

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS

THE SALVATION ARMY
ST. PETERSBURG, FLORIDA AREA COMMAND
CHILDREN'S VILLAGE

September 30, 2010 and 2009

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The Salvation Army
St. Petersburg, Florida Area Command
Children's Village

STATEMENTS OF FINANCIAL POSITION

September 30,

| | 2010 | 2009 |
|---|-------------------|-------------------|
| ASSETS | | |
| Cash and cash equivalents (notes A10 and H) | \$ 251,085 | \$ 249,626 |
| Accounts receivable (note A5) | | |
| Third party | 61,213 | 50,473 |
| Related party (note G) | 19,307 | 38,206 |
| Total current assets | 331,605 | 338,305 |
| Investments (notes A6, A7 and B) | 77,735 | 72,398 |
| Equipment - net (note A8) | 32,374 | 26,060 |
| TOTAL ASSETS | \$ 441,714 | \$ 436,763 |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 28,022 | \$ 26,889 |
| Due to The Salvation Army (note G) | | |
| Divisional Headquarters | 9,521 | 19,557 |
| Territorial Headquarters | 125,149 | 125,149 |
| | 134,670 | 144,706 |
| Total liabilities | 162,692 | 171,595 |
| Net assets (notes A3 and A4) | | |
| Unrestricted | 201,255 | 192,738 |
| Permanently restricted | 77,767 | 72,430 |
| | 279,022 | 265,168 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 441,714 | \$ 436,763 |

The accompanying notes are an integral part of these statements.

The Salvation Army
St. Petersburg, Florida Area Command
Children's Village

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended September 30, 2010

| | Unrestricted | Permanently Restricted | Total |
|--|--------------|---------------------------|------------|
| REVENUE AND SUPPORT | | | |
| Contributions (note A3) | \$ 270,542 | \$ - | \$ 270,542 |
| Grants from governmental agencies (note E) | 711,699 | - | 711,699 |
| Investment and interest income | 183 | 5,337 | 5,520 |
| | 982,424 | 5,337 | 987,761 |
| PROGRAM EXPENSES | | | |
| Salaries and allowances | 396,200 | - | 396,200 |
| Employee benefits (notes C and D) | 109,245 | - | 109,245 |
| Payroll taxes and workers' compensation | 45,720 | - | 45,720 |
| Professional fees (note G) | 11,045 | - | 11,045 |
| Educational, recreational and craft supplies | 9,839 | - | 9,839 |
| Food costs | 75,599 | - | 75,599 |
| Office supplies, postage and shipping | 9,075 | - | 9,075 |
| Telephone and utilities | 57,597 | - | 57,597 |
| Occupancy | 23,438 | - | 23,438 |
| Property maintenance and repairs | 16,434 | - | 16,434 |
| Transportation, meals and conferences | 21,259 | - | 21,259 |
| Advertising | 601 | - | 601 |
| Furnishings and equipment | 6,987 | - | 6,987 |
| Depreciation | 21,853 | - | 21,853 |
| Support services (note G) | 168,585 | - | 168,585 |
| Miscellaneous | 430 | - | 430 |
| | 973,907 | - | 973,907 |
| Change in net assets | 8,517 | 5,337 | 13,854 |
| Net assets at beginning of year | 192,738 | 72,430 | 265,168 |
| Net assets at end of year | \$ 201,255 | \$ 77,767 | \$ 279,022 |

The accompanying notes are an integral part of this statement.

The Salvation Army
St. Petersburg, Florida Area Command
Children's Village

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended September 30, 2009

| | Unrestricted | Permanently Restricted | Total |
|--|--------------|---------------------------|------------|
| REVENUE AND SUPPORT | | | |
| Contributions (note A3) | \$ 191,608 | \$ - | \$ 191,608 |
| Grants from governmental agencies (note E) | 754,973 | - | 754,973 |
| Investment and interest income | 186 | (870) | (684) |
| | 946,767 | (870) | 945,897 |
| PROGRAM EXPENSES | | | |
| Salaries and allowances | 398,196 | - | 398,196 |
| Employee benefits (notes C and D) | 93,785 | - | 93,785 |
| Payroll taxes and workers' compensation | 45,343 | - | 45,343 |
| Professional fees (note G) | 64,126 | - | 64,126 |
| Educational, recreational and craft supplies | 8,658 | - | 8,658 |
| Food costs | 70,401 | - | 70,401 |
| Office supplies, postage and shipping | 7,695 | - | 7,695 |
| Telephone and utilities | 55,277 | - | 55,277 |
| Occupancy | 10,668 | - | 10,668 |
| Property maintenance and repairs | 18,037 | - | 18,037 |
| Transportation, meals and conferences | 22,865 | - | 22,865 |
| Advertising | 806 | - | 806 |
| Furnishings and equipment | 11,484 | - | 11,484 |
| Depreciation | 18,936 | - | 18,936 |
| Support services (note G) | 117,620 | - | 117,620 |
| Miscellaneous | 365 | - | 365 |
| | 944,262 | - | 944,262 |
| Change in net assets | 2,505 | (870) | 1,635 |
| Net assets at beginning of year | 190,233 | 73,300 | 263,533 |
| Net assets at end of year | \$ 192,738 | \$ 72,430 | \$ 265,168 |

The accompanying notes are an integral part of this statement.

The Salvation Army
St. Petersburg, Florida Area Command
Children's Village

STATEMENTS OF CASH FLOWS

For the year ended September 30,

| | <u>2010</u> | <u>2009</u> |
|--|--------------------------|--------------------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ 13,854 | \$ 1,635 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Depreciation | 21,853 | 18,936 |
| Decrease in accounts receivable | 8,159 | 37,984 |
| Net realized and unrealized change in value of investments | (5,337) | 872 |
| (Decrease) increase in accounts payable, accrued expenses and due to related parties | <u>(8,903)</u> | <u>4,668</u> |
| Total adjustments | <u>15,772</u> | <u>62,460</u> |
| Net cash provided by operating activities | <u>29,626</u> | <u>64,095</u> |
| Cash flows from investing activities | | |
| Purchase of vehicles | <u>(28,167)</u> | <u>-</u> |
| Net cash used by investing activities | <u>(28,167)</u> | <u>-</u> |
| Net increase in cash and cash equivalents | 1,459 | 64,095 |
| Cash and cash equivalents at beginning of year | <u>249,626</u> | <u>185,531</u> |
| Cash and cash equivalents at end of year | <u><u>\$ 251,085</u></u> | <u><u>\$ 249,626</u></u> |

The accompanying notes are an integral part of these statements.

The Salvation Army
St. Petersburg, Florida Area Command
Children's Village

NOTES TO FINANCIAL STATEMENTS

September 30, 2010 and 2009

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES

A description of the organization and a summary of its significant accounting policies consistently applied in the preparation of the accompanying financial statements follow:

1. Description of the 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 Salvation Army St. Petersburg, Florida Area Command operates a variety of programs including a community center, day care services, transient lodge, social services and related programs. The accompanying financial statements are summaries of the financial position, activities and changes in net assets, and cash flows of The Salvation Army St. Petersburg, Florida Area Command Children's Village (the "Program"). The Program is one of the programs operated by The Salvation Army St. Petersburg, Florida Area Command, an operating unit of The Salvation Army, a Georgia corporation. The Program does not include land and buildings that are not under legal control and discretion of the Program.

The purpose of the Program is to accommodate children in foster care, with special emphasis on keeping brothers and sisters together. The Program provides a long-term home and stable family, giving children a chance to feel loved and become part of a family and community. The Program began operations in November 2001.

2. Basis of Accounting

The accompanying financial statements have been prepared in accordance with the national accounting policies of The Salvation Army. These policies are consistent with those appearing in the *Audit and Accounting Guide - Not-for-Profit Organizations* issued by the American Institute of Certified Public Accountants.

The Program does not present a Statement of Functional Expenses as the expenses included in the accompanying financial statements represent the expenses of one Program.

The accompanying financial statements have been prepared on the accrual basis of accounting, in conformity with accounting principles generally accepted in the United States of America, which require 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.

The Salvation Army
St. Petersburg, Florida Area Command
Children's Village

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2010 and 2009

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES - Continued

3. Financial Accounting Standards

The Program adheres to the provisions of the Financial Accounting Standards Board *Accounting Standards Codification* ("FASB ASC").

FASB ASC 958-605 requires the Program to distinguish between contributions that increase permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets. It also requires recognition of contributed services meeting certain criteria at fair values.

FASB ASC 958-205 establishes standards for general purpose external financial statements of not-for-profit organizations and requires a statement of financial position, a statement of activities and changes in net assets, and a statement of cash flows. It also requires the classification of resources into three classes of net assets based on the absence or existence of donor imposed restrictions. These three classifications are defined as follows:

Unrestricted Net Assets - not subject to donor-imposed restrictions or the donor-imposed restrictions have expired. Unrestricted net assets may be designated for specific purposes or locations by action of the Advisory Board.

Temporarily Restricted Net Assets - subject to donor-imposed stipulations that may be fulfilled by actions of the Program 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 be retained and invested permanently by the Program. The donors require the Program to use all or part of the investment return on these net assets for specified or unspecified purposes.

4. Accounts Receivable

The Program receives support from state and local grants. None of the amounts receivable at September 30, 2010 and 2009 are deemed to be uncollectible. Therefore, no provision for uncollectible amounts has been made in the accompanying financial statements.

5. Investments and Investment Income

Corporate headquarters has the responsibility for investment activity for all units within the territory for unrestricted assets, including board-designated assets; temporarily restricted assets; and permanently restricted assets. The temporarily restricted assets, including the life income funds, and permanently restricted asset portfolios are maintained on a pooled "mutual fund" accounting basis with the total earnings, investment expenses, appreciation and depreciation, whether realized or unrealized, being allocated to each participating account on a pro-rata basis.

The Salvation Army
St. Petersburg, Florida Area Command
Children's Village

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2010 and 2009

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Investment income and net appreciation (depreciation) on investments of donor endowments, whether permanently or temporarily restricted, are reported as follow:

- As increases in permanently restricted net assets if the terms of the gift or relevant state law require that they be added back to the principal of the permanently restricted contributions.
- As increases in temporarily restricted net assets if the terms of the gift or state law impose restrictions on the current use of the investment income or net appreciation (depreciation).
- As increases in unrestricted net assets in all other cases.

Included in investments are \$77,735 and \$72,398, classified as permanently restricted assets at September 30, 2010 and 2009, respectively, for an endowment campaign.

6. Fair Value Measurements

Financial Accounting Standards Board *Accounting Standards Codification* 820 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

- | | |
|---------|--|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Program has the ability to access. |
| Level 2 | Inputs to the valuation methodology include: <ul style="list-style-type: none">• Quoted prices for similar assets or liabilities in active markets;• Quoted prices for identical or similar assets or liabilities in inactive markets;• Inputs other than quoted prices that are observable for that asset or liability; |

The Salvation Army
St. Petersburg, Florida Area Command
Children's Village

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2010 and 2009

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for significant assets and liabilities measured at fair value at September 30, 2010 and 2009:

Cash and cash equivalents: The carrying amounts reported in the Statement of Financial Position approximate the fair value because of the short maturities of those instruments.

Investments: Valued at the closing price reported on the active market on which the individual securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, while the Program believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The estimated fair values of the Program's significant financial instruments are as follows:

| <u>September 30, 2010</u> | <u>Fair Value</u> | <u>Level 1 Inputs</u> | <u>Level 2 Inputs</u> | <u>Level 3 Inputs</u> |
|----------------------------------|--------------------------|----------------------------------|----------------------------------|----------------------------------|
| Cash and cash equivalents | \$ 251,085 | \$ 251,085 | \$ - | \$ - |
| Investments | <u>77,735</u> | <u>77,735</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 328,820</u> | <u>\$ 328,820</u> | <u>\$ -</u> | <u>\$ -</u> |

The Salvation Army
St. Petersburg, Florida Area Command
Children's Village

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2010 and 2009

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

| <u>September 30, 2009</u> | <u>Fair Value</u> | <u>Level 1 Inputs</u> | <u>Level 2 Inputs</u> | <u>Level 3 Inputs</u> |
|---------------------------|-------------------|---------------------------|---------------------------|---------------------------|
| Cash and cash equivalents | \$ 249,626 | \$ 249,626 | \$ - | \$ - |
| Investments | <u>72,398</u> | <u>72,398</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 322,024</u> | <u>\$ 322,024</u> | <u>\$ -</u> | <u>\$ -</u> |

7. Vehicles, Depreciation and Reserves

Capitalized equipment is stated at cost or, if donated, at fair market value at the date of donation. As a matter of policy, items costing \$10,000 or more are capitalized and all items are expensed. Depreciation is provided on vehicles at straight-line rates based on estimated service lives of three years. A full month of depreciation is charged in the month of acquisition, and no depreciation is charged in the month of disposition.

Provision is made for major future costs of replacement of vehicles by transfer of operating net assets to board designated unrestricted net assets. Cash and cash equivalents included \$9,268 and \$19,467 for replacement of vehicles as of September 30, 2010 and 2009, respectively.

8. Donated Services

The Program does not record the estimated fair value of donated services since there is no objective basis to measure the value of such services.

9. Cash Equivalents

For purposes of the financial statements, cash equivalents are defined as short term, highly liquid money market instruments that are both readily convertible to known amounts of cash and having original maturities of three months or less when purchased.

NOTE B - INVESTMENTS

Salvation Army policy requires that the investment of assets for all centers of operation be made through the corporate portfolio only, under the administration of the Board of Trustees/Directors. Assets that are restricted by donors for use in a center of operation are invested on a pooled mutual fund basis and receive total net rate of return. These invested assets are treated as investments in the financial statements.

The Salvation Army
St. Petersburg, Florida Area Command
Children's Village

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2010 and 2009

NOTE C - EMPLOYEE PENSION PLAN

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

Annual contributions to the Pension Plan are based on a stipulated percentage of employees' salaries. Eligible employees represent employees who work full-time and have been employed for two years. The Program incurred \$18,257 and \$18,018 of expenses under this plan for the years ended September 30, 2010 and 2009, respectively, of which approximately \$4,400 and \$4,087 is included in accounts payable and accrued expenses at September 30, 2010 and 2009, respectively.

NOTE D - EMPLOYEE MEDICAL PLAN

Employees of The Salvation Army are provided health benefits under a self-insured plan that is administered by a third party claims administrator. Amounts charged to the Program and included in expense for this plan were \$85,615 and \$72,825 for the years ended September 30, 2010 and 2009, respectively.

NOTE E - GRANTS FROM GOVERNMENTAL AGENCY

Primary funding of the Program is from grants from the State of Florida Department of Children and Families and Eckerd Youth Alternatives, Inc. The grants provide funding for operating expenses, support services and employment assistance for the Program. The Program received approximately \$712,000 and \$755,000 for the years ended September 30, 2010 and 2009, respectively, from all grant funding services. The Program has renewed its grants with the State of Florida Department of Children and Families and Eckerd Youth Alternatives, Inc. through June 30, 2011.

NOTE F - INCOME TAX STATUS

The Salvation Army has received a determination of tax exempt status under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been reflected in the accompanying financial statements.

NOTE G - RELATED PARTY TRANSACTIONS

The Program is assessed an administrative charge for support services provided by the Florida Divisional Headquarters and the Southern Territorial Headquarters. The support services include administration related to program, personnel, business, and social services provided to the Program. Total support services charged to the Program was \$168,585 and \$117,620, of which \$9,521 and \$19,557 is included in liabilities, for the years ended September 30, 2010 and 2009, respectively.

The Salvation Army
St. Petersburg, Florida Area Command
Children's Village

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2010 and 2009

NOTE G - RELATED PARTY TRANSACTIONS - Continued

The Program receives advances from Territorial Headquarters for working capital purposes, of which \$125,149 is included in due to Territorial Headquarters at both September 30, 2010 and 2009.

In addition, the Program has paid The Salvation Army St. Petersburg Area Command \$48,575 and \$39,130 for administrative services for the years ended September 30, 2010 and 2009, respectively.

Also, the Program has a related party receivable for services with Territorial Headquarters and Florida Divisional Headquarters of \$19,307 and \$38,206 at September 30, 2010 and 2009, respectively.

NOTE H - CONCENTRATION OF CREDIT RISK

The Program occasionally maintains deposits in excess of federally insured limits. Statement of Financial Accounting Standards No. 105 identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by maintaining all deposits in high quality financial institutions.

NOTE I – SUBSEQUENT EVENTS

The Program has evaluated events and transactions occurring subsequent to September 30, 2010 as of January 4, 2011 which is the date the financial statements were available to be issued. Subsequent events occurring after January 4, 2011 have not been evaluated by management. No material events have occurred since September 30, 2010 that require recognition or disclosure in the financial statements.

SUPPLEMENTAL INFORMATION

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

THE SALVATION ARMY
ST. PETERSBURG, FLORIDA AREA COMMAND
CHILDREN'S VILLAGE

For the year ended September 30, 2010

The Salvation Army
 St. Petersburg, Florida Area Command
 Children's Village

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

For the year ended September 30, 2010

| <u>State Grantor/Project Title</u> | <u>State CSFA</u> | <u>Contract Number</u> | <u>State Expenditures</u> |
|---|-----------------------|----------------------------|-------------------------------|
| Florida Department of Children & Families | | | |
| Salvation Army Children's Village - Pinellas County | 60.064 | QJ14R | \$ 244,788 |
| Passed-through Eckerd Youth Alternatives, Inc. Community Based Care Supports | 60.094 | ECA-OHC-SAA-FY10 | <u>361,152</u> |
| | | | <u>\$ 605,940</u> |

The accompanying notes are an integral part of this schedule.

The Salvation Army
St. Petersburg, Florida Area Command
Children's Village

NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

September 30, 2010

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of State Financial Assistance includes the state grant activity of The Salvation Army St. Petersburg, Florida Area Command Children's Village (the "Program") and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Chapter 10.650, *Rules of the Auditor General*. Therefore, some amounts presented in this schedule may differ from amounts presented, or used in the preparation of the basic financial statements.

NOTE B - CONTINGENCIES

These state projects are subject to financial and compliance audits by grantor agencies, which, if instances of material noncompliance are found, may result in disallowed expenditures, and affect the Program's continued participation in specific programs. The amount of expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although the Program expects such amounts, if any, to be immaterial.

NOTE C - SUBRECIPIENTS

The Program had no subrecipients.

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*

THE SALVATION ARMY
ST. PETERSBURG, FLORIDA AREA COMMAND
CHILDREN'S VILLAGE

September 30, 2010

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Program'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of The Salvation Army, management, and pass-through entities and is not intended to be used and should not be used by anyone other than these specified parties.

Bucio, Gardner & Company, P.A.

Tampa, Florida
January 4, 2011

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH STATE PROJECT
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
CHAPTER 10.650, *RULES OF THE AUDITOR GENERAL*

THE SALVATION ARMY
ST. PETERSBURG, FLORIDA AREA COMMAND
CHILDREN'S VILLAGE

September 30, 2010

Internal Control Over Compliance

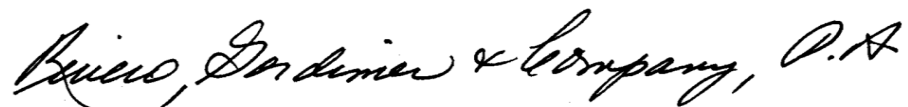
The management of the Program is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state projects. In planning and performing our audit, we considered the Program's internal control over compliance with requirements that could have a direct and material effect on a major state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance in accordance with Chapter 10.650, *Rules of the Auditor General*. Accordingly, we do not express an opinion on the effectiveness of the Program's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state project that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

This report is intended solely for the information and use of The Salvation Army management, pass-through entities, and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Tampa, Florida
January 4, 2011

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

THE SALVATION ARMY
ST. PETERSBURG, FLORIDA AREA COMMAND
CHILDREN'S VILLAGE

September 30, 2010

The Salvation Army
 St. Petersburg, Florida Area Command
 Children's Village

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended September 30, 2010

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued Unqualified

Internal control over financial reporting

Material weakness(es) identified? ___ yes X no

Significant deficiency(ies) identified that are not
 considered to be material weakness(es)? ___ yes X none reported

Noncompliance material to financial statements noted? ___ yes X no

Major Projects

Internal control over major projects

Material weakness(es) identified? ___ yes X no

Significant deficiency(ies) identified that are not
 considered to be material weakness(es)? ___ yes X none reported

Type of auditors' report issued on compliance for
 major projects Unqualified

Identification of major state projects:

| <u>CSFA Number</u> | <u>Name of State Project</u> |
|--------------------|--|
| 60.064 | Salvation Army Children's Village Pinellas County |
| 60.094 | Community Based Care Supports |

Dollar threshold used to distinguish between type A
 and type B state projects: \$ 181,782

The Salvation Army
St. Petersburg, Florida Area Command
Children's Village

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the year ended September 30, 2010

Section II - Financial Statement Findings

NO MATTERS TO REPORT

Section III - State Financial Assistance Findings and Questioned Costs

NO MATTERS TO REPORT

Section IV - Other Issues

No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to state projects.

MANAGEMENT LETTER

THE SALVATION ARMY
ST. PETERSBURG, FLORIDA AREA COMMAND
CHILDREN'S VILLAGE

September 30, 2010

