

**THE SALVATION ARMY - CORPUS CHRISTI, TEXAS CORPS
OPERATING FUND**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED SEPTEMBER 30, 2022
WITH INDEPENDENT AUDITOR'S REPORTS**



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INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of the Operating Fund of The Salvation Army - Corpus Christi, Texas Corps (the "Fund"), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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 - Corpus Christi, Texas Corps as of September 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matter

As discussed in Note 1, the financial statements present only the Operating Fund of The Salvation Army - Corpus Christi, Texas Corps and do not purport to, and do not, present fairly the financial position of The Salvation Army - Corpus Christi, Texas Corps as a whole or The Salvation Army, a Georgia corporation, as of September 30, 2022, 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.

Supplementary Information

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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2023, on our consideration of the Operating Fund of The Salvation Army - Corpus Christi, Texas Corps' 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Operating Fund of The Salvation Army - Corpus Christi, Texas Corps' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Operating Fund of The Salvation Army - Corpus Christi, Texas Corps' internal control over financial reporting and compliance.

BKHM, P.A.

Orlando, Florida
June 15, 2023

**THE SALVATION ARMY - CORPUS CHRISTI, TEXAS CORPS
OPERATING FUND**

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2022

ASSETS

Current assets:

Cash and cash equivalents	\$ 1,357,222
Contributions receivable	111,505
Other receivables	610,671
Inventory	15,982
Prepaid expenses	<u>1,927</u>
Total current assets	<u>2,097,307</u>

Equipment:

Vehicles	537,534
Accumulated depreciation	<u>(334,741)</u>
Total equipment, net	<u>202,793</u>
Total assets	<u><u>\$ 2,300,100</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:

Due to Divisional and Territorial Headquarters	\$ 66,753
Accounts payable and accrued expenses	<u>22,275</u>
Total liabilities	<u>89,028</u>

Net assets:

Without donor restrictions:

Undesignated	1,903,033
Board designated	<u>119,787</u>
Total without donor restrictions	2,022,820
With donor restrictions	<u>188,252</u>
Total net assets	<u>2,211,072</u>
Total liabilities and net assets	<u><u>\$ 2,300,100</u></u>

See accompanying notes to financial statements.

**THE SALVATION ARMY - CORPUS CHRISTI, TEXAS CORPS
OPERATING FUND**

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions - financial assets	\$ 1,706,378	\$ 76,747	\$ 1,783,125
Contributions - nonfinancial assets	687,517	-	687,517
United Way	20,492	80,755	101,247
Fees and grants from government agencies	2,121,505	-	2,121,505
Thrift store sales	428,428	-	428,428
Other income	158,309	-	158,309
Net assets released from restrictions:			
Satisfaction of time restrictions	77,801	(77,801)	-
Total support, revenue and net assets released from restrictions	<u>5,200,430</u>	<u>79,701</u>	<u>5,280,131</u>
Expenses:			
Program services:			
Corps community center services	1,870,064	-	1,870,064
Other social services	2,045,732	-	2,045,732
Thrift store	484,313	-	484,313
Total program services	<u>4,400,109</u>	<u>-</u>	<u>4,400,109</u>
Supporting services:			
Management and general	217,930	-	217,930
Fund raising	310,587	-	310,587
Total supporting activities	<u>528,517</u>	<u>-</u>	<u>528,517</u>
Total expenses	<u>4,928,626</u>	<u>-</u>	<u>4,928,626</u>
Change in net assets	271,804	79,701	351,505
Net assets at beginning of year	<u>1,751,016</u>	<u>108,551</u>	<u>1,859,567</u>
Net assets at end of year	<u><u>\$ 2,022,820</u></u>	<u><u>\$ 188,252</u></u>	<u><u>\$ 2,211,072</u></u>

See accompanying notes to financial statements.

**THE SALVATION ARMY - CORPUS CHRISTI, TEXAS CORPS
OPERATING FUND**

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	<u>Program Services</u>			<u>Supporting Services</u>		
	<u>Corps Community Center Services</u>	<u>Other Social Services</u>	<u>Thrift Store</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Officers' allowances, employee salaries and benefits	\$ 881,530	\$ 112,688	\$ 273,933	\$ 112,688	\$ 219,663	\$ 1,600,502
Contract and professional services	126,673	15,834	755	15,834	-	159,096
Supplies	126,707	15,838	3,440	15,838	-	161,823
Telecommunications	41,776	5,222	5,588	5,222	-	57,808
Postage and shipping	4,578	572	52	572	23,094	28,868
Occupancy and equipment	426,428	53,303	99,985	53,303	-	633,019
Printing and publications	1,529	191	-	191	65,736	67,647
Travel and meals	68,877	8,610	21,247	8,610	2,094	109,438
Conferences and meetings	6,747	843	-	843	-	8,433
Specific assistance to individuals	-	1,667,437	12,705	-	-	1,680,142
Support services	146,594	160,365	62,253	-	-	369,212
Depreciation expense	35,820	4,478	3,737	4,478	-	48,513
Miscellaneous	2,805	351	618	351	-	4,125
Total expenses	<u>\$ 1,870,064</u>	<u>\$ 2,045,732</u>	<u>\$ 484,313</u>	<u>\$ 217,930</u>	<u>\$ 310,587</u>	<u>\$ 4,928,626</u>

See accompanying notes to financial statements.

**THE SALVATION ARMY - CORPUS CHRISTI, TEXAS CORPS
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STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 351,505
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:	
Depreciation expense	48,513
Gain on disposal of equipment	(23,091)
Changes in assets and liabilities:	
Contributions receivable	(2,954)
Other receivables	(203,799)
Inventory	252
Prepaid expenses	780
Due to Divisional and Territorial Headquarters	(14,455)
Accounts payable and accrued expenses	(40,780)
Net cash provided by operating activities	<u>115,971</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of equipment	36,125
Purchase of equipment	(42,500)
Net cash used for investing activities	<u>(6,375)</u>
Net increase in cash and cash equivalents	109,596
Cash and cash equivalents at beginning of year	<u>1,247,626</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,357,222</u></u>

See accompanying notes to financial statements.

**THE SALVATION ARMY - CORPUS CHRISTI, TEXAS CORPS
OPERATING FUND**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

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

The accompanying financial statements are summaries of the financial position, results of operations, net asset classifications and sources and applications of cash of the Operating Fund (the "Fund") of The Salvation Army - Corpus Christi, Texas Corps, an operating unit of the Southern Territory of The Salvation Army.

The Fund operates under the direction of The Salvation Army - Texas Divisional Headquarters in Dallas, Texas, and The Salvation Army - Southern Territorial Headquarters in Atlanta, Georgia. The Fund is used to record the day-to-day operations of the operating unit, 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 Fund's program services include spiritual and social programs for young people and adults, group activities, pastoral counseling, homemaking classes, institutional and family visitation, sports and recreation facilities and educational and music classes. In addition, the Fund's social services center provides emergency financial assistance and counseling to the needy and shelter for local and transient indigent persons.

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.

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:

- Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions and may be designated for specific purposes or locations by actions of the Board of Trustees/Directors.

**THE SALVATION ARMY - CORPUS CHRISTI, TEXAS CORPS
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**NOTES TO FINANCIAL STATEMENTS
(continued)**

- Net Assets With Donor Restrictions - Net assets that are subject to donor-imposed restrictions that will be fulfilled either by actions of the Fund or the passage of time or that include a stipulation that assets provided be retained and invested permanently while permitting the Fund to use all or part of the investment return on these 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 having original maturities of three months or less.

Cash and cash equivalents in the accompanying statement of financial position include restricted cash of \$51,747 as of September 30, 2022, which must be used for emergency food, shelter and financial aid for the homeless.

Contributions Receivable

Unconditional 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 the present value of estimated future cash flows and are discounted using a credit-adjusted discount rate applicable to the year in which the pledge was made. Amortization of the discount is recorded as additional contribution revenue. An allowance for uncollectible contributions receivable is based on management's judgment, including such factors as prior collection history, subsequent collections, creditworthiness of the donor and the nature of the fundraising activity. Contributions receivable are written off when determined to be uncollectible.

Inventory

Inventory for goods purchased for resale is stated at the lower of weighted average cost or net realizable value. Inventory for goods donated for resale, or for program use, is based on estimated fair value.

Property, Equipment, Depreciation and Reserves

All land and buildings used by the Fund, 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 SALVATION ARMY - CORPUS CHRISTI, TEXAS CORPS
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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 ten 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 net assets without donor restrictions. As of September 30, 2022, cash and cash equivalents include the following, which are board designated to be used for certain purposes:

Vehicle replacement reserve	\$ 9,926
Property maintenance reserve	<u>109,861</u>
	<u><u>\$ 119,787</u></u>

The Fund 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 in fiscal year 2022.

Revenue Recognition

All items of support and revenue are stated on the accrual basis. Support and revenue are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions that are not fulfilled in the accounting period. All expenses are reported as decreases in net assets without donor restrictions.

Contributions subject to donor-imposed restrictions are recorded as revenue with donor restrictions. When the donor-imposed restriction has been fulfilled or the stipulated time period has elapsed, the net assets are reclassified as net assets without donor restrictions and reported as net assets released from restrictions. Contributions with restrictions that are met during the fiscal year in which they are received are recorded as revenue without donor restrictions. Conditional promises to give and intentions to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions received for fundraising events are recorded as deferred revenue until the event is held.

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.

**THE SALVATION ARMY - CORPUS CHRISTI, TEXAS CORPS
OPERATING FUND**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

The Fund recognizes revenue from grants and contracts in accordance with Accounting Standards Update ("ASU") 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. In accordance with ASU 2018-08, the Fund evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, the Fund applies guidance under ASC Topic 606, *Revenue from Contracts with Customers*. If the transfer of assets is determined to be a contribution, the Fund evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before the Fund is entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

Contributed Nonfinancial Assets and Services

The Fund receives various types of contributed nonfinancial assets including clothing, household goods and supplies, food, toys, rent, etc. Contributed nonfinancial assets are recognized at fair value as revenue when received and expense at the time the items are placed into service or distributed.

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

Contributed services are reported as contributions at their fair value if such services 1) create or enhance nonfinancial assets, or 2) would typically need to be 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.

The Fund has a significant number of volunteers who contribute meaningful amounts of time in furtherance of the Fund's mission. Such contributions do not meet generally accepted accounting criteria for recognition as contributed services and, accordingly, are not recorded in the statement of activities and changes in net assets.

Expenses

All expenses are stated on the accrual basis and presented in the statement of activities and changes in net assets and the statement of functional expenses. Expenses directly attributable to a specific functional category are reported as expenses of those functional categories. Expenses attributable to more than one functional category are allocated across program services and supporting services based on personnel time and actual expenses incurred for the related activities.

**THE SALVATION ARMY - CORPUS CHRISTI, TEXAS CORPS
OPERATING FUND**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

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.

Recently Adopted Accounting Pronouncement

In September 2020, the FASB issued Accounting Standards Update 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which increases the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The new standard was adopted retrospectively and had no effect the Fund's financial position, changes in net assets or cash flows.

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 \$111,505 from the United Way have been included in the accompanying statement of financial position. Other receivables consist primarily of amounts due under various government grants and contracts. 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 Retirement Program

Eligible employees participate in The Salvation Army's retirement program (the "Program") with other Salvation Army territories which provides for death, disability and retirement benefits. The Program includes a defined benefit plan and a defined contribution, money purchase plan. Annual contributions to the Program are based on a stipulated percentage of employees' salaries. The Fund incurred \$48,369 of expense under this Program in fiscal year 2022.

**THE SALVATION ARMY - CORPUS CHRISTI, TEXAS CORPS
OPERATING FUND**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

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 total responsibility for the administration of retirement benefits. Retirement allowances are determined based upon active officer allowances and length of service. Provision 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 Fund and included in expenses for this provision were \$7,573 in fiscal year 2022.

5 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods as of September 30, 2022:

General operating support	\$ 111,505
Emergency food, shelter, and financial aid for homeless	51,747
Housing instability program	<u>25,000</u>
Total net assets with donor restrictions	<u>\$ 188,252</u>

6 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.

Time restriction elapsed:	
United Way allocation	<u>\$ 77,801</u>
Total net assets released from restrictions	<u>\$ 77,801</u>

**THE SALVATION ARMY - CORPUS CHRISTI, TEXAS CORPS
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**NOTES TO FINANCIAL STATEMENTS
(continued)**

7 LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Fund's financial assets as of September 30, 2022, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of September 30, 2022.

Financial assets at year-end:	
Cash and cash equivalents	\$ 1,357,222
Contributions receivable	111,505
Other receivables	<u>610,671</u>
Total financial assets	<u>2,079,398</u>
Less those unavailable for general expenditures within one year:	
Board designated net assets	(119,787)
Net assets with donor restrictions	<u>(188,252)</u>
Total financial assets unavailable for general expenditures within one year	<u>(308,039)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,771,359</u>

The Fund is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Fund must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditures within one year. As part of the Fund's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Fund invests cash in excess of daily requirements in short-term investments. Occasionally, the Board of Trustees/Directors designates a portion of any operating surplus to its liquidity reserve. There is also a fund established by the Board of Trustees/Directors that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. In the event of an unanticipated liquidity need, the Fund also could draw upon available lines of credit or its quasi-endowment fund.

**THE SALVATION ARMY - CORPUS CHRISTI, TEXAS CORPS
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**NOTES TO FINANCIAL STATEMENTS
(continued)**

8 CONTRIBUTED NONFINANCIAL ASSETS

For the year ended September 30, 2022, contributed nonfinancial assets recognized within the statement of activities and changes in net assets consisted of the following:

Description	2022 Amount	Utilization in Programs/Services	Donor Restrictions	Valuation Techniques and Inputs
Clothing and household goods - thrift stores	\$ 207,762	Resale through the Fund's thrift stores. Reduces thrift store sales in the statement of activities and changes in net assets.	No associated donor restrictions	Percentage of sales income determined by appraisal studies
Angel Tree/Christmas	150,000	Other social services	No associated donor restrictions	Estimates of retail values that would be received for selling similar products in the United States or based upon values provided by third parties
Food	329,148	Other social services	No associated donor restrictions	Same as above
Other	607	Other social services	No associated donor restrictions	Same as above
Total	<u>\$ 687,517</u>			

9 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fund'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. These financial instruments are all stated either at cost or net realizable value, which approximates fair value.

Financial instruments that potentially expose the Fund 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. As of September 30, 2022, the Fund had deposits in a financial institution that exceeded federally insured limits by approximately \$726,000. The Fund has not historically experienced losses as a result of these uninsured balances. 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.

**THE SALVATION ARMY - CORPUS CHRISTI, TEXAS CORPS
OPERATING FUND**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

10 CONTINGENCIES

Legal Proceedings

The Fund, in the normal course of its operations, is or could become a party to various legal proceedings and complaints, the majority of which are covered by insurance. While it is not feasible to predict the ultimate outcomes of such matters, management is not aware of any claims or contingencies, which are not covered by insurance, that would have a material adverse effect on the financial position, changes in net assets and cash flows of the Fund.

Government Grants and Contracts

Cost-reimbursement grant programs are subject to review by grantor agencies. This review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, management believes that any costs ultimately disallowed would not materially affect the Fund's financial position.

Sick Pay Accrual

Employees of the Fund are entitled to paid sick days depending on length of service and other factors. Unused sick time may roll over to the next year and can be accumulated to a maximum of sixty days; however, unused sick time is not paid upon termination. It is not practicable for the Fund to estimate the amount of compensation for future sick absences; accordingly, no liability has been recorded in the accompanying financial statements. The Fund's policy is to recognize the costs of compensated sick absences when actually paid to employees.

11 RELATED PARTY TRANSACTIONS

The Fund, Texas Divisional Headquarters, Southern Territorial Headquarters and other Salvation Army units may hold funds or may pay operating costs on behalf of each other. The balances receivable or payable are presented as amounts due from or due to the related party in the accompanying statement of financial position.

During fiscal year 2022, the Fund recorded income of \$127,728 from trust accounts maintained by and under the legal control and discretion of Southern Territorial Headquarters to assist in the operations of the Fund, including the payment of various liabilities to Texas Divisional Headquarters. This amount is included in the accompanying financial statements as contributions.

During fiscal year 2022, the Fund recorded income of \$120,615 from Southern Territorial Headquarters in the form of grants. These amounts are included in the accompanying financial statements as other income.

**THE SALVATION ARMY - CORPUS CHRISTI, TEXAS CORPS
OPERATING FUND**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

The Fund is assessed an administrative charge by Texas Divisional Headquarters and Southern Territorial Headquarters for support services provided. Support services provided by Divisional and Territorial Headquarters include program, personnel, business and social services. Expenses reflected for these services were \$369,212 in fiscal year 2022.

The Salvation Army provides certain health care and death benefits for active Salvation Army officers and auxiliary-captains through Officers' and Auxiliary-Captain's Sick Benefit and Burial Funds, as defined by the national Salvation Army policy. All active Salvation Army officers and auxiliary-captains and their eligible dependents are eligible for these benefits. Amounts charged to the Fund and included in expenses for this provision were \$18,831 in fiscal year 2022.

Employees of The Salvation Army are provided health benefits under a self-insured program which is administered by a third-party claims administrator. Amounts charged to the Fund and included in expenses for this provision were \$249,097 in fiscal year 2022.

The Salvation Army maintains self-insurance programs for general liability, automobile, workers compensation and property coverage. The programs, which are administered by Southern Territorial Headquarters, are intended to provide coverage for claims arising in all centers of operation. Amounts charged to the Fund and included in expenses were \$108,529 in fiscal year 2022.

The Fund is assessed an administrative charge by Texas Divisional Headquarters for financial and accounting services provided. Amounts charged to the Fund and included in expenses were \$70,404 in fiscal year 2022. This amount is included in the accompanying financial statements as a component of contract and professional services expense.

As explained in Note 2, certain buildings and improvements are not under the legal control and discretion of the Fund; as such, these assets are not included in the accompanying statement of financial position. During fiscal year 2022, the Fund made mortgage payments of \$169,050, which were paid on behalf of The Salvation Army, a Georgia corporation. This amount is included in the accompanying financial statements as occupancy and equipment expense.

11 SUBSEQUENT EVENTS

The Fund has evaluated the need for disclosures and/or adjustments resulting from subsequent events through June 15, 2023, the date the financial statements were available to be issued. During this period, there were no subsequent events that required recognition and/or disclosure in the accompanying financial statements.

**THE SALVATION ARMY - CORPUS CHRISTI, TEXAS CORPS
OPERATING FUND**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Grant Period	Expenditures
United States Department of Housing and Urban Development / City of Corpus Christi, Texas / Community Development Block Grant (Coronavirus Response Program) (part of the CDBG - Entitlement Grants Cluster)	14.218	3/1/20 - 9/30/23	\$ 331,118 *
United States Department of Housing and Urban Development / City of Corpus Christi, Texas / Emergency Solutions Grant Program	14.231	10/1/21 - 9/30/22	99,409
United States Department of Housing and Urban Development / Texas Department of Housing and Community Affairs / Emergency Solutions Grant Program	14.231	11/1/21 - 10/31/22	300,311
United States Department of Housing and Urban Development / City of Corpus Christi, Texas / Emergency Solutions Grant Program (Coronavirus Response Program)	14.231	3/1/20 - 9/30/23	138,325 *
United States Department of Housing and Urban Development / Texas Department of Housing and Community Affairs / Emergency Solutions Grant Program (Coronavirus Response Program)	14.231	5/19/20 - 1/31/22	26,841 *
Total Emergency Solutions Grant Programs			564,886
United States Department of Housing and Urban Development / Continuum of Care Program	14.267	9/1/21 - 8/31/22	362,233
Total Continuum of Care Programs		12/1/20 - 11/30/22	182,123
			544,356
United States Department of the Treasury / Texas Department of Housing and Community Affairs / Emergency Rental Assistance Program (Housing Stability Services and Other Financial Assistance)	21.023	9/1/21 - 8/31/22	50,766 *
United States Department of Veterans Affairs ("VA") / VA Health Administration Center / Audie Murphy VA Hospital San Antonio, Texas / VA Homeless Providers Grant and Per Diem Program	64.024	10/1/21 - 9/30/22	139,930

See accompanying note to schedule of expenditures of federal awards
and independent auditor's report.

**THE SALVATION ARMY - CORPUS CHRISTI, TEXAS CORPS
OPERATING FUND**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Grant Period	Expenditures
United States Department of Homeland Security / Emergency Food and Shelter National Board Program	97.024	11/1/21 - 4/30/23	\$ 31,472
United States Department of Homeland Security / Emergency Food and Shelter National Board Program (American Rescue Plan Act)	97.024	11/1/21 - 4/30/23	54,872 *
Total Emergency Food and Shelter National Board Programs			86,344
Total expenditures			\$ 1,717,400

* Represents COVID-19 funds

See accompanying note to schedule of expenditures of federal awards
and independent auditor's report.

**THE SALVATION ARMY - CORPUS CHRISTI, TEXAS CORPS
OPERATING FUND**

**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

1 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Fund and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

For the year ended September 30, 2022, the Fund did not elect to use the 10% de minimis indirect cost rate.

**Independent Auditor's 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**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Operating Fund of The Salvation Army - Corpus Christi, Texas Corps (the "Fund"), which comprise the statement of financial position as of September 30, 2022, the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 15, 2023.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Fund's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

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

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

REPORT ON COMPLIANCE AND OTHER MATTERS

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

PURPOSE OF THIS REPORT

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

BKHM, P.A.

Orlando, Florida
June 15, 2023

**Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by the Uniform Guidance**

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

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the Operating Fund of The Salvation Army - Corpus Christi, Texas Corps' (the "Fund") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Fund's major federal programs for the year ended September 30, 2022. The Fund's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Fund complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Fund and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Fund's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Fund's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Fund's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Fund's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Fund's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Fund's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

REPORT ON 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

PURPOSE OF THIS REPORT

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

BKHM, P.A.

Orlando, Florida
June 15, 2023

**THE SALVATION ARMY - CORPUS CHRISTI, TEXAS CORPS
OPERATING FUND**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major federal programs:

Federal Assistance Listing Number	Grant Period	Name of Federal Program
14.231	10/1/21 - 9/30/22	United States Department of Housing and Urban Development / City of Corpus Christi, Texas / Emergency Solutions Grant Program
14.231	11/1/21 - 10/31/22	United States Department of Housing and Urban Development / Texas Department of Housing and Community Affairs / Emergency Solutions Grant Program
14.231	3/1/20 - 9/30/23	United States Department of Housing and Urban Development / City of Corpus Christi, Texas / Emergency Solutions Grant Program (Coronavirus Response Program)

**THE SALVATION ARMY - CORPUS CHRISTI, TEXAS CORPS
OPERATING FUND**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(continued)**

Identification of major federal programs (continued):

Federal Assistance Listing Number	Grant Period	Name of Federal Program
14.231	5/19/20 - 9/30/22	United States Department of Housing and Urban Development / Texas Department of Housing and Community Affairs / Emergency Solutions Grant Program (Coronavirus Response Program)
14.267	9/1/21 - 8/31/22 12/1/20 - 11/30/22	United States Department of Housing and Urban Development / Continuum of Care Program

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as a low-risk auditee?

No

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV - STATUS OF PRIOR YEAR AUDIT FINDINGS

Finding No. 2021-001

Statement of condition:

During our audit procedures, we noted that accounts receivable and revenue for reimbursement-based grants were overstated.

Status:

No similar findings were noted in the current year audit.