

**THE SALVATION ARMY
GREATER PHILADELPHIA ACTIVITIES**

**FINANCIAL STATEMENTS, SINGLE AUDIT REPORT,
AND SUPPLEMENTAL INFORMATION**

YEAR ENDED SEPTEMBER 30, 2023

THE SALVATION ARMY
GREATER PHILADELPHIA ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2023

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

Command Finance Council
The Salvation Army
Eastern Pennsylvania and Delaware Division
Philadelphia, Pennsylvania

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of The Salvation Army Greater Philadelphia Activities, which comprise the statements of financial position as of September 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Salvation Army Greater Philadelphia Activities as of September 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Greater Philadelphia Activities, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Salvation Army Greater Philadelphia Activities' ability to continue as a going concern for one year after the date that the financial statements are available to be issued.



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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 GAAS, *Government Auditing Standards* and standards applicable to financial audits in the City of Philadelphia Subrecipient Audit Guide 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 GAAS, *Government Auditing Standards*, and standards applicable to financial audits in the City of Philadelphia Subrecipient Audit Guide 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 Greater Philadelphia Activities' 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 Greater Philadelphia Activities' 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.



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Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 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, State, and City Awards and the various supplemental information schedules required by the City of Philadelphia Subrecipient Audit Guide as listed in the Table of Contents are presented for purposes of additional analysis and are 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 and the various supplemental information schedules as listed in the Table of Contents are 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* and standards applicable to financial audits in the City of Philadelphia Subrecipient Audit Guide, we have also issued our report dated March 6, 2024, on our consideration of The Salvation Army Greater Philadelphia Activities' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to solely 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 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 Greater Philadelphia Activities' internal control over financial reporting and compliance.

Zelenkofske Axelrod LLC

ZELENKOFSCHE AXELROD LLC

Jamison, Pennsylvania
March 6, 2024

THE SALVATION ARMY
GREATER PHILADELPHIA ACTIVITIES
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2023 AND 2022

ASSETS

Operating:	2023	2022
Cash and Cash Equivalents	\$ 21,215,821	\$ 23,260,757
Accounts Receivable	5,887,687	5,672,573
Inventory	20,852	20,852
Right-of-Use-Operating	1,043,719	777,838
Prepaid Expense and Deferred Charges	<u>384,701</u>	<u>384,701</u>
Total Operating	<u>28,552,780</u>	<u>30,116,721</u>
Investments:		
Investments, at Fair Value	132,275,466	122,220,042
Beneficial Interest in Trusts Held by Others	<u>13,439,270</u>	<u>12,797,562</u>
Total Investments	<u>145,714,736</u>	<u>135,017,604</u>
Land, Buildings and Equipment:		
Land	3,001,171	3,043,525
Buildings, Less Accumulated Depreciation of \$42,049,428 and \$39,526,498 in 2023 and 2022, respectively	57,982,553	58,098,552
Furniture, Fixtures and Equipment, Less Accumulated Depreciation of \$1,007,354 and \$1,081,441 in 2023 and 2022 respectively	359,663	215,857
Construction in Progress	<u>1,306,700</u>	<u>2,755,752</u>
Total Land, Buildings and Equipment	<u>62,650,087</u>	<u>64,113,686</u>
Total Assets	<u>\$ 236,917,603</u>	<u>\$ 229,248,011</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts Payable and Accrued Expenses	\$ 3,713,659	\$ 4,009,049
Lease Liability-Operating	1,055,263	785,288
Intra-Salvation Army Loans Payable	<u>2,838,802</u>	<u>2,772,042</u>
Total Liabilities	<u>7,607,724</u>	<u>7,566,379</u>
Net Assets:		
Net Assets Without Donor Restriction		
General Operating	17,413,821	18,165,034
Board Designated	20,734,711	17,880,720
Land, Building and Equipment	<u>62,650,087</u>	<u>64,113,686</u>
Total Net Assets Without Restriction	<u>100,798,619</u>	<u>100,159,440</u>
Net Assets With Donor Restriction		
Amounts to Be Held in Perpetuity	85,231,879	84,559,313
Other Restrictions	<u>43,279,381</u>	<u>36,962,879</u>
Total Net Assets With Donor Restriction	<u>128,511,260</u>	<u>121,522,192</u>
Total Net Assets	<u>229,309,879</u>	<u>221,681,632</u>
Total Liabilities and Net Assets	<u>\$ 236,917,603</u>	<u>\$ 229,248,011</u>

The accompanying notes are an integral part of the financial statements.

THE SALVATION ARMY
GREATER PHILADELPHIA ACTIVITIES
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2023 and 2022

	2023			2022		
	Net Assets Without Donor Restriction	Net Assets With Donor Restriction	Total	Net Assets Without Donor Restriction	Net Assets With Donor Restriction	Total
Support and Revenues						
Public Support:						
Received Directly						
Contributions	\$ 4,364,358	\$ 662,645	\$ 5,027,003	\$ 5,888,433	\$ -	\$ 5,888,433
Donations-in-Kind and Contributed Services	1,247,636	-	1,247,636	1,579,728	-	1,579,728
Legacies and Bequests	292,557	3,694,992	3,987,549	2,547,321	166,763	2,714,084
Special Events	270,797	-	270,797	119,938	-	119,938
Total Received Directly	6,175,348	4,357,637	10,532,985	10,135,420	166,763	10,302,183
Received Indirectly						
Allocated by Federated Fund-Raising Organizations	15,729	-	15,729	19,079	-	19,079
Total Public Support	6,191,077	4,357,637	10,548,714	10,154,499	166,763	10,321,262
Fees and Grants From Government Agencies	16,057,873	-	16,057,873	15,661,810	-	15,661,810
Other Revenues						
Program and Service Fees	14,586,394	-	14,586,394	14,430,348	219,184	14,649,532
Sales to Public	549,356	-	549,356	470,507	-	470,507
Investment Return, Net	2,351,814	9,233,652	11,585,466	(550,343)	(22,175,864)	(22,726,207)
Gain on Sale/Disposal of Land, Building and Equipment	997,462	-	997,462	(41,487)	-	(41,487)
Other	84,722	-	84,722	148,615	-	148,615
Grants from Territorial Headquarters	1,254,682	-	1,254,682	1,801,918	-	1,801,918
Total Other Revenues	19,824,430	9,233,652	29,058,082	16,259,558	(21,956,680)	(5,697,122)
Net Assets Released from Restriction	6,602,221	(6,602,221)	-	5,437,891	(5,437,891)	-
Total Support and Revenues	48,675,601	6,989,068	55,664,669	47,513,758	(27,227,808)	20,285,950
Expenses						
Program Services:						
Corps Community Center Services	13,831,982	-	13,831,982	13,959,347	-	13,959,347
Residential and Institutional Services	5,575,335	-	5,575,335	5,164,583	-	5,164,583
Foster Care Services	1,887,900	-	1,887,900	1,818,648	-	1,818,648
Developmental Disabilities Programs	19,102,818	-	19,102,818	17,657,141	-	17,657,141
Other Social Services	3,326,560	-	3,326,560	3,629,929	-	3,629,929
Total Program Services	43,724,595	-	43,724,595	42,229,648	-	42,229,648
Supporting Services:						
Management and General	3,448,584	-	3,448,584	2,643,281	-	2,643,281
Fund Raising	863,243	-	863,243	556,817	-	556,817
Total Supporting Services	4,311,827	-	4,311,827	3,200,098	-	3,200,098
Total Expenses	48,036,422	-	48,036,422	45,429,746	-	45,429,746
Changes in Net Assets	639,179	6,989,068	7,628,247	2,084,012	(27,227,808)	(25,143,796)
Net Assets at Beginning of Year	100,159,440	121,522,192	221,681,632	98,075,428	148,750,000	246,825,428
Net Assets at End of Year	\$ 100,798,619	\$ 128,511,260	\$ 229,309,879	\$ 100,159,440	\$ 121,522,192	\$ 221,681,632

The accompanying notes are an integral part of the financial statements.

THE SALVATION ARMY
GREATER PHILADELPHIA ACTIVITIES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities:		
Changes in Net Assets	\$ 7,628,247	\$ (25,143,796)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	2,779,635	2,706,782
Unrealized Loss (Gain) on Investments	(6,872,613)	25,598,923
Realized Loss (Gain) on Investments	(2,707,596)	(4,648,305)
Change in Beneficial Interest in Trusts Held by Others	(641,708)	3,514,066
Loss (Gain) on Disposal of Fixed Assets	(997,462)	58,212
Adjustment to Construction in Progress	1,449,051	-
Changes in Operating Assets and Liabilities		
Accounts Receivable	(215,114)	(290,042)
Inventory	-	5,391
Change in Right of Use, Operating	(265,881)	(213,086)
Prepaid Expense and Deferred Charges	-	(17,676)
Accounts Payable and Accrued Expenses	(295,390)	(700,439)
Other Liabilities	<u>269,975</u>	<u>214,051</u>
Total Adjustments	<u>(7,497,103)</u>	<u>26,227,877</u>
Net Cash Provided by Operating Activities	<u>131,144</u>	<u>1,084,081</u>
Cash Flows from Investing Activities		
Proceeds from Sale of Assets	3,547,466	(735,643)
Purchase of Land, Buildings, and Equipment	(5,315,092)	(1,085,264)
Proceeds from Sale/Purchases of Investments	<u>(475,214)</u>	<u>1,874,721</u>
Net Cash Provided by Investing Activities	<u>(2,242,840)</u>	<u>53,814</u>
Cash Flows from Financing Activities		
Change in Intra-Salvation Army Loans Payable	<u>66,760</u>	<u>(2,860,410)</u>
Net Cash Provided by (Used in) Financing Activities	<u>66,760</u>	<u>(2,860,410)</u>
Change in Cash and Cash Equivalents	(2,044,936)	(1,722,515)
Cash and Cash Equivalents - Beginning of Year	<u>23,260,757</u>	<u>24,983,272</u>
Cash and Cash Equivalents - End of Year	<u>\$ 21,215,821</u>	<u>\$ 23,260,757</u>

The accompanying notes are an integral part of the financial statements.

THE SALVATION ARMY
GREATER PHILADELPHIA ACTIVITIES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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	<u>CORPS COMMUNITY CENTER SERVICES</u>	<u>RESIDENTIAL AND INSTITUTIONAL SERVICES</u>	<u>FOSTER CARE SERVICES</u>	<u>DEVELOPMENTAL DISABILITIES PROGRAMS</u>	<u>OTHER SOCIAL SERVICES</u>	<u>TOTAL PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUND RAISING</u>	<u>TOTAL SUPPORTING SERVICES</u>	<u>TOTAL</u>
Salaries, Allowances and Taxes	\$ 4,501,402	\$ 2,912,171	\$ 831,735	\$ 12,327,999	\$ 960,404	\$ 21,533,711	\$ 196,147	\$ 232,437	\$ 428,584	\$ 21,962,295
Employee and Officer Benefits	1,058,095	608,659	201,635	2,514,828	208,029	4,591,246	40,833	27,797	68,630	4,659,876
Professional Fees	690,166	185,225	109,745	237,624	223,389	1,446,149	90,132	45,187	135,319	1,581,468
Supplies	339,600	185,965	13,612	497,914	108,513	1,145,604	8,858	9,745	18,603	1,164,207
Communications, Postage and Shipping	73,677	38,824	11,257	174,068	17,367	315,193	2,769	250,288	253,057	568,250
Occupancy, Furnishings and Equipment	2,717,350	1,142,855	98,358	1,667,327	194,248	5,820,138	946,040	50,428	996,468	6,816,606
Printing and Publications	117,719	52	31,417	4,620	1,328	155,136	-	244,195	244,195	399,331
Conferences, Meetings and Travel	397,297	40,517	48,388	579,197	64,016	1,129,415	9,161	2,631	11,792	1,141,207
Direct Assistance	1,122,197	433,829	380,426	44,008	533,607	2,514,067	-	-	-	2,514,067
World Services Support	66,239	-	-	-	-	66,239	33,000	-	33,000	99,239
Depreciation	2,540,648	22,580	-	99,874	49,177	2,712,279	67,356	-	67,356	2,779,635
Other Expenses	97,227	4,658	4,686	96,788	966,482	1,169,841	53,472	535	54,007	1,223,848
Support Service	110,365	-	156,641	858,571	-	1,125,577	2,000,816	-	2,000,816	3,126,393
Total Expenses	<u>\$ 13,831,982</u>	<u>\$ 5,575,335</u>	<u>\$ 1,887,900</u>	<u>\$ 19,102,818</u>	<u>\$ 3,326,560</u>	<u>\$ 43,724,595</u>	<u>\$ 3,448,584</u>	<u>\$ 863,243</u>	<u>\$ 4,311,827</u>	<u>\$ 48,036,422</u>

The accompanying notes are an integral part of the financial statements.

THE SALVATION ARMY
GREATER PHILADELPHIA ACTIVITIES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	<u>CORPS COMMUNITY CENTER SERVICES</u>	<u>RESIDENTIAL AND INSTITUTIONAL SERVICES</u>	<u>FOSTER CARE SERVICES</u>	<u>DEVELOPMENTAL DISABILITIES PROGRAMS</u>	<u>OTHER SOCIAL SERVICES</u>	<u>TOTAL PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUND RAISING</u>	<u>TOTAL SUPPORTING SERVICES</u>	<u>TOTAL</u>
Salaries, Allowances and Taxes	\$ 4,479,881	\$ 2,808,181	\$ 851,608	\$ 11,487,169	\$ 774,001	\$ 20,400,840	\$ 205,167	\$ 239,851	\$ 445,018	\$ 20,845,858
Employee and Officer Benefits	1,079,830	633,068	192,092	2,498,873	186,149	4,590,012	41,739	25,285	67,024	4,657,036
Professional Fees	489,538	172,190	122,531	176,631	330,281	1,291,171	64,883	14,317	79,200	1,370,371
Supplies	313,801	174,175	8,836	460,847	68,824	1,026,483	5,789	609	6,398	1,032,881
Communications, Postage and Shipping	98,302	38,332	12,536	219,346	73,473	441,989	9,341	-	9,341	451,330
Occupancy, Furnishings and Equipment	2,746,782	919,139	75,711	1,321,532	256,883	5,320,047	194,414	25,739	220,153	5,540,200
Printing and Publications	104,457	103	10,740	6,522	107,543	229,365		246,518	246,518	475,883
Conferences, Meetings and Travel	330,950	34,868	36,136	522,506	37,037	961,497	15,201	1,978	17,179	978,676
Direct Assistance	1,403,247	345,532	372,329	45,987	518,750	2,685,845		-	-	2,685,845
World Services Support	66,936	-	-	-	-	66,936	33,000		33,000	99,936
Depreciation	2,408,017	19,544	-	83,585	60,635	2,571,781	135,001	-	135,001	2,706,782
Other Expenses	319,493	19,451	4,522	48,283	1,216,353	1,608,102	50,139	2,520	52,659	1,660,761
Support Service	118,113	-	131,607	785,860	-	1,035,580	1,888,607	-	1,888,607	2,924,187
Total Expenses	<u>\$ 13,959,347</u>	<u>\$ 5,164,583</u>	<u>\$ 1,818,648</u>	<u>\$ 17,657,141</u>	<u>\$ 3,629,929</u>	<u>\$ 42,229,648</u>	<u>\$ 2,643,281</u>	<u>\$ 556,817</u>	<u>\$ 3,200,098</u>	<u>\$ 45,429,746</u>

The accompanying notes are an integral part of the financial statements.

THE SALVATION ARMY
GREATER PHILADELPHIA ACTIVITIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 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 include all programs and operations of The Salvation Army Greater Philadelphia Activities Operating Unit of the Eastern Territory of the Salvation Army.

The Salvation Army Greater Philadelphia Activities Operating Unit of the Eastern Territory ("Organization") operates a variety of programs including Corps Community Centers that provide spiritual, educational, and recreational services; homeless and emergency shelters; residential and support employment for disabled adults; children's foster placement and adoption, 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 Organization operates various programs in Philadelphia and the State of Delaware, and ten Corps Community Centers in the Counties of Philadelphia, Montgomery, and Delaware and are under the direction of The Salvation Army Eastern Pennsylvania and Delaware Division located in Philadelphia, Pennsylvania which is incorporated in the State of New York under The Salvation Army Eastern Territory with the corporate headquarters located in West Nyack, New York.

NOTE 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 (U.S. GAAP).

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:

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A) General – Basis of Presentation (Continued)

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.

Net Assets With Donor Restrictions – Net assets that are subject to donor-imposed restrictions that will be fulfilled either by actions of The Salvation Army or the passage of time or that include a stipulation that assets provided be retained and invested in perpetuity while permitting The Salvation Army to use all or part of the investment return on these assets for specified or unspecified purposes.

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) Inventory

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

D) Amounts on Deposit at Territorial Headquarters

Territorial headquarters has the responsibility for investment activity for all units within the territory.

The portfolios related to net assets with donor restrictions 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.

Investment return earned on portfolios related to net 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.

E) Property and Equipment

Land, buildings, and equipment, (with a purchase price of \$10,000 or more) are stated at cost or, if donated, at fair value at the date of donation.

F) 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.

THE SALVATION ARMY
GREATER PHILADELPHIA ACTIVITIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023 AND 2022

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NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F) Revenue Recognition (Continued)

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 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 met.

A portion of The Salvation Army'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 evaluated as to whether they qualify as exchange transactions or contributions. If a contract or grant agreement contains a right of return or right of release from the respective obligation provision on the part of the grantor, and the agreement also contains a barrier to be overcome, The Salvation Army recognizes revenue for these conditional contributions when the related barrier to entitlement has been overcome. Funds received in advance of conditions being met are reported as other liabilities in the statements of financial position.

The Salvation Army recognizes revenue from contracts with customers 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.

G) Contributed Nonfinancial Assets and Services

The Salvation Army receives various types of contributed nonfinancial assets including clothing, household goods and supplies, food, toys, vehicles, real estate, 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.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G) Contributed Nonfinancial Assets and Services (Continued)

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 Salvation Army has a significant number of volunteers who contribute meaningful amounts of time in furtherance of The Salvation Army's mission. Such contributions that do not meet generally accepted accounting criteria for recognition as contributed services are not recorded in the statement of activities.

H) Expenses

All expenses are stated on the accrual basis and are presented in the accompanying statements of activities and the statements 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 using a variety of cost allocation techniques.

I) Depreciation

Depreciation is provided on buildings and equipment at straight line rates based on estimated service lives ranging from 4 to 40 years. 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.

J) Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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. The Salvation Army adopted ASU 2016-02 for the year ended September 30, 2023 using the current period adjustment method which impacted The Salvation Army's financial condition but did not have a material impact on the financial statements.

NOTE 3: RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including accounts and loan receivables. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses. This standard is effective for fiscal years beginning after December 15, 2022 (i.e. fiscal year 2024), and requires a modified-retrospective approach. Early adoption is permitted. The Eastern Territory is currently evaluating the new guidance and has not determined the impact this standard may have on the consolidated financial statements.

NOTE 4: AMOUNTS ON DEPOSIT AT TERRITORIAL HEADQUARTERS

Salvation Army policy requires that the investment of assets for all centers of operation may be made only through the corporate portfolio under the administration of the Board of Trustees/Directors of the Eastern Territory of The Salvation Army. Assets that are restricted by donors for use in a center of operation are invested on a pooled mutual fund basis and receive total net rate of return. These invested assets are reflected as investments on the financial statements.

Assets which are remitted for investment by a center of operation or are designated for the use of a center of operation, receive various fixed rates of interest as determined by the Board of Trustees/Directors of the Eastern Territory of The Salvation Army. These assets are treated as cash equivalents in the financial statements.

NOTE 5: FAIR VALUE MEASUREMENTS

US GAAP defines fair value 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.

US 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 assumptions 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.

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NOTE 5: FAIR VALUE MEASUREMENTS (CONTINUED)

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

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

Level 3: Inputs that are unobservable and significant to the overall fair value measurement of the asset or liability.

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 following table sets forth by level, within the fair value hierarchy, the Organization's investments, at fair value and beneficial interest in trusts held by others as of September 30, 2023 and 2022:

Assets at Fair Value as of September 30, 2023				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	\$ -	\$ -	\$ 132,275,466	\$ 132,275,466
Beneficial Interest in Trusts	-	-	13,439,270	13,439,270
Total Assets at Fair Value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 145,714,736</u>	<u>\$ 145,714,736</u>

Assets at Fair Value as of September 30, 2022				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	\$ -	\$ -	\$ 122,220,042	\$ 122,220,042
Beneficial Interest in Trusts	-	-	12,797,562	12,797,562
Total Assets at Fair Value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 135,017,604</u>	<u>\$ 135,017,604</u>

The following table sets forth a summary of changes in the fair value of the Salvation Army's level 3 assets for fiscal year ended September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 135,017,604	\$ 161,356,968
Realized and Unrealized Gains	8,791,736	(20,952,391)
Dividends and Interest Income	1,068,083	1,677,755
Change in Value of Perpetual Trust	641,709	(3,453,008)
Purchases and Sales, Net	195,604	(3,611,720)
Balance, end of year	<u>\$ 145,714,736</u>	<u>\$ 135,017,604</u>

NOTE 6: INTRA-SALVATION ARMY LOAN PAYABLE

The Organization has a loan payable to The Salvation Army Divisional Headquarters in the amount of \$2,838,802 and \$2,772,042 at September 30, 2023 and 2022, respectively. The funds were used to fund the operations of the Organization. The loan is non-interest bearing, uncollateralized, and due on demand.

NOTE 7: PENSION, RETIREMENT AND POST-RETIREMENT BENEFIT PLANS

A) Employee Pension Plan

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

Annual contributions to the Plan are based on a stipulated percentage (5.25% and 5.25% in fiscal years 2023 and 2022, respectively) of employees' salaries. The Greater Philadelphia Activities incurred \$798,075 and \$689,779 of expense under this plan in fiscal years 2023 and 2022, respectively.

B) 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 Organization and included in expenses for this provision was \$132,000 in the fiscal year 2023, and \$143,972 in fiscal year 2022.

NOTE 8: ENDOWMENTS

The Organization has sole authority for the receipt management and investment of all endowment funds credited to units in the Eastern Territory. The endowment fund credited to the Organization consists of approximately 64 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees/Directors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees/Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Eastern Territory is subject to the New York Prudent Management of Institutional Funds Act ("NYPMIFA") and thus, classifies earnings in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Trustees/Directors appropriates such amounts for expenditure. Most of those net assets are also subject to purpose restrictions that must be met before reclassifying those net assets to net assets and thus, classifies earnings in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Trustees/Directors appropriates such amounts for expenditure. Most of those net assets are also subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions.

NOTE 8: ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law (Continued)

The Board of Trustees/Directors has interpreted NYPMIFA as not requiring the maintenance or purchasing power of the original gift amount contributed to the endowment fund, unless there are explicit donor restrictions to the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Eastern Territory considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gifts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Eastern Territory has interpreted NYPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. Additionally, in accordance with NYPMIFA, the Board of Trustees/Directors considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purpose of the organization and the donor-restricted endowment fund.
- General economic conditions.
- The possible effects of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the organization.
- The investment policies of the organization.

Spending Policy

The Eastern Territory has a policy of appropriating for distribution each year 5 percent of its endowment fund's average fair value over the prior 20 quarters through the calendar year preceding the fiscal year in which the distribution is planned. In establishing this policy, the Eastern Territory considered the long-term expected return on its endowment. Accordingly, over the long term, the Eastern Territory expects its endowment assets to grow at a pace at least equal to inflation. This is consistent with the organization's objective to maintain 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 and investment return.

Return Objectives and Risk Parameters

The Eastern 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/Directors, 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

To satisfy its long-term objectives, the Eastern 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 Eastern Territory targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

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NOTE 8: ENDOWMENTS (CONTINUED)

Underwater Endowment Funds

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 NYPMIFA requires the Organization to retain as a fund of perpetual duration.

The Organization has no underwater endowment funds as of September 30, 2023 and 2022.

Endowment Net Asset Composition by Type of Fund
As of September 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Board-Designated Endowment Funds	\$ 3,160,834	\$ -	\$ 3,160,834
Donor-Restricted Endowment Funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	71,792,609	71,792,609
Accumulated investment gains	-	36,553,436	36,553,436
Total Endowments	<u>\$ 3,160,834</u>	<u>\$ 108,346,045</u>	<u>\$ 111,506,879</u>

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

	Without Donor Restrictions	With Donor Restrictions	Total
Board-Designated Endowment Funds	\$ 2,779,717	\$ -	\$ 2,779,717
Donor-Restricted Endowment Funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	71,761,751	71,761,751
Accumulated investment gains	-	33,767,479	33,767,479
Total Endowments	<u>\$ 2,779,717</u>	<u>\$ 105,529,230</u>	<u>\$ 108,308,947</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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NOTE 8: ENDOWMENTS (CONTINUED)

Changes in Endowment Fund Net Assets
For the Fiscal Year Ended September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 2,779,717	\$ 105,529,230	\$ 108,308,947
Investment return, net	381,117	7,941,018	8,322,135
Contributions	-	30,857	30,857
Appropriations of endowment assets for expenditure	-	(5,155,060)	(5,155,060)
Endowment net assets, end of year	<u>\$ 3,160,834</u>	<u>\$ 108,346,045</u>	<u>\$ 111,506,879</u>

Changes in Endowment Fund Net Assets
For the Fiscal Year Ended September 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 3,561,505	\$ 129,084,982	\$ 132,646,487
Investment return, net	(781,788)	(18,693,825)	(19,475,613)
Contributions	-	30,500	30,500
Appropriations of endowment assets for expenditure	-	(4,892,427)	(4,892,427)
Endowment net assets, end of year	<u>\$ 2,779,717</u>	<u>\$ 105,529,230</u>	<u>\$ 108,308,947</u>

Description of Amounts Classified Net Assets with Donor Restrictions (Endowment Only):

<u>Net Assets with Donor Restrictions</u>	<u>2023</u>	<u>2022</u>
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 71,792,609	\$ 71,761,751
Accumulated investment gains on endowment funds		
Without purpose restrictions	33,166,137	30,986,376
With purpose restrictions	<u>3,387,299</u>	<u>2,781,103</u>
Total endowment funds classified as net assets with donor restrictions	<u>\$ 108,346,045</u>	<u>\$ 105,529,230</u>

NOTE 9: 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>2023</u>	<u>2022</u>
Operating	\$ 17,413,821	\$ 18,165,034
Program Purposes	11,795,877	10,687,822
Capital Purposes	6,807,666	4,578,798
Property Maintenance	1,112,532	1,102,533
Vehicle and Equipment Replacement	1,018,636	1,511,567
Land and Buildings	<u>62,650,087</u>	<u>64,113,686</u>
Total Net Assets without Donor Restrictions	<u>\$ 100,798,619</u>	<u>\$ 100,159,440</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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NOTE 10: NET ASSET WITH DONOR RESTRICTIONS

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

<u>Net Assets with Donor Restrictions</u>	<u>2023</u>	<u>2022</u>
Subject to Expenditure for Specified Purpose or Future Period		
Senior Program	\$ 43,050	\$ 43,050
Building Maintenance	627,950	311,855
Welfare and Support for Needy Persons	1,012,039	1,256,566
Scholarships and Educational Grants	3,730,669	106,669
Children Services / Nursery	1,212,239	1,212,239
Time Restricted	<u>100,000</u>	<u>265,021</u>
Total Subject to Expenditure for Specified Purpose or Future Period	6,725,947	3,195,400
Endowments Subject to Spending Policy and Appropriation: Investment in Perpetuity (including amounts above original gift amount of \$71,792,608 in 2023 and \$71,761,751 in 2022) which once appropriated, is expendable to support:		
Children Services, Teenage Parent Support	351,312	324,276
Welfare and Support for Needy Persons	3,607,073	3,318,383
Missionary Support and Overseas	38,612	37,342
Scholarships and Educational Grants	1,073,265	987,134
Camp and Recreational Activities	3,765,246	3,562,541
Operating Activities	99,499,744	97,289,126
Other	<u>10,791</u>	<u>10,428</u>
Total Endowments Subject to Spending Policy and Appropriation	108,346,043	105,529,230
Not Subject to Appropriation or Expenditure Beneficial Interest in Perpetual Trust Held by a Third Party	<u>13,439,270</u>	<u>12,797,562</u>
Total Net Assets with Donor Restrictions	<u><u>\$ 128,511,260</u></u>	<u><u>\$ 121,522,192</u></u>

NOTE 11: 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:

Net Assets Released from Restrictions

Purpose Restriction Accomplished:	<u>2023</u>	<u>2022</u>
Welfare and Support for Needy Persons	\$ 42,301	\$ 48,418
Scholarship/Children Services	93,209	47,359
Services to Seniors		
Operating Activities	29,512	449,594
Counseling/Peer Training	-	94
Release of Appropriated Endowment Amounts without Purpose Restrictions:		
Operating/Program/Budgetary Purpose	5,039,967	4,779,938
Release of Appropriated Endowment Amount with Purpose Restrictions:		
Children Services/Teenage Parenting/Day Care Center	1,297	1,284
Welfare and Support for Needy Persons	254,211	857
Music/Camp/Aquatic Services	110,359	107,801
Worship Support	2,009	1,988
Capital Purpose	<u>1,029,356</u>	<u>558</u>
Net Assets Released from Restrictions	<u><u>\$ 6,602,221</u></u>	<u><u>\$ 5,437,891</u></u>

THE SALVATION ARMY
GREATER PHILADELPHIA ACTIVITIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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NOTE 12: LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets as of September 30, 2023 and 2022, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of September 30. Amounts not available include amounts set aside for long-term investing in the quasi-endowment that could be drawn upon if the Board of Trustees/Directors approves that action. However, amounts already appropriated from either the donor-restricted endowment or quasi-endowment for general expenditure within one year of the statement of financial position date have not been subtracted as unavailable.

Financial assets, at September 30,	<u>2023</u>	<u>2022</u>
Operating Assets and Investments	\$ 174,267,515	\$ 165,134,322
Less Prepaid Expenses and Deferred Charges	(384,701)	(384,701)
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	(7,198,223)	(4,701,990)
Subject to appropriation and satisfaction of donor restrictions	(36,081,157)	(32,260,888)
Investments held in annuity trust (or otherwise illiquid in one year)	(85,231,879)	(84,559,313)
Board designations:		
Amounts set aside for liquidity reserve (or other purposes)	<u>(20,116,308)</u>	<u>(19,647,144)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 25,255,247</u>	<u>\$ 23,580,286</u>

The Salvation Army is substantially supported by contributions from the general public. Because a donor's restriction requires resources to be used in a particular manner or in a future period, The Salvation Army 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 Salvation Army'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 Salvation Army invests cash in excess of daily requirements in short-term investments. In the event of an unanticipated liquidity need, The Salvation Army also could draw upon its quasi-endowment fund.

NOTE 13: CONCENTRATION OF CREDIT RISK

Financial instruments that potentially expose the Organization to concentrations of credit and market risk consist primarily of cash and cash equivalents, accounts receivable, and investments. Cash and cash equivalents are maintained at federally insured financial institutions and credit exposure is limited to the amount of deposits at any one institution in excess of the federally insured limit. Receivables are due from a large number of government agencies, entities and individuals, thereby, diversifying the related concentration of credit risk. The Eastern Territory's investments do not represent significant concentrations of market risk as the Eastern Territory's investment portfolio is diversified among issuers.

NOTE 14: CONTINGENCIES AND COMMITMENTS

A) Legal Proceedings

The Salvation Army, 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 statements of financial position, changes in net assets and cash flows of The Salvation Army.

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GREATER PHILADELPHIA ACTIVITIES
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NOTE 14: CONTINGENCIES AND COMMITMENTS (CONTINUED)

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 Organization's financial position.

C) Leases

The Organization is committed under noncancelable operating leases principally for residential purposes. Total rent expense associated with these leases was \$1,313,179 for the year ended September 30, 2023 and \$1,129,774 for the year ended September 30, 2022. Future minimum lease payments are as follows at September 30, 2023:

2024	\$	437,881
2025		278,928
2026		184,185
2027		140,086
2028		43,956
	\$	<u>1,085,036</u>

NOTE 15: RELATED PARTY TRANSACTIONS

The Organization is assessed an administrative charge by The Salvation Army Eastern Pennsylvania and Delaware Divisional Headquarters and the Eastern 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 \$3,126,393 in fiscal year 2023 and \$2,924,188 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 Organization and included in expenses were \$3,364,454 in fiscal year 2023 and \$3,717,167 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 the Eastern Territory Headquarters are intended to provide coverage for claims arising in all centers of operation. Amounts charged to the Organization and included in expenses were \$946,609 in fiscal year 2023 and \$1,066,869 in fiscal year 2022.

NOTE 16: ACCOUNTING FOR INCOME TAXES

The Salvation Army recognizes or derecognizes a tax position based on whether the position is “more-likely-than-not” to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The Salvation Army has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it was nexus; and to identify and evaluate other matters that may be considered tax positions. The Salvation Army has determined that as of September 30, 2023 there was no material uncertain tax positions that require recognition or disclosure in the financial statements.

NOTE 17: EMPLOYEE MEDICAL PLANS

Employees of the Organization are provided health benefits under a self-insured program which is administered by a third-party claim administrator and maintained by the Salvation Army Eastern Territorial Headquarters. The employee medical plan is funded by assessments made to all centers of operations, based on premium rates for all employees eligible for participation. The amount charged to the Organization and included in expenses for this plan was \$3,364,454 for the year ended September 30, 2023 and \$3,717,167 for the year ended September 30, 2022.

NOTE 18: OFFICERS' SICK BENEFIT AND BURIAL FUND

The Salvation Army Eastern Territory provides certain health care and death benefits for active Salvation Army officers including officers of the Organization through the Officers' Sick Benefit and Burial Fund as defined by the national Salvation Army policy. The Salvation Army Eastern Territory has total responsibility for the administration of the Officers' Sick Benefit and Burial Fund. All active Salvation Army officers and their eligible dependents are eligible for these benefits. The amount charged to the Organization and included in expenses for this plan was \$249,900 for the year ended September 30, 2023 and, \$243,000 for the year ended September 30, 2022, respectively.

NOTE 19: SUBSEQUENT EVENTS

The Organization has evaluated the need for disclosures and/or adjustments resulting from subsequent events through March 6, 2024, 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.

**SUPPLEMENTAL
INFORMATION**

**THE SALVATION ARMY
GREATER PHILADELPHIA ACTIVITIES
SCHEDULE OF EXPENDITURES OF FEDERAL, STATE, AND CITY AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

24

Federal Grantor/Pass-through Grantor/Program	Federal CFDA Number	Pass-through Grantor's Number	Grant Period	Expenditures
Federal Awards:				
<u>U.S. Department of Agriculture</u>				
Pass-through Commonwealth of Pennsylvania Department of Education				
Child and Adult Care Food Program - Citadel Daycare	10.558	300-46-745-0	10/1/2022 - 9/30/2023	\$ 10,405
Child and Adult Care Food Program - Norristown Shelter	10.558	300-46-745-0	10/1/2022 - 9/30/2023	22,029
Total CFDA # 10.558				32,434
Total U.S. Department of Agriculture				32,434
<u>U.S. Department of Housing and Urban Development</u>				
Pass-through Montgomery County				
Community Development Block Grants	14.218	B-21-03-206	10/1/2022 - 6/30/2023	133,850
Total CFDA # 14.218				133,850
Pass-through City of Philadelphia Office of Homeless Services				
Continuum of Care Program	14.267	PA1017L3T002100	4/1/2023 - 9/30/2023	132,159
Continuum of Care Program	14.267	PA0070L3T002114	10/1/2022 - 1/31/2023	97,315
Continuum of Care Program	14.267	PA0070L3T002215	2/1/2023 - 9/30/2023	177,876
Continuum of Care Program	14.267	PA0059L3T002013	10/1/2022 - 12/31/2022	90,810
Continuum of Care Program	14.267	PA0059L3T002114	1/1/2023 - 9/30/2023	267,749
Continuum of Care Program	14.267	PA0136L3T042013	10/1/2022 - 10/31/2022	27,672
Continuum of Care Program	14.267	PA0136L3T042114	11/1/2022 - 9/30/2023	305,509
Total CFDA # 14.267				1,099,090
Total U.S. Department of Housing and Urban Development				1,232,940
<u>U.S. Department of Justice</u>				
Services for Trafficking Victims	16.320	2020-VT-BX-0092	10/1/2022 - 9/30/2023	277,004
Services for Trafficking Victims	16.320	2020-VT-BX-0036	10/1/2022 - 9/30/2023	168,366
Total CFDA # 16.320				445,370
Pass-through Commonwealth of Pennsylvania Commission on Crime and Delinquency				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2021-JG-LS-36931	10/1/2022 - 9/30/2023	88,831
Total CFDA # 16.738				88,831
Total U.S. Department of Justice				534,201
<u>U.S. Department of Treasury</u>				
Pass-through Commonwealth of Pennsylvania Department of Community and Economic Development				
Coronavirus State and Local Fiscal Recovery Funds	21.027	C000084234	10/1/2022 - 9/30/2023	100,000
Pass-through Montgomery County, Pennsylvania				
Coronavirus State and Local Recovery Funds	21.027	-	10/1/2022 - 9/30/2023	28,300
Total CFDA # 21.027				128,300
Total U.S. Department of Treasury				128,300

The accompanying notes are an integral part of the financial statements.

**THE SALVATION ARMY
GREATER PHILADELPHIA ACTIVITIES
SCHEDULE OF EXPENDITURES OF FEDERAL, STATE, AND CITY AWARDS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

25

Federal Grantor/Pass-through Grantor/Program	Federal CFDA Number	Pass-through Grantor's Number	Award Period	Expenditures
<u>U.S. Department of Homeland Security</u>				
Emergency Food and Shelter National Board Program - Red Shield	97.024	-	10/1/2022 - 9/30/2023	105,900
Emergency Food and Shelter National Board Program - Norristown	97.024	-	10/1/2022 - 9/30/2023	119,510
Total CFDA # 97.024				225,410
Total U.S. Department of Homeland Security				225,410
Total Federal Awards				2,153,285
<u>State Awards:</u>				
<u>Commonwealth of Pennsylvania</u>				
Pass-through City of Philadelphia Dept of Human Services Foster Care - Act 148		-	10/1/2022 - 9/30/2023	50,000
New Day Victim Advocate		2020486	10/1/2022 - 9/30/2023	128,826
Pass-through City of Philadelphia Office of Homeless Services Eliza Shirley/Red Shield Residence		2320594	1/1/2023 - 9/30/2023	25,685
Pass-through County of Montgomery Homeless Prevention Program		H-21-05-501	10/1/2022 - 6/30/2023	212,660
Homeless Prevention Program		H-22-05-501	7/1/2023 - 9/30/2023	66,346
Total State Awards				483,517
<u>City Awards:</u>				
Department of Human Services New Day Victim Advocate		2020486	10/1/2022 - 9/30/2023	193,039
Office of Homeless Services Eliza Shirley/Red Shield Residence		1920211	10/1/2022 - 12/31/2022	819,777
Eliza Shirley/Red Shield Residence		2320594	1/1/2023 - 9/30/2023	2,684,230
PAD Program		2320590	10/1/2022 - 9/30/2023	379,663
HOME 4 GOOD Program		2320725	1/1/2023 - 9/30/2023	30,895
Department of Behavioral Health/IntellectualdisAbilities Services (DBHIDS) Pass through Community Behavioral Health New Day Drop In			10/1/2022 - 9/30/2023	118,703
Total City Awards				4,226,307
Total Federal, State, and City Awards				\$ 6,863,109
* Denotes Program Tested as Major				
Note: No federal money was passed through to subrecipients				

The accompanying notes are an integral part of the financial statements.

THE SALVATION ARMY
GREATER PHILADELPHIA ACTIVITIES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL,
STATE, AND CITY AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

NOTE 1: GENERAL INFORMATION

The accompanying Schedule of Expenditures of Federal, State, and City Awards present the activities in all the federal, state, and city award programs of The Salvation Army Greater Philadelphia Activities. All awards received directly from federal agencies, as well as awards passed through other governmental agencies are included on the schedule.

NOTE 2: BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal, State, and City Awards are presented using the accrual basis of accounting. The amounts reported in this schedule as expenditures may differ from certain financial reports submitted to federal funding agencies due to those reports being submitted on either a cash or modified accrual basis of accounting.

NOTE 3: INDIRECT COST RATE

The Salvation Army has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

THE SALVATION ARMY
GREATER PHILADELPHIA ACTIVITIES
DEVELOPMENTAL DISABILITIES PROGRAM
STATEMENT OF SUPPORT, REVENUE AND EXPENDITURES BY COUNTY
FOR THE YEAR ENDED SEPTEMBER 30, 2023 (10/1/2022 - 9/30/2023)

	STATE OF DELAWARE			STATE OF PENNSYLVANIA						GRAND TOTAL
	Residential	Employment	TOTAL	RESIDENTIAL SERVICES	SUPPORTED EMPLOYMENT	COMMUNITY PARTICIPATION	TOTAL WAIVER SERVICES	BASE BUCKS CNTY	PA TOTAL	
Public support, and revenue:										
Public Support:										
Contributions	25	3,582	3,607	7,210	2,514	2,000	11,723		11,723	15,330
Fees from Governmental agencies	6,733,212	872,606	7,605,818					170,965	170,965	7,776,782
Fees from Gov't prior yr/Other										-
Other revenue:										
Program service fees	371,210	11,428	382,638	10,827,610	87,920	490,240	11,405,770	7,824	11,413,594	11,796,232
Sundry Income		7,620	7,620							7,620
Interest income	41,126	7,721	48,847	137,997	1,152	6,277	145,426	2,275	147,701	196,548
Total other revenue	412,336	26,769	439,105	10,965,607	89,072	496,517	11,551,197	10,098	11,561,295	12,000,400
Total public support and revenue	7,145,573	902,957	8,048,529	10,972,817	91,586	498,517	11,562,920	181,063	11,743,983	19,792,512
Expenses:										
Salaries	4,404,006	500,127	4,904,133	5,906,012	36,104	274,529	6,216,645	82,157	6,298,802	11,202,935
Employee benefits	1,061,219	156,703	1,217,923	1,162,503	35,284	81,618	1,279,406	17,499	1,296,905	2,514,828
Payroll taxes	444,731	49,873	494,603	591,131	3,605	27,579	622,314	8,147	630,461	1,125,064
Professional fees	61,119	19,869	80,988	148,055	1,035	5,060	154,151	2,486	156,636	237,624
Supplies	224,351	10,727	235,077	256,665	622	1,381	258,668	4,168	262,837	497,914
Telephone	63,781	10,625	74,406	89,452	999	3,006	93,457	1,489	94,945	169,351
Postage and shipping	2,521	2,173	4,694	16		7	23		23	4,717
Occupancy	330,982	58,660	389,642	1,167,202	479	20,115	1,187,796	18,762	1,206,559	1,596,201
Equipment	28,888	1,199	30,087	39,947	68	348	40,363	677	41,040	71,126
Printing	3,874	98	3,972	603	6	30	639	9	648	4,620
Travel	197,894	57,919	255,813	231,996	16,372	70,171	318,539	4,411	322,950	578,764
Conferences, conven., and mtgs.	41	8	49	360	3	17	380	5	385	434
Special assistance	1,710	34,352	36,062	8,066	0	0	8,066	-121	7,945	44,008
Membership dues	6,975	6,919	13,894	10,963	108	553	11,624	160	11,784	25,678
Awards and grants										-
Sundry/ Misc. Expense	29,827	8,957	38,784	29,790	173	2,097	32,060	266	32,326	71,110
Depreciation				91,656	1,706	4,198	97,560	2,314	99,874	99,874
Support service - Admin	329,176	34,429	363,605	460,467	4,554	23,214	488,235	6,732	494,966	858,571
Transfer To/From Fund										-
Total expense	7,191,095	952,636	8,143,731	10,194,884	101,119	513,923	10,809,926	149,160	10,959,086	19,102,818
Excess (deficiency) of public support and rev over	(45,522)	(49,680)	(95,202)	777,933	(9,533)	(15,405)	752,994	31,902	784,896	689,695

THE SALVATION ARMY
GREATER PHILADELPHIA ACTIVITIES
STATEMENT OF ACTIVITIES
FOR FOSTER CARE PROGRAMS
FOR THE YEAR ENDED SEPTEMBER 30, 2023 (10/1/2022 – 9/30/2023)

	<u>Placement</u>	<u>Adoption/ CARES Program</u>	<u>Total</u>
<u>Revenue:</u>			
Public support and revenue:			
Public Support:			
Contributions	\$ 112,335	\$ 10,431	\$ 122,766
Fund Raising	26,028	8,266	34,294
Total public support	138,363	18,697	157,060
Fees from governmental agencies:			
Bucks County	48,584	-	48,584
Lehigh County	778,025	58,849	836,874
Berks County	93,780	-	93,780
Montgomery County	55,554	36,407	91,961
Armstrong County	36,569	-	36,569
Lebanon County	147,768	-	147,768
Delaware County	22,600	-	22,600
Northampton County	-	2,538	2,538
State of South Dakota	4,505	-	4,505
City of Philadelphia - DHS	-	-	-
York County	-	-	-
Commonwealth of Pennsylvania	44,292	-	44,292
Adoption Fees	-	-	-
Total fees from governmental Agencies	1,231,676	97,794	1,329,470
Program service fees	-	5,990	5,990
Adoption fees	-	204,320	204,320
Miscellaneous revenue	16,278	-	16,278
Total other revenue	16,278	210,310	226,588
Total Revenue	1,386,317	326,801	1,713,118
<u>Expenses:</u>			
Salaries	651,217	105,400	756,617
Employee Benefits	170,414	31,221	201,635
Payroll Taxes	64,606	10,513	75,119
Professional Fees	52,496	57,246	109,742
Supplies	10,524	3,088	13,612
Telephone	7,787	1,802	9,589
Postage	1,333	335	1,668
Occupancy	74,095	16,202	90,297
Equipment	7,301	762	8,063
Printing	25,432	5,985	31,417
Travel	29,485	6,596	36,081
Conferences	5,917	6,389	12,306
Specific assist	378,190	2,236	380,426
Membership dues	3,423	856	4,279
Awards/Tuition	-	-	-
Sundry	334	74	408
Bad Debt	-	-	-
Support Service to DHQ	131,541	25,100	156,641
Total Expense	1,614,095	273,805	1,887,900
Beginning net assets	-	-	-
Net surplus/(deficit)	(227,778)	52,996	(174,782)
Ending net assets	\$ (227,778)	\$ 52,996	\$ (174,782)

**THE SALVATION ARMY
GREATER PHILADELPHIA ACTIVITIES
STATEMENT OF ACTIVITIES
FOR FOSTER CARE PROGRAMS
FOR THE YEAR ENDED SEPTEMBER 30, 2023 (10/1/2022-9/30/2023)**

	Placement	Adoption Program/CARES	BUCKS CNTY	LEHIGH CNTY	BERKS CNTY	MONTGOMERY CNTY	STATE OF NEBRASKA	NORTHAMPTON CNTY	DELAWARE CNTY	STATE OF SOUTH DAKOTA	Placement Total	Adoption Program/CARES	Grand Total
Revenue:													
Public support and revenue:													
Public Support:													
Contributions	112,335	10,431	4,596	73,607	8,872	5,256	426	13,980	3,460	2,138	112,335	10,431	122,766
Fund Raising	26,028	8,266	1,065	17,055	2,056	1,218	98	3,239	802	495	26,028	8,266	34,294
Total public support	138,363	18,697	5,661	90,662	10,928	6,474	524	17,219	4,262	2,633	138,363	18,697	157,060
Fees from governmental agencies:													
Bucks County	48,584		48,584								48,584	-	48,584
Lehigh County	778,025	58,849		778,025							778,025	58,849	836,874
Berks County	93,780				93,780						93,780	-	93,780
Montgomery County	55,554	36,407				55,554					55,554	36,407	91,961
State of Nebraska	4,505						4,505				4,505	-	4,505
Northampton County	147,768	2,538						147,768			147,768	2,538	150,306
Delaware County	36,569								36,569		36,569	-	36,569
State of South Dakota	22,600									22,600	22,600	-	22,600
Franklin County											-	-	-
Adams County											-	-	-
Commonwealth of Pennsylvania	44,292			4,597				21,696	17,998		44,292	-	44,292
	-			-	-			-	-		-	-	-
Total fees from governmental Agencies	1,231,676	97,794	48,584	782,623	93,780	55,554	4,505	169,464	54,567	22,600	1,231,676	97,794	1,329,470
Program service fees		5,990								0	-	5,990	5,990
Adoption fees		204,320									-	204,320	204,320
Investment/Miscellaneous Revenue	16,278		666	10,666	1,286	762	61	2,026	501	310	16,278	-	16,278
Total other revenue	16,278	210,310	666	10,666	1,286	762	61	2,026	501	310	16,278	210,310	226,588
Total Revenue	1,386,317	326,800	54,911	883,951	105,994	62,790	5,090	188,709	59,330	25,543	1,386,317	326,800	1,713,117
Expenses:													
Salaries	651,217	105,400	26,646	426,706	51,433	30,468	2,470	81,043	20,056	12,395	651,217	105,400	756,617
Employee Benefits	170,414	31,221	6,973	111,663	13,459	7,973	646	21,208	5,248	3,244	170,414	31,221	201,635
Payroll Taxes	64,606	10,513	2,643	42,332	5,103	3,023	245	8,040	1,990	1,230	64,606	10,513	75,119
Professional Fees	52,496	57,246	2,148	34,398	4,146	2,456	199	6,533	1,617	999	52,496	57,246	109,742
Supplies	10,524	3,088	431	6,896	831	492	40	1,310	324	200	10,524	3,088	13,612
Telephone	7,787	1,802	319	5,102	615	364	30	969	240	148	7,787	1,802	9,589
Postage	1,333	335	55	874	105	62	5	166	41	25	1,333	335	1,668
Occupancy	74,095	16,202	3,032	48,550	5,852	3,467	281	9,221	2,282	1,410	74,095	16,202	90,297
Equipment	7,301	762	299	4,784	577	342	26	909	225	139	7,301	762	8,063
Printing	25,432	5,985	1,041	16,664	2,009	1,190	96	3,165	783	484	25,432	5,985	31,417
Travel	29,485	6,596	1,206	19,320	2,329	1,380	112	3,669	908	561	29,485	6,596	36,081
Conferences	5,917	6,389	242	3,877	467	277	23	736	182	113	5,917	6,389	12,306
Specific assist	378,190	2,236	19,920	190,211	32,489	31,369	21	73,448	30,628	103	378,190	2,236	380,426
Membership dues	3,423	856	140	2,243	270	160	14	426	105	65	3,423	856	4,279
Awards											-	-	-
Sundry	334	74	14	219	26	16	1	42	10	6	334	74	408
Bad Debt											-	-	-
Support Service to DHQ	131,541	25,100	5,382	86,191	10,389	6,154	500	16,370	4,051	2,504	131,541	25,100	156,641
Total Expense	1,614,095	273,805	70,491	1,000,030	130,100	89,193	4,709	227,255	68,690	23,626	1,614,095	273,805	1,887,900
Beginning net assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Net surplus/(deficit)	(227,778)	52,995	(15,580)	(116,079)	(24,106)	(26,403)	381	(38,546)	(9,361)	1,917	(227,778)	52,995	(174,783)
Ending net assets	(227,778)	52,995	(15,580)	(116,079)	(24,106)	(26,403)	381	(38,546)	(9,361)	1,917	(227,778)	52,995	(174,783)

THE SALVATION ARMY
 GREATER PHILADELPHIA ACTIVITIES
 RED SHIELD RESIDENCE/ELIZA SHIRLEY HOUSE/PAD
 CITY OF PHILADELPHIA
 OFFICE OF HOMELESS SERVICES
 REPORT OF REVENUE BY FUNCTIONAL PROGRAM
 FOR THE YEAR ENDED SEPTEMBER 30, 2023 (10/1/2022 - 9/30/2023)

Revenue	Red Shield Residence	Eliza Shirley	PAD	New Day Drop In	Total All Functions
Federal Government					
EFSP	\$ 105,900	\$ -	\$ -	\$ -	\$ 105,900
USDA					0
Government - State/City/County (Specify)					
Philadelphia OHS	1,949,674	1,554,334	379,663	87,723	3,971,394.00
Other:					
Private Fund-Raising (Donations)	12,896	2,129			15,025
Archdiocese of Philadelphia	38,484	32,761			71,245
United Ways					0
Salvation Army - Funding	62,925	4,918			67,843
Sale of Supplies/Client Fees	1,923	9,670			11,593
Grand Total	2,171,801	1,603,812	379,663		4,242,999
Supportive Services					
Salaries and Wages	954,724	588,617	145,696	64,814	1,753,850
Fringe Benefits and Taxes	327,399	234,709	36,611	16,757	615,476
Staff Travel	13,833	12,671			26,504
Training/Conference	185				185
Rent/Occupancy					0
Building Maint/Repairs	151,820	167,411			319,231
Insurance			334		334
Supplies	23,543	3,198	9,358		36,100
Fixed Assets	5,508	36,858	2,797		45,163
Food	40,028	26,059	11,697		77,783
Participants Transportation	3,376				3,376
Moving Cost					0
Professional Services	16,932	11,112			28,044
Other Participant Services	5,729	1,943	46,473	2,939	57,084
Sub-Total: Supportive Services	1,543,076	1,082,578	252,965	84,510	2,963,129
Operating Expenses					
Salaries		72,504			72,504
Fringe Benefits		11,095			11,095
Rent/Occupancy			67,456		67,456
Utilities	78,060				78,060
Communication	3,503	8,664	6,342		18,510
Fixed Assets					0
Licenses					0
Contract Services					0
Professional Services	217,180	160,381	1,972	3,213	382,746
Consumable Supplies	37,557	27,622			65,179
Staff Travel			11,323		11,323
Other Operating Cost	(14,247)		40,497		26,250
Other Transfer					0
Sub-Total: Operating Expenses	322,053	280,266	127,590	3,213	733,122
Administrative Costs					
Personnel		57,339			57,339
Benefits		29,471			29,471
					0
Su-Total: Administration	0	86,810	0	0	86,810
Grand Total Allowable Expenses	1,865,130	1,449,654	380,555	87,723	3,783,062
Grand Total Nonallowable Expense/over contract	306,672	154,158	(892)	0	459,938
Grand Total All Expenses	2,171,802	1,603,812	379,663	87,723	4,243,000

THE SALVATION ARMY
GREATER PHILADELPHIA ACTIVITIES
ELIZA SHIRLEY/RED SHIELD RESIDENCE/PAD -Combo
OFFICE OF SUPPORTIVE HOUSING
CITY OF PHILADELPHIA CONTRACT NUMBER - 1920211-07
RECONCILIATION OF AGENCY REPORTED EXPENDITURES/REVENUES
TO AUDITED EXPENDITURES/REVENUES
PERIOD OF OCTOBER 1, 2022 TO JUNE 30, 2023
FISCAL YEAR END 9/30/2023

	<i>Amount Reported on Fiscal Report</i>	<i>(A) Other Adjustments</i>	<i>(B) Amount Per Audit</i>
<i>Expenditures by cost center:</i>			
Total Supportive Services	487,132	0	487,132
Total Operating Expenses	89,422	0	89,422
Total Administration Costs	18,803	0	18,803
Total Other Transfers	224,420		224,420
Total Expenditures by Cost Center	819,777	0	819,777
<i>Funding Sources:</i>			
Restricted Donations/Foundations	125	0	125
Other Program Fees	80,860	0	80,860
EFSP/USDA Commodities	0	0	0
City of Philadelphia, OHS	819,777	0	819,777
The Salvation Army Funding	1,325		1,325
Sales of Supplies/Other	5,063	0	5,063
Total Funding	907,150	0	907,150
<i>Excess of expenditures over funding sources</i>	-87,373	0	-87,373

Note: First year budget was prepared using estimates which according to generally accepted accounting principles in the United States of America are allowable. Management makes estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

Methodology used for budget purposes and reporting to OHS was based on the first year program funding assumptions. Reporting and reconciliation to OHS is based on contract years. The organizations fiscal year end is 9/30.

THE SALVATION ARMY
GREATER PHILADELPHIA ACTIVITIES
ELIZA SHIRLEY/RED SHIELD RESIDENCE/PAD -Combo
OFFICE OF SUPPORTIVE HOUSING
CITY OF PHILADELPHIA CONTRACT NUMBER - 1920211-07
RECONCILIATION OF AGENCY REPORTED EXPENDITURES/REVENUES
TO AUDITED EXPENDITURES/REVENUES
PERIOD OF OCTOBER 1, 2022 TO JUNE 30, 2023
FISCAL YEAR END 9/30/2023

Explanation of Other Adjustments:

<u>Budget Category</u>	<u>Adjustment Explanation</u>	<u>Adjustment Amount</u>
<u>Expenditures Adjustment:</u>		
Total Supportive Services	Based on actual expense	\$ -
Total Operating Expenses	Based on actual expense	-
Total Administration Costs	Based on actual expense	-
Total Other	Based on actual expense	-
Total Expenditure Adjustment		\$ -

Note: First year budget was prepared using estimates which according to generally accepted accounting principles in the United States of America are allowable. Management makes estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

Methodology used for budget purposes and reporting to OHS

was based on the previous years program funding assumptions. Reporting and reconciliation to OHS is based on contract year (7/1 to 6/30). The organizations fiscal closing is 9/30.

THE SALVATION ARMY
GREATER PHILADELPHIA ACTIVITIES
ELIZA SHIRLEY/RED SHIELD RESIDENCE/PAD -Combo
OFFICE OF SUPPORTIVE HOUSING
CITY OF PHILADELPHIA CONTRACT NUMBER - 1920211-07
RECONCILIATION OF AGENCY REPORTED EXPENDITURES/REVENUES
TO AUDITED EXPENDITURES/REVENUES
PERIOD OF OCTOBER 1, 2022 TO JUNE 30, 2023
FISCAL YEAR END 9/30/2023

<u>Budget Category</u>	<u>Adjustment Explanation</u>	<u>Adjustment Amount</u>
Funding Source Adjustments:		
Restricted Donations/Foundations	none	\$ -
EFSP/USDA Commodities	none	-
City of Philadelphia. OSH	none	-
The Salvation Army Funding	none	-
Sales of Supplies/Other	none	-
Total Funding Source Adjustments		<div>\$ -</div>

Note: First year budget was prepared using estimates which according to generally accepted accounting principles in the United States of America are allowable. Management makes estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results was based on the first year program funding assumptions. Reporting and reconciliation to OHS is based on contract years. The organizations fiscal year end is 9/30.

THE SALVATION ARMY
GREATER PHILADELPHIA ACTIVITIES
HOME 4 GOOD PROGRAM
OFFICE OF SUPPORTIVE HOUSING
CITY OF PHILADELPHIA CONTRACT NUMBER - 2020725
RECONCILIATION OF AGENCY REPORTED EXPENDITURES/REVENUES
TO AUDITED EXPENDITURES/REVENUES
PERIOD OF OCTOBER 1, 2022 TO JUNE 30, 2023
FISCAL YEAR END 9/30/2023

	<i><u>Amount Reported on Fiscal Report</u></i>	<i><u>(A) Other Adjustments</u></i>	<i><u>(B) Amount Per Audit</u></i>
<i>Expenditures by cost center:</i>			
Total Supportive Services	84,510	0	84,510
Total Operating Expenses	0	0	0
Total Administration Costs	3,213	0	3,213
Total Other Transfers	0	0	0
Total Expenditures by Cost Center	87,723	0	87,723
<i>Funding Sources:</i>			
Restricted Donations/Foundations	0	0	0
Other Program Fees	0	0	0
EFSP/USDA Commodities	0	0	0
City of Philadelphia, OHS	87,723	0	87,723
The Salvation Army Funding	0	0	0
Sales of Supplies/Other	0	0	0
Total Funding	87,723	0	87,723
<i>Excess of expenditures over funding sources</i>	0	0	0

Note: First year budget was prepared using estimates which according to generally accepted accounting principles in the United States of America are allowable. Management makes estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

Methodology used for budget purposes and reporting to OHS was based on the first year program funding assumptions. Reporting and reconciliation to OHS is based on contract years. The organizations fiscal year end is 9/30.

THE SALVATION ARMY
GREATER PHILADELPHIA ACTIVITIES
HOME 4 GOOD PROGRAM
OFFICE OF SUPPORTIVE HOUSING
CITY OF PHILADELPHIA CONTRACT NUMBER - 2020725
RECONCILIATION OF AGENCY REPORTED EXPENDITURES/REVENUES
TO AUDITED EXPENDITURES/REVENUES
PERIOD OF OCTOBER 1, 2022 TO JUNE 30, 2023
FISCAL YEAR END 9/30/2023

Explanation of Other Adjustments:

<u>Budget Category</u>	<u>Adjustment Explanation</u>	<u>Adjustment Amount</u>
<u>Expenditures Adjustment:</u>		
Total Supportive Services	Based on actual expense	\$ -
Total Operating Expenses	Based on actual expense	-
Total Administration Costs	Based on actual expense	-
Total Other	Based on actual expense	-
Total Expenditure Adjustment		\$ -

Note: First year budget was prepared using estimates which according to generally accepted accounting principles in the United States of America are allowable. Management makes estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

Methodology used for budget purposes and reporting to OHS was based on the previous years program funding assumptions. Reporting and reconciliation to OHS is based on contract year (7/1 to 6/30). The organizations fiscal closing is 9/30.

THE SALVATION ARMY
GREATER PHILADELPHIA ACTIVITIES
HOME 4 GOOD PROGRAM
OFFICE OF SUPPORTIVE HOUSING
CITY OF PHILADELPHIA CONTRACT NUMBER - 2020725
RECONCILIATION OF AGENCY REPORTED EXPENDITURES/REVENUES
TO AUDITED EXPENDITURES/REVENUES
PERIOD OF OCTOBER 1, 2022 TO JUNE 30, 2023
FISCAL YEAR END 9/30/2023

<u>Budget Category</u>	<u>Adjustment Explanation</u>	<u>Adjustment Amount</u>
<i>Funding Source Adjustments:</i>		
Restricted Donations/Foundations	none	\$ -
EFSP/USDA Commodities	none	-
City of Philadelphia. OSH	none	-
The Salvation Army Funding	none	-
Sales of Supplies/Other	none	-
Total Funding Source Adjustments		\$ -

Note: First year budget was prepared using estimates which according to generally accepted accounting principles in the United States of America are allowable. Management makes estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results was based on the first year program funding assumptions. Reporting and reconciliation to OHS is based on contract years. The organizations fiscal year end is 9/30.

THE SALVATION ARMY
GREATER PHILADELPHIA ACTIVITIES
PAD PROGRAM
OFFICE OF SUPPORTIVE HOUSING
CITY OF PHILADELPHIA CONTRACT NUMBER - 2020590
RECONCILIATION OF AGENCY REPORTED EXPENDITURES/REVENUES
TO AUDITED EXPENDITURES/REVENUES
PERIOD OF OCTOBER 1, 2022 TO JUNE 30, 2023
FISCAL YEAR END 9/30/2023

	<i>Amount Reported on Fiscal Report</i>	<i>(A) Other Adjustments</i>	<i>(B) Amount Per Audit</i>
<i>Expenditures by cost center:</i>			
Total Supportive Services	252,965	0	252,965
Total Operating Expenses	127,590	0	127,590
Total Administration Costs	0	0	0
Total Other Transfers	0	0	0
Total Expenditures by Cost Center	380,555	0	380,555
<i>Funding Sources:</i>			
Restricted Donations/Foundations	0	0	0
Other Program Fees	0	0	0
EFSP/USDA Commodities	0	0	0
City of Philadelphia, OHS	379,663	0	379,663
The Salvation Army Funding	0	0	0
Sales of Supplies/Other	0	0	0
Total Funding	379,663	0	379,663
<i>Excess of expenditures over funding sources</i>	892	0	892

Note: First year budget was prepared using estimates which according to generally accepted accounting principles in the United States of America are allowable. Management makes estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

Methodology used for budget purposes and reporting to OHS was based on the first year program funding assumptions. Reporting and reconciliation to OHS is based on contract years. The organizations fiscal year end is 9/30.

THE SALVATION ARMY
GREATER PHILADELPHIA ACTIVITIES
PAD PROGRAM
OFFICE OF SUPPORTIVE HOUSING
CITY OF PHILADELPHIA CONTRACT NUMBER - 2020590
RECONCILIATION OF AGENCY REPORTED EXPENDITURES/REVENUES
TO AUDITED EXPENDITURES/REVENUES
PERIOD OF OCTOBER 1, 2022 TO JUNE 30, 2023
FISCAL YEAR END 9/30/2023

Explanation of Other Adjustments:

<i>Budget Category</i>	<i>Adjustment Explanation</i>	<i>Adjustment Amount</i>
<u>Expenditures Adjustment:</u>		
Total Supportive Services	Based on actual expense	\$ -
Total Operating Expenses	Based on actual expense	-
Total Administration Costs	Based on actual expense	-
Total Other	Based on actual expense	-
Total Expenditure Adjustment		\$ -

Note: First year budget was prepared using estimates which according to generally accepted accounting principles in the United States of America are allowable. Management makes estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

Methodology used for budget purposes and reporting to OHS was based on the previous years program funding assumptions. Reporting and reconciliation to OHS is based on contract year (7/1 to 6/30). The organizations fiscal closing is 9/30.

THE SALVATION ARMY
 GREATER PHILADELPHIA ACTIVITIES
 PAD PROGRAM
 OFFICE OF SUPPORTIVE HOUSING
 CITY OF PHILADELPHIA CONTRACT NUMBER - 2020590
 RECONCILIATION OF AGENCY REPORTED EXPENDITURE S/REVENUE S
 TO AUDITED EXPENDITURE S/REVENUE S
 PERIOD OF OCTOBER 1, 2022 TO JUNE 30, 2023
 FISCAL YEAR END 9/30/2023

<u>Budget Category</u>	<u>Adjustment Explanation</u>	<u>Adjustment Amount</u>
<i>Funding Source Adjustments:</i>		
Restricted Donations/Foundations	none	\$ -
EFSP/USDA Commodities	none	-
City of Philadelphia, OSH	none	-
The Salvation Army Funding	none	-
Sales of Supplies/Other	none	-
Total Funding Source Adjustments		\$ -

Note: First year budget was prepared using estimates which according to generally accepted accounting principles in the United States of America are allowable. Management makes estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results was based on the first year program funding assumptions. Reporting and reconciliation to OHS is based on contract years. The organizations fiscal year end is 9/30.

THE SALVATION ARMY
GREATER PHILADELPHIA ACTIVITIES
ELIZA SHIRLEY/REDSHIELD RESIDENCE
OFFICE OF SUPPORTIVE HOUSING
CITY OF PHILADELPHIA CONTRACT NUMBER - 2020594
RECONCILIATION OF AGENCY REPORTED EXPENDITURES/REVENUES
TO AUDITED EXPENDITURES/REVENUES
PERIOD OF JANUARY 1, 2023 TO JUNE 30, 2023
FISCAL YEAR END 9/30/2023

	<i>Amount Reported on Fiscal Report</i>	<i>(A) Other Adjustments</i>	<i>(B) Amount Per Audit</i>
<i>Expenditures by cost center:</i>			
Total Supportive Services	2,138,523	0	2,138,523
Total Operating Expenses	512,897	0	512,897
Total Administration Costs	68,007	0	68,007
Total Other Transfers	0	0	0
Total Expenditures by Cost Center	2,719,427	0	2,719,427
<i>Funding Sources:</i>			
Restricted Donations/Foundations	14,900	0	14,900
Other Program Fees	80,860	0	80,860
EFSP/USDA Commodities	137,009	0	137,009
City of Philadelphia, OHS	2,684,230	0	2,684,230
The Salvation Army Funding	66,518	0	66,518
Sales of Supplies/Other	6,530	0	6,530
Total Funding	2,990,047	0	2,990,047
<i>Excess of expenditures over funding sources</i>	-270,620	0	-270,620

Note: First year budget was prepared using estimates which according to generally accepted accounting principles in the United States of America are allowable. Management makes estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

Methodology used for budget purposes and reporting to OHS was based on the first year program funding assumptions. Reporting and reconciliation to OHS is based on contract years. The organizations fiscal year end is 9/30.

THE SALVATION ARMY
GREATER PHILADELPHIA ACTIVITIES
ELIZA SHIRLEY/REDSHIELD RESIDENCE
OFFICE OF SUPPORTIVE HOUSING
CITY OF PHILADELPHIA CONTRACT NUMBER - 2020594
RECONCILIATION OF AGENCY REPORTED EXPENDITURES/REVENUES
TO AUDITED EXPENDITURES/REVENUES
PERIOD OF JANUARY 1, 2023 TO JUNE 30, 2023
FISCAL YEAR END 9/30/2023

Explanation of Other Adjustments:

<i>Budget Category</i>	<i>Adjustment Explanation</i>	<i>Adjustment Amount</i>
<u>Expenditures Adjustment:</u>		
Total Supportive Services	Based on actual expense	\$ -
Total Operating Expenses	Based on actual expense	-
Total Administration Costs	Based on actual expense	-
Total Other	Based on actual expense	-
Total Expenditure Adjustment		\$ -

Note: First year budget was prepared using estimates which according to generally accepted accounting principles in the United States of America are allowable. Management makes estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

Methodology used for budget purposes and reporting to OHS

was based on the previous years program funding assumptions. Reporting and reconciliation to OHS is based on contract year (7/1 to 6/30). The organizations fiscal closing is 9/30.

THE SALVATION ARMY
GREATER PHILADELPHIA ACTIVITIES
ELIZA SHIRLEY/REDSHIELD RESIDENCE
OFFICE OF SUPPORTIVE HOUSING
CITY OF PHILADELPHIA CONTRACT NUMBER - 2020594
RECONCILIATION OF AGENCY REPORTED EXPENDITURES/REVENUES
TO AUDITED EXPENDITURES/REVENUES
PERIOD OF JANUARY 1, 2023 TO JUNE 30, 2023
FISCAL YEAR END 9/30/2023

<u>Budget Category</u>	<u>Adjustment Explanation</u>	<u>Adjustment Amount</u>
<i>Funding Source Adjustments:</i>		
Restricted Donations/Foundations	none	\$ -
EFSP/USDA Commodities	none	-
City of Philadelphia OSH	none	-
The Salvation Army Funding	none	-
Sales of Supplies/Other	none	-
Total Funding Source Adjustments		\$ -

Note: First year budget was prepared using estimates which according to generally accepted accounting principles in the United States of America are allowable. Management makes estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results was based on the first year program funding assumptions. Reporting and reconciliation to OHS is based on contract years. The organizations fiscal year end is 9/30.



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

INDEPENDENT AUDITOR'S REPORT

Command Finance Council
The Salvation Army
Eastern Pennsylvania and Delaware Division
Philadelphia, Pennsylvania

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, standards applicable to financial audits in the City of Philadelphia Subrecipient Audit Guide, the financial statements of The Salvation Army Greater Philadelphia Activities, which comprise the statement of financial position as of September 30, 2023, and the related statement of activities, 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 March 6, 2024.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Salvation Army Greater Philadelphia Activities' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Salvation Army Greater Philadelphia Activities' internal control. Accordingly, we do not express an opinion on the effectiveness of The Salvation Army Greater Philadelphia Activities' 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 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 may exist that have not been identified.



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The Salvation Army
Eastern Pennsylvania and Delaware Division

Compliance and Other Matters

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

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* and standards applicable to financial audits in the City of Philadelphia Subrecipient Audit Guide in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Zelenkofske Axelrod LLC

ZELENKOFKSKE AXELROD LLC

Jamison, Pennsylvania
March 6, 2024



REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

Command Finance Council
The Salvation Army
Eastern Pennsylvania and Delaware Division
Philadelphia, Pennsylvania

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Salvation Army Greater Philadelphia Activities' 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 Salvation Army Greater Philadelphia Activities' major federal programs for the year ended September 30, 2023. the Salvation Army Greater Philadelphia Activities' 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 Salvation Army Greater Philadelphia Activities' complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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); and standards applicable to financial audits in the City of Philadelphia Subrecipient Audit Guide. Our responsibilities under those standards, the Uniform Guidance, and standards applicable to financial audits in the City of Philadelphia Subrecipient Audit Guide 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 Greater Philadelphia Activities 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 Greater Philadelphia Activities' 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 Greater Philadelphia Activities' federal programs.



Command Finance Council
The Salvation Army
Eastern Pennsylvania and Delaware Division

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 Greater Philadelphia Activities' 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 GAAS, *Government Auditing Standards*, standards applicable to financial audits in the City of Philadelphia Subrecipient Audit Guide, 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 Greater Philadelphia Activities' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, standards applicable to financial audits in the City of Philadelphia Subrecipient Audit Guide 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 Greater Philadelphia Activities' 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 Greater Philadelphia Activities' 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 Greater Philadelphia Activities' 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.



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The Salvation Army
Eastern Pennsylvania and Delaware Division

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.

Zelenkofske Axelrod LLC

ZELENKOFSCHE AXELROD LLC

Jamison, Pennsylvania
March 6, 2024

THE SALVATION ARMY
GREATER PHILADELPHIA ACTIVITIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Section I - Summary of Auditors' Results:

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ___ yes X no
- Significant deficiency(ies) identified? ___ yes X none reported

Noncompliance material to financial statements noted?

___ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___ yes X no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ___ yes X none reported

Type of auditors' report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? ___ yes X no

Identification of Major Programs:

<u>Federal Agency</u>	<u>Federal CFDA Number</u>	<u>Program Name</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development	14.267	Continuum of Care Program	\$ 1,099,090

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee?

X yes ___ no

Section II - Financial Statement Findings

None noted.

Section III - Federal Award Findings and Questioned Costs

None noted.

THE SALVATION ARMY
GREATER PHILADELPHIA ACTIVITIES
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

None reported.