



THE SALVATION ARMY WORLD SERVICE OFFICE
OMB CIRCULAR A-133 FINANCIAL REPORT
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

THE SALVATION ARMY WORLD SERVICE OFFICE
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Independent Auditors' Report

The Board of Trustees
The Salvation Army World Service Office
Alexandria, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of The Salvation Army World Service Office (SAWSO), a nonprofit organization, which comprise the statements of financial position as of September 30, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to SAWSO's preparation and fair presentation of the financial statements 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 SAWSO's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Salvation Army World Service Office as of September 30, 2015 and 2014, 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.



Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedule of indirect cost rate calculation is presented for purposes of additional analysis and is not a required part of the financial statements of SAWSO. The accompanying supplementary schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is also presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2016, on our consideration of The Salvation Army World Service Office's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 World Service Office's internal control over financial reporting and compliance.

Councilor, Buchanan + Mitchell, P.C.

Bethesda, Maryland
March 14, 2016

Certified Public Accountants

THE SALVATION ARMY WORLD SERVICE OFFICE

STATEMENT OF FINANCIAL POSITION
 SEPTEMBER 30, 2015
 (WITH COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2014)

	2015					2014 Total
	Unrestricted			Temporarily Restricted	Total	
	Operating	Board Designated	Total			
Assets						
Cash and Cash Equivalents	\$ 2,571,068	\$ -	\$ 2,571,068	\$ 179,266	\$ 2,750,334	\$ 1,846,737
Investments	21,519,214	500,000	22,019,214	30,000,000	52,019,214	57,788,231
Grants Receivable	144,779	-	144,779	-	144,779	90,018
Beneficial Interest in Remainder Trust	-	-	-	32,081	32,081	32,081
Other Receivables	239,032	-	239,032	-	239,032	174,006
Prepaid Expenses	27,750	-	27,750	-	27,750	5,592
Project Advances	3,391,907	-	3,391,907	-	3,391,907	1,813,646
Total Assets	\$ 27,893,750	\$ 500,000	\$ 28,393,750	\$ 30,211,347	\$ 58,605,097	\$ 61,750,311
Liabilities and Net Assets						
Liabilities						
Accounts Payable and Accrued Expenses	\$ 403,671	\$ -	\$ 403,671	\$ -	\$ 403,671	\$ 317,350
Amounts Due to Projects	81,042	-	81,042	-	81,042	354,786
Deferred Revenue	201,651	-	201,651	-	201,651	137,266
Total Liabilities	686,364	-	686,364	-	686,364	809,402
Net Assets						
Unrestricted	27,207,386	500,000	27,707,386	-	27,707,386	28,388,616
Temporarily Restricted	-	-	-	30,211,347	30,211,347	32,552,293
Total Net Assets	27,207,386	500,000	27,707,386	30,211,347	57,918,733	60,940,909
Total Liabilities and Net Assets	\$ 27,893,750	\$ 500,000	\$ 28,393,750	\$ 30,211,347	\$ 58,605,097	\$ 61,750,311

See accompanying Notes to Financial Statements.

THE SALVATION ARMY WORLD SERVICE OFFICE

STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2014

	Unrestricted			Temporarily Restricted	Total
	Operating	Board Designated	Total		
Assets					
Cash and Cash Equivalents	\$ 1,326,525	\$ -	\$ 1,326,525	\$ 520,212	\$ 1,846,737
Investments	25,288,231	500,000	25,788,231	32,000,000	57,788,231
Grants Receivable	90,018	-	90,018	-	90,018
Beneficial Interest in Remainder Trust	-	-	-	32,081	32,081
Other Receivables	174,006	-	174,006	-	174,006
Prepaid Expenses	5,592	-	5,592	-	5,592
Project Advances	1,813,646	-	1,813,646	-	1,813,646
Total Assets	\$ 28,698,018	\$ 500,000	\$ 29,198,018	\$ 32,552,293	\$ 61,750,311
Liabilities and Net Assets					
Liabilities					
Accounts Payable and Accrued Expenses	\$ 317,350	\$ -	\$ 317,350	\$ -	\$ 317,350
Amounts Due to Projects	354,786	-	354,786	-	354,786
Deferred Revenue	137,266	-	137,266	-	137,266
Total Liabilities	809,402	-	809,402	-	809,402
Net Assets					
Unrestricted	27,888,616	500,000	28,388,616	-	28,388,616
Temporarily Restricted	-	-	-	32,552,293	32,552,293
Total Net Assets	27,888,616	500,000	28,388,616	32,552,293	60,940,909
Total Liabilities and Net Assets	\$ 28,698,018	\$ 500,000	\$ 29,198,018	\$ 32,552,293	\$ 61,750,311

See accompanying Notes to Financial Statements.

THE SALVATION ARMY WORLD SERVICE OFFICE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2014)

	2015					2014 Total
	Unrestricted			Temporarily Restricted	Total	
	Operating	Board Designated	Total			
Support and Revenues						
Public Support						
Received Directly						
Contributions	\$ 1,408,837	\$ -	\$ 1,408,837	\$ 441,943	\$ 1,850,780	\$ 3,858,126
Legacies and Bequests	143,145	-	143,145	-	143,145	208,818
Received Indirectly						
Allocated by Federated Fundraising Organizations	249,273	-	249,273	-	249,273	325,898
Contributions from The Salvation Army Territories	13,861,970	-	13,861,970	849,357	14,711,327	16,922,101
Total Public Support	15,663,225	-	15,663,225	1,291,300	16,954,525	21,314,943
Grants from Governmental Agencies	342,239	-	342,239	-	342,239	230,534
Investment Income						
Dividends and Interest	1,009,999	-	1,009,999	8,302	1,018,301	896,960
Realized Gains on Sales of Investments	3,422,547	-	3,422,547	28,147	3,450,694	3,276,082
Unrealized Gains (Losses) in Values of Investments	(4,195,868)	-	(4,195,868)	(34,507)	(4,230,375)	1,096,246
Net Investment Income	236,678	-	236,678	1,942	238,620	5,269,288
Total Support and Revenues	16,242,142	-	16,242,142	1,293,242	17,535,384	26,814,765
Net Assets Released from Restrictions	3,634,188	-	3,634,188	(3,634,188)	-	-
Total Support and Revenues	19,876,330	-	19,876,330	(2,340,946)	17,535,384	26,814,765
Expenses						
Program Services						
Health Programs	953,043	-	953,043	-	953,043	827,084
Anti-Human Trafficking and Livelihood Programs	825,686	-	825,686	-	825,686	737,624
Disaster Relief and Recovery Services	17,687,287	-	17,687,287	-	17,687,287	17,166,379
Total Program Services	19,466,016	-	19,466,016	-	19,466,016	18,731,087
Supporting Services						
Strategy and Fundraising	492,052	-	492,052	-	492,052	613,472
Management and General	599,492	-	599,492	-	599,492	652,182
Total Supporting Services	1,091,544	-	1,091,544	-	1,091,544	1,265,654
Total Expenses	20,557,560	-	20,557,560	-	20,557,560	19,996,741
Changes in Net Assets	(681,230)	-	(681,230)	(2,340,946)	(3,022,176)	6,818,024
Net Assets, Beginning of Year	27,888,616	500,000	28,388,616	32,552,293	60,940,909	54,122,885
Net Assets, End of Year	\$ 27,207,386	\$ 500,000	\$ 27,707,386	\$ 30,211,347	\$ 57,918,733	\$ 60,940,909

See accompanying Notes to Financial Statements.

THE SALVATION ARMY WORLD SERVICE OFFICE

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Unrestricted			Temporarily Restricted	Total
	Operating	Board Designated	Total		
Support and Revenues					
Public Support					
Received Directly					
Contributions	\$ 1,257,303	\$ -	\$ 1,257,303	\$ 2,600,823	\$ 3,858,126
Legacies and Bequests	208,818	-	208,818	-	208,818
Received Indirectly					
Allocated by Federated Fundraising Organizations	325,898	-	325,898	-	325,898
Contributions from The Salvation Army Territories	13,797,971	-	13,797,971	3,124,130	16,922,101
Total Public Support	15,589,990	-	15,589,990	5,724,953	21,314,943
Grants from Governmental Agencies	230,534	-	230,534	-	230,534
Investment Income					
Dividends and Interest	896,960	-	896,960	-	896,960
Realized Gains on Sales of Investments	3,276,082	-	3,276,082	-	3,276,082
Unrealized Gains in Values of Investments	1,096,246	-	1,096,246	-	1,096,246
Net Investment Income	5,269,288	-	5,269,288	-	5,269,288
Total Support and Revenues	21,089,812	-	21,089,812	5,724,953	26,814,765
Net Assets Released from Restrictions	2,757,805	-	2,757,805	(2,757,805)	-
Total Support and Revenues	23,847,617	-	23,847,617	2,967,148	26,814,765
Expenses					
Program Services					
Health Programs	827,084	-	827,084	-	827,084
Anti-Human Trafficking and Livelihood Programs	737,624	-	737,624	-	737,624
Disaster Relief and Recovery Services	17,166,379	-	17,166,379	-	17,166,379
Total Program Services	18,731,087	-	18,731,087	-	18,731,087
Supporting Services					
Strategy and Fundraising	613,472	-	613,472	-	613,472
Management and General	652,182	-	652,182	-	652,182
Total Supporting Services	1,265,654	-	1,265,654	-	1,265,654
Total Expenses	19,996,741	-	19,996,741	-	19,996,741
Changes in Net Assets	3,850,876	-	3,850,876	2,967,148	6,818,024
Net Assets, Beginning of Year	24,037,740	500,000	24,537,740	29,585,145	54,122,885
Net Assets, End of Year	\$ 27,888,616	\$ 500,000	\$ 28,388,616	\$ 32,552,293	\$ 60,940,909

See accompanying Notes to Financial Statements.

THE SALVATION ARMY WORLD SERVICE OFFICE

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Program Services				Supporting Services			2015 Total Expenses
	Health Programs	Anti-Human Trafficking and Livelihood Programs	Disaster Relief and Recovery Services	Total Program Services	Strategy and Fundraising	Management and General	Total Supporting Services	
Salaries	\$ 405,387	\$ 334,226	\$ 621,116	\$ 1,360,729	\$ 133,382	\$ 237,083	\$ 370,465	\$ 1,731,194
Employee Benefits and Payroll Taxes	43,419	66,961	123,580	233,960	40,123	101,174	141,297	375,257
Professional Fees	16,521	37,778	169,272	223,571	282,947	71,546	354,493	578,064
Travel, Meals, and Transportation	109,013	89,757	297,580	496,350	7,048	12,333	19,381	515,731
Occupancy	19,812	27,255	22,776	69,843	-	133,560	133,560	203,403
Printing and Publications	150	6,437	3,037	9,624	21,715	2,451	24,166	33,790
Telephone	16,882	9,312	14,752	40,946	2,330	6,213	8,543	49,489
Postage and Shipping	148	1,445	74,612	76,205	1,111	2,546	3,657	79,862
Equipment	7,251	1,673	25,853	34,777	1,845	11,740	13,585	48,362
Office Expense	20,500	14,113	154,226	188,839	1,551	8,199	9,750	198,589
Construction Supplies	-	4,320	2,629,248	2,633,568	-	-	-	2,633,568
Other Supplies	108,660	53,938	456,204	618,802	-	1,288	1,288	620,090
Conference and Meetings	85,040	72,199	299,638	456,877	-	11,359	11,359	468,236
Support to Individuals	-	12,053	433,504	445,557	-	-	-	445,557
Foreign Currency Exchange (Gain) Loss	12,260	280	(6,166)	6,374	-	-	-	6,374
Grants to Affiliates	108,000	93,939	12,368,055	12,569,994	-	-	-	12,569,994
Total Expenses	\$ 953,043	\$ 825,686	\$ 17,687,287	\$ 19,466,016	\$ 492,052	\$ 599,492	\$ 1,091,544	\$ 20,557,560

See accompanying Notes to Financial Statements.

THE SALVATION ARMY WORLD SERVICE OFFICE

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Program Services				Supporting Services			2014 Total Expenses
	Health Programs	Anti-Human Trafficking and Livelihood Programs	Disaster Relief and Recovery Services	Total Program Services	Strategy and Fundraising	Management and General	Total Supporting Services	
Salaries	\$ 418,851	\$ 258,125	\$ 456,702	\$ 1,133,678	\$ 438,242	\$ 265,558	\$ 703,800	\$ 1,837,478
Employee Benefits and Payroll Taxes	49,873	59,475	104,260	213,608	72,926	81,508	154,434	368,042
Professional Fees	23,588	49,485	548,029	621,102	62,187	101,489	163,676	784,778
Travel, Meals, and Transportation	65,694	84,844	167,256	317,794	18,242	14,333	32,575	350,369
Occupancy	15,567	25,351	24,412	65,330	-	144,691	144,691	210,021
Printing and Publications	80	6,446	1,263	7,789	9,485	1,876	11,361	19,150
Telephone	8,431	7,775	11,320	27,526	2,521	9,232	11,753	39,279
Postage and Shipping	37	61	26,302	26,400	2,003	1,817	3,820	30,220
Equipment	6,176	6,612	221,839	234,627	-	14,446	14,446	249,073
Office Expense	10,275	14,671	64,665	89,611	701	10,723	11,424	101,035
Construction Supplies	-	14,804	1,362,212	1,377,016	-	-	-	1,377,016
Other Supplies	41,473	24,216	197,838	263,527	873	739	1,612	265,139
Conference and Meetings	23,848	123,554	8,597	155,999	6,292	5,770	12,062	168,061
Support to Individuals	19,565	31,462	1,436,266	1,487,293	-	-	-	1,487,293
Foreign Currency Exchange (Gain) Loss	(2,844)	(3,941)	(1,016)	(7,801)	-	-	-	(7,801)
Grants to Affiliates	146,470	34,684	12,536,434	12,717,588	-	-	-	12,717,588
Total Expenses	\$ 827,084	\$ 737,624	\$ 17,166,379	\$ 18,731,087	\$ 613,472	\$ 652,182	\$ 1,265,654	\$ 19,996,741

See accompanying Notes to Financial Statements.

THE SALVATION ARMY WORLD SERVICE OFFICE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ (3,022,176)	\$ 6,818,024
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Gains on Sales of Investments	(3,450,694)	(3,276,082)
Unrealized (Gains) Losses in Values of Investments	4,230,375	(1,096,246)
<u>(Increase) Decrease in Operating Assets</u>		
Grants Receivable	(54,761)	56,223
Other Receivables	(65,026)	15,606
Prepaid Expenses	(22,158)	(5,592)
Project Advances	(1,578,261)	(848,942)
<u>Increase (Decrease) in Operating Liabilities</u>		
Accounts Payable and Accrued Expenses	86,321	(91,893)
Amounts Due to Projects	(273,744)	43,565
Deferred Revenue	64,385	3,148
Net Cash Provided by (Used in) Operating Activities	<u>(4,085,739)</u>	<u>1,617,811</u>
Cash Flows from Investing Activities		
Sales of Investments	29,212,783	18,704,776
Purchases of Investments	<u>(24,223,447)</u>	<u>(20,605,073)</u>
Net Cash Provided by (Used in) Investing Activities	<u>4,989,336</u>	<u>(1,900,297)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	903,597	(282,486)
Cash and Cash Equivalents, Beginning of Year	<u>1,846,737</u>	<u>2,129,223</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 2,750,334</u></u>	<u><u>\$ 1,846,737</u></u>

See accompanying Notes to Financial Statements.

THE SALVATION ARMY WORLD SERVICE OFFICE

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2015 AND 2014

1. PURPOSE AND ORGANIZATION

The Salvation Army World Service Office (SAWSO) provides technical assistance and project funding to the International Salvation Army in diverse areas of economic development around the world. SAWSO's multi-disciplinary team of development professionals works with Salvation Army personnel to promote community-based programming in primary health care, HIV/AIDS, anti-human trafficking and livelihood programs, and disaster relief and recovery services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Financial statements are reported in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

For purposes of the financial statement presentation, SAWSO considers all highly liquid instruments purchased with maturity dates of three months or less to be cash equivalents. Funds held in brokerage accounts are not considered cash equivalents.

Investments

Investments in debt and equity securities are carried at fair value. Accordingly, the changes in net unrealized appreciation or depreciation of debt and equity securities for the years ended September 30, 2015 and 2014, are reported in the statements of activities. SAWSO would recognize any transfers of investments between levels in the fair value hierarchy at the end of the reporting period.

Beneficial Interest in Remainder Trust

A donor has established and funded a trust, held by a third-party trustee, under which specified distributions are to be made to designated beneficiaries over the Trust's term. Upon termination of the Trust, SAWSO receives a partial amount of the assets remaining in the Trust. The Trust has been recorded as a receivable and an increase in temporarily restricted net assets at the last available fair value of SAWSO's share of the Trust's assets. The estimated future distributions expected to be received are discounted to present value at a rate of 4.2%.

THE SALVATION ARMY WORLD SERVICE OFFICE

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants and Other Receivables

Grants and other receivables are reported at their outstanding balances, reduced by an allowance for doubtful accounts, if any.

Management periodically evaluates the adequacy of the allowance for doubtful accounts by considering SAWSO's past receivables loss experience, known and inherent risks in the receivables population, adverse situations that may affect an organization's ability to pay, and current economic conditions.

The allowance for doubtful accounts is increased by charges to bad debts expense and decreased by charge offs of the receivables balances. Receivables are considered past due based on management's determination. Receivables are charged off based on management's case-by-case determination that they are uncollectible.

As of September 30, 2015 and 2014, management has determined that no allowance for doubtful accounts is necessary.

Project Advances and Amounts Due to Projects

To expedite the development of SAWSO projects, funds are provided to less developed countries in advance of incurred expenses. The related expenses are recorded as incurred by projects, at which time the projects' advance accounts are reduced. Expenses incurred in excess of the advances provided are recognized as amounts due to projects until paid.

Deferred Revenue

Pursuant to the terms of certain grants, revenues from grants from applicable government agencies are deferred when funds are advanced to SAWSO. Revenue for these grants is recognized in amounts equal to direct costs incurred and related recoverable indirect costs.

Net Asset Classifications

All contributions are considered to be available for unrestricted use unless specifically restricted by the donors. Amounts received that are restricted by the donors for specific purposes or times are reported as temporarily restricted or permanently restricted contributions that increase the respective net asset class. However, if a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as unrestricted.

Board designated net assets represent funds designated to maintain SAWSO operations in the case of severe cash flow difficulties while awaiting grant receipts.

As donor restrictions expire, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

THE SALVATION ARMY WORLD SERVICE OFFICE

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Asset Classifications (Continued)

For the years ended September 30, 2015 and 2014, SAWSO did not maintain or receive assets required to be reported as permanently restricted net assets.

Support Recognition for Tsunami, Earthquake, and Typhoon Relief Programs

Funding for the tsunami, earthquake, and typhoon relief efforts is generated in two forms: (1) contributions from the public, and (2) reimbursements of program expenses incurred under donor partner memorandums of understanding with various territories of The Salvation Army around the world.

The contributions received from the public are recorded as temporarily restricted contributions when received, and the entire amount received is spent directly on the tsunami, earthquake, and typhoon relief efforts.

Support from program expense reimbursements from donor partners is recorded as the donor partners are billed for their shares of the expenses incurred to date on the projects for which the partners have agreed to provide shares of estimated total project costs.

Indirect Expenses

Pursuant to the terms of certain grants from applicable government agencies, indirect expenses have been allocated from management and general to grant expense based on an indirect cost rate.

Functional Expenses

The costs of providing the various programs and other activities have been reported on a functional basis consistent with internal reporting practices. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. The following three sections summarize the key program services provided.

Health Programs

SAWSO's health programs are designed to help end poverty and improve quality of life. SAWSO supported health initiatives at the community level through 15,000 Salvation Army corps (churches). The Salvation Army serves the poor and vulnerable by initiating programs that increase access to community-based services and enhance health service quality at Salvation Army hospitals and clinics. Program focus areas are: maternal child and adolescent health; HIV care and prevention; non-communicable diseases; and community health and health facilities.

In **Nigeria**, SAWSO supported communities in the Lagos State Community to help reduce the rate of new HIV infections, to provide equitable care and support for those infected and affected by HIV, and to reduce the stigmatization and discrimination in that area.

THE SALVATION ARMY WORLD SERVICE OFFICE

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Health Programs (Continued)

In **Sri Lanka**, SAWSO continues to support Salvation Army staff doing community outreach in an area beset with deadly kidney disease, identifying cases early and referring them for life-saving treatment.

In **Angola**, The Salvation Army is an esteemed partner in a high-profile project to eliminate polio by increasing immunization and conducting surveillance. More than 20,000 people have been screened for the disease, 1,500 tested positive, and approximately 700 referred to the General Hospital.

In Eastern **Uganda**, the SAWSO-supported SCORE Project provides services to vulnerable children and families - many affected by HIV and AIDS. Serving six districts in Eastern Uganda, the SCORE project revolves around the protection of vulnerable children through projects for adults such as savings groups; farmer field schools to teach effective, low cost farming methods, backyard gardening, community mobilization for HIV prevention; and cooking demonstrations to fight childhood malnutrition.

SCORE's successes and sustainability in improving the socio-economic status of children and their parents can be attributed largely to the establishment of village savings and loan associations (VSLAs). Throughout 2015, 136 VSLA groups were formed touching over 4,000 families with members being taught financial literacy, savings and asset accumulation, debt management, budgeting, bank services, business management, and bookkeeping.

The Salvation Army Uganda's SAIFaP (Salvation Army Integrated Family Planning) is a two-year effort designed to meet the needs of beneficiaries and staff of the SCORE project, with an added component of providing community-based family planning services and education. 378 village health team (VHT) members were trained during 2015 to provide natural family planning items through existing community groups. VHT members were also trained to facilitate medical referrals; to track and measure efforts; to coordinate and conduct monthly mobile medical outreaches; and facilitate youth corners.

Both SCORE and SAIFaP continue to receive technical support from SAWSO.

In **Zambia**, SAWSO assisted The Salvation Army in providing primary health care to the rural poor through outreach programs.

Livelihood and Anti-Human Trafficking Programs

SAWSO seeks to improve economic conditions of families through economic, spiritual, and social support of individuals and their families, by helping them acquire the skills and assets needed to be free from oppressive labor, recover from setbacks, and create a better future for the next generation.

THE SALVATION ARMY WORLD SERVICE OFFICE

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Livelihood and Anti-Human Trafficking Programs (Continued)

In 2015, SAWSO continued the WORTH project in **Kenya**, which supports women through literacy training, business training, access to savings and lending services, insurance, and workshops that address harmful social conditions including human trafficking, HIV, and other health issues. This project has grown to include 18,500 members.

In partnership with The Salvation Army **Pakistan**, SAWSO continues to support family sustainable livelihood development through literacy training and vocational or small business training skills and is working to expand this program in over 50 communities.

SAWSO remains committed to freeing individuals from the chains of human trafficking with projects that support The Salvation Army's established centers in the heart of the red light districts around the world. Through skills building, vocational training and income generation, women are given a path to return home, attend school or earn a living in other ways. SAWSO supports over 15,000 women in self-help groups in **India** through micro-loans, and savings and health awareness.

SAWSO's livelihood programs in **Haiti** include vocational education, micro-loans, and agriculture training.

Relief and Reconstruction Services

A large portion of support and corresponding expenses for relief, recovery, and reconstruction services for the year ended September 30, 2015, related to the magnitude-7.8 earthquake that hit **Nepal** on April 25, 2015. SAWSO funding supported the development of temporary housing and learning centers. The Salvation Army distributed approximately 3,700 tarps and 881 tents to community members needing covered living space and temporary learning spaces while homes and schools are reconstructed. In addition, The Salvation Army distributed 208 metric tons of food - including rice, oil, lentils, and salt. More than 3,000 gallons of oil were distributed to survivors along with hundreds of solar lamps, as well as hygiene and sanitation items.

The Salvation Army formed a project team to work alongside the organization's International Emergency Services team on the ground to implement long-term recovery projects that would provide health, education, and livelihood support.

Assistance to the area of **Japan** affected by the March 2011 earthquake and tsunami continued in the development and implementation of long-term projects focused on serving children, intellectually disabled, and the elderly in the impacted areas, as well as preparedness for future disasters.

In January 2010, a devastating 7.0 earthquake rocked the country of **Haiti**, causing massive damage and loss of life to one of the poorest countries in the Americas. In the nine months of the initial emergency response phase, approximately \$12 million was used to feed and house and provide medical services, clean water, and security to hundreds of thousands of individuals and families. Nearly 8 million meals were provided to families in need, medical care was

THE SALVATION ARMY WORLD SERVICE OFFICE

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Relief and Reconstruction Services (Continued)

provided for more than 30,000 patients, and shelter and hygiene support was provided for 20,000 homeless people living in Place de la Paix Square.

In 2014-2015, The Salvation Army continued its focus on the recovery and reconstruction phase with Salvationists and Haitians working to restore vitality to their damaged communities. Rebuilding efforts have focused on three areas:

- Long-term housing reconstruction projects for displaced families, which also include programs for vocational training, income generation, and capacity building.
- Primary Health Care focused on Port-au-Prince and Fond-de-Negre.
- Integrated community development programs implemented in 50 communities throughout **Haiti**. This initiative is helping communities address concerns such as clean water, income generation, access to education, and food security. It is also helping to develop infrastructure to mitigate future disasters.

In **Indonesia**, The Salvation Army has continued issuing long-term response to the more than 10,000 farmers and their families who were displaced by the eruption of the Sinabung Volcano. The Salvation Army is providing income generation programs focusing on developing the agricultural sector. SAWSO has committed approximately \$500,000 to date and more is anticipated.

The Salvation Army continues to build its response to the European refugee crisis and provided assistance to refugees from **Syria** and **North Africa** in 14 countries. Committed to providing a long-term response, The Salvation Army is transitioning to efforts that include building relationships, helping asylum seekers integrate into their new surroundings, and adapt to new culture. Immediate needs such as food, clothing, and emotional and spiritual support are provided, while language classes and parent-and-baby groups support assimilation among participants.

Funding from SAWSO supported efforts in **Italy**, **Greece**, and **Germany**. SAWSO funding for **Greece** supported the development of a day center that offers toilets, shower facilities, basic medical care, and communications services for refugees arriving at the port of Piraeus in Athens.

In **Germany**, funds from SAWSO made possible the creation of a new thrift store in Leipzig to store household wares, clothing, toys, electronics, and furniture.

Income Taxes

SAWSO was incorporated in the District of Columbia (the "District"), USA, pursuant to the District's Nonprofit Corporation Act and began operations on October 1, 1977. SAWSO is a charitable corporation exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) and is not classified as a private foundation under Section 509(a).

THE SALVATION ARMY WORLD SERVICE OFFICE

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Uncertain Tax Positions

SAWSO follows the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC), which provides guidance on accounting for uncertainty in income taxes recognized in an organization's financial statements. As of September 30, 2015 and 2014, SAWSO had no unrecognized tax benefits related to uncertain tax positions in its information returns that qualified for either recognition or disclosure in its financial statements.

SAWSO's policy would be to recognize interest and penalties on tax positions related to its unrecognized tax benefits in income tax expense in the financial statements. For the years ended September 30, 2015 and 2014, there were no matters that would have resulted in an accrual for interest and/or penalties.

As of September 30, 2015, SAWSO's Forms 990, Return of Organization Exempt from Income Tax, for the years ended September 30, 2014, 2013, and 2012, were subject to examination by the Internal Revenue Service, generally for three years after they were filed.

Foreign Currency Translation

Certain expenses were reported by foreign affiliates of The Salvation Army in local currencies and translated into U.S. dollars at the average exchange rate during the period in which the expenses were incurred. Amounts advanced to projects were adjusted for foreign currency fluctuations occurring between the time the funds were disbursed by SAWSO and the time funds were spent by foreign affiliates.

Contingency

SAWSO receives a portion of its revenue from government grants. The ultimate determination of amounts received under these programs generally is based upon allowable costs that are subject to audit under government audit requirements. Management is of the opinion that no material amount will be disallowed by granting agencies, and no provision for disallowed amounts has been made.

3. CONCENTRATION OF CREDIT RISK

SAWSO maintains its cash accounts in banks that are insured by the Federal Deposit Insurance Corporation (FDIC). Deposits are insured up to \$250,000 per institution. At September 30, 2015 and 2014, SAWSO's uninsured deposits were approximately \$2,537,000 and \$1,721,000, respectively.

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

SAWSO's investments are its only assets or liabilities measured at fair value on a recurring basis at September 30, 2015 and 2014. SAWSO has categorized its investments based on a three-level fair value hierarchy of inputs as follows:

Level 1 - values are based on quoted prices for identical assets in active markets.

THE SALVATION ARMY WORLD SERVICE OFFICE

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Level 2 - values are based on quoted prices for similar assets in active or inactive markets.

Level 3 - values are based on unobservable inputs to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The fair value measurement objective is to determine an exit price from the perspective of a market participant that holds the asset or owes the liability. Therefore, unobservable inputs would reflect SAWSO's judgment about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances, which might include SAWSO's own data.

Investments are stated at fair value and consisted of the following at September 30, 2015:

	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Money Funds	\$ 1,355,932	\$ 1,355,932	\$ -	\$ -
U.S. Government Securities	4,228,175	-	4,228,175	-
Mutual Funds - Fixed Income	5,386,177	5,386,177	-	-
Mutual Funds - Non-Traditional	3,573,164	3,573,164	-	-
Exchange Traded Funds - Equities	2,383,352	2,383,352	-	-
Corporate Bonds and Notes	4,071,565	-	4,071,565	-
Asset Backed Securities	944,381	-	944,381	-
Preferred Equities	39,588	39,588	-	-
Equities	30,036,880	30,036,880	-	-
Total	\$ 52,019,214	\$ 42,775,093	\$ 9,244,121	\$ -

Investments are stated at fair value and consisted of the following at September 30, 2014:

	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Money Funds	\$ 2,668,351	\$ 2,668,351	\$ -	\$ -
U.S. Government Securities	5,616,379	-	5,616,379	-
Mutual Funds - Fixed Income	5,363,037	5,363,037	-	-
Mutual Funds - Equities	1,559,653	1,559,653	-	-
Mutual Funds - Non-Traditional	1,586,592	1,586,592	-	-
Exchange Traded Funds - Equities	3,545,868	3,545,868	-	-
Corporate Bonds and Notes	2,968,764	-	2,968,764	-
Asset Backed Securities	1,050,731	-	1,050,731	-
Preferred Equities	50,162	50,162	-	-
Equities	33,378,694	33,378,694	-	-
Total	\$ 57,788,231	\$ 48,152,357	\$ 9,635,874	\$ -

None of SAWSO's investments are valued using Level 3 inputs.

THE SALVATION ARMY WORLD SERVICE OFFICE

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Investment income consisted of the following:

	<u>2015</u>	<u>2014</u>
Dividends and Interest Revenue	\$ 1,018,301	\$ 896,960
Net Realized and Unrealized Gains (Losses)	<u>(779,681)</u>	<u>4,372,328</u>
Net	<u>\$ 238,620</u>	<u>\$ 5,269,288</u>

For the years ended September 30, 2015 and 2014, investment fees netted against dividends and interest revenues were \$399,362 and \$409,222, respectively.

5. RELATED PARTY TRANSACTIONS

Members of SAWSO's Board of Trustees are also officers in The Salvation Army in the United States of America.

The four territorial headquarters of The Salvation Army in the United States of America made contributions to SAWSO during the years ended September 30, 2015 and 2014, of approximately \$14,711,000 and \$16,922,000, respectively. These funds were used in part to provide project funding to the international programs of The Salvation Army and most are included in SAWSO's program services expenses with the caption on the statements of functional expenses, "Grants to Affiliates." The affiliates are various The Salvation Army territories around the world. Unexpended funds are included in unrestricted and temporarily restricted net assets at year end. SAWSO has been granted the variance power to redirect contributions received from the four The Salvation Army Territories in the United States of America that are restricted for international projects. Fundraising expenses for international projects are incurred by The Salvation Army's four territorial headquarters.

Employees of SAWSO may participate in a money purchase defined contribution pension plan with The Salvation Army corporations. For the years ended September 30, 2015 and 2014, SAWSO recognized pension expense of approximately \$56,000 and \$50,000, respectively. Such employer contributions are based upon compensation and are paid by SAWSO to The Salvation Army - USA Eastern Territory.

SAWSO leases its office space under a year-to-year lease with the USA National Corporation of The Salvation Army. For the years ended September 30, 2015 and 2014, rental expense was approximately \$134,000 and \$145,000, respectively.

THE SALVATION ARMY WORLD SERVICE OFFICE

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

6. TEMPORARILY RESTRICTED NET ASSETS

As of September 30, 2015, temporarily restricted net assets, other than those related to assets held under split-interest agreements, were available for the following purposes:

Relief and Reconstruction Services	
Haiti Earthquake	\$ 8,762,680
South East Asia Tsunami Relief	7,291,615
PHL Typhoon Haiyan	5,742,761
Japan Earthquake/Tsunami Relief	4,152,126
Other International Disaster Relief	1,315,039
Nepal Earthquake Relief	1,001,437
Pakistan Earthquake/Flood Relief	507,390
Mexico Reserve	447,729
China Earthquake Relief	417,109
Myanmar Cyclone Relief	195,439
Chile Earthquake Relief	191,461
Western Hemisphere	84,283
Indonesia Earthquake Relief	40,755
East Africa Famine	29,440
Total	<u>\$ 30,179,264</u>

As of September 30, 2014, temporarily restricted net assets, other than those related to assets held under split-interest agreements, were available for the following purposes:

Relief and Reconstruction Services	
Haiti Earthquake	\$ 11,601,409
South East Asia Tsunami Relief	7,722,201
PHL Typhoon Haiyan	5,719,752
Japan Earthquake/Tsunami Relief	4,263,834
Other International Disaster Relief	1,132,731
Pakistan Earthquake/Flood Relief	480,730
Mexico	445,787
China Earthquake Relief	423,007
Chile Earthquake Relief	313,302
Myanmar Cyclone Relief	206,113
East Africa Famine	170,591
Indonesia Earthquake Relief	40,755
Total	<u>\$ 32,520,212</u>

7. SUBSEQUENT EVENTS

SAWSO has evaluated subsequent events through March 14, 2016, the date on which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

THE SALVATION ARMY WORLD SERVICE OFFICE
SCHEDULE OF INDIRECT COST RATE CALCULATION
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Total Management and General Expenses per Financial Statements	\$ 599,492
Total Indirect Costs	(“A”) <u>\$ 599,492</u>
Total Program Services Expenses per Financial Statements	\$ 19,466,016
Less Grants to Affiliates	(12,569,994)
Less Construction Supplies - Relief Projects	(2,633,568)
Add Strategy and Fundraising Expenses	<u>492,052</u>
Total Allowable Expenses	(“B”) <u>\$ 4,754,506</u>
Indirect Cost Rate (“A” Divided by “B”)	<u>12.61%</u>

THE SALVATION ARMY WORLD SERVICE OFFICE

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Federal Grantor/Pass-Through Grantor/ Program Title	Agreement Number	Federal Expenditures
Major Programs Awards		
U.S. Agency for International Development Pass-Through from World Vision Angola Polio Awareness		
Total Major Programs Awards	AID-OAA-A-12-00031-SAWSO	<u>\$ 213,075</u>
Other Federal Awards		
U.S. Agency for International Development Pass-Through from APC Uganda Integrating Family Planning into OVC		
Total Other Federal Awards	APC-GM-0046	<u>129,164</u>
Total Expenditures of Federal Awards		<u><u>\$ 342,239</u></u>

THE SALVATION ARMY WORLD SERVICE OFFICE

NOTES TO SUPPLEMENTARY SCHEDULES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “schedule”) includes the federal grant activity of The Salvation Army World Service Office (SAWSO) under programs of the federal government for the year ended September 30, 2015. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of SAWSO, it is not intended to and does not present the financial position, changes in net assets, or cash flows of SAWSO.

2. SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule of expenditures of federal awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Expenditures include a portion of costs associated with general activities (indirect costs), which are allocated to federal awards under negotiated indirect cost rates and are adjusted to actual rates at year end.



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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Trustees
The Salvation Army World Service Office
Alexandria, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Salvation Army World Service Office (a nonprofit organization), which comprise the statement of financial position as of September 30, 2015, and the related statements 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 14, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Salvation Army World Service Office's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Salvation Army World Service Office's internal control. Accordingly, we do not express an opinion on the effectiveness of The Salvation Army World Service Office's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Salvation Army World Service Office's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.



The Board of Trustees
The Salvation Army World Service Office

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 Salvation Army World Service Office's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Salvation Army World Service Office's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Councilor, Buchanan + Mitchell, P.C.

Bethesda, Maryland
March 14, 2016

Certified Public Accountants



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Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133

The Board of Trustees
The Salvation Army World Service Office
Alexandria, Virginia

Report on Compliance for Each Major Federal Program

We have audited The Salvation Army World Service Office's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of The Salvation Army World Service Office's major federal programs for the year ended September 30, 2015. The Salvation Army World Service Office's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of The Salvation Army World Service Office's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Salvation Army World Service Office's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of The Salvation Army World Service Office's compliance.

Opinion on Each Major Federal Program

In our opinion, The Salvation Army World Service Office complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.



Report on Internal Control over Compliance

Management of The Salvation Army World Service Office is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The Salvation Army World Service Office's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Salvation Army World Service Office's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Councilor, Buchanan + Mitchell, P.C.

Bethesda, Maryland
March 14, 2016

Certified Public Accountants

THE SALVATION ARMY WORLD SERVICE OFFICE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Summary of Auditors' Results

1. The auditors' report expresses an unmodified opinion on the financial statements of The Salvation Army World Service Office.
2. The audit disclosed no instances of noncompliance material to the financial statements of The Salvation Army World Service Office.
3. The auditors' report on compliance for the major federal award programs for The Salvation Army World Service Office expresses an unmodified opinion on all major federal programs.
4. There were no audit findings relative to the major federal award programs for The Salvation Army World Service Office that are required to be reported in accordance with OMB Circular A-133, Section 510(a).
5. Identification of major programs:

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Agreement Number</u>	<u>Federal Expenditures</u>
Major Programs Awards		
U.S. Agency for International Development Pass-Through from World Vision Angola Polio Awareness	AID-OAA-A-12-00031-SAWSO	\$ 213,075

6. The threshold for distinguishing Type A and Type B programs was \$300,000.
7. The Salvation Army World Service Office was determined to be a low-risk auditee.