

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS

THE SALVATION ARMY ST. PETERSBURG AREA COMMAND
GENERAL OPERATING FUND

September 30, 2014 and 2013

TABLE OF CONTENTS

Independent Auditors' Report	3 - 4
Financial Statements	
Statements of Financial Position	5 - 6
Statements of Activities and Changes in Net Assets	7 - 8
Statements of Cash Flows	9
Statements of Functional Expenses	10 - 11
Notes to Financial Statements	12 - 23
Supplementary Information	24
Schedule of Expenditures of Federal Awards and State Financial Assistance	25 - 27
Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance	28
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	29 - 31
Independent Auditors' Report on Compliance for Each Major Federal Program and State Project and on Internal Control Over Compliance Required by OMB Circular A-133 and Chapter 10.650, <i>Rules of the Auditor General</i>	32 - 34
Schedule of Findings and Questioned Costs - Federal Programs and State Projects	35 - 37
Management Letter, pursuant to sections 215.97 (9)(f) and 215.97 (10)(D) of the Florida Statutes	38 - 39



RIVERO, GORDIMER & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Member
 American Institute of Certified Public Accountants
 Florida Institute of Certified Public Accountants

Herman V. Lazzara	Stephen G. Douglas
Marc D. Sasser	Michael E. Helton
Sam A. Lazzara	

Cesar J. Rivero, of Counsel
 Richard B. Gordimer, of Counsel

INDEPENDENT AUDITORS' REPORT

Board of Trustees
The Salvation Army, a Georgia Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of The Salvation Army St. Petersburg Area Command (the "Command"), a unit of The Salvation Army, a Georgia corporation (a nonprofit organization), which comprise the statements of financial position as of September 30, 2014 and 2013, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. 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 St. Petersburg Area Command as of September 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.


Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information listed in the table of contents, and the schedule of expenditures of federal awards and state financial assistance, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.650, *Rules of the Auditor General* is presented for purposes of additional analysis and are 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 13, 2015, on our consideration of The Salvation Army St. Petersburg Area Command'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 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 St. Petersburg Area Command's internal control over financial reporting and compliance.



Tampa, Florida
February 13, 2015

The Salvation Army St. Petersburg Area Command
General Operating Fund

STATEMENT OF FINANCIAL POSITION

September 30, 2014

	Unrestricted	Permanently Restricted	Total
ASSETS			
Cash and cash equivalents (notes A9, A11 and I)	\$ 522,655	\$ -	\$ 522,655
Accounts receivable (note A6)			
Grants (note E)	193,266	-	193,266
Related party	4,563	-	4,563
Other	1,648	-	1,648
Investments (notes A7, A8, B and C)	-	163,691	163,691
Vehicles and equipment, net of accumulated depreciation (notes A9 and F)	46,982	-	46,982
TOTAL ASSETS	\$ 769,114	\$ 163,691	\$ 932,805
LIABILITIES AND NET ASSETS			
Accounts payable			
Trade	\$ 60,596	\$ -	\$ 60,596
Related party (note H)	178,245	-	178,245
Accrued expenses and other liabilities	112,332	-	112,332
TOTAL LIABILITIES	351,173	-	351,173
Net assets			
Unrestricted	417,941	-	417,941
Permanently restricted (note C)	-	163,691	163,691
	417,941	163,691	581,632
TOTAL LIABILITIES AND NET ASSETS	\$ 769,114	\$ 163,691	\$ 932,805

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, 2013

	Unrestricted	Permanently Restricted	Total
ASSETS			
Cash and cash equivalents (notes A9, A11 and I)	\$ 579,147	\$ -	\$ 579,147
Accounts receivable (note A6)			
Grants (note E)	215,543	-	215,543
Related party	78,710	-	78,710
Other	7,632	-	7,632
Investments (notes A7, A8, B and C)	-	101,490	101,490
Vehicles and equipment, net of accumulated depreciation (notes A9 and F)	38,772	-	38,772
TOTAL ASSETS	\$ 919,804	\$ 101,490	\$ 1,021,294
LIABILITIES AND NET ASSETS			
Accounts payable			
Trade	\$ 47,008	\$ -	\$ 47,008
Related party (note H)	184,735	-	184,735
Accrued expenses and other liabilities	104,200	-	104,200
TOTAL LIABILITIES	335,943	-	335,943
Net assets			
Unrestricted	583,861	-	583,861
Permanently restricted (note C)	-	101,490	101,490
	583,861	101,490	685,351
TOTAL LIABILITIES AND NET ASSETS	\$ 919,804	\$ 101,490	\$ 1,021,294

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, 2014

	Unrestricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE			
Contributions (notes A4, A5 and H)	\$ 4,217,658	\$ 51,753	\$ 4,269,411
Grants from governmental agencies (note E)	1,801,543	-	1,801,543
Program service fees	76,458	-	76,458
Interest and other	6,214	10,448	16,662
	<u>6,101,873</u>	<u>62,201</u>	<u>6,164,074</u>
EXPENSES			
Program services			
Corps community center	976,032	-	976,032
Residential and institutional	3,043,933	-	3,043,933
Other social services	1,113,131	-	1,113,131
	<u>5,133,096</u>	<u>-</u>	<u>5,133,096</u>
Supporting services			
Management and general	552,766	-	552,766
Fundraising	581,931	-	581,931
	<u>6,267,793</u>	<u>-</u>	<u>6,267,793</u>
Change in net assets	(165,920)	62,201	(103,719)
Net assets at beginning of year	<u>583,861</u>	<u>101,490</u>	<u>685,351</u>
Net assets at end of year	<u>\$ 417,941</u>	<u>\$ 163,691</u>	<u>\$ 581,632</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, 2013

	Unrestricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE			
Contributions (notes A4, A5 and H)	\$ 3,670,523	\$ -	\$ 3,670,523
Grants from governmental agencies (note E)	1,787,073	-	1,787,073
Program service fees	56,384	-	56,384
Interest and other	3,131	12,036	15,167
	<u>5,517,111</u>	<u>12,036</u>	<u>5,529,147</u>
Total public support and revenue			
EXPENSES			
Program services			
Corps community center	935,659	-	935,659
Residential and institutional	2,981,193	-	2,981,193
Other social services	1,099,788	-	1,099,788
	<u>5,016,640</u>	<u>-</u>	<u>5,016,640</u>
Total program services			
Supporting services			
Management and general	556,392	-	556,392
Fundraising	570,653	-	570,653
	<u>6,143,685</u>	<u>-</u>	<u>6,143,685</u>
Total expenses			
Change in net assets	(626,574)	12,036	(614,538)
Net assets at beginning of year	<u>1,210,435</u>	<u>89,454</u>	<u>1,299,889</u>
Net assets at end of year	<u>\$ 583,861</u>	<u>\$ 101,490</u>	<u>\$ 685,351</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,

	2014	2013
Cash flows from operating activities	\$ (103,719)	\$ (614,538)
Change in net assets		
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	16,546	23,198
Gain on disposal of equipment	(3,000)	-
Decrease (increase) in accounts receivable	102,408	(58,526)
Net realized and unrealized changes in value of investments	(10,448)	(12,036)
Increase (decrease) in accounts payable	7,066	(123,776)
Increase (decrease) in accrued expenses and other liabilities	8,132	(3,531)
Total adjustments	120,704	(174,671)
Net cash provided (used) by operating activities	16,985	(789,209)
Cash flows from investing activities		
Purchase of investments	(51,753)	-
Purchase of equipment	(21,724)	-
Net cash used by investing activities	(73,477)	-
Net decrease in cash and cash equivalents	(56,492)	(789,209)
Cash and cash equivalents at beginning of year	579,147	1,368,356
Cash and cash equivalents at end of year	\$ 522,655	\$ 579,147
Supplemental disclosures of cash flow information		
Cash paid during the year		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -

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, 2014

	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	\$ 217,272	\$ 1,401,035	\$ 277,704	\$ 1,896,011	\$ 338,901	\$ 273,074	\$ 611,975	\$ 2,507,986
Officer and employee benefits	56,986	298,595	71,484	427,065	77,545	24,858	102,403	529,468
Payroll taxes	15,091	144,991	35,907	195,989	28,800	21,470	50,270	246,259
Total salaries and related expenses	289,349	1,844,621	385,095	2,519,065	445,246	319,402	764,648	3,283,713
Professional fees	5,227	51,912	7,942	65,081	22,178	54,412	76,590	141,671
Supplies	83,722	202,886	161,914	448,522	10,907	18,619	29,526	478,048
Direct assistance	139,672	117,708	386,168	643,548	-	-	-	643,548
Telephone	15,754	18,752	3,735	38,241	3,917	2,671	6,588	44,829
Postage and shipping	1,340	978	469	2,787	991	28,609	29,600	32,387
Occupancy	204,264	336,884	79,159	620,307	37,117	4,343	41,460	661,767
Furnishing and equipment	40,542	36,274	2,719	79,535	6,157	1,615	7,772	87,307
Printing and publications	17,025	604	79	17,708	1,657	138,446	140,103	157,811
Local meals and travel	12,866	8,511	189	21,566	2,885	1,221	4,106	25,672
Vehicles	31,821	54,851	3,858	90,530	11,763	11,047	22,810	113,340
Conferences, meetings and trips	28,976	749	15	29,740	3,191	1,436	4,627	34,367
Miscellaneous	2,091	50	-	2,141	1,125	110	1,235	3,376
Depreciation	8,129	2,785	-	10,914	5,632	-	5,632	16,546
Support service fees	95,254	366,368	81,789	543,411	-	-	-	543,411
Total expenses	\$ 976,032	\$ 3,043,933	\$ 1,113,131	\$ 5,133,096	\$ 552,766	\$ 581,931	\$ 1,134,697	\$ 6,267,793

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, 2013

	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	\$ 238,835	\$ 1,453,818	\$ 239,326	\$ 1,931,979	\$ 328,167	\$ 308,579	\$ 636,746	\$ 2,568,725
Officer and employee benefits	62,690	271,434	67,490	401,614	65,042	23,270	88,312	489,926
Payroll taxes	10,307	144,903	26,620	181,830	39,869	31,269	71,138	252,968
Total salaries and related expenses	311,832	1,870,155	333,436	2,515,423	433,078	363,118	796,196	3,311,619
Professional fees	4,332	37,069	6,566	47,967	38,106	48,349	86,455	134,422
Supplies	82,654	184,697	212,581	479,932	12,820	19,765	32,585	512,517
Direct assistance	130,594	118,720	348,491	597,805	-	-	-	597,805
Telephone	16,485	25,385	3,806	45,676	3,282	3,138	6,420	52,096
Postage and shipping	1,465	1,287	703	3,455	1,403	24,845	26,248	29,703
Occupancy	181,623	336,804	82,044	600,471	38,791	5,079	43,870	644,341
Furnishing and equipment	34,294	54,182	4,277	92,753	5,763	1,661	7,424	100,177
Printing and publications	12,330	3,906	1,726	17,962	5,060	93,753	98,813	116,775
Local meals and travel	11,228	8,410	108	19,746	5,040	2,127	7,167	26,913
Vehicles	27,098	52,177	6,101	85,376	11,249	8,675	19,924	105,300
Conferences, meetings and trips	18,153	1,682	1,377	21,212	476	33	509	21,721
Miscellaneous	139	214	-	353	1,324	110	1,434	1,787
Depreciation	22,416	782	-	23,198	-	-	-	23,198
Support service fees	81,016	285,723	98,572	465,311	-	-	-	465,311
Total expenses	\$ 935,659	\$ 2,981,193	\$ 1,099,788	\$ 5,016,640	\$ 556,392	\$ 570,653	\$ 1,127,045	\$ 6,143,685

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, 2014 and 2013

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

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

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

The 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 St. Petersburg Area Command (the "Command") Operating Unit, of the Southern Territory of The Salvation Army.

The Operating Fund includes the operations of the St. Petersburg Area Command, 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 accounting principles generally accepted in the United States of America. 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, 2014 and 2013

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 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 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. Cash and Cash Equivalents

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

5. 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.

The Salvation Army St. Petersburg Area Command
General Operating Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2014 and 2013

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

6. 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 at their estimated fair value as income and expense at the time the items are placed into service or distributed.

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.

7. Accounts Receivable

The Command receives support from various federal and state grants. None of the amounts receivable at September 30, 2014 and 2013 are deemed to be uncollectible. Therefore, no provision for uncollectible amounts has been made in the accompanying financial statements.

8. 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).

The Salvation Army St. Petersburg Area Command
General Operating Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2014 and 2013

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

- As increases in unrestricted net assets in all other cases.

9. 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, 2014 and 2013:

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, 2014</u>	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Cash and cash equivalents	\$ 522,655	\$ 522,655	\$ -	\$ -
Investments	163,691	163,691	-	-
Total	<u>\$ 686,346</u>	<u>\$ 686,346</u>	<u>\$ -</u>	<u>\$ -</u>

The Salvation Army St. Petersburg Area Command
General Operating Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2014 and 2013

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

<u>September 30, 2013</u>	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Cash and cash equivalents	\$ 579,147	\$ 579,147	\$ -	\$ -
Investments	101,490	101,490	-	-
Total	<u>\$ 680,637</u>	<u>\$ 680,637</u>	<u>\$ -</u>	<u>\$ -</u>

10. 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>2014</u>	<u>2013</u>
Auto revolving reserve	\$ 12,509	\$ 12,509
Property reserve	3,823	3,823
	<u>\$ 16,332</u>	<u>\$ 16,332</u>

The Salvation Army St. Petersburg Area Command
General Operating Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2014 and 2013

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

11. 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.

12. Reclassifications

Certain amounts as previously reported have been reclassified in order to conform to the current year presentation.

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.

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.

The Salvation Army St. Petersburg Area Command
General Operating Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2014 and 2013

NOTE C - ENDOWMENTS - Continued

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.

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 Area Command
General Operating Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2014 and 2013

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 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 - September 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 163,691</u>	<u>\$ 163,691</u>
Donor-restricted funds - September 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101,490</u>	<u>\$ 101,490</u>

The Salvation Army St. Petersburg Area Command
General Operating Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2014 and 2013

NOTE C - ENDOWMENTS - Continued

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

<u>2014</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ -	\$ 101,490	\$ 101,490
Investment income				
Investment income	-	-	1,478	1,478
Net depreciation (realized and unrealized)	-	-	8,970	8,970
Total investment return	-	-	10,448	10,448
Contributions	-	-	51,753	51,753
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>\$ 163,691</u>	<u>\$ 163,691</u>
<u>2013</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ -	\$ 89,454	\$ 89,454
Investment income				
Investment income	-	-	1,809	1,809
Net depreciation (realized and unrealized)	-	-	10,227	10,227
Total investment return	-	-	12,036	12,036
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>\$ 101,490</u>	<u>\$ 101,490</u>

The Salvation Army St. Petersburg Area Command
General Operating Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2014 and 2013

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., Heartland for Kids, 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>2014</u>	<u>2013</u>
Vehicles	\$ 520,580	\$ 515,499
Equipment	<u>14,995</u>	<u>14,995</u>
	535,575	530,494
Less accumulated depreciation	<u>(488,593)</u>	<u>(491,722)</u>
	<u>\$ 46,982</u>	<u>\$ 38,772</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 \$88,000 and \$78,000 of expense was incurred under this Plan for the years ended September 30, 2014 and 2013, respectively.

The Salvation Army St. Petersburg Area Command
General Operating Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2014 and 2013

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 \$396,000 and \$377,000 for the years ended September 30, 2014 and 2013, 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.

Provisions for these benefits is self-funded principally by annual assessments to the Corps 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, 2014 and 2013 were approximately \$12,000 and \$6,000, respectively.

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 \$30,000 and \$24,500 for the years ended September 30, 2014 and 2013, 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, 2014 and 2013

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, 2014 and 2013 was approximately \$543,000 and \$465,000, respectively.

Trust fund earnings are included as contributions and approximated \$2,486,000 and \$1,812,000 for the years ended September 30, 2014 and 2013, respectively.

The Command had a related party receivable of approximately \$4,000 and \$79,000 at September 30, 2014 and 2013, respectively related to earnings from trusts held at Southern Territorial Headquarters.

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. Related party payables were approximately \$178,000 and \$185,000 at September 30, 2014 and 2013, 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 and noninterest-bearing accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. All cash equivalents are fully insured at September 30, 2014 and 2013. 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, 2014 as of February 13, 2015 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, 2014

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, 2014

Federal Grantor/Program Title	Federal CFDA #	Entity Identifying Number	Expenditures
Federal			
U.S. Department of Health and Human Services			
Indirect Programs			
Passed-through Eckerd Youth Alternatives, Inc. Foster Care - Title IV-E (ARRA)	93.658	ECA-RGC-TSA-FY15	\$ 304,984
Passed-through Eckerd Youth Alternatives, Inc. Social Services Block Grant	93.667	ECA-RGC-TSA-FY15	244,108
Passed-through Heartland For Children Foster Care- Title IV-E (ARRA)	93.658	RA-JSA01	270,837
Passed-through Heartland For Children Social Services Block Grant	93.667	RA-JSA01	174,511
Passed-through Sarasota YMCA Foster Care- Title IV-E (ARRA)	93.658	SALOHCR13	27,355
Passed-through Sarasota YMCA Social Services Block Grant	93.667	SALOHCR13	<u>18,217</u>
Total Indirect Programs - U.S Department of Health and Human Services			<u>1,040,012</u>
U.S. Department of Homeland Security			
Indirect Programs			
Passed-through United Way Food & Shelter Program			
Total Indirect Programs - U.S. Department of Homeland Security	97.024	N/A	<u>8,329</u>
			<u>8,329</u>
Total expenditures of federal awards			<u>\$ 1,048,341</u>

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, 2014

State Grantor/Project Title	State CSFA#	Contract Number	State Expenditures
State			
Florida Department of Corrections	70.011	C2683	<u>\$ 57,200</u>
Salvation Army Children's Village - Pinellas County	60.064	QJ4A4	<u>250,000</u>
Passed-through Eckerd Youth Alternatives, Inc. Out of Home Supports	60.074	ECA-RGC-TSA-FY15	<u>193,361</u>
Passed-through Sarasota YMCA Out of Home Supports	60.074	SALOHCR13	<u>14,549</u>
Passed through Heartland for Children Out of Home Supports	60.074	RA-JSA01	<u>94,598</u>
Total expenditures of state financial assistance			<u>\$ 609,708</u>
Total expenditures of federal awards and state financial assistance			<u>\$ 1,658,049</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, 2014

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, 2014



RIVERO, GORDIMER & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Member
 American Institute of Certified Public Accountants
 Florida Institute of Certified Public Accountants

Herman V. Lazzara	Stephen G. Douglas
Marc D. Sasser	Michael E. Helton
Sam A. Lazzara	

Cesar J. Rivero, of Counsel
 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, 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 St. Petersburg Area Command (the "Command") (a nonprofit organization), which comprise the statement of financial position as of September 30, 2014, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 13, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Command'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 Command's internal control. Accordingly, we do not express an opinion on the effectiveness of the Command'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 a 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. *A significant deficiency* is a deficiency, or a 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.

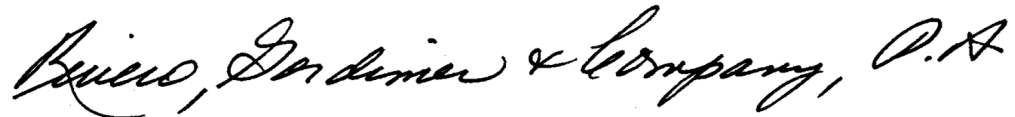
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 Command's financial statements are free from 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.

A handwritten signature in cursive script that reads "Buco, Gardner & Company, P.A." The signature is written in black ink and is positioned centrally below the "Purpose of this Report" section.

Tampa, Florida
February 13, 2015

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND STATE PROJECT
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY 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, 2014



RIVERO, GORDIMER & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Member
 American Institute of Certified Public Accountants
 Florida Institute of Certified Public Accountants

Herman V. Lazzara	Stephen G. Douglas
Marc D. Sasser	Michael E. Helton
Sam A. Lazzara	

Cesar J. Rivero, of Counsel
 Richard B. Gordimer, of Counsel

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
 FOR EACH MAJOR FEDERAL PROGRAM AND STATE
 PROJECT AND ON INTERNAL CONTROL OVER
 COMPLIANCE REQUIRED BY OMB CIRCULAR A-133
 AND CHAPTER 10.650, RULES OF THE AUDITOR GENERAL

Board of Trustees
 The Salvation Army, a Georgia Corporation

Report on Compliance for Each Major Federal Program and State Projects

We have audited the compliance of The Salvation Army St. Petersburg Area Command's (the "Command") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2014. 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.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express and opinion on compliance for each of the Command's major federal programs and 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* 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 projects 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 on compliance for each major federal program and state projects. However, our audit does not provide a legal determination of the Command's compliance.

Opinion on Each Major Federal Program and State Projects

In our opinion, The Salvation Army St. Petersburg Area Command 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 federal programs and state projects for the year ended September 30, 2014.

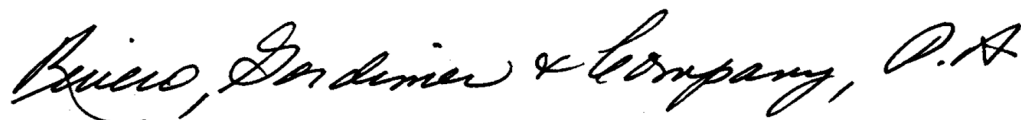
Report on Internal Control Over Compliance

Management of the Command 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, we considered the Command's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program or state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program or state project 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charge 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 over compliance 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.

This 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 OMB Circular A-133, and Chapter 10.650, *Rules of the Auditor General*. Accordingly, this reports not suitable for any other purpose.



Tampa, Florida
February 13, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL PROGRAMS AND STATE PROJECTS
THE SALVATION ARMY ST. PETERSBURG AREA COMMAND
GENERAL OPERATING FUND

September 30, 2014

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, 2014

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued Unmodified

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 Unmodified

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>
93.658 - 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
60.074	Out-of-Home 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 \$ 182,912

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, 2014

Section II - Financial Statement Findings

No matters were reported for the year ended September 30, 2014, 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, 2014, 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 to State projects.

MANAGEMENT LETTER PURSUANT TO
SECTIONS 215.97(9)(F) AND 215.97(10)(D)
OF THE FLORIDA STATUTES

THE SALVATION ARMY ST. PETERSBURG AREA COMMAND
GENERAL OPERATING FUND

September 30, 2014



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

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

MANAGEMENT LETTER PURSUANT TO
SECTIONS 215.97(9)(F) AND 215.97(10)(D)
OF THE FLORIDA STATUTES

Board of Trustees
The Salvation Army, a Georgia Corporation

Report on the Financial Statements

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 year ended September 30, 2014, and have issued our report thereon, dated February 13, 2015.

Auditor's Responsibility

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; OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.650, *Rules of the Auditor General*.

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control Over Compliance in accordance with OMB Circular A-133, and Chapter 10.650, *Rules of the Auditor General*; and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated February 13, 2015, should be considered in conjunction with this management letter.

Purpose of this Letter

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, the Board of Directors and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Tampa, Florida
February 13, 2015