

THE SALVATION ARMY  
DAYTONA BEACH NON-SECURE  
DRUG TREATMENT PROGRAM

(a division of The Salvation Army Daytona Beach Corps,  
a unit of The Salvation Army, a Georgia Corporation)

FINANCIAL STATEMENTS  
Year Ended September 30, 2012

THE SALVATION ARMY  
DAYTONA BEACH NON-SECURE DRUG TREATMENT PROGRAM  
(a division of The Salvation Army Daytona Beach Corps,  
a unit of The Salvation Army, a Georgia Corporation)

TABLE OF CONTENTS

	<u>Pages</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-11
SUPPLEMENTARY INFORMATION:	
Schedule of Expenditures of State Financial Assistance and Notes	12-13
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 <i>GOVERNMENT AUDITING STANDARDS</i>	14-15
REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH CHAPTER 10.650, RULES OF THE AUDITOR GENERAL	16-17
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	18-19
MANAGEMENT LETTER	20-21
MANAGEMENT LETTER RESPONSE	22

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

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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 statement of financial position of The Salvation Army Daytona Beach Non-Secure Drug Treatment Program, a division of The Salvation Army Daytona Beach Corps, a unit of The Salvation Army, a Georgia corporation, as of September 30, 2012, and the related statements of activities, functional expenses, 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 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Daytona Beach Non-Secure Drug Treatment Program as of September 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2013 on our consideration of the organization's internal control over financial reporting and on 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 audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of State Financial Assistance is presented for purposes of additional analysis as required by Section 215.97, Florida Statutes and Chapter 10.650; *Rules of the Auditor General* 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 audit 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 Schedule of Expenditures of State Financial Assistance is fairly stated, in all material respects, in relation to the financial statements as a whole.



James Knutzen & Associates, C.P.A.'s, P.A.  
Jacksonville, Florida  
April 24, 2013

THE SALVATION ARMY  
DAYTONA BEACH NON-SECURE DRUG TREATMENT PROGRAM  
(a division of The Salvation Army Daytona Beach Corps,  
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STATEMENT OF FINANCIAL POSITION  
September 30, 2012

ASSETS

Current Assets:	
Cash and cash equivalents (Note 2)	\$ 54,629
Accounts receivable, contract	49,528
Accounts receivable, client	<u>2,633</u>
Total Current Assets	<u>106,790</u>
Other assets	<u>4,456</u>
Total Assets	<u>\$ 111,246</u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable, related party (Note 7)	\$ 504,382
Accounts payable, trade	2,869
Accrued payroll	<u>8,941</u>
Total Current Liabilities	<u>516,192</u>
Total Liabilities	<u>516,192</u>
Net Assets:	
Unrestricted	<u>(404,946)</u>
Total Net Assets	<u>(404,946)</u>
Total Liabilities and Net Assets	<u>\$ 111,246</u>

See Notes to Financial Statements.

THE SALVATION ARMY  
DAYTONA BEACH NON-SECURE DRUG TREATMENT PROGRAM  
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STATEMENT OF ACTIVITIES

For The Year Ended September 30, 2012

Changes in Unrestricted Net Assets:

Unrestricted Revenue	
Government contracts, state	\$ 522,184
Government contracts, federal	36,377
Program service fees	12,711
Other income	1,897
Total Unrestricted Revenue	<u>573,169</u>
Expenses	
Program Services:	
Drug treatment program	<u>513,027</u>
Supporting Services	<u>120,860</u>
Total Expenses	<u>633,887</u>
Changes in Unrestricted Net Assets	<u>(60,718)</u>
Changes in Net Assets	(60,718)
Net Assets (Deficit) at Beginning of Year	<u>(344,228)</u>
Net Assets (Deficit) at End of Year	<u>\$ (404,946)</u>

See Notes to Financial Statements.

THE SALVATION ARMY  
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STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended September 30, 2012

	Program <u>Services</u>	Supporting <u>Services</u>	Total <u>Expenses</u>
Salaries	\$ 239,391	\$ -	\$ 239,391
Employee benefits	52,781	-	52,781
Payroll taxes	17,593	-	17,593
Professional fees	7,395	-	7,395
Supplies	6,294	-	6,294
Telephone	3,049	-	3,049
Occupancy	101,400	-	101,400
Furnishings and equipment	2,354	-	2,354
Travel, meals, and transportation	5,958	-	5,958
Client food and medical	74,887	-	74,887
Miscellaneous	1,925	-	1,925
Payments to affiliated organizations	-	67,988	67,988
Overhead fee	-	52,872	52,872
	<hr/>	<hr/>	<hr/>
Total Expenses	<u>\$ 513,027</u>	<u>\$ 120,860</u>	<u>\$ 633,887</u>

See Notes to Financial Statements.

THE SALVATION ARMY  
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STATEMENT OF CASH FLOWS

For The Year Ended September 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Changes in net assets	\$ (60,718)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Changes in Operating Assets and Liabilities:	
Decrease in accounts receivable	34,400
Increase in accounts payable	72,488
Decrease in accrued expenses	<u>(915)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>45,255</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>45,255</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>9,374</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 54,629</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid during year	
Interest expense	<u>\$ -</u>

See Notes to Financial Statements.



THE SALVATION ARMY  
DAYTONA BEACH NON-SECURE DRUG TREATMENT PROGRAM  
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NOTES TO FINANCIAL STATEMENTS  
September 30, 2012

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 Salvation Army Daytona Beach Non-Secure Drug Treatment Program (NDTP), a division of The Salvation Army Daytona Beach Corps, a unit of The Salvation Army, a Georgia corporation.

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 Non-Secure Drug Treatment Program offers residential treatment and rehabilitation for drug offenders who have been referred by the Seventh Judicial Circuit Court System, Volusia County, Florida and the program's major source of revenue is a contract with the Florida Department of Corrections.

2. 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, 2012  
(continued)

2. 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 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 as unrestricted 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, 2012  
(continued)

2. Significant Accounting Policies (continued)

c. Revenue and Support

All items revenue and support are stated on the accrual basis, including revenues receivable as reimbursements for incurred costs from governmental 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 the Salvation Army Corps and unit programs and services (e.g., vehicle, free rent, equipment, etc.) and donated goods distributed (clothing, furniture, and 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 as 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 nonfinancial 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 as an expense 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.

THE SALVATION ARMY  
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NOTES TO FINANCIAL STATEMENTS

September 30, 2012

(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.

g. Allowance for Uncollectible Accounts

Receivables are stated at their estimated realizable value. No allowance for uncollectible accounts is maintained and accounts are written off as they are deemed uncollectible.

3. 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 Non-Secure Drug Treatment Program incurred expenses of \$9,213 under this plan in fiscal year 2012.

4. Property and Equipment

The Non-Secure Drug Treatment Program uses property and equipment owed by the Daytona Beach Corps and other units of the Salvation Army.

5. Concentrations

Approximately 91% of the Non-Secure Drug Treatment Program's funding is provided from two contracts with the Florida Department of Corrections, and approximately 95% of accounts receivable are due from the Department of Corrections.

6. Subsequent Events

In preparing these financial statements, the organization has evaluated events and transactions for potential recognition or disclosure through April 24, 2013, the date the financial statements were available to be issued.

THE SALVATION ARMY  
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NOTES TO FINANCIAL STATEMENTS

September 30, 2012

(continued)

7. Related Party Transactions

The Non-Secure Drug Treatment Program (NDTP) 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 \$67,988 in fiscal 2012.

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 NDTP and included in expenses were \$35,771 in fiscal 2012.

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 NDTP and included in expenses were \$11,551 in fiscal 2012.

The NDTP owes Divisional Headquarters \$31,634 as of September 30, 2012 and owes Territorial Headquarters \$126,353 as of September 30, 2012.

The Non-Secure Drug Treatment Program (NDTP) is assessed an administrative charge by The Salvation Army Daytona Beach Corps for support services provided by the Corps which include personnel, business and management support. Expenses reflected for these services were \$52,872 in fiscal 2012. The NDTP also reimbursed The Salvation Army Daytona Beach Corps for rent in the amount of \$60,000 for fiscal 2012, food expenses of \$70,330 for fiscal 2012, and utilities and telephone expenses of \$26,499 for fiscal 2012. The NDTP owes the Daytona Beach Corps \$346,395 as of September 30, 2012.

8. Net Asset Classifications

None of the Non-Secure Drug Treatment Program's net assets are subject to donor-imposed restrictions. Accordingly, all net assets are accounted for as unrestricted net assets under the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification 958.

THE SALVATION ARMY  
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(a division of The Salvation Army Daytona Beach Corps,  
a unit of The Salvation Army, a Georgia Corporation)

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

For The Year Ended September 30, 2012

<u>State Agency, Pass-through Entity, State Project</u>	<u>Contract Period</u>	<u>CFSA Number</u>	<u>Contract No.</u>	<u>Expenditures</u>	<u>Transfers to Subrecipients</u>
FLORIDA DEPARTMENT OF CORRECTIONS					
Direct Projects					
Transitional Services - Post Release	10/1/11 - 9/30/12	70.011	C2684	\$ 25,600	\$ -
Substance Abuse Services	10/1/11 - 9/30/12	70.016	C2689	<u>496,584</u>	<u>-</u>
TOTAL FLORIDA DEPARTMENT OF CORRECTIONS				<u>522,184</u>	<u>-</u>
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE				<u>\$ 522,184</u>	<u>\$ -</u>

The accompanying notes are an integral part of this schedule.

THE SALVATION ARMY  
DAYTONA BEACH NON-SECURE DRUG TREATMENT PROGRAM  
(a division of The Salvation Army Daytona Beach Corps,  
a unit of The Salvation Army, a Georgia Corporation)

NOTES TO SCHEDULE OF EXPENDITURES OF  
STATE FINANCIAL ASSISTANCE  
For The Year Ended September 30, 2012

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of State Financial Assistance includes the state grant activity of The Salvation Army Daytona Beach Non-Secure Drug Treatment Program and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the State of Florida “Rules of the Auditor General” Chapter 10.650. Because the Schedule presents only a selected portion of the operations of The Salvation Army Daytona Beach Non-Secure Drug Treatment Program, it is not intended to and does not present the financial position, changes in net assets, or cash flows of The Salvation Army Daytona Beach Non-Secure Drug Treatment Program.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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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 Daytona Beach Non-Secure Drug Treatment Program (a nonprofit organization) as of and for the year ended September 30, 2012, and have issued our report thereon dated April 24, 2013. 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

Management of The Salvation Army Daytona Beach Non-Secure Drug Treatment Program is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered The Salvation Army Daytona Beach Non-Secure Drug Treatment Program'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 Salvation Army Daytona Beach Non-Secure Drug Treatment Program's the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the organization'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.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Salvation Army Daytona Beach Non-Secure Drug Treatment 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*.

We noted certain matters that we reported to management of The Salvation Army Daytona Beach Non-Secure Drug Treatment Program in a separate letter dated April 24, 2013.

This report is intended solely for the information and use of the audit committee, board of directors, management, others within the organization and the Florida Department of Corrections 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  
April 24, 2013

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

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

Board of Directors  
The Salvation Army Non-Secure Drug Treatment Program  
Daytona Beach, Florida

Compliance

We have audited The Salvation Army Daytona Beach Non-Secure Drug Treatment Program's compliance with the types of compliance requirements described in the Department of Financial Services' State Projects Compliance Supplement that could have a direct and material effect on each of its major state projects for the year ended September 30, 2012. The Salvation Army Daytona Beach Non-Secure Drug Treatment Program's major 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 state projects is the responsibility of The Salvation Army Daytona Beach Non-Secure Drug Treatment Program's management. Our responsibility is to express an opinion on The Salvation Army Daytona Beach Non-Secure Drug Treatment Program'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 Chapter 10.650, Rules of the Auditor General. Those standards 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 state project occurred. An audit includes examining, on a test basis, evidence about The Salvation Army Daytona Beach Non-Secure Drug Treatment Program'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 Salvation Army Daytona Beach Non-Secure Drug Treatment Program's compliance with those requirements.

In our opinion, The Salvation Army Daytona Beach Non-Secure Drug Treatment Program complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state projects for the year ended September 30, 2012.

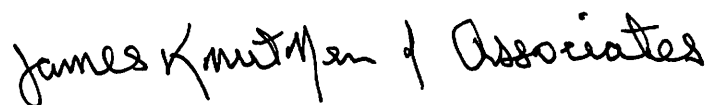
### Internal Control Over Compliance

Management of The Salvation Army Daytona Beach Non-Secure Drug Treatment Program is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to state projects. In planning and performing our audit, we considered The Salvation Army Daytona Beach Non-Secure Drug Treatment Program's internal control over compliance with the requirements that could have a direct and material effect on a major state project to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with 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 Salvation Army Daytona Beach Non-Secure Drug Treatment Program'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 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 state project will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the 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 over compliance 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.

This report is intended solely for the information and use of the board of directors, management and state awarding agencies and is not intended and should not be used by anyone other than these specified parties.



James Knutzen & Associates, C.P.A.'s, P.A.  
Jacksonville, Florida  
April 24, 2013

THE SALVATION ARMY  
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DRUG TREATMENT PROGRAM

(a division of The Salvation Army Daytona Beach Corps,  
a unit of The Salvation Army, a Georgia Corporation)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
STATE PROJECTS

Year Ended September 30, 2012

**Section I--Summary of Auditors' Results**

Financial Statements:

Unqualified auditors' report issued

Internal control over financial reporting:

Material weakness(es) identified?	_____	YES	<u>  X  </u>	NO
Significant deficiency(ies) identified?	_____	YES	<u>  X  </u>	NO
Noncompliance material to financial statements noted?	_____	YES	<u>  X  </u>	NO

State Awards:

Internal control over major projects:

Material weakness(es) identified?	_____	YES	<u>  X  </u>	NO
Significant deficiency(ies) identified?	_____	YES	<u>  X  </u>	NO

Unqualified auditors' report issued on compliance for major projects:

Any audit findings disclosed that are required to be reported in accordance with Rules of the Auditor General 10.656	_____	YES	<u>  X  </u>	NO
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Identification of major projects:

CSFA #'s

Substance Abuse Services	70.016	2012
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Dollar threshold used to distinguish between type A and  
type B programs:

\$156,655

**Section II--Financial Statement Findings**

None

THE SALVATION ARMY  
DAYTONA BEACH NON-SECURE  
DRUG TREATMENT PROGRAM

(a division of The Salvation Army Daytona Beach Corps,  
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
STATE PROJECTS

Year Ended September 30, 2012

**Section III--State Award Findings and Questioned Costs**

Major State Projects Audit:

None

**Section IV--Summary Schedule of Prior Audit Findings**

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

**Section V--Corrective Action Plan**

No Corrective Action Plan is required because there were no findings required to be reported under the Florida Single Audit Act.

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

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Michael J. Connelly, C.P.A.  
Greg A. Korn, C.P.A.

MEMBER OF  
AMERICAN AND FLORIDA  
INSTITUTES OF  
CERTIFIED PUBLIC ACCOUNTANTS

April 24, 2013

Board of Trustees  
The Salvation Army, A Georgia Corporation  
Daytona Beach, Florida

We have audited the financial statements of The Salvation Army Daytona Beach Non-Secure Drug Treatment Program as of and for the fiscal year ended September 30, 2012 and have issued our report dated April 24, 2013.

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 Chapter 10.650, Rules of the Auditor General. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major State Project and on Internal Control over Compliance in Accordance with Chapter 10.650, Rules of the Auditor General, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated April 24, 2013, 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, fraud, illegal acts, 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 Daytona Beach  
Non-Secure Drug Treatment Program  
April 24, 2013  
Page Two

2012-1: Violations of Contractual Provisions:

*Criteria:* The Florida Department of Corrections contract requires a 51% successful discharge rate for the Non-Secure Drug Treatment Program participants.

*Condition:* The Salvation Army Daytona Beach Non-Secure Drug Treatment Program did not achieve a 51% successful discharge rate as of September 30, 2012.

*Cause of the Deficiency:* Due to the nature of the clientele's background, successful completion of a substance abuse treatment program can be very difficult.

*Possible effect:* The Department of Correction's goal of rehabilitating substance abusers 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.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the State of Florida Office of the Auditor General, Florida Department of Corrections, The Salvation Army Daytona Beach Non-Secure Drug Treatment Program and management, 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.

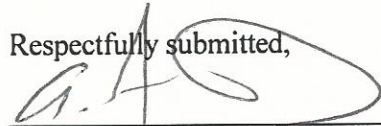
## MANAGEMENT LETTER RESPONSE

### 2012-1: Contractual Provisions:

*Recommendations:* The auditors noted that the Department of Corrections Non-Secure Drug Treatment contract requires a 51% successful discharge rate, which was not achieved as of September 30, 2012. 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 substance abuse client 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,



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Major Austruberto Flores  
Daytona Beach Corps