

THE SALVATION ARMY
Greensboro, North Carolina
Financial Statements
September 30, 2022



THE SALVATION ARMY
Greensboro, North Carolina
Financial Statements

TABLE OF CONTENTS

Independent Auditor's Report	1
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7
Schedule of Expenditures of Federal Awards	23
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	25
Independent Auditor's Report on Compliance For Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	27
Schedule of Findings and Questioned Costs	29
Schedule of Prior Year Audit Findings	30

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
The Salvation Army (A Georgia Corp.)
Atlanta, Georgia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The Salvation Army, Greensboro, North Carolina (a nonprofit organization), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Salvation Army, Greensboro, North Carolina 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 Salvation Army, Greensboro, North Carolina 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 opinions.

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 Salvation Army, Greensboro, North Carolina'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 Salvation Army, Greensboro, North Carolina'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 Salvation Army, Greensboro, North Carolina'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.

Report on Summarized Comparative Information

We have previously audited The Salvation Army, Greensboro, North Carolina's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 24, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 28, 2023, on our consideration of The Salvation Army, Greensboro, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Salvation Army, Greensboro, North Carolina's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Salvation Army, Greensboro, North Carolina's internal control over financial reporting and compliance.

Duncan Ashe, P.A.

Greensboro, North Carolina
July 28, 2023

THE SALVATION ARMY
Greensboro, North Carolina
Statement of Financial Position
September 30, 2022 and September 30, 2021

3

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 5,368,020	\$ 3,885,008
Accounts receivable	187,570	240,823
Pledges receivable, net	339,375	211,074
Inventory	49,643	35,492
Deposits held at Territorial Headquarters	519,735	570,797
Land, at cost	801,895	801,895
Buildings, net of accumulated depreciation of \$3,728,895 and \$3,448,145 in 2022 and 2021, respectively	10,308,616	10,589,367
Equipment, net of accumulated depreciation of \$270,601 and \$250,149 in 2022 and 2021, respectively	158,892	133,019
Total assets	\$ 17,733,746	\$ 16,467,475
LIABILITIES		
Accounts payable and accrued expenses	\$ 136,429	\$ 125,744
Deferred Revenue	-	232,396
Total liabilities	136,429	358,140
NET ASSETS		
Net assets without donor restriction		
General operating	1,485,300	1,450,150
Board designated	3,901,038	2,270,614
Land, buildings and equipment	11,269,403	11,524,281
Total net assets without donor restrictions	16,655,741	15,245,045
Net assets with donor restrictions		
Amounts to be held in perpetuity	371,074	344,343
Other restrictions	570,502	519,947
Total net assets with donor restrictions	941,576	864,290
Total net assets	17,597,317	16,109,335
Total liabilities and net assets	\$ 17,733,746	\$ 16,467,475

See accompanying notes to financial statements.

THE SALVATION ARMY
Greensboro, North Carolina

4

Statement of Activities
Year Ended September 30, 2022 with Comparative Totals for 2021

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	2022 Total	2021 Total
SUPPORT AND REVENUES				
Public support				
Received directly				
Contributions	\$ 3,197,694	-	\$ 3,197,694	\$ 3,633,191
Donations-in-kind and contributed services	961,140	-	961,140	699,784
Legacies and bequests	1,649,778	26,731	1,676,509	235,974
Special events	235,797	-	235,797	121,748
Total received directly	6,044,409	26,731	6,071,140	4,690,697
Received indirectly				
Allocated by federated organizations	107,716	339,375	447,091	234,449
Total public support	6,152,125	366,106	6,518,231	4,925,146
Fees and grants from governmental agencies	1,314,755	-	1,314,755	8,100,104
Other revenues				
Program and service fees	75,618	-	75,618	151,451
Sales to the public	1,089,692	-	1,089,692	697,697
Investment return, net	123,343	(59,780)	63,563	197,788
Gain/(loss) on sale of assets	-	-	-	600
Other	66,231	-	66,231	27,862
Total other revenues	1,354,884	(59,780)	1,295,104	1,075,398
Total support and revenues before net assets released	8,821,764	306,326	9,128,090	14,100,648
Net assets released from restrictions	229,040	(229,040)	-	-
Total support and revenues	9,050,804	77,286	9,128,090	14,100,648
EXPENSES				
Program services				
Corps community center services	835,247	-	835,247	789,753
Boys and Girls Club	1,127,656	-	1,127,656	1,124,521
Residential and institutional services	1,034,200	-	1,034,200	924,226
Other social services	3,833,582	-	3,833,582	10,134,678
Total program services	6,830,685	-	6,830,685	12,973,178
Supporting services				
Management and general	346,688	-	346,688	347,194
Fund raising	462,735	-	462,735	439,813
Total supporting services	809,423	-	809,423	787,007
Total expenses	7,640,108	-	7,640,108	13,760,185
Change in net assets	1,410,696	77,286	1,487,982	340,463
Net assets at beginning of year	15,245,045	864,290	16,109,335	15,768,872
Net assets at end of year	\$ 16,655,741	\$ 941,576	\$ 17,597,317	\$ 16,109,335

See accompanying notes to financial statements.

THE SALVATION ARMY
Greensboro, North Carolina
Statement of Functional Expenses
Year Ended September 30, 2022 with Comparative Totals for 2021

	Program Services					Supporting Services			2022	2021
	Corps Community Center	Boys and Girls Club	Residential Services	Other Social Services	Total Program Expense	Management and General	Fundraising	Total Supporting Expense	Total Functional Expenses	Totals
Salaries, allowances and taxes	\$ 108,249	628,082	330,562	944,405	2,011,298	235,032	129,835	364,867	\$ 2,376,165	\$ 2,288,978
Employee and officer benefits	25,839	105,135	109,171	222,718	462,863	54,265	29,116	83,381	546,244	567,914
Professional fees	8,968	20,394	169,166	257,420	455,948	3,028	9,883	12,911	468,859	566,256
Occupancy, furnishings, and equipment	150,435	206,395	285,441	286,547	928,818	20,367	17,554	37,921	966,739	872,120
Supplies	25,298	43,275	25,427	54,242	148,242	6,347	2,650	8,997	157,239	105,383
Conferences, meetings and travel	29,542	39,688	19,958	26,711	115,899	5,443	64,137	69,580	185,479	133,453
Printing and publications	2,598	327	159	21,196	24,280	283	133,139	133,422	157,702	155,851
Communications, postage and shipping	24,677	10,995	12,034	12,735	60,441	1,477	45,420	46,897	107,338	109,193
Direct assistance	-	-	-	1,573,472	1,573,472	-	-	-	1,573,472	7,165,005
World service support	82,652	-	-	-	82,652	-	-	-	82,652	78,317
Depreciation	105,507	2,849	63,804	91,442	263,602	16,681	20,919	37,600	301,202	299,900
Interest	-	-	-	-	-	-	-	-	-	55
Other expenses	271,482	70,516	18,478	342,694	703,170	3,765	10,082	13,847	717,017	1,417,760
Total expenses	<u>\$ 835,247</u>	<u>1,127,656</u>	<u>1,034,200</u>	<u>3,833,582</u>	<u>6,830,685</u>	<u>346,688</u>	<u>462,735</u>	<u>809,423</u>	<u>\$ 7,640,108</u>	<u>\$ 13,760,185</u>

See accompanying notes to financial statements.

THE SALVATION ARMY
Greensboro, North Carolina
Statement of Cash Flows

6

Years Ended September 30, 2022 with Comparative Totals for 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,487,982	\$ 340,463
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	301,202	299,900
(Appreciation)/depreciation of deposits held at THQ	95,329	(73,224)
Gain/loss on sale of assets	-	(600)
Changes in operating assets and liabilities:		
Accounts receivable	53,253	88,556
Pledges receivable	(216,835)	173,147
Inventory	(14,151)	(11,497)
Accounts payable and accrued expenses	10,685	(345,038)
Deferred revenue	(232,396)	181,538
Net cash provided (used) by operating activities	<u>1,485,069</u>	<u>653,245</u>
Cash flows from investing activities:		
Purchase of property and equipment	(46,325)	(81,813)
Proceeds from sale of equipment	-	3,391
Purchase of investments	(81,514)	(45,556)
Proceeds from sale of investments	125,782	69,223
Net cash provided (used) by investing activities	<u>(2,057)</u>	<u>(54,755)</u>
Cash flows from financing activities:		
Principal payments of note payable	-	(44,753)
Net cash provided (used) by financing activities	<u>-</u>	<u>(44,753)</u>
Net change in cash and cash equivalents	1,483,012	553,737
Cash and cash equivalents at beginning of year	<u>3,885,008</u>	<u>3,331,271</u>
Cash and cash equivalents at end of year	<u>\$ 5,368,020</u>	<u>\$ 3,885,008</u>

See accompanying notes to financial statements.

THE SALVATION ARMY
Greensboro, North Carolina
Notes to Financial Statements
September 30, 2022

1. Nature of the 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 various 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 assets classifications and sources and applications of cash of the Greensboro, North Carolina Operating Unit, of the Southern Territory of The Salvation Army.

In the United States, the Salvation Army is organized into four territories: Eastern, Central, Southern, and Western. Within each territory there are several divisions which have direct supervision over corps and community centers. The Salvation Army, Greensboro, North Carolina ("The Salvation Army"), belongs to the North/South Carolina Division, headquartered in Charlotte, North Carolina, which is in turn a division of the Southern Territory headquartered in Atlanta, Georgia.

The Salvation Army is an organization exempt from income tax 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 Salvation Army operates a variety of programs, including corps community centers that provide spiritual, educational, and recreational services; homeless and emergency shelters; senior citizens' residences; children's homes; children's day care centers; adult rehabilitation centers and substance abuse centers; emergency disaster services; assistance for the poor, disabled, and retired; jail and hospital visitation; and camping activities.

The Salvation Army offers to the community spiritual and educational services and family and individual social services through the Corps Community Center; recreational activities, day care services, and summer camp programs for youth through the Boys and Girls Club; transient and residential services through the Lodge, and other social services including thrift store services, Christmas assistance, and emergency and disaster services.

2. Significant Accounting Policies

a) General - 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 activities are accounted for in the following net asset classifications:

Net Assets Without Donor Restrictions - represent those resources for which there are no restrictions by donors as to their use. They are reflected on the financial statements as without donor restriction. Net assets without donor restrictions may be designated for specific purposes or locations by action of the Board of Trustees/Directors.

THE SALVATION ARMY
Greensboro, North Carolina
Notes to Financial Statements
September 30, 2022

Net Assets with Donor Restrictions - represent those resources, the uses of which have been restricted by donor to specific purposes or the passage of time and/or must remain intact, in perpetuity. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor.

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. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. All expenses are reported as decreases in net assets without donor restrictions. Satisfaction of net assets with donor restrictions, that is, the expirations 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 net assets with donor restricted support and are reclassified as net assets without donor restrictions when the donor-imposed restriction has been fulfilled or the stipulated time period has elapsed. Promises to give that are scheduled to be received after the end of the reporting period are shown as increases in net assets with donor restrictions and are reclassified to net assets without donor restrictions when the purpose or time restriction is met. Promises to give subject to donor-imposed stipulations that the corpus be maintained in perpetuity are recognized as increases in net assets with donor restrictions. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at the risk-free rate on the last day of the fiscal year in which the promises are received. Amortization of the discount is recorded as contribution revenue.

b) 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.

c) Pledges Receivable

Unconditional pledges receivable are recorded at net realizable value. Pledges receivable that are expected to be collected after one year 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 pledges receivable is based on management's judgment, including such factors as prior collection history, subsequent collections, creditworthiness of donor and nature of fundraising activity. Pledges are written off when determined to be uncollectible. Conditional pledges receivable are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

d) Inventory

Inventory of goods purchased for resale is stated at lower of weighted average cost or market. Inventory of goods donated for resale is based on estimated fair value.

THE SALVATION ARMY
Greensboro, North Carolina
Notes to Financial Statements
September 30, 2022

e) Amounts on Deposit at Territorial Headquarters

Territorial Headquarters has the responsibility for investment activity for all units within the territory for assets without donor restrictions, including board designated assets and assets with donor restrictions. The assets with donor restrictions, including the life income funds asset portfolios are maintained on a pooled "mutual fund" accounting basis with the total earnings, investment expenses, appreciation and depreciation, whether realized or unrealized, being allocated to each participating account on a pro rata basis.

Income earned on assets without donor restrictions is distributed to the constituent accounts on the basis of a stated percentage of the monthly account balances during the year. Amounts so deposited may be withdrawn when required for use by the local units. The excess (deficit) of investment income earned over amounts distributed is reported as board designated income without donor restrictions. The Board of Trustees/Directors generally designates the use of portions of these excess funds for specified projects for use within the territory.

Nevertheless, the recognized captions for investments and the categories of earnings related to investments (interest and dividends, net appreciation (depreciation)) are retained in the statements and in the relevant footnotes for all funds held for The Salvation Army, Greensboro, North Carolina at Territorial Headquarters and Divisional Headquarters, so that the information required by generally accepted accounting principles may be reported for the unit where appropriate in accustomed terms.

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

Investment income and net appreciation (depreciation) on investments of donor endowments are reported as follows:

As increases in net assets with donor restrictions if the terms of the gift or relevant state law require that they be added back to the principal of the permanently restricted contributions.

As increases in net assets without donor restrictions in all other cases.

f) Land, Buildings and Equipment

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

g) 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. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

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

THE SALVATION ARMY
Greensboro, North Carolina
Notes to Financial Statements
September 30, 2022

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 the conditions on which they depend are substantially met.

In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), The Salvation Army recognizes revenue when control of the promised goods or services are transferred to outside parties in an amount that reflects the consideration The Salvation Army expects to be entitled to in exchange for those goods or services. Revenue from sales to the public is recognized at the point in time of the sales transaction. Program and service fees are recognized as revenue as the services are provided.

The Salvation Army 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 Salvation Army 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 Salvation Army applies guidance under ASC 606. If the transfer of assets is determined to be a contribution, The Salvation Army evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before The Salvation Army 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.

A portion of the Southern Territory's revenue is derived from federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expense. Amounts received are recognized as revenue when expenditures have been incurred or performance requirements have been met, in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as other liabilities in the consolidated statements of financial position.

h) Donations-in-kind and Contributed Services

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

Goods donated for sale in the 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 land, buildings and equipment are recorded at fair value at the date of donation as without donor restrictions support and revenue unless the use of such contributed assets is restricted by a donor-imposed restriction.

Contributed services are reported as contributions at their fair value if such services create or enhance nonfinancial assets, would have been purchased if not provided by contribution, require specialized skills and are provided by individuals possessing such specialized skills. In addition, the appropriate value of donated services of individuals is recorded as an expense when such services qualify for cost reimbursement from third-party providers.

THE SALVATION ARMY
Greensboro, North Carolina
Notes to Financial Statements
September 30, 2022

The Salvation Army has a significant number of volunteers who contribute meaningful amounts of time in furtherance of the Army'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.

i) Expenses

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

j) Depreciation

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

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

Provision is made for major future costs of property maintenance and replacement of vehicles and some equipment by transfer of operating net assets to board designated net assets without donor restrictions.

Depreciation expense amounted to \$301,202 and \$299,900 for the years ended September 30, 2022 and 2021, respectively.

k) Advertising Costs

The Salvation Army expenses the cost of non-direct response advertising cost as incurred. Advertising expense amounted to \$20,765 and \$21,079 for years ended September 30, 2022 and 2021, respectively.

l) Use of Estimates

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

m) Reclassification

Certain amounts in the September 30, 2021 financial statements have been reclassified for comparative purposes to conform with the presentation in the September 30, 2022 financial statements.

3. Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (ASC 606), which supersedes most of the current revenue recognition requirements. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how

THE SALVATION ARMY
Greensboro, North Carolina
Notes to Financial Statements
September 30, 2022

revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The Salvation Army adopted ASC 606 on October 1, 2019. The results of applying ASC 606 using the modified retrospective approach did not have a material impact on the financial position, changes in net assets, cash flows, business processes, controls or systems of The Salvation Army.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. In June 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*, that allowed certain entities the option to defer the adoption of ASU 2016-02 by one year. Accordingly, ASU 2016-02 will be effective for The Salvation Army in fiscal year 2023. The Salvation Army is in the process of evaluating the impact this standard will have on the financial statements.

Effective October 1, 2018, the Organization adopted the requirements of the financial accounting Standards Board's Accounting Standards Update No. 2016-14 - *Not-for-Profit Entities (Topic 958): – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Salvation Army Greensboro has adjusted the presentation of these statements accordingly. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions.

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets* to increase the transparency of contributed nonfinancial assets through enhancement to presentation and disclosure. The new guidance requires contributed nonfinancial assets to be presented as a separate line item on the consolidated statement of activities, apart from cash and other financial asset contributions. This guidance also requires disclosure of the types of contributed nonfinancial assets and, for each category, information about whether the assets were monetized or utilized, a description of the policies to monetize or utilize such assets, a description of donor-imposed restrictions associated with the contributions, and a description of the valuation techniques and principal market used to arrive at a fair value measure at initial recognition. ASU No. 2020-07 is effective for The Salvation Army in fiscal year 2022.

4. Availability and Liquidity

As part of The Salvation Army's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligation come due.

THE SALVATION ARMY
Greensboro, North Carolina
Notes to Financial Statements
September 30, 2022

The Salvation Army's financial assets as of September 30, 2022 and 2021, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year are as follows:

Financial assets at September 30,	<u>2022</u>	<u>2021</u>
Cash held locally (on hand and in banks)	\$ 500,029	\$ 830,676
Cash held at Divisional and Southern Territorial Headquarters	4,867,991	3,054,332
Accounts receivable	187,570	240,823
Pledges receivable	<u>339,375</u>	<u>211,074</u>
Total financial assets available within one year	<u>5,894,965</u>	<u>4,336,905</u>
Less:		
Capital campaign pledges	-	(39,218)
Amounts unavailable to management without Board's approval	<u>(3,959,129)</u>	<u>(2,392,956)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,935,836</u>	<u>\$ 1,904,731</u>

5. Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their future cash flows.

The value of pledges receivable, after allowances for uncollectible pledges, was determined by discounting the expected future cash flows by an appropriate rate of return for similar terms of pledges receivable, which approximates fair value.

Unconditional promises to give at September 30 include the following:

	<u>2022</u>	<u>2021</u>
Unconditional promises to give due in less than one year	\$ 339,375	\$ 250,292
Less:		
Allowance for uncollectible's	<u>-</u>	<u>(39,218)</u>
Net pledges receivable	<u>\$ 339,375</u>	<u>\$ 211,074</u>

Unconditional promises to give includes a receivable from United Way amounting to \$339,375 and \$171,856 at September 30, 2022 and 2021, respectively. Additional unconditional promises to give are related to the Boys and Girls Club capital campaign (net of allowance for uncollectible's) amounted to \$0 and \$39,218 at September 30, 2022 and 2021, respectively.

THE SALVATION ARMY
Greensboro, North Carolina
Notes to Financial Statements
September 30, 2022

6. Fair Value Measurements

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.

U.S. GAAP 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. 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 assumption market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

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.

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 of The Salvation Army, Greensboro, North Carolina consist of cash and cash equivalents, accounts receivable, pledges receivable, amounts on deposit at Territorial Headquarters, accounts payable and accrued expenses. The financial instruments are all stated either at cost or net realizable value, which approximates fair value.

7. Pension, Retirement and Post-Retirement Benefit Plans

a) Employee Pension Plan

Eligible employees participate in The Salvation Army Pension Plan with other Salvation Army territories, which provides for death, disability and retirement benefits. The Employee Pension Plan is a defined contribution, money purchase plan.

Annual contributions to the Plan amounted to \$103,820 and \$79,338 in fiscal years 2022 and 2021, respectively.

THE SALVATION ARMY
Greensboro, North Carolina
Notes to Financial Statements
September 30, 2022

b) Officers' Retirement Provision

The Salvation Army has a retirement provision for Officers, which provides retirement benefits and certain health care and death benefits to retired officers, as defined by Salvation Army policy which governs 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 from legacy income, by earnings on assets designated for retirement benefits, and by special appropriations. Amounts charged to the unit and included in the expenses for this provision were \$8,520 and \$8,280 in fiscal years 2022 and 2021, respectively.

8. Related Party Transactions

The unit is assessed an administrative charge by The Salvation Army North and South Carolina Divisional Headquarters for support services provided by both Divisional Headquarters and Territorial Headquarters. Support services received by the unit include program, personnel, business, and social services. Expenses reflected for those services amounted to \$630,972 and \$1,349,112 for the years ended September 30, 2022 and 2021, respectively. Amounts payable to Salvation Army North and South Carolina Divisional Headquarters for support services amounted to \$31,385 and \$14,206 for the years ended September 30, 2022 and 2021, respectively.

Amounts due to The Salvation Army North and South Carolina Divisional Headquarter included in accounts payable and accrued expenses amounted to \$11,014 and \$1,201 for the years ended September 30, 2022 and 2021.

Amounts due to Salvation Army Territorial Headquarters amounted to \$556 and \$936 for the years ended September 30, 2022 and 2021, respectively.

Beginning in December 1993, The Salvation Army, Greensboro, North Carolina began receiving support service payments of 10% of total income from the Chatham County Service Unit in return for handling certain administrative and bookkeeping duties. The Salvation Army, Greensboro, North Carolina received \$0 and \$34,233 for these services during the fiscal years ended September 30, 2022 and 2021, respectively.

The Salvation Army provides certain health care and death benefits for active Salvation Army officers and Auxiliary Captains through Officers and Auxiliary Captains' Sick Benefit and Burial Funds, as defined by the national Salvation Army policy. All active Salvation Army officers and Auxiliary Captains and their eligible dependents are eligible for benefits. Amounts charged to the unit and included in expenses for this plan were \$23,233 and \$24,312 in the fiscal years 2022 and 2021, respectively.

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 unit and included in expenses for this program were \$386,238 and \$427,308 in the fiscal years 2022 and 2021, respectively.

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 are intended to provide coverage for claims arising in all centers of operation. Amounts charged to the unit and included in expenses were \$172,658 and \$175,290 in the fiscal years 2022 and 2021, respectively.

THE SALVATION ARMY
Greensboro, North Carolina
Notes to Financial Statements
September 30, 2022

9. Endowments

The Salvation Army, Greensboro, North Carolina is a unit of the Southern Territory, which has sole authority for the receipt, management and investment of all endowment funds credited to units in the Southern Territory. The endowment fund credited to The Salvation Army, Greensboro, North Carolina consists of 6 individual funds. Its endowment includes 5 donor-restricted endowment funds and 1 fund designated by the Board of Trustees as an endowment. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The responsibility for investment of all institutional funds in the Southern Territory is solely the responsibility of the Board of Trustees of the Southern Territory. The interpretation by the Board of Trustees of relevant law is stated as follows:

The Uniform Prudent Management of Institutional Funds Acts (UPMIFA) as enacted by the State of Georgia applies to all the institutional funds of the Southern Territory unless the donor has specifically directed otherwise. The Board of Trustees interprets UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor restrictions to the contrary. As a result of this interpretation, the Board of Trustees classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Board of Trustees considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

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

Spending Policy

The responsibility for investment of all institutional funds in the Southern Territory is solely the responsibility of the Board of Trustees of the Southern Territory. The policy and how the investment objectives relate to the spending policy, which is applicable to the endowments herewith presented, are stated as follows:

THE SALVATION ARMY
Greensboro, North Carolina
Notes to Financial Statements
September 30, 2022

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

Return Objectives and Risk Parameters

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

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

Strategies Employed for Achieving Objectives

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

To satisfy its long-term objectives, the Southern Territory relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Southern Territory targets a diverse asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Funds with Deficiencies

From time to time the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA/SPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that would be reported in unrestricted net assets. There were no deficiencies for September 30, 2022 or September 30, 2021.

THE SALVATION ARMY
Greensboro, North Carolina
Notes to Financial Statements
September 30, 2022

Endowment Net Asset Composition by Type of Fund as of September 30, 2022:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 2,428,232	-	\$ 2,428,232
Donor restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	344,343	344,343
Accumulated investment gains	-	152,046	152,046
Total Funds	<u>\$ 2,428,232</u>	<u>496,389</u>	<u>\$ 2,924,621</u>

Changes in Endowment Fund Net Assets for Fiscal Year Ended September 30, 2022:

	September 30, 2022				
	Without Donor <u>Restrictions</u>	Endowment <u>Earnings</u>	Endowment <u>Corpus</u>	Total with Donor <u>Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,498,547	226,453	344,343	570,796	\$ 2,069,343
Investment income	101,697	6,751	-	6,751	108,448
Net appreciation (realized and unrealized)	-	(63,194)	-	(63,194)	(63,194)
Contributions	827,988	-	-	-	827,988
Appropriation for expenditure	-	(17,964)	-	(17,964)	(17,964)
Endowment net assets, end of year	<u>\$ 2,428,232</u>	<u>152,046</u>	<u>344,343</u>	<u>496,389</u>	<u>\$ 2,924,621</u>

Endowment Net Asset Composition by Type of Fund as of September 30, 2021:

	Without Donor <u>Unrestricted</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Board-designated endowment fund	\$ 1,498,547	-	\$ 1,498,547
Donor restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	344,343	344,343
Accumulated investment gains	-	226,453	226,453
Total Funds	<u>\$ 1,498,547</u>	<u>570,796</u>	<u>\$ 2,069,343</u>

THE SALVATION ARMY
Greensboro, North Carolina
Notes to Financial Statements
September 30, 2022

Changes in Endowment Fund Net Assets for Fiscal Year Ended September 30, 2021:

	September 30, 2021				
	With Donor Restrictions				Total
	Without Donor Restrictions	Endowment Earnings	Endowment Corpus	Total With Donor Restrictions	
Endowment net assets, beginning of year	\$ 1,351,920	129,562	344,343	473,905	\$ 1,825,825
Investment income	70,377	4,383	-	4,383	74,760
Net depreciation (realized and unrealized)	-	109,761	-	109,761	109,761
Contributions	76,250	-	-	-	76,250
Appropriation for expenditure	-	(17,253)	-	(17,253)	(17,253)
Endowment net assets, end of year	<u>\$ 1,498,547</u>	<u>226,453</u>	<u>344,343</u>	<u>570,796</u>	<u>\$ 2,069,343</u>

10. Net Asset Classifications

Accumulated earnings on endowments and net assets available for the following purposes or periods:

	<u>2022</u>	<u>2021</u>
Earnings on endowment funds	\$ 148,661	\$ 226,453
General operating	82,392	82,345
Capital campaign	74	39,292
United Way receivable - subsequent period	<u>339,375</u>	<u>171,857</u>
	<u>\$ 570,502</u>	<u>\$ 519,947</u>

Net assets held in perpetuity restricted as to:

	<u>2022</u>	<u>2021</u>
Greater Greensboro Endowment corpus, appreciation and income from which are expendable for general operating purposes	\$ 120,171	\$ 120,171
Greensboro Eagle Endowment corpus, appreciation and income from which are expendable for the ministries of the Center of Hope	150,000	150,000
Boys and Girls Club Jeffires Endowment corpus, appreciation and income from which are expendable for Boys and Girls Club operations	5,000	5,000
Greensboro Kroeze Endowment corpus, appreciation and income from which are expendable for Boys and Girls Club operations	32,640	32,640
Greensboro Billy Joy Eggleston Endowment corpus, appreciation and income from which are expendable for Boys and Girls Club operations	36,532	36,532

THE SALVATION ARMY
Greensboro, North Carolina
Notes to Financial Statements
September 30, 2022

F.E & R.M. Hodgkin Endowment corpus, appreciation
and income from which are expendable for general
operating purposes

26,731	-
<u>\$ 371,074</u>	<u>\$ 344,343</u>

11. Net Assets without Donor Restrictions

Net assets without donor restrictions is comprised of undesignated and board-designated amounts for the following purposes at September 30:

	<u>2022</u>	<u>2021</u>
Undesignated - General Operating	\$ 1,485,300	\$ 1,450,150
Board Designated - Vehicle Deposits	24,209	30,305
Board Designated - Property Maintenance Deposits	478	14,796
Board Designated - Building/Capital Deposits	72,641	38,639
Board Designated - Fixed Interest Deposits	3,803,710	2,186,874
Land, Buildings, and Equipment	<u>11,269,403</u>	<u>11,524,281</u>
	<u>\$ 16,655,741</u>	<u>\$ 15,245,045</u>

12. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at September 30:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose or future period:		
United Way - time restriction	\$ 339,375	\$ 171,857
General Operations - purpose restriction	82,465	121,636
Endowments Earnings - purpose restriction	148,662	226,454
Endowment Gift - purpose restriction	<u>371,074</u>	<u>344,343</u>
Total	<u>\$ 941,576</u>	<u>\$ 864,290</u>

13. Net Assets Released from Restrictions

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by the donors during fiscal years 2022 and 2021 was as follows:

	<u>2022</u>	<u>2021</u>
Purpose restriction accomplished:		
Greensboro Area - Operating	\$ 9,480	\$ 9,104
Greensboro Eagle - Operating	7,896	7,580
Boys & Girls Club - Operating	588	569
Capital Campaign - Operating	39,220	188,373
Time restriction expired:		
United Way	<u>171,856</u>	<u>162,968</u>
Total net assets released from restrictions	<u>\$ 229,040</u>	<u>\$ 368,594</u>

THE SALVATION ARMY
Greensboro, North Carolina
Notes to Financial Statements
September 30, 2022

14. Income Tax Position

The Salvation Army, Greensboro, North Carolina accounts for income taxes in accordance with ASC 740, Accounting for Uncertainty in Income Taxes. ASC 740 requires that a tax position be recognized or derecognized based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return where there is uncertainty about whether a tax position will ultimately be sustained upon examination.

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

15. Contingencies and Commitments

a) Litigation

The Southern Territory is a defendant in several lawsuits arising in the normal course of operations. While outside counsel cannot predict the outcome of such litigation management does not expect the outcome to have a material effect on the financial position or results of operations of The Salvation Army.

b) Government Grants and Contracts

The Salvation Army receives grants and contracts from federal, state and local governments. Cost-reimbursement grant programs, including those subject to independent audit under the Office of Management and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, may be reviewed by grantor agencies. These audits and reviews 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 Salvation Army's financial position.

c) Leases

The Salvation Army, Greensboro, North Carolina leases retail spaces, office space, copiers and a postage meter under commercial lease agreements. The store lease contains minimum monthly payments ranging from \$6,214 to \$6,658 over the course of the 36 month lease ending July 2025. The other leases contain various minimum monthly payments ranging from \$77 to \$1,170. These leases contain various rental periods with the first set to expire in August 2023 and the last set to expire in July 2025. The future minimum lease payments scheduled under these commercial lease agreements are:

Year Ending September 30,

2023	89,899
2024	91,711
2025	67,745
	<u>\$ 339,254</u>

THE SALVATION ARMY
Greensboro, North Carolina
Notes to Financial Statements
September 30, 2022

Rental expense for all leases and rental of equipment, including the copier leases and the store space lease, amounted to \$130,479 and \$120,959 for the fiscal years ended September 30, 2022 and 2021, respectively.

16. Concentrations of Credit Risk

The unit maintains deposits in large multi-state FDIC insured financial institutions. Other units of the Southern Territory use these institutions and collectively credit exposure is limited to the amount of deposits at any one institution in excess of the federally insured limit. The unit considers the risk of loss with respect to any uninsured amounts remote.

17. Subsequent Events

The Salvation Army, Greensboro, North Carolina has evaluated the need for disclosures and/or adjustments resulting from subsequent events through July 28, 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 financial statements.

THE SALVATION ARMY
Greensboro, North Carolina
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2022

23

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Housing and Urban Development:			
Direct Programs:			
(Continuum of Care Program)	14.267		\$ 277,363
Pass-through programs from:			
City of Greensboro Housing and Neighborhood Services (Community Development Block Grant Program)			
(Entitlement Grants Cluster)	14.218	B-21-MC-37- 0007; 10344	90,277
City of Greensboro Housing and Neighborhood Services (COVID-19 - Emergency Solutions Grant Program)	14.231	E-21-MC-37- 0007; 10352	139,562
City of Greensboro Department of Neighborhood Development (Emergency Solutions Grant Program)	14.231	E-20-MW-37- 0007	139,962
City of Greensboro Department of Neighborhood Development (Emergency Solutions Grant Program)			
(Temporary Housing Voucher Cluster)	14.871	0007; 10352	21,090
Total Department of Housing and Urban Development			<u>647,164</u>
Department of Justice			
Pass-through programs from:			
Office of Juvenile Justice and Delinquency Prevention Boys & Girls Club of America (Juvenile Mentoring Program)	16.726		<u>41,721</u>
Department of the Treasury:			
Pass-through programs from:			
Chatham County (COVID 19 - Coronavirus Relief Fund)	21.019		37,095
City of Greensboro (COVID 19 - Emergency Rental Assistance Program)	21.023		104,976
Total Department of the Treasury			<u>142,071</u>
Department of Veterans Affairs			
Pass through programs from:			
United Way of Forsyth County (VA Homeless Providers Grant and Per Diem Program)	64.024		<u>97,965</u>
Department of Health and Human Services:			
Pass-through programs from:			
North Carolina Department of Health and Human Services (Temporary Assistance for Needy Families Cluster)	93.558		<u>69,441</u>
Department of Homeland Security:			
Pass-through programs from:			
City of Greensboro (American Rescue Plan Act - Emergency Food and Shelter National Board Program)	97.024		217,893
Chatham County (Emergency Food and Shelter National Board Program)	97.024		12,412
City of Greensboro (Emergency Food and Shelter National Board Program)	97.024		15,000
Total Department of Homeland Security			<u>245,305</u>
Total Expenditures of Federal Awards			<u>\$ 1,243,667</u>

THE SALVATION ARMY
Greensboro, North Carolina
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2022

24

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of The Salvation Army, Greensboro, North Carolina under programs of the federal government for the year ended September 30, 2022. 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* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of The Salvation Army, Greensboro, North Carolina, it is not intended to and does not present the financial position, changes in net assets, or cash flows of The Salvation Army, Greensboro, North Carolina.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in 2 CFR Part 230, Cost Principles for Non-Profit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

NOTE C - INDIRECT COST RATE

The Salvation Army, Greensboro, North Carolina has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Trustees
The Salvation Army (A Georgia Corp.)
Atlanta, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Salvation Army, Greensboro, North Carolina ("The Salvation Army") (a nonprofit organization), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 28, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Salvation Army's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Salvation Army's internal control. Accordingly, we do not express an opinion on the effectiveness of The Salvation Army'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Duncan Ashe, P.A.".

Greensboro, North Carolina
July 28, 2023



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Trustees
The Salvation Army (A Georgia Corp.)
Atlanta, Georgia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited The Salvation Army, Greensboro, North Carolina's ("The Salvation Army") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of The Salvation Army's major federal programs for the year ended September 30, 2022. The Salvation Army's federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, The Salvation Army 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 Salvation Army 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 Salvation Army'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 Salvation Army'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 Salvation Army'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 Salvation Army'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 Salvation Army'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 Salvation Army'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 Salvation Army'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 a 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.

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.

Duncan Ashe, P.A.

Greensboro, North Carolina
July 28, 2023

THE SALVATION ARMY
Greensboro, North Carolina
Schedule of Findings and Questioned Costs
Year Ended September 30, 2022

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on whether the financial statements of The Salvation Army, Greensboro, North Carolina were prepared in accordance with GAAP.
2. No significant deficiencies were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of The Salvation Army, Greensboro, North Carolina which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
5. The Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by The Uniform Guidance for The Salvation Army, Greensboro, North Carolina expresses an unmodified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with 2 CFR section 200.516(a).
7. The programs tested as a major program were the Emergency Solutions Grant Program (Assistance Listing No. 14.231), and the Continuum of Care Program (Assistance Listing No. 14.267).
8. The threshold for distinguishing between Type A and B programs was \$750,000.
9. The Salvation Army, Greensboro, North Carolina was determined to be a low-risk auditee for the year ended September 30, 2022.

FINDINGS – FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

THE SALVATION ARMY
Greensboro, North Carolina
Schedule of Prior Year Audit Findings
Year Ended September 30, 2022

Finding: 2021-001 – Allowable Costs/Cost Principles – Material Weakness in Compliance and Internal Control over Compliance

Status: Corrected