




**THE SALVATION ARMY - OKLAHOMA CITY,
OKLAHOMA AREA COMMAND
OPERATING FUND**

FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

**THE SALVATION ARMY
Arkansas / Oklahoma Division
FINANCE BOARD**

JUN 22 2010


Chairman
 Approved Recommend
 Not Approved Deferred



CONTENTS

	<u>Page</u>
Report of Independent Auditors	1
Audited Financial Statements:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Statement of Functional Expenses	5
Notes to Financial Statements	6-13



REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees of The Salvation Army,
a Georgia Corporation

We have audited the accompanying statement of financial position of the Operating Fund of The Salvation Army - Oklahoma City, Oklahoma Area Command as of September 30, 2009, and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of The Salvation Army's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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.

As discussed in Note 1, the financial statements present only the Operating Fund of The Salvation Army - Oklahoma City, Oklahoma Area Command and do not purport to, and do not, present fairly the financial position of The Salvation Army - Oklahoma City, Oklahoma Area Command or The Salvation Army, a Georgia corporation as of September 30, 2009, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Operating Fund of The Salvation Army - Oklahoma City, Oklahoma Area Command as of September 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

BKHM, P.A.

Winter Park, Florida
March 30, 2010



**THE SALVATION ARMY - OKLAHOMA CITY, OKLAHOMA AREA COMMAND
OPERATING FUND**

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2009

ASSETS

Current assets:	
Cash and cash equivalents	\$ 674,309
Contributions receivable	667,265
Other receivables	37,199
Prepaid expenses	<u>38,827</u>
Total current assets	<u>1,417,600</u>
Equipment:	
Vehicles	598,045
Accumulated depreciation	<u>(486,185)</u>
Total equipment, net	<u>111,860</u>
Total assets	<u>\$ 1,529,460</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Due to Divisional and Territorial Headquarters	\$ 12,287
Accounts payable and accrued expenses	<u>142,402</u>
Total liabilities	<u>154,689</u>
Net assets:	
Unrestricted	599,975
Temporarily restricted	<u>774,796</u>
Total net assets	<u>1,374,771</u>
Total liabilities and net assets	<u>\$ 1,529,460</u>

See accompanying notes to financial statements.

**THE SALVATION ARMY - OKLAHOMA CITY, OKLAHOMA AREA COMMAND
OPERATING FUND**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Contributions	\$ 3,256,256	\$ 29,667	\$ 3,285,923
United Way	222,426	667,265	889,691
Fees and grants from government agencies	344,954	77,864	422,818
Other income	232,994	-	232,994
Net assets released from restrictions:			
Satisfaction of time restrictions	670,587	(670,587)	-
Total support, revenue and net assets released from restrictions	4,727,217	104,209	4,831,426
Expenses:			
Program services:			
Corps community center services	527,753	-	527,753
Residential social services	415,042	-	415,042
Other social services	2,792,041	-	2,792,041
Total program services	3,734,836	-	3,734,836
Supporting activities:			
Management and general	470,697	-	470,697
Fund raising	462,533	-	462,533
Total supporting activities	933,230	-	933,230
Total expenses	4,668,066	-	4,668,066
Change in net assets	59,151	104,209	163,360
Net assets at beginning of year	540,824	670,587	1,211,411
Net assets at end of year	\$ 599,975	\$ 774,796	\$ 1,374,771

See accompanying notes to financial statements.

**THE SALVATION ARMY - OKLAHOMA CITY, OKLAHOMA AREA COMMAND
OPERATING FUND**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 163,360
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	94,130
Changes in assets and liabilities:	
Contributions receivable	3,322
Other receivables	25,089
Prepaid expenses	15,450
Due to Divisional and Territorial Headquarters	(14,906)
Accounts payable and accrued expenses	<u>(50,525)</u>
Net cash provided by operating activities	<u>235,920</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of furniture and equipment, net of minor retirements	<u>(26,196)</u>
Net cash used for investing activities	<u>(26,196)</u>
Net increase in cash and cash equivalents	209,724
Cash and cash equivalents at beginning of year	<u>464,585</u>
Cash and cash equivalents at end of year	<u><u>\$ 674,309</u></u>

See accompanying notes to financial statements.

**THE SALVATION ARMY - OKLAHOMA CITY, OKLAHOMA AREA COMMAND
OPERATING FUND**

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Program Services			Supporting Activities			Total
	Corps Community Center Services	Residential Social Services	Other Social Services	Management and General	Fund Raising		
Officers' allowances, employee salaries and benefits	\$ 195,184	\$ 264,946	\$ 714,338	\$ 269,020	\$ 179,370	\$	\$ 1,622,858
Contract and professional services	3,954	731	2,449	59,823	36,074		103,031
Supplies	42,810	7,793	115,013	12,082	9,492		187,190
Telephone	4,318	1,092	18,267	7,482	4,147		35,306
Postage and shipping	163	588	2,682	1,897	46,903		52,233
Occupancy and equipment	159,615	69,266	390,484	83,514	2,578		705,457
Printing and publications	1,546	-	46,666	1,461	153,319		202,992
Travel and meals	20,171	-	84,127	14,017	28,743		147,058
Conferences and meetings	10,258	-	1,097	10,276	360		21,991
Specific assistance to individuals	6,102	13,005	1,098,361	-	-		1,117,468
Support services	49,595	56,501	245,250	-	-		351,346
Depreciation expense	26,333	-	65,614	2,183	-		94,130
Other expenses	7,704	1,120	7,693	8,942	1,547		27,006
Total expenses	\$ 527,753	\$ 415,042	\$ 2,792,041	\$ 470,697	\$ 462,533	\$	\$ 4,668,066

See accompanying notes to financial statements.

**THE SALVATION ARMY - OKLAHOMA CITY, OKLAHOMA AREA COMMAND
OPERATING FUND**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2009

1 DESCRIPTION OF ORGANIZATION

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

The accompanying financial statements are summaries of the financial position, results of operations, net asset classifications and sources and applications of cash of the Operating Fund (the "Fund") of The Salvation Army - Oklahoma City, Oklahoma Area Command (the "Command"). The Command is a local unit of The Salvation Army, a Georgia corporation. The Command operates under the direction of The Salvation Army - Arkansas/Oklahoma Divisional Headquarters in Oklahoma City, Oklahoma, and The Salvation Army - Southern Territorial Headquarters in Atlanta, Georgia. The Fund is used to record the day-to-day operations of the Command, including the receipt and use of funds with no external restrictions. The Fund does not include land and buildings and certain trust accounts which are under the legal control and discretion of The Salvation Army, a Georgia corporation.

The Command's program services include the following:

Citadel Corps Community Center - Operating unit providing spiritual and social programs for young people and adults, group activities, pastoral counseling, homemaking classes, institutional and family visitation, sports and recreation facilities, educational and music classes, and meals.

Danforth, Reding, Citadel, Shartel and Warr Acres Senior Centers - Operating units providing hot lunches, spiritual and social programs, group activities, recreation facilities, and educational and music classes.

Red Shield Men's Shelter - A shelter for local and transient indigent men. The shelter program also offers job counseling to program participants and referrals for individuals with alcohol and drug abuse problems.

Red Shield Family Shelter - Provides transitional housing and a total care program for women, children and families during emergencies such as fire, eviction, illness, unemployment, spouse abuse or desertion.

Red Shield Kitchen - Provides meals for the residents of the Men's Shelter and Family Shelter. Additionally, each evening, the Red Shield Kitchen provides meals to non-resident individuals, without charge.

**THE SALVATION ARMY - OKLAHOMA CITY, OKLAHOMA AREA COMMAND
OPERATING FUND**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

Transportation - Provides transportation to elderly and disabled individuals, taking them to senior centers and other meal sites, medical appointments, and grocery shopping.

Social Services - Provides emergency financial assistance and counseling to families and individuals in need who, because of illness, unemployment or disaster, are temporarily unable to meet their own needs.

Boys' & Girls' Clubs - Community clubs, which provide recreational facilities, sports programs, social activities, tutoring, educational and music classes, and guidance to at-risk children and teenagers, giving them a safe and supervised environment after school and during the summer.

2 SIGNIFICANT ACCOUNTING POLICIES

Recently adopted accounting pronouncements

On April 1, 2009, the Command adopted changes issued by the Financial Accounting Standards Board ("FASB") related to disclosure of subsequent events. These changes require the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date (that is, whether that date represents the date the financial statements were issued or were available to be issued). The Command has evaluated subsequent events through March 30, 2010, which is the date the financial statements were available to be issued.

On July 1, 2009, the Command adopted changes issued by the FASB related to authoritative hierarchy of generally accepted accounting principles ("GAAP"). These changes establish the FASB Accounting Standards Codification ("ASC") as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP.

General

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

The Salvation Army has adopted the provisions of FASB ASC 958-605, *Contributions Received* ("ASC 958-605"), and FASB ASC 958-205, *Not-for-Profit Entities: Presentation of Financial Statements* ("ASC 958-205"). ASC 958-605 requires that contributions received, including unconditional promises to give, be recognized as increases in net assets in the period received at their fair value. ASC 958-205 establishes the standards for external financial reporting for not-for-profit organizations, which includes a statement of financial position, a statement of activities, a statement of functional expenses and a statement of cash flows. It requires the

**THE SALVATION ARMY - OKLAHOMA CITY, OKLAHOMA AREA COMMAND
OPERATING FUND**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

classification of resources into three classes of net assets based on the absence or existence of donor-imposed restrictions.

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

- Unrestricted net assets - not subject to donor-imposed restrictions, or the donor-imposed restrictions have expired. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees/Directors.
- Temporarily restricted net assets - subject to donor-imposed restrictions that may be fulfilled by actions of The Salvation Army to meet the restrictions or become unrestricted at the date specified by the donor.
- Permanently restricted net assets - subject to donor-imposed restrictions that they be retained and invested permanently by The Salvation Army. The donors require the Fund 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 during the accounting period. All expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets, that is, the expiration of the donor-imposed stipulated purpose or the elapsing of the specified time period, are reported as net assets released from restrictions.

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.

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 have original maturities of three months or less.

Cash and cash equivalents in the accompanying statement of financial position include restricted cash totaling \$77,864 and \$21,709 that must be used for emergency food and shelter and for utility assistance, respectively. There is also \$7,958 that must be used for operational planning.

**THE SALVATION ARMY - OKLAHOMA CITY, OKLAHOMA AREA COMMAND
OPERATING FUND**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

Revenue and support

All items of revenue and support are stated on the accrual basis, including revenues receivable as reimbursements for incurred costs from governmental units and other third party payers. Contributions with donor-imposed restrictions that are met within the same accounting period are recorded as unrestricted revenue and support at the time of receipt. Contributions of temporarily restricted long-lived assets are assumed to be temporarily restricted over the specific period of the restriction.

Donations-in-kind and contributed services

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

Contributed services are reported as contributions at their fair value if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. 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 statements since it does not create or enhance non-financial assets or require specialized skills.

Income taxes

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. Accordingly, no provision for federal income taxes is included in the accompanying financial statements.

The Salvation Army has deferred the application of FASB ASC 740-10, as permitted by a FASB staff release. The Salvation Army presently records and evaluates its uncertain tax positions using a more-likely-than-not sustainability threshold.

Expenses

All expenses are stated on the accrual basis and are presented in a functionalized statement. Allocation of expenses to program services and supporting activities are based on personnel time and actual expenses incurred for the related activities.

**THE SALVATION ARMY - OKLAHOMA CITY, OKLAHOMA AREA COMMAND
OPERATING FUND**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

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. The Fund has not been assessed a specific fee or rent charge for utilization of these facilities.

The Command occasionally enters into short-term rental agreements for additional facilities to conduct special fundraising events and welfare orders storage and distribution. The Fund incurred approximately \$281,000 of rental expense for the year ended September 30, 2009 related to these agreements. These charges are reflected as occupancy and equipment costs in the accompanying statement of functional expenses.

Vehicles and equipment are capitalized based upon actual cost and depreciated on a straight line basis over three to eight years. As a matter of Salvation Army policy, items costing \$10,000 or more are capitalized and all other items are expensed to occupancy and equipment costs.

Provision is made for major estimated future costs of property maintenance and replacement of vehicles and some equipment by transfer of operating net assets to board designated unrestricted net assets. As of September 30, 2009, cash and cash equivalents include the following assets, which are board designated to be used for certain purposes:

Vehicle replacement reserve	\$ 53,214
Property maintenance reserve	<u>31,430</u>
	<u>\$ 84,644</u>

Credit risk

Financial instruments that potentially subject the Fund to credit risk consist of receivables under various government grants and contracts and amounts pledged to the Command by the United Way. Losses due to uncollectibility of these receivables have historically been negligible. As of September 30, 2009, the Command had cash balances on deposit with federally insured financial institutions, which exceeded federally insured limits by approximately \$51,000.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

**THE SALVATION ARMY - OKLAHOMA CITY, OKLAHOMA AREA COMMAND
OPERATING FUND**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

3 UNCONDITIONAL PROMISES TO GIVE AND OTHER RECEIVABLES

Unconditional promises to give are recorded at net realizable value in the accompanying financial statements since they are expected to be collected within one year. Total unconditional promises to give of \$667,265 have been included in contributions receivable in the accompanying statement of financial position.

Other receivables consists of approximately \$29,000 of amounts due under various government grants and contracts and approximately \$8,000 due from Divisional and Territorial Headquarter for expense reimbursements.

4 PENSION, RETIREMENT AND POSTRETIREMENT 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 is a defined contribution, money purchase plan. The 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 (5.25% in fiscal 2009) of eligible employees' salaries. The Fund incurred \$21,126 of expense under the Plan in fiscal year 2009.

Officers' retirement provision

The Salvation Army has a noncontributory retirement provision for officers which 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 responsibility for the administration of retirement benefits. Retirement allowances are determined based upon active officer allowances and length of service. They are self-funded principally by annual assessments to all centers of operation, which in turn assess the programs of the unit, by designated portions from legacy income, by earnings on assets designated for retirement benefits, and by special appropriations. Amount charged to the Fund and included in expenses for this plan were \$7,250 in fiscal year 2009.

**THE SALVATION ARMY - OKLAHOMA CITY, OKLAHOMA AREA COMMAND
OPERATING FUND**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

5 OFFICERS' AND AUXILIARY-CAPTAINS' SICK BENEFIT AND BURIAL FUNDS

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 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 Fund and included in expenses for this plan were \$18,688 in fiscal year 2009.

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 plan is funded by assessments made to all centers of operation which in turn assess the programs of the unit based on premium rates for all employees eligible for participation and by earnings on the designated assets of the plan maintained by the Southern Territorial Headquarters of The Salvation Army. Amounts charged to the Fund and included in expenses for this plan were \$159,330 in fiscal year 2009.

7 INSURANCE

The Salvation Army maintains self-insurance programs for general liability, automobile, workers compensation, and property coverage. The programs, which are administered by the Southern Territorial Headquarters of The Salvation Army, 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, which in turn assess the programs of the unit 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 Fund and included in expenses were \$130,859 in fiscal year 2009.

8 NET ASSET CLASSIFICATIONS

Temporarily restricted net assets are available for the following purposes or periods:

Periods after September 30, 2009:	
General operating support	\$ 667,265
Emergency food and shelter	77,864
Utilities program	21,709
Operational planning grant	<u>7,958</u>
Total temporarily restricted net assets	<u>\$ 774,796</u>

**THE SALVATION ARMY - OKLAHOMA CITY, OKLAHOMA AREA COMMAND
OPERATING FUND**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

9 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors.

Time restriction elapsed:	
United Way allocation	<u>\$ 670,587</u>

10 RELATED PARTY TRANSACTIONS

The Fund is assessed an administrative charge by Arkansas/Oklahoma Divisional Headquarters for support services provided by Arkansas/Oklahoma Divisional Headquarters and Southern Territorial Headquarters to the Fund. Support services provided include program, personnel, business and social services. These charges are reflected as support services in the accompanying statement of functional expenses.

11 CONTINGENCIES

In the normal course of conducting its business and programs, the Command occasionally becomes party to various legal actions and proceedings. In the opinion of management, the ultimate resolution of such legal matters will not have a significant adverse effect on the accompanying financial statements.