

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS

THE SALVATION ARMY ST. PETERSBURG AREA COMMAND
GENERAL OPERATING FUND

September 30, 2012 and 2011

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Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Command taken as a whole. The accompanying supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards and State Financial 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 Chapter 10.650, *State of Florida Rules of the Auditor General*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other 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 records used to prepare the financial statements or 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.

Bucio, Gordinier & Company, P.A.

Tampa, Florida
January 31, 2013

The Salvation Army St. Petersburg Area Command
General Operating Fund

STATEMENT OF FINANCIAL POSITION

September 30, 2012

	Unrestricted	Permanently Restricted	Total
ASSETS			
Cash and cash equivalents (notes A9, A11 and I)	\$ 1,368,356	\$ -	\$ 1,368,356
Accounts receivable (note A6)			
Grants (note E)	242,181	-	242,181
Other	1,178	-	1,178
Investments (notes A7, A8, B and C)	-	89,454	89,454
Vehicles and equipment, net of accumulated depreciation (notes A9 and F)	61,970	-	61,970
TOTAL ASSETS	\$ 1,673,685	\$ 89,454	\$ 1,763,139
LIABILITIES AND NET ASSETS			
Accounts payable			
Trade	\$ 69,213	\$ -	\$ 69,213
Related party (note H)	286,306	-	286,306
Accrued expenses and other liabilities	107,731	-	107,731
TOTAL LIABILITIES	463,250	-	463,250
Net assets			
Unrestricted	1,210,435	-	1,210,435
Permanently restricted (note C)	-	89,454	89,454
	1,210,435	89,454	1,299,889
TOTAL LIABILITIES AND NET ASSETS	\$ 1,673,685	\$ 89,454	\$ 1,763,139

The accompanying notes are an integral part of this statement.

The Salvation Army St. Petersburg Area Command
General Operating Fund

STATEMENT OF FINANCIAL POSITION

September 30, 2011

	Unrestricted	Permanently Restricted	Total
ASSETS			
Cash and cash equivalents (notes A9, A11 and I)	\$ 1,580,178	\$ -	\$ 1,580,178
Accounts receivable (note A6)			
Grants (note E)	188,528	-	188,528
Related party (note H)	112	-	112
Other	26,519	-	26,519
Investments (notes A7, A8, B and C)	-	80,041	80,041
Vehicles and equipment, net of accumulated depreciation (notes A9 and F)	82,757	-	82,757
TOTAL ASSETS	\$ 1,878,094	\$ 80,041	\$ 1,958,135
LIABILITIES AND NET ASSETS			
Accounts payable			
Trade	\$ 65,577	\$ -	\$ 65,577
Related party (note H)	240,979	-	240,979
Accrued expenses and other liabilities	114,033	-	114,033
TOTAL LIABILITIES	420,589	-	420,589
Net assets			
Unrestricted	1,457,505	-	1,457,505
Permanently restricted (note C)	-	80,041	80,041
	1,457,505	80,041	1,537,546
TOTAL LIABILITIES AND NET ASSETS	\$ 1,878,094	\$ 80,041	\$ 1,958,135

The accompanying notes are an integral part of this statement.

The Salvation Army St. Petersburg Area Command
General Operating Fund

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended September 30, 2012

	Unrestricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE			
Contributions (notes A4 and A5)	\$ 3,707,288	\$ -	\$ 3,707,288
Grants from governmental agencies (note E)	2,250,541	-	2,250,541
Program service fees	86,603	-	86,603
Interest and other	12,082	9,413	21,495
	<u>6,056,514</u>	<u>9,413</u>	<u>6,065,927</u>
EXPENSES			
Program services			
Corps community center	1,070,705	-	1,070,705
Residential and institutional	3,331,587	-	3,331,587
Other social services	825,856	-	825,856
	<u>5,228,148</u>	<u>-</u>	<u>5,228,148</u>
Supporting services			
Management and general	528,626	-	528,626
Fundraising	546,810	-	546,810
	<u>6,303,584</u>	<u>-</u>	<u>6,303,584</u>
Change in net assets	(247,070)	9,413	(237,657)
Net assets at beginning of year	<u>1,457,505</u>	<u>80,041</u>	<u>1,537,546</u>
Net assets at end of year	<u>\$ 1,210,435</u>	<u>\$ 89,454</u>	<u>\$ 1,299,889</u>

The accompanying notes are an integral part of this statement.

The Salvation Army St. Petersburg Area Command
General Operating Fund

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended September 30, 2011

	Unrestricted	Restricted	Total
PUBLIC SUPPORT AND REVENUE			
Contributions (notes A4 and A5)	\$ 3,355,356	\$ -	\$ 3,355,356
Grants from governmental agencies (note E)	2,185,389	-	2,185,389
Program service fees	148,400	-	148,400
Interest and other	43,860	2,306	46,166
	<u>5,733,005</u>	<u>2,306</u>	<u>5,735,311</u>
EXPENSES			
Program services			
Corps community center	906,869	-	906,869
Residential and institutional	3,280,783	-	3,280,783
Other social services	656,012	-	656,012
	<u>4,843,664</u>	<u>-</u>	<u>4,843,664</u>
Supporting services			
Management and general	523,464	-	523,464
Fundraising	510,000	-	510,000
	<u>5,877,128</u>	<u>-</u>	<u>5,877,128</u>
Change in net assets	(144,123)	2,306	(141,817)
Net assets at beginning of year	<u>1,601,628</u>	<u>77,735</u>	<u>1,679,363</u>
Net assets at end of year	<u>\$ 1,457,505</u>	<u>\$ 80,041</u>	<u>\$ 1,537,546</u>

The accompanying notes are an integral part of this statement.

The Salvation Army St. Petersburg Area Command
General Operating Fund

STATEMENTS OF CASH FLOWS

For the year ended September 30,

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities	<u>\$ (237,657)</u>	<u>\$ (141,817)</u>
Change in net assets		
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	45,817	51,473
(Increase) decrease in accounts receivable	(28,200)	86,028
Net realized and unrealized changes in value of investments	(9,413)	(2,306)
Increase (decrease) in accounts payable	48,963	(16,289)
(Decrease) increase in accrued expenses and other liabilities	<u>(6,302)</u>	<u>13,143</u>
Total adjustments	<u>50,865</u>	<u>132,049</u>
Net cash used by operating activities	<u>(186,792)</u>	<u>(9,768)</u>
Cash flows from investing activities		
Purchase of equipment	<u>(25,030)</u>	<u>(37,313)</u>
Net cash used by investing activities	<u>(25,030)</u>	<u>(37,313)</u>
Net decrease in cash and cash equivalents	(211,822)	(47,081)
Cash and cash equivalents at beginning of year	<u>1,580,178</u>	<u>1,627,259</u>
Cash and cash equivalents at end of year	<u><u>\$1,368,356</u></u>	<u><u>\$1,580,178</u></u>

The accompanying notes are an integral part of these statements.

The Salvation Army St. Petersburg Area Command
General Operating Fund

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended September 30, 2012

	Program Services			Supporting Services			Total Expenses	
	Corps. Community Center	Residential & Institutional Services	Other Social Services	Total Program Services	Management and General	Fund Raising		Total Supporting Services
Salaries and allowances	\$ 266,646	\$ 1,586,969	\$ 235,997	\$ 2,089,612	\$ 292,734	\$ 266,641	\$ 559,375	\$ 2,648,987
Officer and employee benefits	61,004	280,144	44,917	386,065	48,763	28,256	77,019	463,084
Payroll taxes	12,736	164,976	23,856	201,568	30,708	24,105	54,813	256,381
Total salaries and related expenses	340,386	2,032,089	304,770	2,677,245	372,205	319,002	691,207	3,368,452
Professional fees	4,706	78,603	666	83,975	32,232	32,143	64,375	148,350
Supplies	94,908	162,717	76,965	334,590	11,112	18,958	30,070	364,660
Direct assistance	88,103	82,475	198,621	369,199	9,430	-	9,430	378,629
Telephone	17,351	36,986	3,988	58,325	4,514	2,779	7,293	65,618
Postage and shipping	2,521	2,251	2,017	6,789	1,723	25,663	27,386	34,175
Occupancy	213,212	311,168	74,919	599,299	32,040	4,703	36,743	636,042
Furnishing and equipment	80,529	69,645	22,809	172,983	34,247	7,720	41,967	214,950
Printing and publications	16,518	5,079	241	21,838	4,272	117,138	121,410	143,248
Local meals and travel	15,022	10,327	639	25,988	5,000	1,843	6,843	32,831
Vehicles	43,520	54,949	7,551	106,020	11,449	13,032	24,481	130,501
Conferences, meetings and trips	32,330	9,006	2,814	44,150	9,403	3,691	13,094	57,244
Miscellaneous	8,073	544	50	8,667	999	138	1,137	9,804
Depreciation	25,003	20,904	-	45,907	-	-	-	45,907
Support service fees	88,523	454,844	129,806	673,173	-	-	-	673,173
Total expenses	\$1,070,705	\$ 3,331,587	\$ 825,856	\$ 5,228,148	\$ 528,626	\$ 546,810	\$ 1,075,436	\$ 6,303,584

The accompanying notes are an integral part of this statement.

The Salvation Army St. Petersburg Area Command
General Operating Fund

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended September 30, 2011

	Program Services			Supporting Services			Total Expenses	
	Corps. Community Center	Residential & Institutional Services	Other Social Services	Total Program Services	Management and General	Fund Raising		Total Supporting Services
Salaries and allowances	\$ 196,548	\$ 1,473,605	\$ 150,089	\$ 1,820,242	\$ 253,444	\$ 250,449	\$ 503,893	\$ 2,324,135
Officer and employee benefits	60,509	369,717	58,282	488,508	47,061	30,030	77,091	565,599
Payroll taxes	13,391	162,669	18,090	194,150	31,005	26,027	57,032	251,182
Total salaries and related expenses	270,448	2,005,991	226,461	2,502,900	331,510	306,506	638,016	3,140,916
Professional fees	1,132	36,668	638	38,438	79,447	9,773	89,220	127,658
Supplies	106,836	212,796	2,702	322,334	12,764	26,907	39,671	362,005
Direct assistance	91,858	81,680	251,952	425,490	15,350	-	15,350	440,840
Telephone	20,042	43,721	4,891	68,654	8,842	484	9,326	77,980
Postage and shipping	2,598	1,272	398	4,268	3,104	27,178	30,282	34,550
Occupancy	161,182	260,590	69,292	491,064	46,769	4,335	51,104	542,168
Furnishing and equipment	27,368	50,010	3,324	80,702	6,727	2,597	9,324	90,026
Printing and publications	16,370	7,790	317	24,477	5,721	108,901	114,622	139,099
Local meals and travel	11,150	22,363	63	33,576	2,794	1,702	4,496	38,072
Vehicles	44,895	44,969	4,733	94,597	4,970	19,730	24,700	119,297
Conferences, meetings and trips	18,451	9,457	1,480	29,388	4,393	1,577	5,970	35,358
Miscellaneous	1,524	545	35	2,104	1,073	310	1,383	3,487
Depreciation	31,971	19,502	-	51,473	-	-	-	51,473
Support service fees	101,044	483,429	89,726	674,199	-	-	-	674,199
Total expenses	\$ 906,869	\$ 3,280,783	\$ 656,012	\$ 4,843,664	\$ 523,464	\$ 510,000	\$ 1,033,464	\$ 5,877,128

The accompanying notes are an integral part of this statement.

The Salvation Army St. Petersburg Area Command
General Operating Fund

NOTES TO FINANCIAL STATEMENTS

September 30, 2012 and 2011

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

A summary of the organization's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

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 Salvation Army St. Petersburg Area Command (the "Command"), an operating unit of the Florida Division ("Divisional Headquarters") of the Southern Territory of The Salvation Army, a Georgia corporation (the "Southern Territory"), operates a variety of programs including a community center, residential and institutional services and other social services. The accompanying financial statements are summaries of the financial position, changes in net assets, cash flows and functional expenses of The Salvation Army St. Petersburg Area Command General Operating Fund (the "Operating Fund"). The Operating Fund includes the operations of the St. Petersburg Area Command, Family Specialist Service Program, Child Abuse Shelter and the Children's Village. The Operating Fund does not include land, buildings and certain other interest-bearing assets, that are not under the legal control and discretion of the Command.

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. Accordingly, the financial statements are prepared on an accrual basis of accounting which recognizes revenues when earned and expenses when incurred.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Financial Accounting Standards

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

The Salvation Army St. Petersburg Area Command
General Operating Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2012 and 2011

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

FASB ASC 958-605 requires the Command 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, statement of cash flows, and statement of functional expenses. 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 Command 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 Command. The donors require the Command to use all or part of the investment return on these net assets for specified or unspecified purposes.

As previously mentioned in note A1, the accompanying financial statements encompass the General Operating Net Assets of the Command.

4. Support and Revenue

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. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. All expenses are reported as decreases in unrestricted net assets.

5. Donations In-Kind and Contributed Services

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

The Salvation Army St. Petersburg Area Command
General Operating Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2012 and 2011

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

Contributed services are reported as contributions at their fair value if such services create or enhance nonfinancial assets; the services would have been purchased if not provided by contribution; and the service requires 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.

Unpaid volunteers have made significant contributions of time to the Command. The value of this contributed time is not reflected in the accompanying financial statements since it does not create or enhance non-financial assets or require specialized skills.

6. Accounts Receivable

The Command receives support from various federal and state grants. None of the amounts receivable at September 30, 2012 and 2011 are deemed to be uncollectible. Therefore, no provision for uncollectible amounts has been made in the accompanying financial statements.

7. 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 participation account on a prorata basis.

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

- 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.

The Salvation Army St. Petersburg Area Command
General Operating Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2012 and 2011

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

8. 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).

An 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, 2012 and 2011:

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 Command 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 Command's significant financial instruments are as follows:

<u>September 30, 2012</u>	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Cash and cash equivalents	\$ 1,368,356	\$ 1,368,356	\$ -	\$ -
Investments	89,454	89,454	-	-
Total	<u>\$ 1,457,810</u>	<u>\$ 1,457,810</u>	<u>\$ -</u>	<u>\$ -</u>

The Salvation Army St. Petersburg Area Command
General Operating Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2012 and 2011

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

<u>September 30, 2011</u>	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Cash and cash equivalents	\$ 1,580,178	\$ 1,580,178	\$ -	\$ -
Investments	80,041	80,041	-	-
Total	<u>\$ 1,660,219</u>	<u>\$ 1,660,219</u>	<u>\$ -</u>	<u>\$ -</u>

9. Property, Equipment, Depreciation and Reserves

All land and buildings used by the Command, as well as any contributions or reserves established for purchase or replacement of land or buildings are held in separate funds, which are under the legal control and discretion of The Salvation Army, a Georgia corporation. Consequently, these assets are not included in the accompanying financial statements.

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 other items are expensed.

Depreciation is provided on equipment at straight-line rates based on estimated service lives as follows:

	<u>Years</u>
Equipment and vehicles	3

A full month of depreciation is charged in the month of acquisition, and no depreciation is charged in the month of disposition. Provisions are made for major future costs of property maintenance and replacement of vehicles and some equipment by transfer of operating net assets to board designated unrestricted net assets.

Cash and cash equivalents include the following assets that are board designated to be used for certain purposes as of September 30,:

	<u>2012</u>	<u>2011</u>
Auto revolving reserve	\$ 12,509	\$ 12,509
Property reserve	13,495	3,823
	<u>\$ 26,004</u>	<u>\$ 16,332</u>

The Salvation Army St. Petersburg Area Command
General Operating Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2012 and 2011

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

10. Allocation of Functional Expenses

Certain expenses are allocated on the basis of employee time involved. Expenses incurred for benefiting a single function are recorded directly into the appropriate function.

11. Cash and Equivalents

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

NOTE B - INVESTMENTS

Salvation Army policy requires that the investment of assets for all centers of operation may be made only through the corporate portfolio 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.

NOTE C – ENDOWMENTS

The Salvation Army St. Petersburg Area Command is a unit of the Southern Territory, which has sole authority for the receipt management and investment of all endowment funds credited to units in the Southern Territory. Donor-restricted funds are recognized as endowments by the Southern Territory. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees/Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Uniform Prudent Management of Institutional Funds Acts (UPMIFA) as enacted by the State of Florida applies to all the institutional funds of The Salvation Army, a Georgia Corporation, unless the donor has specifically directed otherwise. The Board of Trustees/Directors interprets UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor restrictions to the contrary.

The Salvation Army St. Petersburg Area Command
General Operating Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2012 and 2011

NOTE C – ENDOWMENTS – Continued

As a result of this interpretation, the Board of Trustees classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Board of Trustees considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purpose of the organization and the donor-restricted endowment fund.
- General economic conditions.
- The possible effects of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the organization.
- The investment policies of the organization.

Spending Policy

The responsibility for investment of all institutional funds in the Southern Territory is solely the responsibility of the Board of Trustees of the Southern Territory. The spending policy and how the investment objectives relate to the spending policy, which is applicable to the endowments herewith presented, are stated as follows:

The Southern Territory has a policy of appropriating for distribution each year five percent (5%) of its endowment fund's average fair value over the prior four quarters through the calendar year preceding the fiscal year in which the distribution is planned. In establishing this policy, the Southern Territory considered the long-term expected return on its endowment. Accordingly, over the long term, the Southern Territory expects the current spending policy to grow at a pace at least equal to inflation. This is consistent with the Command's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

The Salvation Army St. Petersburg Area Command
General Operating Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2012 and 2011

NOTE C – ENDOWMENTS – Continued

Return Objectives and Risk Parameters

The responsibility for investment of all institutional funds in the Southern Territory is solely the responsibility of the Board of Trustees of the Southern Territory. The return objectives and risk parameters applicable to the endowments herewith presented are as follows:

The Southern Territory has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of appropriate benchmarks without putting the assets at imprudent risk.

Strategies Employed for Achieving Objectives

The responsibility for investment of all institutional funds in the Southern Territory is solely the responsibility of the Board of Trustees of the Southern Territory. The strategies employed for achieving objectives applicable to the endowments herewith presented are as follows:

To satisfy its long-term objectives, the Southern Territory relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Southern Territory targets a diverse asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The following tables present the necessary information for endowments credited to the Organization by net asset fund at September 30,:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted funds -				
December 31, 2012	\$ -	\$ -	\$ 89,454	\$ 89,454
Donor-restricted funds -				
December 31, 2011	\$ -	\$ -	\$ 80,041	\$ 80,041

The Salvation Army St. Petersburg Area Command
General Operating Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2012 and 2011

NOTE C – ENDOWMENTS – Continued

Below are changes in Endowment Fund Net Assets for the year ended September 30,:

<u>2012</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ -	\$ 80,041	\$ 80,041
Investment income				
Investment income	-	-	9,413	9,413
Net depreciation (realized and unrealized)	-	-	-	-
Total investment return	-	-	9,413	9,413
Contributions	-	-	-	-
Appropriations of endowment assets for expenditure	-	-	-	-
Other changes				
Transfers to create board- designated endowment funds	-	-	-	-
Endowments net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 89,454</u>	<u>\$ 89,454</u>
<u>2011</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ -	\$ 77,735	\$ 77,735
Investment income				
Investment income	-	-	1,659	1,659
Net depreciation (realized and unrealized)	-	-	647	647
Total investment return	-	-	2,306	2,306
Contributions	-	-	-	-
Appropriations of endowment assets for expenditure	-	-	-	-
Other changes				
Transfers to create board- designated endowment funds	-	-	-	-
Endowments net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,041</u>	<u>\$ 80,041</u>

The Salvation Army St. Petersburg Area Command
General Operating Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2012 and 2011

NOTE D - INCOME TAX STATUS

The Salvation Army has received a determination of tax exempt status from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Chapter 220.13 of the Florida Statutes, respectively. Accordingly, no provision for income taxes has been reflected in the accompanying financial statements.

Management is not aware of any activities that would jeopardize the Salvation Army's tax exempt status. The Salvation Army is not aware of any tax positions it has taken that are subject to a significant degree of uncertainty.

NOTE E - GRANTS FROM GOVERNMENTAL AGENCIES

The Command received funding from the Department of Homeland Security, State of Florida Department of Children and Families, Eckerd Community Alternatives, Inc., Sarasota Family YMCA, Inc. and the Florida Department of Corrections. These grants provide funding for operating expenses, support services and employment assistance for the respective program.

NOTE F - VEHICLES AND EQUIPMENT

Vehicles and equipment consisted of the following at September 30,:

	<u>2012</u>	<u>2011</u>
Vehicles	\$ 515,499	\$ 534,250
Equipment	<u>14,995</u>	<u>14,995</u>
	530,494	549,245
Less accumulated depreciation	<u>(468,524)</u>	<u>(466,488)</u>
	<u>\$ 61,970</u>	<u>\$ 82,757</u>

NOTE G - PENSION, RETIREMENT AND BENEFIT PLANS

Employee Pension Plan

Eligible employees of the Command participate in The Salvation Army Pension Plan (the "Plan") with other Salvation Army territories, which provides for death, disability and retirement benefits. The Plan, a defined contribution, money purchase plan, is administered by a Board of Trustees approved by the National Headquarters of The Salvation Army. The Plan's assets are held by an insurance company as trustee. Annual contributions to the Plan are based on a stipulated percentage of employee's salaries. Approximately \$56,000 and \$89,000 of expense was incurred under this Plan for the years ended September 30, 2012 and 2011, respectively.

The Salvation Army St. Petersburg Area Command
General Operating Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2012 and 2011

NOTE G - PENSION, RETIREMENT AND BENEFIT PLANS – Continued

Employee Medical Plan

Employees of The Salvation Army are provided health benefits under a self-insured program, that is administered by a third party claims administrator. Amounts charged to the Command and included in expense for this plan were approximately \$365,000 and \$458,000 for the years ended September 30, 2012 and 2011, respectively.

Officers' Retirement Provisions

The Salvation Army has a noncontributory retirement provision for officers that 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 on active officer allowances and length of service.

They are self-funded 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 appropriations.

Amounts charged to the unit and included in expenses for this plan for the fiscal years ended September 30, 2012 and 2011 were approximately \$7,500.

Officers' and Auxiliary-Captains' Sick Benefit and Burial Fund

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 unit and included in expenses for this plan were approximately \$31,140 and \$20,760 for the years ended September 30, 2012 and 2011, respectively.

Insurance Programs

The Salvation Army maintains insurance programs for general liability, automobile, workers' compensation, and property coverage. The programs, administered by territorial headquarters, are intended to provide coverage for claims arising in all centers of operation. Funding for these programs is obtained through assessments to all centers of operation for each line of coverage and through earnings on designated assets held to pay claims.

The Salvation Army St. Petersburg Area Command
General Operating Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2012 and 2011

NOTE H - RELATED PARTY TRANSACTIONS

The Command is assessed an administrative charge for support services provided to them by the Florida Divisional Headquarters and the Southern Territorial Headquarters. These support services include administration related to program, personnel, business, and other support services. Total support services charged to the Command for the years ended September 30, 2012 and 2011 was approximately \$673,000 and \$674,000, respectively.

Trust fund earnings are included as contributions and approximated \$1,739,000 and \$978,000 for the years ended September 30, 2012 and 2011, respectively.

The amount shown as related party accounts payable represents amounts due to Divisional Headquarters and the Southern Territory for employee medical insurance coverage, workers' compensation expenses, liabilities for support services, as well as an advance for working capital purposes of \$125,149 at September 30, 2012 and 2011, respectively.

NOTE I - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Command to concentrations of credit risk consist of cash and cash equivalents. The Command manages this risk through the use of high credit worthy financial institutions. Interest-bearing accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Noninterest-bearing accounts are insured by the FDIC for their full balance. All cash equivalents are fully insured at September 30, 2012. The Command has not experienced any losses from its deposits.

NOTE J - SUBSEQUENT EVENTS

The Command has evaluated events and transactions occurring subsequent to September 30, 2012 as of January 31, 2013 which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE

THE SALVATION ARMY ST. PETERSBURG AREA COMMAND
GENERAL OPERATING FUND

For the year ended September 30, 2012

The Salvation Army St. Petersburg Area Command
General Operating Fund

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE

For the year ended September 30, 2012

Federal Grantor/Program Title	Federal CFDA #	Entity Identifying Number	Expenditures
Federal			
U.S. Department of Health and Human Services			
Passed-through Eckerd Youth Alternatives, Inc.			
Promoting Safe and Stable Families Program	93.556	ECA-TSA-FSS	\$ 386,224
U.S. Department of Health and Human Services			
Passed-through Eckerd Youth Alternatives, Inc.			
Foster Care - Title IV-E (ARRA)	93.658	ECA-RES-TSA-FY12	500,555
	93.658	ECA-OHC-TSA-FY13	223,740
	93.658	ECA-TSA-AAR-10	79,359
Passed-through HKI			
Foster Care- Title IV-E (ARRA)	93.658	QJ00R	44,640
Passed-through Heartland For Children			
Foster Care- Title IV-E (ARRA)	93.658	N/A	2,435
Passed-through Sarasota YMCA			
Foster Care- Title IV-E (ARRA)	93.658	SALOHCR12	59,102
Foster Care- Title IV-E (ARRA)	93.658	SALOHCR13	11,191
Passed-through Sarasota YMCA			
Promoting Safe and Stable Families	93.556	SALOHCR12	40
Passed-through Sarasota YMCA			
Stephanie Tubbs Jones Child Welfare Services Program	93.645	SALOHCR12	291
Stephanie Tubbs Jones Child Welfare Services Program	93.645	SALOHCR13	63
Passed-through Sarasota YMCA			
Adoption Assistance (ARRA)	93.659	SALOHCR12	834
Adoption Assistance (ARRA)	93.659	SALOHCR13	166
Passed-through Sarasota YMCA			
Block Grant for Community Mental Health Services	93.958	SALOHCR12	674
Block Grant for Community Mental Health Services	93.958	SALOHCR13	139
Passed-through Sarasota YMCA			
Temporary Assistance for Needy Families	93.558	SALOHCR12	821
Temporary Assistance for Needy Families	93.558	SALOHCR13	139
Passed-through Sarasota YMCA			
Social Services Block Grant	93.667	SALOHCR12	38,874
Social Services Block Grant	93.667	SALOHCR13	7,360

The Salvation Army St. Petersburg Area Command
General Operating Fund

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE - CONTINUED

For the year ended September 30, 2012

Federal Grantor/Program Title	Federal CFDA # / State CSFA #	Entity Identifying Number	Expenditures
Federal - Continued			
Passed-through HKI Social Services Block Grant	93.667	QJ00R	35,073
Passed-through Heartland for Children Social Services Block Grant	93.667	N/A	1,259
Passed-through Eckerd Community Alternative Social Services Block Grant	93.667 93.667	ECA-OHC-TSAFY12 ECA-OHC-TSAFY13	36,432 14,872
U.S. Department of Homeland Security Emergency Food & Shelter Program Pass-through United Way	97.024	N/A	<u>43,875</u>
Total expenditures of federal awards			<u>1,488,158</u>
Florida Department of Children and Families			
Salvation Army Children's Village - Pinellas County	60.064	QJ14R	249,996
Passed-through Eckerd Youth Alternatives, Inc. Community Based Care Supports	60.094 60.094	ECA-RES-TSA-FY12 ECA-OHC-TSA-FY13	165,968 67,748
Passed-through Sarasota YMCA Community Based Care Supports	60.094 60.094	SALOHCR12 SALOHCR13	46,123 8,719
Passed through Hillsborough Kids Community Based Care Supports	60.094	QJ00R	26,571
Passed through Heartland for Children Community Based Care Supports	60.094	N/A	2,026
Florida Department of Corrections			
Direct Award Transitional Services - Post Release	70.011	2790	<u>80,360</u>
Total expenditures of state financial assistance			<u>647,511</u>
Total expenditures of federal awards and state financial assistance			<u>\$ 2,135,669</u>

The accompanying notes are an integral part of this schedule.

The Salvation Army St. Petersburg Area Command
General Operating Fund

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE

September 30, 2012

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 Command 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 State and Local Governments and Non-Profit Organizations* and Chapter 10.650, *Rules of the Auditor General*. Therefore, some amounts presented in this schedule differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE B - CONTINGENCIES

These federal and state programs/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 Command's continued participation in specific programs. The amount of expenditures that may be disallowed by the grantor agencies cannot be determined at this time, although the Command expects such amounts, if any, to be immaterial.

NOTE C - SUBRECIPIENTS

The Command did not provide any federal awards or state financial assistance to subrecipients of the federal and state expenditures presented in this schedule.

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 AREA COMMAND
GENERAL OPERATING FUND

September 30, 2012

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Command'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 for the information of the Advisory Board, management, federal, state and local awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

Bruce, Gardner & Company, P.A.

Tampa, Florida
January 31, 2013

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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*

THE SALVATION ARMY ST. PETERSBURG AREA COMMAND
GENERAL OPERATING FUND

September 30, 2012



RIVERO, GORDIMER & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

Member
American Institute of Certified Public Accountants
Florida Institute of Certified Public Accountants
Cesar J. Rivero Sam A. Lazzara
Herman V. Lazzara Stephen G. Douglas
Marc D. Sasser Michael E. Helton
Richard B. Gordimer, of Counsel

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON 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 General Operating Fund of The Salvation Army St. Petersburg Area Command's (the "Command") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*, and the requirements described in the Florida Department of Financial Services' State Projects Compliance Supplement, that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2012. The Command'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 Command's management. Our responsibility is to express an opinion on the Command'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 of America, OMB Circular A-133, and Chapter 10.650, *Rules of the Auditor General*. Those standards, 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 Command'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 Command's compliance with those requirements.

In our opinion, the Command 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 federal programs and state projects for the year ended September 30, 2012.

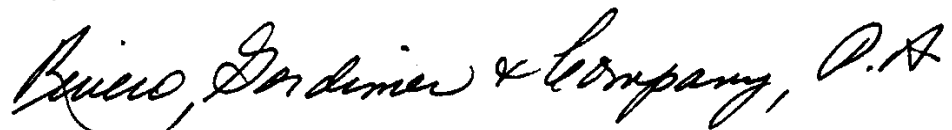
Internal Control Over Compliance

Management of the Command is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the Command's internal control over compliance with requirements that could have a direct and material effect on a major federal program or state project 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 Command'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 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 management, the Advisory Board, federal and state awarding agencies, pass-through entities, and specific legislative or regulatory bodies, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Buero, Jordanier & Company, P.A." The signature is written in a cursive, flowing style.

Tampa, Florida
January 31, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL PROGRAMS
AND STATE PROJECTS

THE SALVATION ARMY ST. PETERSBURG AREA COMMAND
GENERAL OPERATING FUND

September 30, 2012

The Salvation Army St. Petersburg Area Command
General Operating Fund

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL PROGRAMS
AND STATE PROJECTS
For the year ended September 30, 2012

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 yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards and State Financial Assistance

Internal control over major federal programs and state projects
 Material weakness(es) identified? yes X no
 Significant deficiency(ies) identified yes X none reported

Type of auditors' report issued on compliance for
 major federal programs and state projects Unqualified

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

Identification of major federal programs and state projects:

Federal

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.556	Promoting Safe & Stable Families Program
93.658 - ARRA	Foster Care - Title IV - E (American Recovery and Reinvestment Act)
93.667	Social Services Block Grant

State

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

Dollar threshold used to distinguish between type A
 and type B Federal programs \$ 300,000

Dollar threshold used to distinguish between type A
 and type B State projects \$ 207,583

Auditee qualified as low-risk X yes no

The Salvation Army St. Petersburg Area Command
General Operating Fund

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL PROGRAMS
AND STATE PROJECTS - CONTINUED

For the year ended September 30, 2012

Section II - Financial Statement Findings

No matters were reported for the year ended September 30, 2012, and no matters were reported for the prior year. Accordingly, a summary schedule of prior year audit findings is not presented.

Section III - Financial Award and State Financial Assistance Findings and Questioned Costs

No matters were reported for the year ended September 30, 2012, and no matters were reported for the prior year. Accordingly, a summary schedule of prior year audit findings is not presented.

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 AREA COMMAND
GENERAL OPERATING FUND

September 30, 2012



RIVERO, GORDIMER & COMPANY, P.A.
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Richard B. Gordimer, of Counsel

MANAGEMENT LETTER

Board of Trustees
The Salvation Army, a Georgia Corporation

We have audited the financial statements of the General Operating Fund of The Salvation Army St. Petersburg Area Command (the "Command") as of and for the fiscal year ended September 30, 2012, and have issued our report thereon, dated January 31, 2013.

We conducted our audit 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 of America; 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 on 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 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*, and the Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, dated January 31, 2013 should be considered in conjunction with this 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 are inconsequential, 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. Our audit disclosed no matters required to be disclosed by *Rules of the Auditor General* (Section 10.654(1)(e)).

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 Florida Auditor General, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Tampa, Florida
January 31, 2013