



**THE SALVATION ARMY -  
CENTRAL OKLAHOMA AREA COMMAND  
OPERATING FUND**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2012**



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## 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 - Central Oklahoma Area Command as of September 30, 2012, and the related statements of activities and changes in net assets, functional expenses and cash flows 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. 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 - Central Oklahoma Area Command and do not purport to, and do not, present fairly the financial position of The Salvation Army - Central Oklahoma Area Command as a whole or The Salvation Army, a Georgia corporation, as of September 30, 2012, 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 - Central Oklahoma Area Command as of September 30, 2012, 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  
April 22, 2013

**THE SALVATION ARMY - CENTRAL OKLAHOMA AREA COMMAND  
OPERATING FUND**

**STATEMENT OF FINANCIAL POSITION**

**SEPTEMBER 30, 2012**

**ASSETS**

Current assets:		
Cash and cash equivalents	\$	291,182
Contributions receivable		838,453
Other receivables		27,216
		<u>1,156,851</u>
Total current assets		<u>1,156,851</u>
Equipment:		
Vehicles and equipment		804,082
Accumulated depreciation		(651,932)
		<u>152,150</u>
Total equipment, net		<u>152,150</u>
Total assets	\$	<u>1,309,001</u>

**LIABILITIES AND NET ASSETS**

Current liabilities:		
Due to Divisional and Territorial Headquarters	\$	92,787
Accounts payable and accrued expenses		56,337
		<u>149,124</u>
Total liabilities		<u>149,124</u>
Net assets:		
Unrestricted		17,004
Temporarily restricted		1,142,873
		<u>1,159,877</u>
Total net assets		<u>1,159,877</u>
Total liabilities and net assets	\$	<u>1,309,001</u>

See accompanying notes to financial statements.

**THE SALVATION ARMY - CENTRAL OKLAHOMA AREA COMMAND  
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**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Contributions	\$ 5,275,265	\$ 269,298	\$ 5,544,563
United Way	279,473	838,453	1,117,926
Fees and grants from government agencies	215,118	6,758	221,876
Other income	358,811	-	358,811
Net assets released from restrictions:			
Satisfaction of program restrictions	79,639	(79,639)	-
Satisfaction of time restrictions	764,473	(764,473)	-
Total support, revenue and net assets released from restrictions	<u>6,972,779</u>	<u>270,397</u>	<u>7,243,176</u>
Expenses:			
Program services:			
Corps community center services	1,158,912	-	1,158,912
Residential social services	647,971	-	647,971
Other social services	3,754,453	-	3,754,453
Total program services	<u>5,561,336</u>	<u>-</u>	<u>5,561,336</u>
Supporting services:			
Management and general	527,012	-	527,012
Fund raising	976,718	-	976,718
Total supporting services	<u>1,503,730</u>	<u>-</u>	<u>1,503,730</u>
Total expenses	<u>7,065,066</u>	<u>-</u>	<u>7,065,066</u>
Change in net assets	(92,287)	270,397	178,110
Net assets at beginning of year	<u>109,291</u>	<u>872,476</u>	<u>981,767</u>
Net assets at end of year	<u>\$ 17,004</u>	<u>\$ 1,142,873</u>	<u>\$ 1,159,877</u>

See accompanying notes to financial statements.

**THE SALVATION ARMY - CENTRAL OKLAHOMA AREA COMMAND  
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**STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Program Services			Supporting Services			Total
	Corps Community Center Services	Residential Social Services	Other Social Services	Management and General	Fund Raising		
Officers' allowances, employee salaries and benefits	\$ 418,411	\$ 403,478	\$ 1,019,333	\$ 342,228	\$ 387,077	\$ 2,570,527	
Contract and professional services	21,107	6,985	36,226	12,553	48,111	124,982	
Supplies	81,340	37,670	122,974	22,390	23,369	287,743	
Telecommunications	8,927	3,449	28,806	12,350	6,444	59,976	
Postage and shipping	1,014	785	3,581	1,918	88,621	95,919	
Occupancy and equipment	158,556	95,925	425,704	73,522	7,848	761,555	
Printing and publications	8,575	437	35,864	3,353	258,594	306,823	
Travel and meals	64,736	219	108,934	24,406	58,365	256,660	
Conferences and meetings	36,958	30	6,580	13,077	2,574	59,219	
Specific assistance to individuals	22,338	17,810	1,839,227	-	-	1,879,375	
Support services	320,952	81,012	103,389	-	-	505,353	
Depreciation expense	11,135	-	4,912	19,499	3,893	39,439	
In-kind donated advertising	-	-	-	-	90,497	90,497	
Miscellaneous	4,863	171	18,923	1,716	1,325	26,998	
<b>Total expenses</b>	<b>\$ 1,158,912</b>	<b>\$ 647,971</b>	<b>\$ 3,754,453</b>	<b>\$ 527,012</b>	<b>\$ 976,718</b>	<b>\$ 7,065,066</b>	

See accompanying notes to financial statements.

**THE SALVATION ARMY - CENTRAL OKLAHOMA AREA COMMAND  
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**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 178,110
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:	
Depreciation expense	39,439
Changes in assets and liabilities:	
Contributions receivable	(73,980)
Other receivables	124,534
Prepaid expenses	22,046
Due to Divisional and Territorial Headquarters	(87,805)
Accounts payable and accrued expenses	<u>(7,755)</u>
Net cash provided by operating activities	<u>194,589</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of equipment	<u>(128,718)</u>
Net cash used for investing activities	<u>(128,718)</u>
Net increase in cash and cash equivalents	65,871
Cash and cash equivalents at beginning of year	<u>225,311</u>
Cash and cash equivalents at end of year	<u><u>\$ 291,182</u></u>

See accompanying notes to financial statements.

**THE SALVATION ARMY - CENTRAL OKLAHOMA AREA COMMAND  
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**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

**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 memberships include 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 - Central 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 other interest-earning assets which are under the legal control and discretion of The Salvation Army, a Georgia corporation.

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

The Command's program services include the following:

Citadel and Norman Corps Community Centers and the Canadian County Service Unit - Operating units 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.



**THE SALVATION ARMY - CENTRAL OKLAHOMA AREA COMMAND  
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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

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.

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**

### **Basis of presentation**

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

The Salvation Army has adopted the provisions of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("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 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 grants and other gifts, as well as designations made by the Board of Trustees/Directors, all assets, liabilities and support and revenue are accounted for in the following net asset classifications:

- Unrestricted net assets - not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes or locations by action of the Board of Trustees/Directors.

**THE SALVATION ARMY - CENTRAL OKLAHOMA AREA COMMAND  
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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

- 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 Fund to use all or part of the investment return on these net assets for specified or unspecified purposes.

**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.

**Contributions receivable**

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Contributions receivable that are expected to be collected in future years are recorded at fair value based on the present value of their estimated future cash flows and are discounted at the rate applicable to the year in which the contribution was made. Conditional contributions receivable are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

**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. Rent charges may be assessed for utilization of other facilities from third parties.

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 \$243,000 of rental expense for the year ended September 30, 2012 related to these agreements. These charges are reflected as occupancy and equipment costs in the accompanying statement of functional expenses.

**THE SALVATION ARMY - CENTRAL OKLAHOMA AREA COMMAND  
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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

Equipment is stated at cost or, if donated, at fair market value at the date of donation. Equipment is 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 estimated 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. As of September 30, 2012, cash and cash equivalents include the following, which are board designated to be used for certain purposes:

Vehicle replacement reserve	\$ 23,466
Property maintenance reserve	<u>1,246</u>
	<u>\$ 24,712</u>

The Command is subject to the provisions of ASC 360-10-35, *Impairment or Disposal of Long-Lived Assets*. This standard requires impairment losses to be recorded on long-lived assets when indicators of impairment are present and when the undiscounted cash flows estimated to be generated by those assets (excluding interest) are less than the carrying amount of the assets. In such cases, the carrying value of assets to be held and used are adjusted to their estimated fair value and assets held for sale are adjusted to their estimated fair value less selling expenses. No impairment losses were recognized during the year ended September 30, 2012.

Support and revenue

All items of support and revenue are stated on the accrual basis. 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. Contributions with restrictions that are met during the fiscal year are recorded as unrestricted support. 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. 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 receivable 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. Contributions receivable subject to donor-imposed stipulations that the corpus be maintained permanently are recognized as increases in permanently restricted net assets.

**THE SALVATION ARMY - CENTRAL OKLAHOMA AREA COMMAND  
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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

In addition to contributions from the public at large, the Fund also receives certain amounts which are earned or otherwise released from funds held in trust by Southern Territorial Headquarters. These amounts are included in contributions in the accompanying financial statements.

Donations-in-kind and contributed services

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

Contributed vehicles 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 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.

Expenses

All expenses are stated on the accrual basis and are presented in the statement of activities and changes in net assets and the statement of functional expenses. Allocations of expenses to program services and supporting services are estimated based on personnel time and actual expenses incurred for the related activities.

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.

**THE SALVATION ARMY - CENTRAL OKLAHOMA AREA COMMAND  
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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**3 CONTRIBUTIONS RECEIVABLE AND OTHER RECEIVABLES**

Contributions receivable are recorded at net realizable value in the accompanying financial statements since they are expected to be collected within one year. Total contributions receivable of \$838,453 from the United Way have been included in the accompanying statement of financial position.

Other receivables include \$27,216 of amounts due under various government grants and contracts and from other local sources. Based on the collectibility of funds from these sources, management believes that an allowance for doubtful accounts is not considered necessary.

**4 PENSION, RETIREMENT AND POST-RETIREMENT 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. Annual contributions to the Plan are based on a stipulated percentage (5.25% in fiscal year 2012) of eligible employees' salaries. The Fund incurred \$50,206 of expense under the Plan in fiscal year 2012.

Officers' retirement and other post-retirement benefits provisions

The Salvation Army has a noncontributory 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. Amounts charged to the Fund and included in expenses for this plan were \$7,500 in fiscal year 2012.

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 the 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 Fund and included in expenses for this plan were \$30,653 in fiscal year 2012.

**THE SALVATION ARMY - CENTRAL OKLAHOMA AREA COMMAND  
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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**5 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 \$248,717 in fiscal year 2012.

**6 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 \$167,533 in fiscal year 2012.

**7 NET ASSET CLASSIFICATIONS**

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

Periods after September 30, 2012:	
General operating support	\$ 838,453
Performing arts program	164,828
Boys and girls club programs	68,089
Utility assistance	64,745
Emergency food and shelter	<u>6,758</u>
Total temporarily restricted net assets	<u>\$ 1,142,873</u>

**THE SALVATION ARMY - CENTRAL OKLAHOMA AREA COMMAND  
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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**8 NET ASSETS RELEASED FROM RESTRICTIONS**

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

Purpose restriction accomplished:	
Emergency food and shelter	\$ 69,057
Utility assistance	10,582
Time restriction elapsed:	
General operating support	<u>764,473</u>
Total net assets released form restrictions	<u>\$ 844,112</u>

**9 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.

For the year ended September 30, 2012, the Command recorded income of \$438,094, which represents funds from trust accounts maintained by and under the legal control and discretion of Southern Territorial Headquarters to assist in the operations of the Command, including the payment of various liabilities to Divisional Headquarters. This amount is included in the accompanying financial statements as contributions.

For the year ended September 30, 2012, the Command recorded income of \$101,070 in grants from Arkansas/Oklahoma Divisional Headquarters and \$30,000 in grants from Southern Territorial Headquarters to assist in the payment of various liabilities to Divisional and Territorial Headquarters. These amounts are included in the accompanying financial statements as other income.

**10 FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Command's financial instruments consist of cash and cash equivalents, contributions receivable, other receivables, due to Divisional and Territorial Headquarters and accounts payable and accrued expenses. All financial instruments are stated either at cost or net realizable value, which approximates fair value.

**THE SALVATION ARMY - CENTRAL OKLAHOMA AREA COMMAND  
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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

Financial instruments that potentially expose the Command to concentrations of credit and market risk consist primarily of cash and cash equivalents and receivables. Cash and cash equivalents are maintained at federally insured financial institutions and credit exposure is limited to the amount of deposits at any one institution in excess of the federally insured limit. Receivables may be due from various government agencies, the United Way, other entities and individuals, therefore, diversifying the related concentration of credit risk. Losses due to uncollectibility of these receivables have historically been negligible.

**11 FAIR VALUE MEASUREMENTS**

The Command has adopted ASC subtopic 820-10-65, which delayed the effective date of ASC 820 for all nonfinancial assets and liabilities to fiscal years beginning after November 15, 2008, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis.

The Command has adopted Accounting Standards Update ("ASU") 2010-06, *Improving Disclosures about Fair Value Measurements*, to amend ASC 820, *Fair Value Measurements and Disclosure*. ASU 2010-06 requires additional disclosures for the amounts and reasons for significant transfers in and out of fair value measurements hierarchies. ASU 2010-06 also requires information about purchases, sales, issuances and settlements for Level 3 fair value measurements to be presented separately. This ASU is effective for the year ending September 30, 2011 for most of the new disclosures and for the year ending September 30, 2012 for the new Level 3 disclosures. Comparative disclosures are not required in the first year the disclosures are required.

The Command recorded certain assets at their fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date.

ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy is categorized into three levels based on inputs as follows:

Level 1: Quoted market prices for identical assets or liabilities to which an entity has access at the measurement date.



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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

Level 2: Inputs and information other than quoted market indices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

- a. Quoted prices for similar assets or liabilities in active markets;
- b. Quoted prices for identical or similar assets in markets that are not active;
- c. Observable inputs other than quoted prices for the asset or liability;
- d. Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

Level 3: Inputs that are unobservable and significant to the overall fair value measurement of the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

Observable inputs reflect the assumptions market participants would use in pricing the asset or liability developed from sources independent of the reporting entity and unobservable inputs reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value of short-term financial instruments, including cash and cash equivalents, contributions receivable, other receivables, due to Divisional and Territorial Headquarters and accounts payable and accrued expenses, approximate the carrying value in the accompanying financial statements due to the short maturity of such instruments.

**12 COMMITMENTS AND CONTINGENCIES**

Lease commitments

The Command has commitments under non-cancelable operating leases for equipment and for the Canadian County facility. The Command is obligated to pay a base rent and other operating expenses. Future minimum lease payments due under the leases are as follows:

Year ended September 30,	Minimum Payments
2013	\$ 22,791
2014	12,433
2015	12,000
2016	12,000
2017	9,000
Total	\$ 68,224

**THE SALVATION ARMY - CENTRAL OKLAHOMA AREA COMMAND  
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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

Total rent expense under non-cancelable operating leases for the year ended September 30, 2012 was approximately \$16,000 and is included in occupancy and equipment in the accompanying financial statements.

**Legal matters**

In the normal course of conducting its business and programs, the Command occasionally becomes party to various legal actions and proceedings. While outside counsel cannot predict the outcome of such litigation, management does not expect the outcome to have a material effect upon the financial position or the results of operations of the Command or the Fund.

**13 SUBSEQUENT EVENTS**

ASC 855 requires 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 all subsequent events through April 22, 2013, which is the date the financial statements were available to be issued.