

THE SALVATION ARMY  
DAYTONA BEACH NON-SECURE  
DRUG TREATMENT PROGRAM

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

FINANCIAL STATEMENTS  
Year Ended September 30, 2013

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

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MEMBER OF  
AMERICAN AND FLORIDA  
INSTITUTES OF  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT**

Board of Trustees  
The Salvation Army, A Georgia Corporation

We have audited the accompanying financial statements The Salvation Army Daytona Beach Non-Secure Drug Treatment Program, a division of The Salvation Army Daytona Beach Corps, a unit of The Salvation Army, a Georgia corporation, which comprise the statement of financial position as of September 30, 2013 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***


In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Salvation Army Daytona Beach Non-Secure Drug Treatment Program as of September 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of State Financial Assistance is presented for purposes of additional analysis as required by Section 215.97, Florida Statutes and Chapter 10.650; *Rules of the Auditor General* and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2014, on our consideration of The Salvation Army Daytona Beach Non-Secure Drug Treatment 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* in considering The Salvation Army Daytona Beach Non-Secure Drug Treatment Program's internal control over financial reporting and compliance.



James Knutzen & Associates, C.P.A.'s, P.A.  
Jacksonville, Florida  
February 14, 2014

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

STATEMENT OF FINANCIAL POSITION

September 30, 2013

ASSETS

Current Assets:	
Cash and cash equivalents (Note 2)	\$ 14,054
Accounts receivable, contract	81,846
Accounts receivable, client	<u>1,560</u>
Total Current Assets	<u>97,460</u>
Other assets	<u>-</u>
Total Assets	<u>\$ 97,460</u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable, related party (Note 7)	\$ 527,221
Accounts payable, trade	4,635
Accrued payroll	<u>11,164</u>
Total Current Liabilities	<u>543,020</u>
Total Liabilities	<u>543,020</u>
Net Assets:	
Unrestricted	<u>(445,560)</u>
Total Net Assets	<u>(445,560)</u>
Total Liabilities and Net Assets	<u>\$ 97,460</u>

See Notes to Financial Statements.

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

For The Year Ended September 30, 2013

Changes in Unrestricted Net Assets:

Unrestricted Revenue	
Government contracts, state	\$ 515,975
Government contracts, federal	-
Program service fees	27,919
Other income	2,690
Total Unrestricted Revenue	<u>546,584</u>
Expenses	
Program Services:	
Drug treatment program	<u>518,055</u>
Supporting Services	<u>69,143</u>
Total Expenses	<u>587,198</u>
Changes in Unrestricted Net Assets	<u>(40,614)</u>
Changes in Net Assets	(40,614)
Net Assets (Deficit) at Beginning of Year	<u>(404,946)</u>
Net Assets (Deficit) at End of Year	<u>\$ (445,560)</u>

See Notes to Financial Statements.

THE SALVATION ARMY  
DAYTONA BEACH NON-SECURE DRUG TREATMENT PROGRAM  
(a division of The Salvation Army Daytona Beach Corps,  
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STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2013

	Program <u>Services</u>	Supporting <u>Services</u>	Total <u>Expenses</u>
Salaries	\$ 237,783	\$ -	\$ 237,783
Employee benefits	51,007	-	51,007
Payroll taxes	25,138	-	25,138
Professional fees	9,882	-	9,882
Supplies	5,779	-	5,779
Telephone	3,477	-	3,477
Occupancy	102,806	-	102,806
Furnishings and equipment	4,197	-	4,197
Travel, meals, and transportation	8,983	-	8,983
Client food and medical	68,408	-	68,408
Miscellaneous	595	-	595
Payments to affiliated organizations	-	64,687	64,687
Appropriations expense	-	4,456	4,456
	<hr/>	<hr/>	<hr/>
Total Expenses	<u>\$ 518,055</u>	<u>\$ 69,143</u>	<u>\$ 587,198</u>

See Notes to Financial Statements.

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

For The Year Ended September 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

Changes in net assets \$ (40,614)

Adjustments to reconcile change in net assets to net cash  
provided (used) by operating activities:

Changes in Operating Assets and Liabilities:

Increase in accounts receivable	(31,245)
Decrease in other assets	4,456
Increase in accounts payable	24,605
Increase in accrued expenses	<u>2,223</u>

NET CASH USED BY OPERATING ACTIVITIES (40,575)

NET DECREASE IN CASH AND  
CASH EQUIVALENTS (40,575)

CASH AND CASH EQUIVALENTS AT THE  
BEGINNING OF THE YEAR 54,629

CASH AND CASH EQUIVALENTS AT THE  
END OF THE YEAR \$ 14,054

SUPPLEMENTAL DISCLOSURES OF CASH FLOW  
INFORMATION:

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

See Notes to Financial Statements.



THE SALVATION ARMY  
DAYTONA BEACH NON-SECURE DRUG TREATMENT PROGRAM  
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NOTES TO FINANCIAL STATEMENTS  
September 30, 2013

1. Purpose and Organization

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

The accompanying financial statements are summaries of the financial position, results of operations, net asset classifications and sources and applications of cash of The Salvation Army Daytona Beach Non-Secure Drug Treatment Program (NDTP), a division of The Salvation Army Daytona Beach Corps, a unit of The Salvation Army, a Georgia corporation.

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

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

2. Significant Accounting Policies

a. General

Basis of Presentation

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

THE SALVATION ARMY  
DAYTONA BEACH NON-SECURE DRUG TREATMENT PROGRAM  
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NOTES TO FINANCIAL STATEMENTS  
September 30, 2013  
(continued)

2. Significant Accounting Policies (continued)

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

- Unrestricted Net Assets – not subject to donor imposed restrictions. Unrestricted net assets may be designated for specific purposes or locations by action of the Board of Trustees/Directors.
- Temporarily Restricted Net Assets – subject to donor imposed stipulations that may be fulfilled by actions of The Salvation Army to meet the stipulations or become unrestricted at the date specified by the donor.
- Permanently Restricted Net Assets – subject to donor imposed stipulations that they be retained and invested permanently by The Salvation Army. The donors require The Salvation Army to use all or part of the investment return on these net assets for specified or unspecified purposes.

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

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

b. Cash and Cash Equivalents

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

THE SALVATION ARMY  
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NOTES TO FINANCIAL STATEMENTS  
September 30, 2013  
(continued)

2. Significant Accounting Policies (continued)

c. Revenue and Support

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

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

d. Donations-In-Kind and Contributed Services

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

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

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

e. Expenses

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

THE SALVATION ARMY  
DAYTONA BEACH NON-SECURE DRUG TREATMENT PROGRAM  
(a division of The Salvation Army Daytona Beach Corps,  
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NOTES TO FINANCIAL STATEMENTS

September 30, 2013

(continued)

2. Summary of Significant Accounting Policies (continued)

f. Use of Estimates

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

g. Allowance for Uncollectible Accounts

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

3. Employee Pension Plan

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

Annual contributions to the Plan are based on a stipulated percentage of employees' salaries. The Non-Secure Drug Treatment Program incurred expenses of \$9,684 under this plan in fiscal year 2013.

4. Property and Equipment

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

5. Concentrations

Approximately 94% of the Non-Secure Drug Treatment Program's funding is provided from two contracts with the Florida Department of Corrections, and approximately 98% of accounts receivable are due from the Department of Corrections.

6. Subsequent Events

In preparing these financial statements, the organization has evaluated events and transactions for potential recognition or disclosure through February 14, 2014, the date the financial statements were available to be issued.

THE SALVATION ARMY  
DAYTONA BEACH NON-SECURE DRUG TREATMENT PROGRAM  
(a division of The Salvation Army Daytona Beach Corps,  
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NOTES TO FINANCIAL STATEMENTS

September 30, 2013

(continued)

7. Related Party Transactions

The Non-Secure Drug Treatment Program (NDTP) is assessed an administrative charge by The Salvation Army Florida Divisional Headquarters for support services provided by the Florida Divisional Headquarters and the Southern Territorial Headquarters to the Operating Fund. Support services provided by Divisional and Territorial Headquarters include program, personnel, business, and social services. Expenses reflected for these services were \$64,687 in fiscal 2013.

Employees of The Salvation Army are provided health benefits under a self-insured program which is administered by a third-party claims administrator. Amounts charged to the NDTP and included in expenses were \$40,778 in fiscal 2013.

The Salvation Army maintains self-insurance programs for general liability, automobile workers compensation and property coverage. The programs which are administered by Territorial Headquarters are intended to provide coverage for claims arising in all centers of operation. Amounts charged to the NDTP and included in expenses were \$11,745 in fiscal 2013.

The NDTP owes Divisional Headquarters \$9,065 as of September 30, 2013 and owes Territorial Headquarters \$125,000 as of September 30, 2013.

The NDTP also The Salvation Army Daytona Beach Corps for rent in the amount of \$60,000 for fiscal 2013, food expenses of \$69,662 for fiscal 2013, and utilities and telephone expenses of \$21,729 for fiscal 2013. The NDTP owes the Daytona Beach Corps \$393,155 as of September 30, 2013.

8. Net Asset Classifications

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

**JAMES KNUTZEN & ASSOCIATES  
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**THE SALVATION ARMY  
DAYTONA BEACH NON-SECURE DRUG TREATMENT PROGRAM**  
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**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**

For The Year Ended September 30, 2013

<u>State Agency, Pass-through Entity, State Project</u>	<u>Contract Period</u>	<u>CSFA Number</u>	<u>Contract No.</u>	<u>Expenditures</u>	<u>Transfers to Subrecipients</u>
FLORIDA DEPARTMENT OF CORRECTIONS					
Direct Projects					
Transitional Services - Post Release	10/1/12 - 9/30/13	70.011	C2684	\$ 21,740	\$ -
Substance Abuse Services	10/1/12 - 9/30/13	70.016	C2689	<u>494,235</u>	<u>-</u>
TOTAL FLORIDA DEPARTMENT OF CORRECTIONS				<u>515,975</u>	<u>-</u>
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE				<u>\$ 515,975</u>	<u>\$ -</u>

The accompanying notes are an integral part of this schedule.

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

NOTES TO SCHEDULE OF EXPENDITURES OF  
STATE FINANCIAL ASSISTANCE  
For The Year Ended September 30, 2013

NOTE A – BASIS OF PRESENTATION

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Board of Trustees  
The Salvation Army, A Georgia Corporation

We have audited, in accordance with the 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, the financial statements of The Salvation Army Daytona Beach Non-Secure Drug Treatment Program (a nonprofit organization), which comprise the statement of financial position as of September 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 14, 2014.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered The Salvation Army Daytona Beach Non-Secure Drug Treatment Program's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Salvation Army Daytona Beach Non-Secure Drug Treatment Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

*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 Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### *Compliance and Other Matters*

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

### *Purpose of this Report*

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



James Knutzen & Associates, C.P.A.'s, P.A.  
Jacksonville, Florida  
February 14, 2014

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

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH  
MAJOR STATE PROJECT AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY CHAPTER 10.650, RULES OF  
THE AUDITOR GENERAL**

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

***Report on Compliance for Each Major State Project***

We have audited The Salvation Army Daytona Beach Non-Secure Drug Treatment Program's compliance with the types of compliance requirements described in the Department of Financial Services' State Projects Compliance Supplement that could have a direct and material effect on each of The Salvation Army Daytona Beach Non-Secure Drug Treatment Program's major state projects for the year ended September 30, 2013. The Salvation Army Daytona Beach Non-Secure Drug Treatment Program's major state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state projects.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of The Salvation Army Daytona Beach Non-Secure Drug Treatment Program's major state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.650, Rules of the Auditor General. Those standards and Chapter 10.650, Rules of the Auditor General require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about The Salvation Army Daytona Beach Non-Secure Drug Treatment Program's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state project. However, our audit does not provide a legal determination on The Salvation Army Daytona Beach Non-Secure Drug Treatment Program's compliance.

***Opinion on Each Major State Project***

In our opinion The Salvation Army Daytona Beach Non-Secure Drug Treatment Program complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state projects for the year ended September 30, 2013.

***Report on Internal Control over Compliance***

Management of The Salvation Army Daytona Beach Non-Secure Drug Treatment Program is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The Salvation Army Daytona Beach Non-Secure Drug Treatment Program's internal control over compliance with the types of requirements that could have a direct and material effect on each major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state project and to test and report on internal control over compliance in accordance with Chapter 10.650, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Salvation Army Daytona Beach Non-Secure Drug Treatment Program's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state project will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.650, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.



James Knutzen & Associates, C.P.A.'s, P.A.  
Jacksonville, Florida  
February 14, 2014

THE SALVATION ARMY  
DAYTONA BEACH NON-SECURE  
DRUG TREATMENT PROGRAM

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
STATE PROJECTS

Year Ended September 30, 2013

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

Financial Statements:

Unqualified auditors' report issued

Internal control over financial reporting:

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

State Awards:

Internal control over major projects:

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

Unqualified auditors' report issued on compliance for major projects:

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

CSFA #'s

Substance Abuse Services 70.016

Dollar threshold used to distinguish between type A and  
type B programs: \$154,793

**Section II--Financial Statement Findings**

None

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
STATE PROJECTS

Year Ended September 30, 2013

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

Major State Projects Audit:

None

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

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

**Section V--Corrective Action Plan**

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

**Section VI--Management Letter**

No Management Letter is required because there were no findings required to be reported under the Florida Single Audit Act.