

REPORT
THE SALVATION ARMY -
NEW ORLEANS, LOUISIANA AREA COMMAND,
A UNIT OF THE SALVATION ARMY,
A GEORGIA CORPORATION
SEPTEMBER 30, 2012

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

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THE SALVATION ARMY -
NEW ORLEANS, LOUISIANA AREA COMMAND
A UNIT OF THE SALVATION ARMY, A GEORGIA CORPORATION

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INDEPENDENT AUDITOR'S REPORT

March 21, 2013

**Board of Trustees
The Salvation Army New Orleans,
Louisiana Area Command
A Unit of the Salvation Army,
A Georgia Corporation**

We have audited the accompanying statement of financial position of The Salvation Army New Orleans, Louisiana Area Command (the "Command"), a unit of The Salvation Army, a Georgia Corporation (a nonprofit organization) as of September 30, 2012 and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the Command's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Salvation Army corporate headquarters has the responsibility for investment activity for all units within the territory and holds cash and investments for the Command. We could not confirm these assets with sources outside the Salvation Army or perform tests of the transactions in these accounts due to the impracticality of corporate headquarters making these accounting records available to us.

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As described in Note 1, the financial statements being presented are only for the operations included in The Salvation Army New Orleans, Louisiana Area Command and do not include the assets, liabilities and net assets and the support, revenue and expenses of the Adult Rehabilitation Center.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary resulting from the matters discussed in the third and fourth paragraphs, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of The Salvation Army New Orleans, Louisiana Area Command as of September 30, 2012 and the changes in its net assets, its cash flows and functional expenses for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2013, on our consideration of The Salvation Army New Orleans, Louisiana 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* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Duplantier, Hrapmann, Hogan & Maher, LLP

THE SALVATION ARMY
NEW ORLEANS, LOUISIANA AREA COMMAND
A UNIT OF THE SALVATION ARMY, A GEORGIA CORPORATION
STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2012 WITH COMPARATIVE TOTALS FOR 2011

	<u>UNRESTRICTED NET ASSETS</u>						<u>2012</u>	<u>2011</u>
	<u>General</u>	<u>Board</u>	<u>Land,</u>	<u>Total</u>	<u>Restricted</u>	<u>Restricted</u>		
<u>ASSETS</u>	<u>Operating</u>	<u>Designated</u>	<u>Buildings,</u>	<u>Unrestricted</u>	<u>Temporarily</u>	<u>Permanently</u>	<u>Total</u>	<u>Total</u>
			<u>Equipment</u>					
OPERATING ASSETS:								
Cash and cash equivalents	\$ 180,945	\$ 1,110,116	\$ -	\$ 1,291,061	\$ -	\$ -	\$ 1,291,061	\$ 1,254,888
Accounts receivable, net	10,765	-	-	10,765	-	-	10,765	113,851
Grants receivable	109,558	-	-	109,558	-	-	109,558	201,682
Gift card inventory	4,968	-	-	4,968	121,000	-	125,968	-
Prepaid expenses and deferred charges	358	-	-	358	-	-	358	513
Nominal value assets	-	278	-	278	-	-	278	278
Total operating assets	306,594	1,110,394	-	1,416,988	121,000	-	1,537,988	1,571,212
INVESTMENTS								
Investment securities, at fair value	435,174	161,929	-	597,103	78,476	183,161	858,740	1,356,181
LAND, BUILDINGS AND EQUIPMENT (AT COST):								
Land	-	-	938,728	938,728	-	-	938,728	938,727
Buildings	-	-	4,915,477	4,915,477	-	-	4,915,477	4,915,476
Furniture, fixtures and equipment	-	-	234,899	234,899	-	-	234,899	307,440
Less accumulated depreciation	-	-	(1,649,310)	(1,649,310)	-	-	(1,649,310)	(1,649,361)
Total land, buildings and equipment	-	-	4,439,794	4,439,794	-	-	4,439,794	4,512,282
TOTAL ASSETS	\$ 741,768	\$ 1,272,323	\$ 4,439,794	\$ 6,453,885	\$ 199,476	\$ 183,161	\$ 6,836,522	\$ 7,439,675

See accompanying notes.

THE SALVATION ARMY
NEW ORLEANS, LOUISIANA AREA COMMAND
A UNIT OF THE SALVATION ARMY, A GEORGIA CORPORATION
STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2012 WITH COMPARATIVE TOTALS FOR 2011

	UNRESTRICTED NET ASSETS							
	General	Board	Land, Buildings, Equipment	Total	Restricted	Restricted	2012	2011
	<u>Operating</u>	<u>Designated</u>	<u>Equipment</u>	<u>Unrestricted</u>	<u>Temporarily</u>	<u>Permanently</u>	<u>Total</u>	<u>Total</u>
LIABILITIES AND NET ASSETS								
LIABILITIES:								
Accounts payable and accrued expenses	\$ 80,999	\$ -	\$ -	\$ 80,999	\$ -	\$ -	\$ 80,999	\$ 81,344
Advances	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>-</u>
Total liabilities	<u>180,999</u>	<u>-</u>	<u>-</u>	<u>180,999</u>	<u>-</u>	<u>-</u>	<u>180,999</u>	<u>81,344</u>
NET ASSETS:								
Unrestricted	560,769	1,272,323	4,439,794	6,272,886	-	-	6,272,886	7,081,119
Temporarily restricted	-	-	-	-	199,476	-	199,476	94,051
Permanently restricted	-	-	-	-	-	183,161	183,161	183,161
Total net assets	<u>560,769</u>	<u>1,272,323</u>	<u>4,439,794</u>	<u>6,272,886</u>	<u>199,476</u>	<u>183,161</u>	<u>6,655,523</u>	<u>7,358,331</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 741,768</u>	<u>\$ 1,272,323</u>	<u>\$ 4,439,794</u>	<u>\$ 6,453,885</u>	<u>\$ 199,476</u>	<u>\$ 183,161</u>	<u>\$ 6,836,522</u>	<u>\$ 7,439,675</u>

See accompanying notes.

THE SALVATION ARMY
NEW ORLEANS, LOUISIANA AREA COMMAND
A UNIT OF THE SALVATION ARMY, A GEORGIA CORPORATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2012 WITH COMPARATIVE TOTALS FOR 2011

	<u>UNRESTRICTED NET ASSETS</u>						<u>2012</u>	<u>2011</u>
	<u>General</u>	<u>Board</u>	<u>Land,</u>	<u>Buildings,</u>	<u>Total</u>	<u>Restricted</u>		
	<u>Operating</u>	<u>Designated</u>	<u>Equipment</u>	<u>Unrestricted</u>	<u>Temporarily</u>	<u>Permanently</u>	<u>Total</u>	<u>Total</u>
SUPPORT AND REVENUE:								
Public support:								
Received directly:								
Contributions	\$ 1,196,507	\$ -	\$ -	\$ 1,196,507	\$ 4,040	\$ -	\$ 1,200,547	\$ 1,131,207
Donations in kind and contributed services	85,129	-	-	85,129	121,000	-	206,129	513,216
Special events	5,173	-	-	5,173	-	-	5,173	37,953
Legacies and bequest	-	67,977	-	67,977	-	-	67,977	103,856
Total received directly	<u>1,286,809</u>	<u>67,977</u>	<u>-</u>	<u>1,354,786</u>	<u>125,040</u>	<u>-</u>	<u>1,479,826</u>	<u>1,786,232</u>
Received indirectly:								
Allocated by federal fund-raising organizations	17,864	-	-	17,864	-	-	17,864	23,720
Total received indirectly	<u>17,864</u>	<u>-</u>	<u>-</u>	<u>17,864</u>	<u>-</u>	<u>-</u>	<u>17,864</u>	<u>23,720</u>
Total public support	<u>1,304,673</u>	<u>67,977</u>	<u>-</u>	<u>1,372,650</u>	<u>125,040</u>	<u>-</u>	<u>1,497,690</u>	<u>1,809,952</u>
Fees and grants from governmental agencies	<u>611,545</u>	<u>-</u>	<u>-</u>	<u>611,545</u>	<u>-</u>	<u>-</u>	<u>611,545</u>	<u>1,060,892</u>
Other revenue:								
Program service fees	1,508,143	-	-	1,508,143	-	-	1,508,143	1,678,813
Sales to the public	-	-	-	-	-	-	-	11
Investment income:								
Dividends and interest, net of fees	3,555	15,803	-	19,358	3,987	-	23,345	29,984
Realized gain on sale of investments	-	-	-	-	1,496	-	1,496	14,310
Unrealized gain (loss) on value of investments	-	-	-	-	19,647	-	19,647	21,607
Gain on sale of land, building and equipment	-	-	13,941	13,941	-	-	13,941	85,448
Other revenue	-	-	-	-	-	-	-	1
Total other revenue	<u>1,511,698</u>	<u>15,803</u>	<u>13,941</u>	<u>1,541,442</u>	<u>25,130</u>	<u>-</u>	<u>1,566,572</u>	<u>1,830,174</u>
Total support and revenue before net asset reclassification and release of restrictions	<u>3,427,916</u>	<u>83,780</u>	<u>13,941</u>	<u>3,525,637</u>	<u>150,170</u>	<u>-</u>	<u>3,675,807</u>	<u>4,701,018</u>

(Continued)

THE SALVATION ARMY
NEW ORLEANS, LOUISIANA AREA COMMAND
A UNIT OF THE SALVATION ARMY, A GEORGIA CORPORATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2012 WITH COMPARATIVE TOTALS FOR 2011

	UNRESTRICTED NET ASSETS							
	General	Board	Land, Buildings, Equipment	Total	Restricted	Restricted	2012	2011
	<u>Operating</u>	<u>Designated</u>	<u>Equipment</u>	<u>Unrestricted</u>	<u>Temporarily</u>	<u>Permanently</u>	<u>Total</u>	<u>Total</u>
Net assets reclassified	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 350,846
Net assets released from restriction	44,745	-	-	44,745	(44,745)	-	-	-
Interfund transfers	210,967	(124,538)	(86,429)	-	-	-	-	-
Total support and revenue	<u>3,683,628</u>	<u>(40,758)</u>	<u>(72,488)</u>	<u>3,570,382</u>	<u>105,425</u>	<u>-</u>	<u>3,675,807</u>	<u>5,051,864</u>
EXPENSES:								
Program Services:								
Corps community center	245,523	-	-	245,523	-	-	245,523	199,201
Residential and institutional	1,582,673	-	-	1,582,673	-	-	1,582,673	1,399,320
Other social services	1,602,450	-	-	1,602,450	-	-	1,602,450	2,631,878
Total program services	<u>3,430,646</u>	<u>-</u>	<u>-</u>	<u>3,430,646</u>	<u>-</u>	<u>-</u>	<u>3,430,646</u>	<u>4,230,399</u>
Supporting services:								
Management and general	594,333	-	-	594,333	-	-	594,333	914,095
Fund raising	353,636	-	-	353,636	-	-	353,636	318,500
Total supporting services	<u>947,969</u>	<u>-</u>	<u>-</u>	<u>947,969</u>	<u>-</u>	<u>-</u>	<u>947,969</u>	<u>1,232,595</u>
Total expenses	<u>4,378,615</u>	<u>-</u>	<u>-</u>	<u>4,378,615</u>	<u>-</u>	<u>-</u>	<u>4,378,615</u>	<u>5,462,994</u>
Total change in net assets	(694,987)	(40,758)	(72,488)	(808,233)	105,425	-	(702,808)	(411,130)
Net assets at beginning of year	<u>1,255,756</u>	<u>1,313,081</u>	<u>4,512,282</u>	<u>7,081,119</u>	<u>94,051</u>	<u>183,161</u>	<u>7,358,331</u>	<u>7,769,461</u>
Net assets at end of year	<u>\$ 560,769</u>	<u>\$ 1,272,323</u>	<u>\$ 4,439,794</u>	<u>\$ 6,272,886</u>	<u>\$ 199,476</u>	<u>\$ 183,161</u>	<u>\$ 6,655,523</u>	<u>\$ 7,358,331</u>

See accompanying notes.

THE SALVATION ARMY
 NEW ORLEANS, LOUISIANA AREA COMMAND
 A UNIT OF THE SALVATION ARMY, A GEORGIA CORPORATION
 STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (702,808)	\$ (411,130)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	126,866	120,824
(Gain) loss on sale of land, buildings, equipment and furnishings	(13,941)	(85,448)
Realized and unrealized gain on investments	(21,143)	(35,917)
Changes in assets and liabilities:		
Receivables and prepaid expenses	195,365	(2,527)
Gift card inventory	(125,968)	-
Accounts payable, accrued expenses and other liabilities	<u>99,655</u>	<u>(21,710)</u>
Net cash provided (used) by operating activities	<u>(441,974)</u>	<u>(435,908)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase and sales of investments net of earnings reinvested	525,291	82,088
Purchase of land, buildings, equipment and furnishings	(64,644)	(60,682)
Proceeds from sale of land, buildings, equipment and furnishings	<u>17,500</u>	<u>404,851</u>
Net cash provided (used) by investing activities	<u>478,147</u>	<u>426,257</u>
Net change in cash	36,173	(9,651)
Cash at beginning of year	<u>1,254,888</u>	<u>1,264,539</u>
Cash at end of year	<u>\$ 1,291,061</u>	<u>\$ 1,254,888</u>

See accompanying notes.

THE SALVATION ARMY
NEW ORLEANS, LOUISIANA AREA COMMAND,
A UNIT OF THE SALVATION ARMY, A GEORGIA CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2012 WITH COMPARATIVE TOTALS FOR 2011

	PROGRAM SERVICES				SUPPORTING SERVICES			2012 Total	2011 Total
	Corps Community Center	Residential Services	Other Social Services	Total Program Expense	Management General	Fund Raising	Total Supporting Expense		
Salaries and allowances	\$ 82,070	\$ 623,990	\$ 598,386	\$ 1,304,446	\$ 228,963	\$ 190,665	\$ 419,628	\$ 1,724,074	\$ 1,589,895
Officer and employee benefits	3,523	1,110,116	-	1,113,639	57,420	11,830	69,250	1,182,889	285,136
Payroll taxes and insurance	5,954	46,181	44,291	96,426	54,159	14,599	68,758	165,184	134,492
Professional fees	22,359	91,793	77,400	191,552	24,998	-	24,998	216,550	457,276
Supplies	12,843	152,917	30,813	196,573	28,568	9,754	38,322	234,895	465,869
Telephone	5,424	10,781	4,526	20,731	9,507	-	9,507	30,238	38,651
Postage and shipping	217	-	673	890	6,266	-	6,266	7,156	10,142
Occupancy	42,238	250,634	44,195	337,067	78,707	-	78,707	415,774	726,338
Furnishings and equipment	31,744	164,351	4,756	200,851	52,615	1,769	54,384	255,235	140,764
Printing and publications	876	70	3,249	4,195	1,278	114,800	116,078	120,273	261,088
Local travel and meals	27,935	8,790	17,133	53,858	34,260	10,219	44,479	98,337	114,163
Conferences, meetings and major trips	2,603	-	24,328	26,931	11,772	-	11,772	38,703	180,724
Direct assistance	-	-	522,185	522,185	-	-	-	522,185	868,447
Organization dues	-	-	1,600	1,600	550	-	550	2,150	3,050
Awards and grants	-	-	-	-	5,270	-	5,270	5,270	5,266
Miscellaneous	-	-	17,751	17,751	-	-	-	17,751	21,645
Support services	7,737	91,804	71,994	171,535	-	-	-	171,535	160,048
Total expenses	\$ 245,523	\$ 2,551,427	\$ 1,463,280	\$ 4,260,230	\$ 594,333	\$ 353,636	\$ 947,969	\$ 5,208,199	\$ 5,462,994

See accompanying notes.

THE SALVATION ARMY -
NEW ORLEANS, LOUISIANA AREA COMMAND
A UNIT OF THE SALVATION ARMY, A GEORGIA CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 WITH COMPARATIVE TOTALS FOR 2011

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 include all programs and operations of the Salvation Army New Orleans, Louisiana Area Command (the "Command"), an operating unit of the Southern Territory of The Salvation Army.

The financial statements do not include the operations of the Adult Rehabilitation Center located in Jefferson, Louisiana.

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 provisions.

The Salvation Army New Orleans, Louisiana Area Command operates a variety of programs including corps community centers that provide spiritual, educational, and recreational services; homeless and emergency shelters; children's day care center; emergency disaster services; assistance for the poor, disabled and retired; and camping activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

General

Basis of Presenting

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.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (FASB ASC) 958-205, *Financial Statements for Not-for-Profit Organizations*. Under FASB ASC 958-205, the Salvation Army is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

THE SALVATION ARMY -
NEW ORLEANS, LOUISIANA AREA COMMAND
A UNIT OF THE SALVATION ARMY, A GEORGIA CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 WITH COMPARATIVE TOTALS FOR 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

General (Continued)

Basis of Presenting (Continued)

In order to observe restrictions which donors place on grants and other gifts as well as designations made by the Board of Trustees/Directors, all assets, liabilities and activities are accounted for in the following net asset classification:

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 satisfied 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. 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. Promises to give that are scheduled to be received after the end of the reporting period are shown as increases in temporarily restricted net assets and are reclassified to unrestricted net assets when the purpose or time restriction is met. Promises to give subject to donor-imposed stipulations that the corpus be maintained permanently are recognized as increases in permanently restricted net assets. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at the risk-free rate on the last day of the fiscal year applicable to the years in which the promises are received. Amortization of the discount is recorded as contribution revenue.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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.

Investments

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

Income earned on unrestricted assets is distributed to the constituent accounts on the basis of a stated percentage of the monthly account balances during the year. Amounts so deposited may be withdrawn when required for use by the centers of operation. The excess (deficit) of investment income earned over amounts distributed is reported as unrestricted board designated income. The Board of Trustees/Directors generally designates the use of portions of these excess funds for specified projects for use within the territory.

Charitable gift annuities are maintained in a separate portfolio and are invested in accordance with applicable laws for such monies.

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 (decreases) 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) until allocated by the Board of Trustees for expenditure in accordance with donor stipulations.

As increases in unrestricted net assets in all other cases.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Land, Buildings and Equipment

Land, buildings and equipment are capitalized at cost or, if donated, at fair market value at the date of donation.

Revenue and Support

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

Contributions with donor-imposed restrictions that are met in the same accounting period as the time of receipt are recorded as unrestricted income.

Contributions of temporarily restricted long-lived assets are assumed to be temporarily restricted over the specified period of restriction.

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, foodstuffs, etc.) are recorded as income and expense at the time the items are placed into service or distributed.

Contributed land, buildings and equipment are recorded at fair value at the date of donation as unrestricted support and revenue unless the use of such contributed assets is restricted by a donor-imposed restriction.

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.

Expenses

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Depreciation

Straight-line depreciation is provided on buildings (50 years), vehicles and equipment (3 years) costing \$10,000 or more on estimated service lives. A full year of depreciation is charged in the year of acquisition or completion of construction. No depreciation is charged in the year of disposition.

Depreciation expense for the years ended September 30, 2012 and 2011 was \$126,866 and \$120,824, respectively.

Depreciation is also provided on equipment used in cost-reimbursement programs that provide for reimbursement of depreciation by a third party payer.

Provision is 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.

Use of Estimates

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 these estimates.

3. COMPARATIVE FINANCIAL INFORMATION:

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended September 30, 2011 from which the summarized information was derived.

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4. 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. 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.

Assets which are remitted for investment by a center of operation or are designated for the use of a center of operation, receive a fixed rate of interest as determined by the Board of Trustees. These assets are treated as cash equivalents in the financial statements.

5. PENSION, RETIREMENT AND POST-RETIREMENT PLANS:

a. 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 plan.

Annual contributions to the Plan are based on a stipulated percentage (5.25% and 5.25% in fiscal years 2012 and 2011, respectively) of employees' salaries. The Salvation Army incurred \$65,270 and \$52,637 of expenses under this plan in fiscal years 2012 and 2011, respectively.

b. Officers' Retirement and Other Post-Retirement Benefit Provision

The Salvation Army has a retirement provision for officers, which provides retirement benefits, as defined by Salvation Army policy governing such benefits. Retirement allowances are determined based upon active officer allowances and length of service. Provisions for these benefits is made principally by annual assessments to all centers of operation, by designated portions of legacy income, by earnings on assets designated for retirement benefits, and by special appropriations. Amounts charged to the unit and included in expenses for this plan were \$3,000 and \$4,000 for the years ended September 30, 2012 and 2011, respectively.

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5. PENSION, RETIREMENT AND POST-RETIREMENT PLANS: (Continued)

b. Officers' Retirement and Other Post-Retirement Benefit Provision (Continued)

The Salvation Army also provides certain health care and death benefits for retired Salvation Army officers as part of the retirement provision for officers. The Salvation Army also provides a housing and furnishings allowance at time of retirement. All Salvation Army officers and their eligible dependents are eligible for these benefits, as defined by Salvation Army policy. Provision for these benefits is made in a manner similar to that for officers' retirement benefits. Amounts charged to the Command and included in expenses for this plan were \$11,376 and \$10,500 in fiscal years 2012 and 2011, respectively.

6. EMPLOYEE MEDICAL PLAN:

Employees of the Salvation Army are provided health benefits under a self-insured program which is administered by a third-party claims administrator. The employee medical program is funded by assessments made to all centers of operations based on premium rates for all employees eligible for participation and by earnings on the designated assets of the program. Amounts charged to the Command and included in expenses for this plan were \$273,351 and \$217,919 in fiscal years 2012 and 2011, respectively.

7. ENDOWMENTS:

The Salvation Army in New Orleans, Louisiana, 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. The endowment fund credited to The Salvation Army in New Orleans consists of 6 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees as endowments. 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 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 interpretation by the Board of Trustees of relevant law is stated as follows:

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7. ENDOWMENTS: (Continued)

Interpretation of Relevant Law (Continued)

The Uniform Prudent Management of Institutional Funds Acts (UPMIFA) as enacted by the State of Georgia applies to all the institutional funds of the Southern Territory unless the donor has specifically directed otherwise. The Board of Trustees 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. In accordance with UPMIFA, the Board of Trustees considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund.
- (2) The purpose of the organization and the donor-restricted endowment fund.
- (3) General economic conditions.
- (4) The possible effects of inflation and deflation.
- (5) The expected total return from income and the appreciation of investments.
- (6) Other resources of the organization.
- (7) The investment policies of the organization.

The Board of Trustees considers the effect of inflation and deflation on the original gift value from the effective date of UPMIFA, July 1, 2008, or the gift date, whichever is later. Endowment funds are appropriated as of the date of disbursement from the invested asset.

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:

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7. ENDOWMENTS: (Continued)

Spending Policy (Continued)

The Southern Territory has a policy of allocating an amount available for appropriation for spending each year equal to the weighted average of the prior year's spending allocation adjusted for inflation plus a percentage of the endowment fund's fair value at the calendar year-end preceding the fiscal year in which the appropriation is planned. The prior year's spending allocation is weighted at 60% and the percentage of the fund's fair value is weighted at 40%. The percentage of the fund's fair value varies in a band from 0% to 7%, depending on the ratio of the fund's fair value to the purchasing power of the endowment gifts as measured by changes in CPI-U. The median percentage is 4%, and the minimum and maximum of the band are reached at 50% and 200% ratios of the fund's fair value to the endowment gift's(s') purchasing power, respectively. With long-term real growth expected through investment returns, the expected long-term average percentage rate is 4.5%. Accordingly, over the long-term, the Southern Territory expects the current spending policy to allow its endowments to maintain or grow 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.

Return Objectives and Risk Parameters

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

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

Strategies Employed for Achieving Objectives

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

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7. ENDOWMENTS: (Continued)

Strategies Employed for Achieving Objectives (Continued)

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.

Funds with Deficiencies

From time to time the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMISA/SPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. These deficiencies would generally result from unfavorable market fluctuations that occurred after the investment of permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Trustees. There were no such deficiencies as of September 30, 2012 and 2011.

Financial Summary

The following tables summarize the financial activity related to the endowments for 2012 and 2011:

Endowment Net Composition by Type of Fund
as of September 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ --	\$ 44,142	\$ 183,161	\$ 227,303
Board-designated endowment funds	<u>259,779</u>	--	--	<u>259,779</u>
Total funds	<u>\$ 259,779</u>	<u>\$ 44,142</u>	<u>\$ 183,161</u>	<u>\$ 487,082</u>

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7. ENDOWMENTS: (Continued)Financial Summary: (Continued)

Changes in Endowment Fund Net Assets
For Fiscal Year Ended September 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment fund net assets, beginning of year	\$ <u>227,090</u>	\$ <u>30,119</u>	\$ <u>183,161</u>	\$ <u>440,370</u>
Investment income:				
Investment income	11,548	3,830	--	15,378
Net appreciation (realized and unrealized)	<u>--</u>	<u>21,143</u>	<u>--</u>	<u>21,143</u>
Total investment return	11,548	24,973	--	36,521
Contributions	21,141	--	--	21,141
Release of restrictions	<u>--</u>	<u>(10,950)</u>	<u>--</u>	<u>(10,950)</u>
Endowment fund net assets, end of year	\$ <u>259,779</u>	\$ <u>44,142</u>	\$ <u>183,161</u>	\$ <u>487,082</u>

Endowment Net Asset Composition by Type of Fund
as of September 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ --	\$ 30,119	\$ 183,161	\$ 213,280
Board-designated endowment funds	<u>227,090</u>	<u>--</u>	<u>--</u>	<u>227,090</u>
Total funds	\$ <u>227,090</u>	\$ <u>30,119</u>	\$ <u>183,161</u>	\$ <u>440,370</u>

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7. ENDOWMENTS: (Continued)Financial Summary: (Continued)

Changes in Endowment Fund Net Assets
For Fiscal Year Ended September 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment fund net assets, beginning of year	\$ <u>177,443</u>	\$ <u>44,900</u>	\$ <u>183,161</u>	\$ <u>405,504</u>
Investment income:				
Investment income	9,786	4,630	--	14,416
Net depreciation (realized and unrealized)	<u> --</u>	<u> 2,304</u>	<u> --</u>	<u> 2,304</u>
Total investment return	9,786	6,934	--	16,720
Contributions	39,861	--	--	39,861
Release from restriction	<u> --</u>	<u>(21,715)</u>	<u> --</u>	<u>(21,715)</u>
Endowment fund net assets, end of year	\$ <u>227,090</u>	\$ <u>30,119</u>	\$ <u>183,161</u>	\$ <u>440,370</u>

Description of Amounts Classified as Permanently Restricted Net Assets and
Temporarily Restricted Net Assets (Endowment Only)

	<u>2012</u>	<u>2011</u>
Permanently Restricted Net Assets		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by SPMIFA	\$ <u>183,161</u>	\$ <u>183,161</u>
Total endowment funds classified as permanently restricted net assets	\$ <u>183,161</u>	\$ <u>183,161</u>
Temporarily Restricted Net Assets		
Term endowment funds	\$ --	\$ --
The portion of perpetual endowment funds subject to a time restriction under SPMIFA:		
Without purpose restrictions	2,825	2,654
With purpose restrictions	<u>41,317</u>	<u>27,465</u>
Total endowment funds classified as temporarily restricted net assets	\$ <u>44,142</u>	\$ <u>30,119</u>

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8. NET ASSET CLASSIFICATIONS:

Unrestricted Board Designated:

In the year ending September 30, 2012, the Board of Trustees elected to designate \$1,272,323 for the establishment of several funds for the Salvation Army New Orleans, Louisiana Command. Any contributions made will be kept with the corpus and the earnings generated from the funds will be used for future capital purposes or future operating expenses.

Temporarily Restricted:

Temporarily restricted net assets totaling \$199,476 and \$94,051 for the years ended September 30, 2012 and 2011, respectively, were available for building purchase and construction and welfare and support as follows:

	<u>2012</u>	<u>2011</u>
Building purchase and construction	\$ 26,434	\$ 26,434
Operations	44,142	2,654
Welfare support for needy persons	124,686	60,749
Disaster relief	<u>4,214</u>	<u>4,214</u>
	<u>\$199,476</u>	<u>\$ 94,051</u>

Permanently Restricted:

Permanently restricted net assets are to be held in perpetuity and the earnings are to be used for the programs of The Salvation Army New Orleans, Louisiana Area Command.

9. NET ASSETS RELEASED FROM RESTRICTIONS:

Net assets totaling \$44,745 were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors.

10. FAIR VALUE OF ITEMS ON STATEMENT OF FINANCIAL POSITION:

The following methods and assumptions were used to estimate the fair value of certain items appearing on the statement of financial position for which it is practicable to estimate that value.

a. Cash and Cash Equivalents

Cash and cash equivalents consist principally of investments in short-term, interest-bearing instruments and are carried at cost plus accrued interest which approximates fair value.

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10. FAIR VALUE OF ITEMS ON STATEMENT OF FINANCIAL POSITION: (Continued)

b. Investments

The Salvation Army New Orleans, Louisiana Area Command follows FASB Accounting Standards Codification (ASC) 820 which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements.

The valuation hierarchy is based on the transparency of inputs to the valuation of the Command's investments. Because the Command's investment values are an allocation from a larger investment pool, the investments are considered to be level 2 investments as defined by FASB ASC 820. Level 2 investments are defined as investments with fair values that are derived from inputs and information other than quoted market indices.

The fair value of the Command's investments is based on a percentage of ownership in the pool of investments owned by the Salvation Army's main headquarters. The fair value of the investment pool is determined as a whole then is allocated to the various Salvation Army territories based on their percentage of ownership.

The fair value of the Command's investments was \$858,740 and \$1,356,181 at September 30, 2012 and 2011, respectively.

c. Nominal Value Assets

Those donations of securities, mineral rights and property for which there is no determinable market value are carried in the accounts at a nominal value, usually \$1.00 per item.

11. INCOME TAX POSITION:

In June 2006, The Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109*, which is now Accounting Standards Codification 740 (ASC 740). ASC 740 requires that a tax position be recognized or derecognized based on a "more than not" threshold. This applies to positions taken or expected to be taken in a tax return where there is uncertainty about whether a tax position will ultimately be sustained upon examination.

The Salvation Army has evaluated its tax positions and determined that it does not have any uncertain tax positions that meet the criteria under ASC 740. Accordingly, implementation of ASC 740 did not have any impact on the accompanying financial statements.

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12. CONTINGENCIES AND COMMITMENTS:

Litigation

The Salvation Army in New Orleans is not involved in any litigation which is expected to have a material effect upon the financial position or the results of operations of The Salvation Army.

13. SUBSEQUENT EVENTS:

The Salvation Army has adopted Accounting Standards Codification 855 (ASC 855), *Subsequent Events*, and has disclosed all subsequent events through March 21, 2013, the date the financial statements were available to be issued.

14. INSURANCE:

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. Funding for these programs is obtained through assessments to all centers of operation for each line of coverage and through earnings on assets designated by the Southern Territorial Headquarters of the Salvation Army to pay claims. Amounts charged to the Command and included in expenses for this program were approximately \$109,942 and \$90,992 in fiscal year 2012 and 2011, respectively.

15. SUPPORT SERVICE FEES, OTHER ASSESSMENTS AND TRANSACTIONS:

The New Orleans, Louisiana Area Command is assessed an administrative charge by The Salvation Army Alabama-Louisiana and Mississippi Divisional Headquarters for support services provided by the Divisional Headquarters to the Command. Support services provided by Divisional and Territorial Headquarters include program, personnel, business and social services. Amounts incurred to cover these services amounted to \$171,535 and \$160,048 for the years ended September 30, 2012 and 2011, respectively.

In addition to the support service fees, an assessment is paid for state and interstate services such as disaster funds and camp operations. Amounts incurred to cover these services amounted to \$91,399 and \$36,129 for the years ended September 30, 2012 and 2011, respectively.

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15. SUPPORT SERVICE FEES, OTHER ASSESSMENTS AND TRANSACTIONS: (Continued)

The Command incurred expenses for pension, retirement and post-retirement benefits (Note 3), officers and auxiliary-captains' sick benefit and burial fund (Note 4), employee medical plan (Note 5) and insurance programs (Note 6) administered by corporate headquarters. The Command assumes no liability for these programs, other than the assessment made by corporate headquarters. Once that requirement is met by the Command, then the liabilities become an obligation of corporate headquarters. Any unpaid liability is reflected as accounts payable to headquarters.

As of September 30, 2012 and 2011, the following amounts were payable to Corporate headquarters:

	<u>2012</u>	<u>2011</u>
Accounts payable:		
Divisional Headquarters	\$ <u>11,769</u>	\$ <u>17,360</u>
Total	\$ <u>11,769</u>	\$ <u>17,360</u>

16. DONATIONS-IN-KIND AND CONTRIBUTED SERVICES:

Donations-in-kind and contributed services consists of donated services and supplies provided to the Salvation Army New Orleans, Louisiana Area Command. The donations include staffing, public service announcements, appearances at various events and supplies used by the Command for its various programs. The value of these donated services and supplies are included in the financial statements and the corresponding expenses for the years ended September 30, 2012 and 2011 are \$206,129 and \$513,216 respectively.

17. ADVANCES:

During the year ended September 30, 2012, The Salvation Army New Orleans, Louisiana Area Command received an advance from The Salvation Army Disaster Command in the amount of \$100,000 to be used in assistance with recovery from Hurricane Isaac which made landfall in early September 2012. As of September 30, 2012 there are no established guidelines on the terms of repayment of the advance to The Salvation Army Disaster Command.



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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

March 21, 2013

To the Board of Trustees
The Salvation Army, New Orleans,
Louisiana Area Command
A Unit of the Salvation Army,
A Georgia Corporation

We have audited the financial statements of The Salvation Army New Orleans, Louisiana Area Command (the "Command") as of and for the year ended September 30, 2012, and have issued our report thereon dated March 21, 2013. The report of The Salvation Army New Orleans, Louisiana Area Command was qualified because we were unable to audit the Command's investments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of The Salvation Army New Orleans, Louisiana Area Command is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Command's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Command's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Command's internal control over financial reporting.

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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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Salvation Army New Orleans, Louisiana Command Area'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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use by the Board of Trustees and Management of The Salvation Army New Orleans, Louisiana Area Command, federal awarding agencies, pass-through entities, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Duplantier, Hrapmann, Hogan & Maher, LLP



DUPLANTIER, HRAPMANN,
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

March 21, 2013

To the Board of Trustees
The Salvation Army, New Orleans,
Louisiana Area Command
A Unit of the Salvation Army,
A Georgia Corporation

Compliance

We have audited The Salvation Army New Orleans, Louisiana Area Command's (the "Command") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Command's major federal programs for the year ended September 30, 2012. The Command's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Command's management. Our responsibility is to express an opinion on The Salvation Army New Orleans, Louisiana Area Command's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 occurred. An audit includes examining, on a test basis, evidence about the Command's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Command's compliance with those requirements.

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In our opinion, The Salvation Army New Orleans, Louisiana Area Command complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

Internal Control Over Compliance

Management of The Salvation Army New Orleans, Louisiana Area Command is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Command's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use by the Board of Trustees and management of The Salvation Army New Orleans, Louisiana Area Command, federal awarding agencies, pass-through entities, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Duplantier, Hrapmann, Hogan & Maher, LLP

THE SALVATION ARMY -
 NEW ORLEANS, LOUISIANA AREA COMMAND
 A UNIT OF THE SALVATION ARMY, A GEORGIA CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

<u>Grantor</u>	<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Sub-Grant No.</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development, passed through Unity of the Greater New Orleans Area				
U.S Department of Housing and Urban Development	Supportive Housing Program	14.235	LA23033 and LA23035	\$ 493,281
U.S Department of Housing and Urban Development	American Recovery & Reinvestment Act (ARRA) (Homelessness Prevention and Rapid Re-Housing Program)	14.257	HPRP-009(09)	83,293
U.S. Department of Housing and Urban Development, passed through the City of New Orleans				
U.S. Department of Housing and Urban Development	Emergency Shelter	14.231	ESG-025M	<u>876</u>
Total U.S. Department of Housing and Urban Development				\$ <u>577,450</u>
Federal Emergency Management Agency passed through the United Way of the Greater New Orleans Area				
Federal Emergency Management Agency	Emergency Food & Shelter	97.024		\$ <u>24,095</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE				\$ <u>601,545</u>

THE SALVATION ARMY -
NEW ORLEANS, LOUISIANA AREA COMMAND
A UNIT OF THE SALVATION ARMY, A GEORGIA CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Schedule of Expenditures of Federal Awards of The Salvation Army New Orleans, Louisiana Area Command has been prepared in conformity with accounting principles generally accepted in the United States of America. Expenditures are recognized when incurred.

The Command did not have any non-cash awards during the fiscal year.

2. DETERMINATION OF TYPES A AND B PROGRAMS:

Federal awards programs are classified as either Type A or Type B programs. For the period ending September 30, 2012, Type A programs consist of the federal programs that expended over \$300,000 and Type B programs that expended under \$300,000.

THE SALVATION ARMY -
 NEW ORLEANS, LOUISIANA AREA COMMAND
 A UNIT OF THE SALVATION ARMY, A GEORGIA CORPORATION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

PART I – Summary of Auditor’s Results

1. A qualified opinion was issued on the financial statements of The Salvation Army New Orleans, Louisiana Area Command for the year ended September 30, 2012.
2. Findings Required to be Reported Under Generally Accepted Government Auditing Standards:

Internal Control - Material weaknesses: None noted.
 Internal Control - Significant deficiencies: None noted.
 Compliance with Laws and Regulations: None noted.

Federal Awards

1. Internal control over major programs:

Material weaknesses: None noted.
 Significant deficiencies: None noted.
2. An unqualified opinion was issued on compliance for major programs of The Salvation Army New Orleans, Louisiana Area Command.
3. There were no audit findings which are required to be reported in accordance with OMB Circular A-133, Section 510(a).

4. Identification of major programs:

<u>Name of Federal Program</u>	<u>Federal CFDA No.</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development: Supportive Housing Program	14.235	\$ <u>493,281</u>
Total		\$ <u>493,281</u>

5. The dollar threshold used for distinguishing Types A programs was \$300,000.
6. The Salvation Army New Orleans, Louisiana Area Command does not qualify as a low-risk auditee as that term is defined in OMB Circular A-133.

THE SALVATION ARMY -
NEW ORLEANS, LOUISIANA AREA COMMAND
A UNIT OF THE SALVATION ARMY, A GEORGIA CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

PART II – Financial Statement Findings Section

No matters to report.

THE SALVATION ARMY -
NEW ORLEANS, LOUISIANA AREA COMMAND
A UNIT OF THE SALVATION ARMY, A GEORGIA CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

PART III – Federal Award Findings and Questioned Cost Section

No matters to report.

Summary of prior year findings:

Finding No. 2011-01 – Filing of Audit Report

Due to the complexity of compiling the year-end financial statements and the timing of the fiscal year end being at the start of the busy holiday season, the Salvation Army New Orleans, Louisiana Area Command's audit report for the year ended September 30, 2011 was not submitted to the State of Louisiana Legislative Auditor by the date required by L.R.S. 24:513. L.R.S. 24:513 states that the audit should be completed within 6 months from the end of the fiscal year. By not submitting the audit to the Legislative Auditor within 6 months from the end of the fiscal year, the Command is in violation of state law.

Status: This finding was resolved in the current year.