtful accounts of \$635 and \$814) (Note 4)	122,251	158,957
Property and equipment (less accumulated depreciation of \$454,597 and \$430,842) (Note 11)	132,867	156,627
Other assets	<u>157,752</u>	<u>220,579</u>
Total Assets	<u>\$ 1,630,376</u>	<u>\$ 1,705,475</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 795,087	\$ 453,196
Accrued payroll	161,419	132,121
Refundable advance	131,950	-
Funds held in trust	<u>162,038</u>	<u>251,423</u>
Total Liabilities	<u>1,250,494</u>	<u>836,740</u>
Net Assets:		
Unrestricted	319,973	813,555
Temporarily restricted (Note 7)	<u>59,909</u>	<u>55,180</u>
Total Net Assets	<u>379,882</u>	<u>868,735</u>
Total Liabilities and Net Assets	<u>\$ 1,630,376</u>	<u>\$ 1,705,475</u>

See Notes to Financial Statements.

THE SALVATION ARMY
NORTHEAST FLORIDA AREA COMMAND OPERATING FUND
(a division of The Salvation Army of Northeast Florida Area Command,
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STATEMENT OF ACTIVITIES
For The Year Ended September 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2010</u>
Public Support and Revenue			
Contributions	\$ 3,339,324	\$ 29,700	\$ 3,369,024
Donations-in-kind and contributed services	1,942,508	-	1,942,508
Program service fees	3,346,245	-	3,346,245
Special events	142,855	-	142,855
Federated fund-raising organizations	431,750	-	431,750
Fees and grants from governmental agencies	2,205,310	-	2,205,310
Other income	69,328	-	69,328
	<u>11,477,320</u>	<u>29,700</u>	<u>11,507,020</u>
Assets released from restrictions	<u>24,971</u>	<u>(24,971)</u>	<u>-</u>
 Total Public Support and Revenue	 11,502,291	 4,729	 11,507,020
Expenses			
Program Services:			
Corps Community Center	1,650,589	-	1,650,589
Residential and institutional	529,918	-	529,918
Other social services	7,553,069	-	7,553,069
	<u>9,733,576</u>	<u>-</u>	<u>9,733,576</u>
Supporting Services:			
Management and general	1,366,339	-	1,366,339
Fund raising	895,958	-	895,958
	<u>2,262,297</u>	<u>-</u>	<u>2,262,297</u>
Total Supporting Services	<u>2,262,297</u>	<u>-</u>	<u>2,262,297</u>
Total Expenses	<u>11,995,873</u>	<u>-</u>	<u>11,995,873</u>
Changes in Net Assets	(493,582)	4,729	(488,853)
Net Assets at Beginning of Year	<u>813,555</u>	<u>55,180</u>	<u>868,735</u>
Net Assets at End of Year	<u>\$ 319,973</u>	<u>\$ 59,909</u>	<u>\$ 379,882</u>

See Notes to Financial Statements.

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STATEMENT OF ACTIVITIES
For The Year Ended September 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2009</u>
Public Support and Revenue			
Contributions	\$ 4,146,698	\$ 99,910	\$ 4,246,608
Donations-in-kind and contributed services	3,621,344	-	3,621,344
Program service fees	3,652,789	-	3,652,789
Special events	166,191	-	166,191
Federated fund-raising organizations	457,095	-	457,095
Fees and grants from governmental agencies	1,685,246	-	1,685,246
Other income	143,967	-	143,967
	<u>13,873,330</u>	<u>99,910</u>	<u>13,973,240</u>
Assets released from restrictions	<u>62,997</u>	<u>(62,997)</u>	<u>-</u>
Total Public Support and Revenue	<u>13,936,327</u>	<u>36,913</u>	<u>13,973,240</u>
Expenses			
Program Services:			
Corps Community Center	1,336,765	-	1,336,765
Residential and institutional	487,229	-	487,229
Other social services	9,153,853	-	9,153,853
Total Program Services	<u>10,977,847</u>	<u>-</u>	<u>10,977,847</u>
Supporting Services:			
Management and general	1,308,905	-	1,308,905
Fund raising	922,083	-	922,083
Total Supporting Services	<u>2,230,988</u>	<u>-</u>	<u>2,230,988</u>
Total Expenses	<u>13,208,835</u>	<u>-</u>	<u>13,208,835</u>
Changes in Net Assets	727,492	36,913	764,405
Net Assets at Beginning of Year	<u>86,063</u>	<u>18,267</u>	<u>104,330</u>
Net Assets at End of Year	<u>\$ 813,555</u>	<u>\$ 55,180</u>	<u>\$ 868,735</u>

See Notes to Financial Statements.

THE SALVATION ARMY
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STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2010

JAMES KNUTZEN & ASSOCIATES
C.P.A.'s, P.A.

	<u>Corps Community Center</u>	<u>Residential and Institutional</u>	<u>Other Social Services</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total Supporting Services</u>	<u>Total Expenses</u>
Salaries and officer allowances	\$ 196,181	\$ 278,847	\$2,700,743	\$ 3,175,771	\$ 409,986	\$ 353,092	\$ 763,078	\$ 3,938,849
Officer and employee benefits	55,758	92,423	599,337	747,518	122,599	46,084	168,683	916,201
Payroll taxes	20,422	19,127	255,437	294,986	65,139	21,469	86,608	381,594
Professional fees	12,268	1,757	123,978	138,003	64,514	13,274	77,788	215,791
Supplies	69,940	10,128	407,209	487,277	110,694	56,564	167,258	654,535
Telephone	21,547	2,249	86,930	110,726	52,991	1,118	54,109	164,835
Postage and shipping	2,482	-	23,782	26,264	7,405	58,125	65,530	91,794
Occupancy	161,267	46,639	393,636	601,542	207,954	551	208,505	810,047
Furnishings and equipment	15,616	348	42,239	58,203	47,974	-	47,974	106,177
Printing and publications	12,942	424	45,749	59,115	28,717	289,884	318,601	377,716
Travel, meals, and transportation	42,219	3,312	65,986	111,517	106,611	3,270	109,881	221,398
Conferences, meetings, and major trips	25,577	-	4,091	29,668	16,368	1,160	17,528	47,196
Specific assistance to individuals	889,506	6,926	2,003,789	2,900,221	50,452	49,372	99,824	3,000,045
Organization dues	3,155	-	2,009	5,164	3,687	1,495	5,182	10,346
Awards and grants	26,296	-	100	26,396	54,404	-	54,404	80,800
Miscellaneous	1,432	-	250	1,682	16,844	500	17,344	19,026
Support services	84,088	65,635	761,972	911,695	-	-	-	911,695
Depreciation	9,893	2,103	35,832	47,828	-	-	-	47,828
Total Expenses	<u>\$ 1,650,589</u>	<u>\$ 529,918</u>	<u>\$7,553,069</u>	<u>\$ 9,733,576</u>	<u>\$ 1,366,339</u>	<u>\$ 895,958</u>	<u>\$ 2,262,297</u>	<u>\$ 11,995,873</u>

See Notes to Financial Statements.

THE SALVATION ARMY
 NORTHEAST FLORIDA AREA COMMAND OPERATING FUND
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STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2009

JAMES KNUTZEN & ASSOCIATES
 C.P.A.'s, P.A.

	Corps Community <u>Center</u>	Residential and <u>Institutional</u>	Other Social <u>Services</u>	Total Program <u>Services</u>	Management and <u>General</u>	Fund <u>Raising</u>	Total Supporting <u>Services</u>	Total <u>Expenses</u>
Salaries and officer allowances	\$ 201,371	\$ 249,190	\$2,736,631	\$ 3,187,192	\$ 312,706	\$ 342,338	\$ 655,044	\$ 3,842,236
Officer and employee benefits	35,738	73,867	574,705	684,310	115,646	44,070	159,716	844,026
Payroll taxes	10,541	17,408	239,043	266,992	63,028	21,301	84,329	351,321
Professional fees	23,779	2,054	152,974	178,807	80,757	18,092	98,849	277,656
Supplies	41,478	22,148	291,152	354,778	71,208	46,804	118,012	472,790
Telephone	17,379	2,464	102,824	122,667	55,897	2,830	58,727	181,394
Postage and shipping	5,786	-	22,161	27,947	9,677	78,951	88,628	116,575
Occupancy	138,906	42,258	383,555	564,719	186,962	6,038	193,000	757,719
Furnishings and equipment	1,191	90	27,606	28,887	43,013	4,215	47,228	76,115
Printing and publications	12,957	-	42,772	55,729	19,011	280,605	299,616	355,345
Travel, meals, and transportation	61,707	3,981	73,970	139,658	50,590	10,538	61,128	200,786
Conferences, meetings, and major trips	34,660	-	4,455	39,115	15,263	550	15,813	54,928
Specific assistance to individuals	620,946	24,766	3,648,852	4,294,564	110,778	54,280	165,058	4,459,622
Organization dues	3,059	-	2,324	5,383	3,146	744	3,890	9,273
Awards and grants	24,165	-	-	24,165	53,400	8,727	62,127	86,292
Miscellaneous	22,824	-	-	22,824	117,823	2,000	119,823	142,647
Support services	59,228	46,755	805,895	911,878	-	-	-	911,878
Depreciation	21,050	2,248	44,934	68,232	-	-	-	68,232
Total Expenses	<u>\$ 1,336,765</u>	<u>\$ 487,229</u>	<u>\$9,153,853</u>	<u>\$ 10,977,847</u>	<u>\$1,308,905</u>	<u>\$ 922,083</u>	<u>\$ 2,230,988</u>	<u>\$ 13,208,835</u>

See Notes to Financial Statements.

THE SALVATION ARMY
NORTHEAST FLORIDA AREA COMMAND OPERATING FUND
(a division of The Salvation Army Northeast Florida Area Command,
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STATEMENTS OF CASH FLOWS
For The Years Ended September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (488,853)	\$ 764,405
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Changes in Operating Assets and Liabilities:		
Depreciation	47,828	68,232
Decrease in accounts receivable	36,706	18,832
(Increase) decrease in other assets	62,827	(30,143)
Increase (decrease) in accounts payable and accrued expenses	371,189	(589,091)
Increase in refundable advances	131,950	-
Decrease in funds held in trust	<u>(89,385)</u>	<u>(27,888)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>72,262</u>	<u>204,347</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Equipment and vehicles-net	<u>(24,068)</u>	<u>(78,892)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(24,068)</u>	<u>(78,892)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>48,194</u>	<u>125,455</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,169,312</u>	<u>1,043,857</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,217,506</u>	<u>\$ 1,169,312</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during year		
Interest expense	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements.

THE SALVATION ARMY
NORTHEAST FLORIDA AREA COMMAND OPERATING FUND
(a division of The Salvation Army Northeast Florida Area Command,
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NOTES TO FINANCIAL STATEMENTS
September 30, 2010 and 2009

1. Purpose and Organization

The Salvation Army, founded in 1865, is a not-for-profit international religious organization and charitable movement organized and operated on a quasi-military pattern and is a branch of the Christian Church. Its membership includes officers (clergy), soldiers and adherents (laity), members of varied activity groups and volunteers who serve as advisors, associates and committed participants in its service functions.

The accompanying financial statements are summaries of the financial position, results of operations, net asset classifications and sources and applications of cash of the Northeast Florida Area Command Operating Fund (the "Operating Fund"), a unit of The Salvation Army, a Georgia corporation. The Operating Fund does not include investments of the Area Command. Financial support is provided by contributions, grants, and program fees.

The Salvation Army is an organization exempt from income taxation under Section 501(a) as an entity as described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended and is exempt from state income taxes under related state provisions.

The Salvation Army operates a variety of programs including corps community centers that provide spiritual, educational, and recreational services; homeless and emergency shelters; children's day care centers; emergency disaster services; assistance for the poor, disabled, and retired; misdemeanor corrections and non-secure drug programs; and other related programs.

2. Summary of Significant Accounting Policies

a. General

Basis of Presentation

The accompanying financial statements have been prepared in accordance with the national accounting policies of The Salvation Army. These policies are consistent with accounting principles generally accepted in the United States of America.

THE SALVATION ARMY
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NOTES TO FINANCIAL STATEMENTS
September 30, 2010 and 2009
(continued)

2. Summary of Significant Accounting Policies (continued)

In order to observe restrictions which donors place on grants and other gifts, all assets, liabilities and activities are accounted for in the following net asset classifications:

Unrestricted Net Assets – not subject to donor imposed restrictions. Unrestricted net assets may be designated for specific purposes or locations by action of the Board of Trustees/Directors.

Temporarily Restricted Net Assets – subject to donor imposed stipulations that may be fulfilled by actions of The Salvation Army to meet the stipulations or become unrestricted at the date specified by the donor.

Permanently Restricted Net Assets – subject to donor imposed stipulations that they may be retained and invested permanently by The Salvation Army. The donors require The Salvation Army to use all or part of the investment return on these net assets for specified or unspecified purposes.

Support and revenue are reported as increases in unrestricted net assets unless use of the related assets is limited by donor imposed restrictions that are not fulfilled in the accounting period. All expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets, that is, the expiration of the donor imposed stipulated purpose or the elapsing of the specified time period, are reported as reclassifications of net assets.

Contributions subject to donor-imposed restrictions are recorded as temporarily restricted support and are reclassified to unrestricted support when the donor-imposed restriction has been fulfilled or the stipulated time period has elapsed.

b. Cash and Cash Equivalents

For purposes of these statements, cash equivalents are defined as short term, highly liquid investments that are readily convertible to known amounts of cash and having original maturities of three months or less.

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NOTES TO FINANCIAL STATEMENTS
September 30, 2010 and 2009
(continued)

2. Summary of Significant Accounting Policies (continued)

c. Revenue and Support

All items of revenue and support are stated on the accrual basis, including revenues receivable as reimbursements for incurred costs from government units and other third party payers.

- i. Contributions with donor-imposed restrictions that are met in the same accounting period are recorded as unrestricted income at the time of receipt.
- ii. Contributions of temporarily restricted long-lived assets are assumed to be temporarily restricted over the specified period of the restriction.

d. Donations-In-Kind and Contributed Services

Material gifts-in-kind items used in Salvation Army Corps and Unit programs and services (e.g., vehicles, free rent, equipment, etc.) and donated goods distributed (e.g., clothing, furniture, foodstuffs, etc.) are recorded as income and expense at the time the items are placed into service or distributed.

Goods donated for sale in Salvation Army adult rehabilitation centers and thrift stores are recorded as contributions and processed donations in kind on the basis of a percentage of sales income determined by appraisal studies.

Contributed services are reported as contributions at their fair value if such services create or enhance non-financial assets, would have been purchased if not provided by contribution, require specialized skills and are provided by individuals possessing such specialized skills. In addition, the appropriate value of donated services of individuals is recorded when such services qualify for cost reimbursement from third-party providers.

e. Expenses

All expenses are stated on the accrual basis and presented in a functionalized statement.

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NOTES TO FINANCIAL STATEMENTS
September 30, 2010 and 2009
(continued)

2. Summary of Significant Accounting Policies (continued)

f. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. Cash and Cash Equivalents

Cash accounts are maintained for separate functions within the Operating Fund. The Misdemeanant Probation program, more particularly described in Footnote 9, is one of those functions and maintains funds held for the courts and others. These funds, totaling \$162,038 and \$251,423 at September 30, 2010 and 2009, respectively, are not available for operations.

4. <u>Accounts Receivable</u>	<u>2010</u>	<u>2009</u>
Florida Department of Corrections		
Non-secure drug program	\$ 58,140	\$ 47,967
Probation and restitution center	46,717	25,367
Faith-Based Transitional Housing	4,320	4,660
Florida Department of Health		
Child Food Program	8,979	-0-
Salvation Army Units	2,925	77,047
Child Care Development Center Tuition receivable	1,170	1,564
Other receivables	-0-	2,352
Total	<u>\$ 122,251</u>	<u>\$ 158,957</u>

The Operating Fund maintains an allowance for doubtful accounts for the Child Care Development Center. The allowance account had a balance of \$635 and \$814 for the year ending September 30, 2010 and 2009, respectively.

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NOTES TO FINANCIAL STATEMENTS
September 30, 2010 and 2009
(continued)

5. Pension, Retirement and Postretirement Benefits

Employee Pension Plan

Eligible employees participate in The Salvation Army Pension Plan with other Salvation Army territories which provides for death, disability and retirement benefits. The Employee Pension Plan is a defined contribution, money purchase plan.

Annual contributions to the Plan are based on a stipulated percentage of employees' salaries. The Operating Fund incurred expenses of \$155,175 and \$147,583 under this plan in fiscal year 2010 and 2009, respectively.

Officers' Retirement and Other Postretirement Benefits Provision

The Salvation Army has a retirement provision for Officers, which provides retirement benefits and certain health care and death benefits to retired officers, as defined by Salvation Army policy governing such benefits. The corporate headquarters has total responsibility for the administration of retirement benefits. Retirement allowances are determined based upon active officer allowances and length of service. Provision for these benefits is made principally by annual assessments to all centers of operation, by designated portions from legacy income, by earnings on assets designated for retirement benefits, and by special appropriations. Amounts charged to the Operating Fund and included in expenses for this provision were \$12,000 and \$12,000 in fiscal years 2010 and 2009.

6. Related Party Transactions

The Operating Fund is assessed an administrative charge by The Salvation Army Florida Divisional Headquarters for support services provided by the Florida Divisional Headquarters and the Southern Territorial Headquarters to the Operating Fund. Support services provided by Divisional and Territorial Headquarters include program, personnel, business, and social services. Expenses reflected for these services were \$911,669 and \$911,878 in fiscal 2010 and 2009, respectively.

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NOTES TO FINANCIAL STATEMENTS
September 30, 2010 and 2009
(continued)

6. Related Party Transactions (continued)

The Salvation Army provides certain health care and death benefits for active Salvation Army officers and Auxiliary-Captains through Officers' and Auxiliary-Captains' Sick Benefit and Burial Funds, as defined by the national Salvation Army policy. All active Salvation Army officers and Auxiliary-Captains and their eligible dependents are eligible for these benefits. Amounts charged to the Operating Fund and included in expenses for this plan were \$33,216 in fiscal 2010 and 2009.

Employees of The Salvation Army are provided health benefits under a self-insured program which is administered by a third-party claims administrator. Amounts charged to the Operating Fund and included in expenses were \$727,119 and \$695,457 in fiscal 2010 and 2009, respectively.

The Salvation Army maintains self-insurance programs for general liability, automobile workers compensation and property coverage. The programs which are administered by Territorial Headquarters are intended to provide coverage for claims arising in all centers of operation. Amounts charged to the Operating Fund and included in expenses were \$112,986 and \$111,704 in fiscal 2010 and 2009, respectively.

The Operating Fund received \$171,032 and \$916,664 in fiscal year 2010 and 2009, respectively, from funds held by Territorial Headquarters for operations which is reflected as contributions in the accompanying financial statements. \$735,969 of the fiscal year 2009 total was used to reduce payables owed to Territorial and Divisional Headquarters

The Salvation Army Florida Divisional Headquarters and the Southern Territorial Headquarters provide funding for operating costs which are recorded as payables by the operating fund. These payables totaled \$586,758 and \$348,608 at September 30, 2010 and 2009.

7. Net Asset Classifications

Temporarily restricted net assets of \$59,909 and \$55,180 are available for the welfare and support of needy persons at September 30, 2010 and 2009, respectively.

THE SALVATION ARMY
NORTHEAST FLORIDA AREA COMMAND OPERATING FUND
(a division of The Salvation Army Northeast Florida Area Command,
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NOTES TO FINANCIAL STATEMENTS
September 30, 2010 and 2009
(continued)

8. Net Assets Released from Restrictions

Net assets of \$24,971 and \$62,997 were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by the donors during fiscal years 2010 and 2009.

9. Fines and Restitutions

The Misdemeanant Probation program of the Northeast Florida Area Command Operating Fund collects fines and restitution funds from program participants on behalf of the Judicial Courts of surrounding counties in the northern Florida area. Court ordered fines collected are remitted to the respective county, while receipts of court ordered restitutions are remitted directly to victims. The Operating Fund recorded the cash balance of the Fines and Restitutions account as cash and cash equivalents in the September 30, 2010 and 2009 financial statements. The liability to these county courts and individuals was reflected as Funds Held in Trust.

10. Concentration of Credit Risk

The Operating Fund maintains bank accounts with an FDIC insured bank and, although not regularly, exceeded depository insurance limits.

11. Property and Equipment

Depreciation expense is computed on the straight-line basis over the estimated service life of the assets and range from 3 to 8 years.

	<u>2010</u>	<u>2009</u>
Vehicles and equipment	\$ 587,464	\$ 587,469
Accumulated depreciation	<u>(454,597)</u>	<u>(430,842)</u>
	<u>\$ 132,867</u>	<u>\$ 156,627</u>

12. Subsequent Events

In preparing these financial statements, the organization has evaluated events and transactions for potential recognition or disclosure through January 12, 2011, the date the financial statements were available to be issued.

**JAMES KNUTZEN & ASSOCIATES
C.P.A.'s, P.A.**

**THE SALVATION ARMY
NORTHEAST FLORIDA AREA COMMAND OPERATING FUND
(a division of The Salvation Army Northeast Florida Area Command,
a unit of the Salvation Army, a Georgia Corporation)**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

For The Year Ended September 30, 2010

<u>Federal/State Agency, Pass-through Entity, Federal Program/State Project</u>	<u>Contract Period</u>	<u>CFDA CSFA Number</u>	<u>Contract Number</u>	<u>Expenditures</u>	<u>Transfers to Subrecipients</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Passed Through State of Florida					
Department of Children and Families:					
Homeless Prevention and Rapid Re-Housing - American Recovery & Reinvestment Act	10/1/09 - 9/30/10	14.262	NFZR2	217,978	-
Emergency Shelter Grant	10/1/09 - 9/30/10	14.231	DF224	50,185	-
Emergency Shelter Grant	10/1/09 - 9/30/10	14.231	DF227	55,150	-
Emergency Shelter Grant	10/1/09 - 9/30/10	14.231	NF065	37,302	-
City of Jacksonville:					
Homeless Prevention and Rapid Re-Housing - American Recovery & Reinvestment Act	10/1/09 - 9/30/10	14.262	7818-24	157,018	-
				<u>517,633</u>	<u>-</u>
U.S. DEPARTMENT OF AGRICULTURE					
Passed Through State of Florida					
Department of Health:					
Child and Adult Care Food Program	10/1/09 - 9/30/10	1-1003	10.558	33,664	-
Child and Adult Care Food Program	10/1/09 - 9/30/10	11-1273	10.558	21,920	-
				<u>55,584</u>	<u>-</u>
U.S. DEPARTMENT OF HOMELAND SECURITY					
Passed Through National Board of Emergency Food and Shelter Programs:					
Emergency Food and Shelter	10/1/09 - 9/30/10	160800-009	97.024	17,119	-
Emergency Food and Shelter	10/1/09 - 9/30/10	170800-008	97.024	2,765	-
Emergency Food and Shelter - American Recovery & Reinvestment Act	10/1/09 - 9/30/10	170800-008	97.114	2,765	-
Emergency Food and Shelter	10/1/09 - 9/30/10	158800-002	97.024	10,337	-
Emergency Food and Shelter - American Recovery & Reinvestment Act	10/1/09 - 9/30/10	158800-002	97.114	5,101	-
				<u>38,087</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u><u>611,304</u></u>	<u><u>-</u></u>
FLORIDA DEPARTMENT OF CORRECTIONS					
Direct Projects					
Community Substance Abuse Program	10/1/09 - 9/30/10	70.016	C2421	698,557	-
Offender Supervision-Probation and Restitution Center	10/1/09 - 9/30/10	70.003	C2358	301,712	-
Community Corrections-Faith Based Substance Abuse Post Release	10/1/09 - 9/30/10	70.011	C2261	61,020	-
				<u>1,061,289</u>	<u>-</u>
FLORIDA AGENCY FOR WORKFORCE INNOVATION					
Pass-through Early Learning Coalition of Duval					
Voluntary Pre-Kindergarten Education Program	10/1/08 - 9/30/09	75.007		79,658	-
				<u>79,658</u>	<u>-</u>
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE				<u><u>\$ 1,140,947</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of this schedule.

THE SALVATION ARMY
NORTHEAST FLORIDA AREA COMMAND OPERATING FUND
(a division of The Salvation Army Northeast Florida Area Command,
a unit of The Salvation Army, a Georgia Corporation)

NOTES TO SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For The Year Ended September 30, 2010

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state grant activity of The Salvation Army Northeast Florida Area Command Operating Fund and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and “Rules of the Auditor General” Chapter 10.650. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

JAMES KNUTZEN & ASSOCIATES, C.P.A.'s, P.A.

5150 Belfort Road, Bldg. 300
JACKSONVILLE, FLORIDA 32256
(904) 725-5832 FAX (904) 727-6835
Email: office@knutzencpa.com

James Knutzen, C.P.A., M.B.A.
Todd Middlemas, C.P.A., M.B.A.
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Adelina E. Anderson, C.P.A.

MEMBER OF
AMERICAN AND FLORIDA
INSTITUTES OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
The Salvation Army, A Georgia Corporation

We have audited the financial statements of The Salvation Army Northeast Florida Area Command Operating Fund (the "Operating Fund"), as of and for the year ended September 30, 2010, and have issued our report thereon dated January 12, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Operating Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Operating Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Operating Fund's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting (2010-1 and 2010-2). A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Operating Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2010-1 and 2010-2.

We noted certain matters that we reported to management of the Operating Fund in a separate letter dated January 12, 2011.

The Salvation Army Northeast Florida Area Command Operating Fund's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Operating Fund's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Florida Department of Corrections, the Florida Department of Health, Florida Department of Children and Families, and the City of Jacksonville, is not intended to be and should not be used by anyone other than these specified parties.



James Knutzen & Associates, C.P.A.'s, P.A.
Jacksonville, Florida
January 12, 2011

JAMES KNUTZEN & ASSOCIATES, C.P.A.'s, P.A.

5150 Belfort Road, Bldg. 300
JACKSONVILLE, FLORIDA 32256
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MEMBER OF
AMERICAN AND FLORIDA
INSTITUTES OF
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM
AND STATE PROJECT AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND
CHAPTER 10.650, RULES OF THE AUDITOR GENERAL**

Board of Trustees
The Salvation Army, A Georgia Corporation

Compliance

We have audited the compliance of The Salvation Army Northeast Florida Area Command Operating Fund (the "Operating Fund") with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement and Department of Financial Services' State Projects Compliance Supplement, that are applicable to each of its major federal programs and state projects for the year ended September 30, 2010. The Operating Fund's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs and state projects is the responsibility of The Operating Fund's management. Our responsibility is to express an opinion on The Operating Fund's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.650 Rules of the Auditor General. Those standards and OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about The Operating Fund's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on The Operating Fund's compliance with those requirements.

In our opinion the Operating Fund complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and state projects for the year ended September 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2010-1 and 2010-2.

Internal Control over Compliance

Management of the Operating Fund is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs and state projects. In planning and performing our audit, we considered The Operating Fund's internal control over compliance with the requirements that could have a direct and material effect on a major federal program or state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Operating Fund's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2010-1 and 2010-2. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Salvation Army Northeast Florida Area Command Operating Fund's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Operating Fund's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the audit committee, management, the Florida Department of Corrections, Florida Department of Health, Florida Department of Children and Families, and the City of Jacksonville, and is not intended to be and should not be used by anyone other than these specified parties.



James Knutzen & Associates, C.P.A.'s, P.A.

Jacksonville, Florida

January 12, 2011

THE SALVATION ARMY
NORTHEAST FLORIDA AREA COMMAND OPERATING FUND
(a division of The Salvation Army Northeast Florida Area Command,
a unit of The Salvation Army, a Georgia Corporation)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FEDERAL PROGRAMS AND STATE PROJECTS

YEAR ENDED SEPTEMBER 30, 2010

Section I--Summary of Auditor's Results

Financial Statements

Unqualified auditors' report issued:

Internal control over financial reporting:

Material weakness(es) identified?	_____ yes	_____ X no
Significant deficiency(ies) identified?	_____ X yes	_____ none reported
Noncompliance material to financial statements noted?	_____ yes	_____ X no

Federal and State Awards

Internal Control over major programs:

Material weakness(es) identified?	_____ yes	_____ X no
Significant deficiency(ies) identified?	_____ X yes	_____ none reported

Qualified auditor's report issued on compliance for major programs:

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133 or Chapter 10.650, Rules of the Auditor General ?	_____ X yes	_____ no
---	--------------------	----------

Identification of major programs/projects:	CSFA #'s CFDA #'s	Name of Federal Program or Cluster or State Project
--	----------------------	---

Federal:

Homelessness Prevention and Rapid Re-Housing	14.257	N/A
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State:

Community Substance Abuse Program	70.016	N/A
--	---------------	------------

Dollar threshold used to distinguish between type A and type B programs and projects:

\$300,000

Auditee qualified as low risk auditee?	_____ X yes	_____ no
--	--------------------	----------

THE SALVATION ARMY
NORTHEAST FLORIDA AREA COMMAND OPERATING FUND
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
FEDERAL PROGRAMS AND STATE PROJECTS

Year Ended September 30, 2010

- continued -

Section II – Financial Statement Findings

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

2010-1: Homelessness Prevention and Rapid Re-Housing Program (HPRP), Grant #NFZR2
(Passed through Florida Department of Children and Families to Salvation Army in St. Johns
County), CFDA 14.257.

Criteria: Grant recipients must file timely and accurate quarterly reports.

Statement of Condition: Grant-to-date expenses reported on certain quarterly reports were inconsistent with prior reports. Stabilization Services payroll expenses were inconsistent with supporting documents.

Context: Grant reports for the first five quarters of the grant were inspected, compared, and traced to supporting documents.

Cause of Condition: The federal grant is a new program. At the inception of the grant certain guidelines may have been unclear, and the Salvation Army accounting department may not have understood their responsibilities in the grant reporting process.

Effect of Condition: Total expenses reported under this grant do not match the bank account activity each quarter, and the amount of grant revenue and expense is unclear.

Recommendations: We recommend that at the end of each quarter the Salvation Army reconcile activity in the grant bank account, transfer payroll funds out of the account, and complete the quarterly report using both accounting department and program service department data. Any inconsistencies between the two sources of data should be resolved prior to filing the quarterly report. Grant-to-date totals should be checked against prior filings for accuracy.

Views of Responsible Officials: Management concurs with the finding. Grant reports will be checked and re-filed if necessary.

THE SALVATION ARMY
NORTHEAST FLORIDA AREA COMMAND OPERATING FUND
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
FEDERAL PROGRAMS AND STATE PROJECTS

Year Ended September 30, 2010

- continued -

Section II – Financial Statement Findings, continued

2010-2: Homelessness Prevention and Rapid Re-Housing Program (HPRP), Grant #NFZR2 (Passed through Florida Department of Children and Families to Salvation Army in St. Johns County), CFDA 14.257.

Criteria: Cash management principles for federal grants require recipients to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement.

Statement of Condition: The Salvation Army did not appear to withdraw Stabilization Services case management payroll funds from the grant bank account on a timely basis.

Context: Grant reports for the first five quarters of the grant were compared to the corresponding bank statements at the end of each quarter.

Cause of Condition: The federal grant is a new program and the Salvation Army does not appear to have a clear policy on the timing and transfer of payroll funds from the grant bank account.

Effect of Condition: Even though the Salvation Army continued to receive grant advances each quarter, the grant bank account appeared to have unspent funds. Withdrawals of funds to cover payroll expenses appear to have been made retroactively, which resulted in problems with grant reporting.

Recommendations: We recommend that prior to the end of each quarter the Salvation Army identify payroll costs associated with the grant, and transfer these funds out of the grant bank account.

Views of Responsible Officials: Management concurs with the finding and will formulate a policy on timing and transfer of payroll funds from the grant bank account.

THE SALVATION ARMY
NORTHEAST FLORIDA AREA COMMAND OPERATING FUND
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
FEDERAL PROGRAMS AND STATE PROJECTS

Year Ended September 30, 2010

- continued -

Section III – Federal and State Award Findings and Questioned Costs

Federal Award findings and questioned costs are described above as items 2010-1 and 2010-2.
There are no state award findings or questioned costs.

Section IV – Summary Schedule of Prior Audit Findings

None.



DOING
THE MOST
GOODSM

William Booth, *Founder*
Shaw Clifton, *General*
Israel Gaither, *National Commander*
Maxwell Feener, *Territorial Commander*
Lt. Colonel Vernon Jewett, *Divisional Commander*
Major H. Dean Hinson, *Area Commander*

**Northeast Florida
Advisory Board**

Executive Committee:

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Vice Chairman
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Treasurer
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Arthur "Buddy" Jacobs
Glorious Johnson
Hobart Joost, Jr.
Stephen Joost
Tommy Lee
M. Richard Lewis, Jr.
Dr. Richard Lipsey
Arthur W. Milam
Ernestine Moody-Robinson
Ricardo Morales, Jr.
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Honorary Member:
Capt. Aaron L. Bowman, USN

Corrective Action Plan

U.S. Department of Housing and Urban Development

The Salvation Army Jacksonville Corps respectfully submits the following corrective action plan for the year ended September 30, 2010.

2010-1: Homelessness Prevention and Rapid Re-Housing Program (HPRP), Grant #NFZR2 (St. Johns County), CFDA 14.257.

Recommendations: The auditors recommend that at the end of each quarter the Salvation Army reconcile activity in the grant bank account, transfer payroll funds out of the account, and complete the quarterly report using both accounting department and program service department data. Any inconsistencies between the two sources of data should be resolved prior to filing the quarterly report. Grant-to-date totals should be checked against prior filings for accuracy.

Action Taken: We concur with the recommendation, and it was implemented effective January 21, 2011.

2010-2: Homelessness Prevention and Rapid Re-Housing Program (HPRP), Grant #NFZR2 (St. Johns County), CFDA 14.257.

Recommendations: The auditors recommend that prior to the end of each quarter the Salvation Army identify payroll costs associated with the grant, and transfer these funds out of the grant bank account.

Action Taken: We concur with the recommendation, and it was implemented effective January 21, 2011.

Sincerely,

H. Dean Hinson, Major
Northeast Florida Area Commander

Please Reply To:

Northeast Florida Area Command

□ 328 N. Ocean Street, Jacksonville, FL 32202 Ph (904) 301-4875 Fax (904) 366-9238



Have you included The Salvation Army in your will?

JAMES KNUTZEN & ASSOCIATES, C.P.A.'s, P.A.

5150 Belfort Road, Bldg. 300
JACKSONVILLE, FLORIDA 32256
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MEMBER OF
AMERICAN AND FLORIDA
INSTITUTES OF
CERTIFIED PUBLIC ACCOUNTANTS

January 12, 2011

Board of Trustees
The Salvation Army, A Georgia Corporation
Jacksonville, Florida

We have audited the financial statements of The Salvation Army Northeast Florida Area Command Operating Fund as of and for the fiscal year ended September 30, 2010 and have issued our report dated January 12, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters, Independent Auditors' Report on Compliance with Requirements Applicable to each Major Federal Program and State Project and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated January 12, 2011, should be considered in conjunction with the management letter.

Additionally, our audit was conducted in accordance with Chapter 10.650, Rules of the Auditor General, which requires disclosure in the management letter of violations of provisions of contracts or grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In addition, for matters that have an inconsequential effect on the financial statements or State project amounts, considering both quantitative and qualitative factors, the following may be reported based on professional judgment: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, that have occurred, or are likely to have occurred, (2) Deficiencies in internal control that are not significant deficiencies. In connection with our audit, the following matters are required to be disclosed:

Board of Directors
The Salvation Army Northeast Florida
Area Command Operating Fund
January 12, 2011
Page Two

2010-3: Violations of Contractual Provisions:

Criteria: The Florida Department of Corrections contract requires a 35% successful discharge rate for Probation and Restitution Center participants.

Condition: The Salvation Army Northeast Florida Area Command Operating Fund Probation and Restitution Center did not achieve a 35% successful discharge rate.

Cause of the Deficiency: Due to the nature of the clientele's background, locating stable employment, a place of residence and the ability to manage personal finances can be very difficult.

Possible effect: The Department of Correction's goal of rehabilitating adult offenders may not be completely achieved.

Recommendations: We recommend that you continue to discuss program outcomes and goals with the Department of Corrections and ensure that your program meets the Department's objectives to the fullest extent possible.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of The Salvation Army Northeast Florida Area Command Operating Fund and management, and the State of Florida Office of the Auditor General, Florida Department of Corrections, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,


James Knutzen & Associates, C.P.A.'s, P.A.



DOING THE MOST GOODSM

William Booth, *Founder*
Shaw Clifton, *General*
Israel Gaither, *National Commander*
Maxwell Feener, *Territorial Commander*
Lt. Colonel Vernon Jewett, *Divisional Commander*
Major H. Dean Hinson, *Area Commander*

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MANAGEMENT LETTER RESPONSE

2010-3: Contractual Provisions:

Recommendations: The auditors noted that the Department of Corrections Probation and Restitution Center contract requires a 35% successful discharge rate, which was not achieved. The auditors recommend continued discussions regarding program outcomes and goals with the Department of Corrections to ensure that the program meets the Department's objectives to the fullest extent possible.

Response: It is our goal to have every offender successfully complete the program, however, due to circumstances beyond our control, some do not. We will continue to work with the Department of Corrections to provide the highest quality program possible.

Respectfully submitted,

H. Dean Hinson, Major
Northeast Florida Area Command

Please Reply To:

Northeast Florida Area Command

□ 328 N. Ocean Street, Jacksonville, FL 32202 Ph (904) 301-4875 Fax (904) 366-9238



Have you included The Salvation Army in your will?

JAMES KNUTZEN & ASSOCIATES, C.P.A.'s, P.A.

5150 Belfort Road, Bldg. 300
JACKSONVILLE, FLORIDA 32256
(904) 725-5832 FAX (904) 727-6835
Email: office@knutzencpa.com

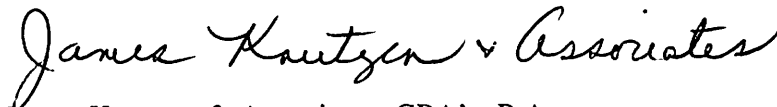
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Todd Middlemas, C.P.A., M.B.A.
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INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

Board of Trustees
The Salvation Army, A Georgia Corporation

We have audited the financial statements of The Salvation Army Northeast Florida Area Command Operating Fund, a division of The Salvation Army Northeast Florida Area Command, a unit of The Salvation Army, a Georgia corporation, as of and for the years ended September 30, 2010 and 2009, and our report thereon dated January 12, 2011, which expressed an unqualified opinion on those financial statements, appears on Page 1. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The information on page 31 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.



James Knutzen & Associates, CPA's, P.A.
Jacksonville, Florida
January 12, 2011

THE SALVATION ARMY
NORTHEAST FLORIDA AREA COMMAND OPERATING FUND
(a division of The Salvation Army Northeast Florida Area Command,
a unit of The Salvation Army, a Georgia Corporation)

SUPPLEMENTARY INFORMATION
SCHEDULES OF THE SOURCE AND STATUS OF FUNDS
RECEIVED FROM THE CITY OF JACKSONVILLE, FLORIDA

For the Year Ended September 30, 2010

Public Service Grant - Homeless Emergency Services

Grant Period: 10/1/09 - 9/30/10

Amount of Grant: \$40,109

	<u>Award Budget</u>	<u>2010 Actual</u>	<u>Remaining Budget</u>
Cash receipts	\$ 40,109	\$ 40,109	\$ -
Cash disbursements			
Shelter operations	40,109	40,109	-
	<u> </u>	<u> </u>	<u> </u>
Cash receipts in excess of cash disbursements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Homeless Prevention and Rapid Re-Housing Program

Contract Number: 7818-24

Grant Period: 10/1/09 - 9/30/10

Amount of Contract: \$296,218

	<u>Award Budget</u>	<u>2010 Actual</u>	<u>Remaining Budget</u>
Cash receipts	\$ 296,218	\$ 169,882	\$ 126,336
Cash disbursements			
Homeless Prevention Financial Assistance	121,731	119,132	2,599
Case Management	74,487	45,220	29,267
Rapid Re-Housing Financial Assistance	50,000	-	50,000
Case Management	50,000	5,530	44,470
	<u>296,218</u>	<u>169,882</u>	<u>126,336</u>
Cash receipts in excess of cash disbursements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>