

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS

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

September 30, 2012 and 2011

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
The Salvation Army, a Georgia Corporation

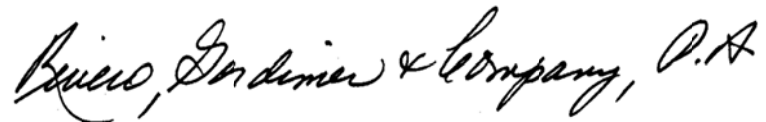
We have audited the accompanying statements of financial position of The Salvation Army St. Petersburg, Florida Area Command Children's Village (the "Program"), a Program of The Salvation Army St. Petersburg, Florida Area Command, a unit of The Salvation Army, a Georgia corporation, as of September 30, 2012 and 2011, and the related statements of activities and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Program'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 *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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 St. Petersburg, Florida Area Command Children's Village as of September 30, 2012 and 2011, and the results of its operations and changes in its net assets, and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 31, 2013 on our consideration of the Program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant 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 of the Program taken as a whole. The accompanying supplementary information listed in the table of contents, including the Schedule of Expenditures of State Financial Assistance, is presented for purposes of additional analysis as required by Chapter 10.650, *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 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 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 listed in the table of contents including, the Schedule of Expenditures of State Financial Assistance, Chapter 10.650, *Rules of the Auditor General* is fairly stated in all material respects in relation to the financial statements taken as a whole.

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

Tampa, Florida
January 31, 2013

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

STATEMENTS OF FINANCIAL POSITION

September 30,

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and cash equivalents (notes A10 and I)	\$ 300,774	\$ 266,295
Accounts receivable (note A5)		
Third party	51,461	83,441
Related party (note H)	75,626	-
Other	<u>83</u>	<u>-</u>
Total current assets	<u>427,944</u>	<u>349,736</u>
Investments (notes A6, A7, B and C)	<u>89,454</u>	<u>80,073</u>
Equipment - net (note A8)	<u>782</u>	<u>19,924</u>
TOTAL ASSETS	<u>\$ 518,180</u>	<u>\$ 449,733</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	<u>\$ 15,348</u>	<u>\$ 28,427</u>
Due to The Salvation Army (note H)		
Divisional Headquarters	45,498	13,435
Territorial Headquarters	<u>127,140</u>	<u>125,149</u>
	<u>172,638</u>	<u>138,584</u>
Total liabilities	<u>187,986</u>	<u>167,011</u>
Net assets (notes A3, A4 and C)		
Unrestricted	240,740	202,649
Permanently restricted	<u>89,454</u>	<u>80,073</u>
	<u>330,194</u>	<u>282,722</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 518,180</u>	<u>\$ 449,733</u>

The accompanying notes are an integral part of these statements.

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

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended September 30, 2012

	Unrestricted	Permanently Restricted	Total
REVENUE AND SUPPORT			
Contributions (note A3)	\$ 348,187	\$ -	\$ 348,187
Grants from governmental agencies (note F)	654,740	-	654,740
Program service fees	21,998	-	21,998
Investment and interest income	-	9,381	9,381
	<u>1,024,925</u>	<u>9,381</u>	<u>1,034,306</u>
PROGRAM EXPENSES			
Salaries and allowances	388,278	-	388,278
Employee benefits (notes D and E)	72,680	-	72,680
Payroll taxes and workers' compensation	40,444	-	40,444
Professional fees	13,000	-	13,000
Educational, recreational and craft supplies	6,281	-	6,281
Food costs	47,515	-	47,515
Office supplies, postage and shipping	10,092	-	10,092
Telephone and utilities	52,255	-	52,255
Occupancy	12,270	-	12,270
Property maintenance and repairs	27,361	-	27,361
Transportation, meals and conferences	35,982	-	35,982
Advertising	1,565	-	1,565
Furnishings and equipment	35,795	-	35,795
Depreciation	20,757	-	20,757
Support services (note H)	120,163	-	120,163
Direct assistance	39,230	-	39,230
Appropriations (note H)	62,400	-	62,400
Miscellaneous	766	-	766
	<u>986,834</u>	<u>-</u>	<u>986,834</u>
Change in net assets	38,091	9,381	47,472
Net assets at beginning of year	<u>202,649</u>	<u>80,073</u>	<u>282,722</u>
Net assets at end of year	<u>\$ 240,740</u>	<u>\$ 89,454</u>	<u>\$ 330,194</u>

The accompanying notes are an integral part of this statement.

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

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended September 30, 2011

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions (note A3)	\$ 271,630	\$ -	\$ 271,630
Grants from governmental agencies (note F)	684,616	-	684,616
Program service fees	2,268	-	2,268
Investment and interest income	34	2,306	2,340
	<u>958,548</u>	<u>2,306</u>	<u>960,854</u>
PROGRAM EXPENSES			
Salaries and allowances	334,912	-	334,912
Employee benefits (notes D and E)	109,044	-	109,044
Payroll taxes and workers' compensation	40,232	-	40,232
Professional fees (note H)	21,757	-	21,757
Educational, recreational and craft supplies	8,716	-	8,716
Food costs	63,784	-	63,784
Office supplies, postage and shipping	12,653	-	12,653
Telephone and utilities	59,330	-	59,330
Occupancy	22,112	-	22,112
Property maintenance and repairs	17,923	-	17,923
Transportation, meals and conferences	34,041	-	34,041
Advertising	464	-	464
Furnishings and equipment	3,724	-	3,724
Depreciation	12,450	-	12,450
Support services (note H)	139,725	-	139,725
Direct assistance	13,548	-	13,548
Appropriations (note H)	62,100	-	62,100
Miscellaneous	639	-	639
	<u>957,154</u>	<u>-</u>	<u>957,154</u>
Change in net assets	1,394	2,306	3,700
Net assets at beginning of year	<u>201,255</u>	<u>77,767</u>	<u>279,022</u>
Net assets at end of year	<u>\$ 202,649</u>	<u>\$ 80,073</u>	<u>\$ 282,722</u>

The accompanying notes are an integral part of this statement.

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

STATEMENTS OF CASH FLOWS

For the year ended September 30,

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Change in net assets	\$ 47,472	\$ 3,700
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	19,142	12,450
Increase in accounts receivable	(43,646)	(2,953)
Increase in other assets	(83)	-
Net realized and unrealized change in value of investments	(9,381)	(2,306)
Increase in accounts payable, accrued expenses and due to related parties	20,975	4,319
Total adjustments	<u>(12,993)</u>	<u>11,510</u>
Net cash provided by operating activities	<u>34,479</u>	<u>15,210</u>
Net increase in cash and cash equivalents	34,479	15,210
Cash and cash equivalents at beginning of year	<u>266,295</u>	<u>251,085</u>
Cash and cash equivalents at end of year	<u>\$ 300,774</u>	<u>\$ 266,295</u>

The accompanying notes are an integral part of these statements.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2012 and 2011

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

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

1. Description of the Organization

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

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

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

2. Basis of Accounting

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

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

The accompanying financial statements have been prepared on the accrual basis of accounting, in conformity with accounting principles generally accepted in the United States of America, which require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2012 and 2011

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

3. Financial Accounting Standards

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

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

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

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

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

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

4. Accounts Receivable

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

5. Investments and Investment Income

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

The Salvation Army
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2012 and 2011

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

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

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

Included in investments are \$89,454 and \$80,041, classified as permanently restricted assets at September 30, 2012 and 2011, respectively, for an endowment campaign.

6. Fair Value Measurements

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

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2012 and 2011

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

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

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

<u>September 30, 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	\$ 300,774	\$ 300,774	\$ -	\$ -
Investments	89,454	89,454	-	-
Total	<u>\$ 390,228</u>	<u>\$ 390,228</u>	<u>\$ -</u>	<u>\$ -</u>

<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	\$ 266,295	\$ 266,295	\$ -	\$ -
Investments	80,073	80,073	-	-
Total	<u>\$ 346,368</u>	<u>\$ 346,368</u>	<u>\$ -</u>	<u>\$ -</u>

7. Vehicles, Depreciation and Reserves

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

Provision is made for major future costs of replacement of vehicles by transfer of operating net assets to board designated unrestricted net assets. Cash and cash equivalents included \$12,509 for replacement of vehicles as of September 30, 2012 and 2011.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2012 and 2011

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

8. Donated Services

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

9. Cash Equivalents

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

10. Reclassification

Certain amounts previously reported in the financial statements for the prior year have been reclassified in order for them to be in conformity with the current year presentation.

NOTE B - INVESTMENTS

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

NOTE C – ENDOWMENTS

The Salvation Army St. Petersburg, Florida Area Command Children's Village 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. Its endowment includes donor-restricted endowment funds. 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, Florida Area Command
Children's Village

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 Program'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.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2012 and 2011

NOTE C – ENDOWMENTS – Continued

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 Program 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 Program 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	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 89,454</u>	<u>\$ 89,454</u>
Donor-restricted funds - December 31, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,073</u>	<u>\$ 80,073</u>

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

The Salvation Army
St. Petersburg, Florida Area Command
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2012 and 2011

NOTE C – ENDOWMENTS – Continued

<u>2012</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ -	\$ 80,073	\$ 80,073
Investment income				
Investment income	-	-	9,381	9,381
Net depreciation (realized and unrealized)	-	-	-	-
Total investment return	-	-	9,381	9,381
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	\$ -	\$ -	\$ 77,767	\$ 77,767
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,				

The Salvation Army
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2012 and 2011

NOTE D - EMPLOYEE PENSION PLAN

Eligible employees of the Program participate in The Salvation Army Pension Plan ("Pension Plan") with other Salvation Army territories. The Pension Plan is a defined contribution, money purchase plan which provides for death, disability and retirement benefits. Annual contributions to the Pension Plan are based on a stipulated percentage of employees' salaries. Eligible employees represent employees who work full-time and have been employed for two years. The Program incurred \$7,109 and \$17,149 of expenses under this plan for the years ended September 30, 2012 and 2011, respectively, of which approximately \$1,600 and \$4,000 is included in accounts payable and accrued expenses at September 30, 2012 and 2011, respectively.

NOTE E - EMPLOYEE MEDICAL PLAN

Employees of The Salvation Army are provided health benefits under a self-insured plan that is administered by a third party claims administrator. Amounts charged to the Program and included in expense for this plan were \$64,916 and \$85,511 for the years ended September 30, 2012 and 2011, respectively.

NOTE F - GRANTS FROM GOVERNMENTAL AGENCY

Primary funding of the Program is from grants from the State of Florida Department of Children and Families and Eckerd Youth Alternatives, Inc. The grants provide funding for operating expenses, support services and employment assistance for the Program. The Program received approximately \$655,000 and \$684,000 for the years ended September 30, 2012 and 2011, respectively, from all grant funding services. The Program has renewed its grants with the State of Florida Department of Children and Families and Eckerd Youth Alternatives, Inc. through June 30, 2013.

NOTE G - INCOME TAX STATUS

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

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 H - RELATED PARTY TRANSACTIONS

The Program is assessed an administrative charge for support services provided by the Florida Divisional Headquarters and the Southern Territorial Headquarters. The support services include administration related to program, personnel, business, and social services provided to the Program. Total support services charged to the Program was \$120,163 and \$139,725, of which \$45,498 and \$13,435 is included in Due to Divisional Headquarters, for the years ended September 30, 2012 and 2011, respectively.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2012 and 2011

NOTE H - RELATED PARTY TRANSACTIONS – Continued

The Program receives advances from Territorial Headquarters for working capital purposes, of which \$125,149 is included in Due to Territorial Headquarters at both September 30, 2012 and 2011.

In addition, the Program paid The Salvation Army St. Petersburg Area Command \$0 and \$38,400 for administrative services for the years ended September 30, 2012 and 2011, respectively. The Program made operating appropriations to the Child Abuse Shelter for approximately \$62,000 during the years ended September 30, 2012 and 2011 respectively.

Also, the Program has a related party receivable from The Salvation Army St. Petersburg Area Command and Child Abuse Shelter of \$75,626 and \$-0- at September 30, 2012 and 2011, respectively.

NOTE I - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Program to concentrations of credit risk consist of cash and cash equivalents. The Program 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 Program has not experienced any losses from its deposits.

NOTE J - SUBSEQUENT EVENTS

The Program 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 STATE FINANCIAL ASSISTANCE

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

For the year ended September 30, 2012

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

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

For the year ended September 30, 2012

State Grantor/Project Title	State CSFA	Contract Number	State Expenditures
Florida Department of Children & 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	ECA-RES-TSA-FY12	165,968
	60.094	ECA-OHC-TSA-FY13	67,748
Passed-through Sarasota YMCA			
Community Based Care Supports	60.094	SALOHCR12	23,532
	60.094	SALOHCR13	6,198
Passed through Hillsborough Kids			
Community Based Care Supports	60.094	QJ00R	<u>6,276</u>
			<u>\$ 519,718</u>

The accompanying notes are an integral part of this schedule.

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

NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

September 30, 2012

NOTE A - BASIS OF PRESENTATION

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

NOTE B - CONTINGENCIES

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

NOTE C - SUBRECIPIENTS

The Program had no subrecipients.

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

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

September 30, 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 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 St. Petersburg, Florida Area Command Children's Village (the "Program") as of and for the 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

Management of the Program is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the 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 Program's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Program's internal control over financial reporting.

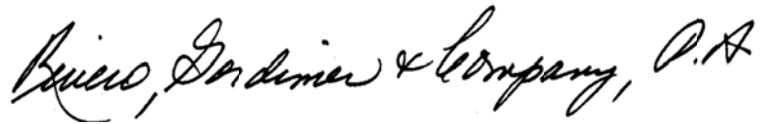
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination 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 a material weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Program's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

A handwritten signature in cursive script that reads "Bruce, Gardner & Company, P.A." The signature is written in black ink and is positioned to the right of the date and location information.

Tampa, Florida
January 31, 2013

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*

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

September 30, 2012

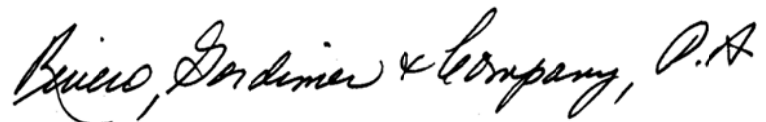
Internal Control Over Compliance

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

A 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 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 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 would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

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

Tampa, Florida
January 31, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

September 30, 2012

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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 that are not
 considered to be material weakness(es)? yes X none reported

Noncompliance material to financial statements noted? yes X no

Major Projects

Internal control over major projects
 Material weakness(es) identified? yes X no
 Significant deficiency(ies) identified that are not
 considered to be material weakness(es)? yes X none reported

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

Identification of major state projects:

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

Dollar threshold used to distinguish between type A
 and type B state projects: \$ 155,915

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the year ended September 30, 2012

Section II - Financial Statement Findings

NO MATTERS TO REPORT

Section III - State Financial Assistance Findings and Questioned Costs

NO MATTERS TO REPORT

Section IV - Other Issues

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

MANAGEMENT LETTER

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

September 30, 2012



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

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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 Salvation Army St. Petersburg, Florida Children's Village (the "Program") as of and for the 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. We have issued our Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters, 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, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedules, 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 or state project amounts 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. 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 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