



**Financial Statements and Report of Independent
Certified Public Accountants**

**The Salvation Army Twin Cities (Minneapolis and
Saint Paul) Operating Units - Operating Fund**

September 30, 2015 and 2014

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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Divisional Finance Board The Salvation Army Twin Cities (Minneapolis and Saint Paul) Operating Units - Operating Fund

We have audited the accompanying financial statements of The Salvation Army Twin Cities (Minneapolis and Saint Paul) Operating Units - Operating Fund (the Army), which comprise the statements of financial position as of September 30, 2015 and 2014, and the related statements of activities and changes in net assets, 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.

Auditor's 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. Those standards require that we plan and perform the audit 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 auditor's 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 auditor considers internal control relevant to the Army'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 the Army'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 Twin Cities (Minneapolis and Saint Paul) Operating Units - Operating Fund 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.

Supplementary information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses - Corps Community Centers for the years ended September 30, 2015 and 2014, are presented for purposes of additional analysis and are not a required part of the financial statements. Such supplementary 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. These additional procedures included comparing and reconciling the 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 supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Grant Thornton LLP

Chicago, Illinois
January 29, 2016

The Salvation Army Twin Cities (Minneapolis and Saint Paul) Operating Units - Operating Fund
STATEMENT OF FINANCIAL POSITION
September 30, 2015

ASSETS	Unrestricted			Temporarily restricted	Total
	General operating	Board designated	Property and equipment		
CURRENT ASSETS					
Cash and cash equivalents	\$ 3,058,668	\$ 706,397	\$ -	\$ 3,765,065	\$ 4,319,544
Accounts receivable - net of allowance of \$40,770	770,493	-	-	770,493	920,493
Other assets	96,596	-	-	96,596	96,596
Due from other Salvation Army units	332,628	-	-	332,628	332,628
Total current assets	4,258,385	706,397	-	4,964,782	5,669,261
PROPERTY AND EQUIPMENT					
Vehicles	-	-	2,198,929	2,198,929	2,198,929
Furniture and equipment	-	-	872,852	872,852	872,852
Accumulated depreciation	-	-	(2,500,498)	(2,500,498)	(2,500,498)
Property and equipment, net	-	-	571,283	571,283	571,283
TOTAL ASSETS	\$ 4,258,385	\$ 706,397	\$ 571,283	\$ 5,536,065	\$ 6,240,544
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable and accrued expenses	\$ 1,927,128	\$ -	\$ -	\$ 1,927,128	\$ 1,927,128
Due to other Salvation Army units	1,068,083	-	-	1,068,083	1,068,083
Total current liabilities	2,995,211	-	-	2,995,211	2,995,211
NET ASSETS					
Unrestricted	1,263,174	706,397	571,283	2,540,854	2,540,854
Temporarily restricted	-	-	-	704,479	704,479
Total net assets	1,263,174	706,397	571,283	2,540,854	3,245,333
TOTAL LIABILITIES AND NET ASSETS	\$ 4,258,385	\$ 706,397	\$ 571,283	\$ 5,536,065	\$ 6,240,544

The accompanying notes are an integral part of this statement.

The Salvation Army Twin Cities (Minneapolis and Saint Paul) Operating Units - Operating Fund
STATEMENT OF FINANCIAL POSITION
September 30, 2014

ASSETS	Unrestricted			Temporarily restricted	Total
	General operating	Board designated	Property and equipment		
CURRENT ASSETS					
Cash and cash equivalents	\$ 3,703,506	\$ 651,915	\$ -	\$ 4,355,421	\$ 231,117
Accounts receivable - net of allowance of \$3,416	816,024	-	-	816,024	-
Other assets	112,825	-	-	112,825	-
Due from other Salvation Army units	417,756	-	-	417,756	-
Total current assets	5,050,111	651,915	-	5,702,026	231,117
PROPERTY AND EQUIPMENT					
Vehicles	-	-	2,072,459	2,072,459	-
Furniture and equipment	-	-	887,852	887,852	-
Accumulated depreciation	-	-	(2,262,114)	(2,262,114)	-
Property and equipment, net	-	-	698,197	698,197	-
TOTAL ASSETS	<u>\$ 5,050,111</u>	<u>\$ 651,915</u>	<u>\$ 698,197</u>	<u>\$ 6,400,223</u>	<u>\$ 231,117</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable and accrued expenses	\$ 1,845,449	\$ -	\$ -	\$ 1,845,449	\$ -
Due to other Salvation Army units	613,320	-	-	613,320	-
Deferred revenue	48,650	-	-	48,650	-
Total current liabilities	2,507,419	-	-	2,507,419	-
NET ASSETS					
Unrestricted	2,542,692	651,915	698,197	3,892,804	-
Temporarily restricted	-	-	-	-	231,117
Total net assets	2,542,692	651,915	698,197	3,892,804	231,117
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,050,111</u>	<u>\$ 651,915</u>	<u>\$ 698,197</u>	<u>\$ 6,400,223</u>	<u>\$ 231,117</u>

The accompanying notes are an integral part of this statement.

The Salvation Army Twin Cities (Minneapolis and Saint Paul) Operating Units - Operating Fund
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year ended September 30, 2015

	Unrestricted			Temporarily restricted	Total
	General operating	Board designated	Property and equipment		
Support and revenue					
Public support					
Public contributions	\$ 15,713,843	\$ 1,166	\$ -	\$ 15,715,009	\$ 1,221,210
Donations in-kind	5,163,282	-	1,165,311	6,328,593	-
United Way allocations	646,610	-	-	646,610	-
Associated organizations	652,071	-	-	652,071	-
Total public support	22,175,806	1,166	1,165,311	23,342,283	1,221,210
Grants revenue					
Fees and grants from government agencies	7,121,938	-	-	7,121,938	-
Other revenues					
Program service fees	1,010,220	-	-	1,010,220	-
Public sales	16,290	-	-	16,290	-
Interest income	4,232	679	-	4,911	-
Loss on sale of property and equipment	-	-	(1,291)	(1,291)	-
Miscellaneous income	37,248	48	-	37,296	-
Total other revenue	1,067,990	727	(1,291)	1,067,426	-
Net assets released from temporary restrictions	194,348	-	-	194,348	(194,348)
Total support and other revenues	30,560,082	1,893	1,164,020	31,725,995	1,026,862

The accompanying notes are an integral part of this statement.

The Salvation Army Twin Cities (Minneapolis and Saint Paul) Operating Units - Operating Fund
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS - CONTINUED
Year ended September 30, 2015

	Unrestricted			Temporarily restricted	Total
	General operating	Board designated	Property and equipment		
Expenses					
Program services					
Corps Community Centers	\$ 5,205,163	\$ -	\$ 770,626	\$ -	\$ 5,975,789
Booth Brown House	1,253,318	-	165,482	-	1,418,800
Harbor Light Center	9,049,414	-	332,866	-	9,382,280
Booth Manor	63,965	-	113,065	-	177,030
Volunteer services	182,537	-	-	-	182,537
Social services	9,870,552	-	60,556	-	9,931,108
Total program services	25,624,949	-	1,442,595	-	27,067,544
Supporting services					
Management and general	804,881	-	30,512	-	835,393
Fundraising	5,377,195	-	-	-	5,377,195
Total supporting services	6,182,076	-	30,512	-	6,212,588
Total expenses	31,807,025	-	1,473,107	-	33,280,132
(Deficit) excess of revenues and support over expenses	(1,246,943)	1,893	(309,087)	1,026,862	(527,275)
Board-designated transfers	(234,762)	52,589	182,173	-	-
Transfers (to) from other Salvation Army units	202,187	-	-	(553,500)	(351,313)
(DECREASE) INCREASE IN NET ASSETS	(1,279,518)	54,482	(126,914)	473,362	(878,588)
Net assets at beginning of year	2,542,692	651,915	698,197	231,117	4,123,921
Net assets at end of year	\$ 1,263,174	\$ 706,397	\$ 571,283	\$ 704,479	\$ 3,245,333

The accompanying notes are an integral part of this statement.

The Salvation Army Twin Cities (Minneapolis and Saint Paul) Operating Units - Operating Fund
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year ended September 30, 2014

	Unrestricted			Temporarily restricted	Total
	General operating	Board designated	Property and equipment		
Support and revenue					
Public support					
Public contributions	\$ 15,495,592	\$ 545	\$ -	\$ 15,496,137	\$ 88,193
Donations in-kind	4,911,021	-	1,048,453	5,959,474	-
United Way allocations	707,684	-	-	707,684	-
Associated organizations	100,427	-	-	100,427	-
Total public support	21,214,724	545	1,048,453	22,263,722	88,193
Grants revenue					
Fees and grants from government agencies	7,447,781	-	-	7,447,781	-
Other revenues					
Program service fees	959,889	-	-	959,889	-
Public sales	17,194	-	-	17,194	-
Interest income	4,566	717	-	5,283	-
Gain on sale of property and equipment	-	-	20,087	20,087	-
Miscellaneous income	34,257	-	-	34,257	-
Total other revenue	1,015,906	717	20,087	1,036,710	-
Net assets released from temporary restrictions	39,405	-	-	39,405	(39,405)
Total support and other revenues	29,717,816	1,262	1,068,540	30,787,618	48,788

The accompanying notes are an integral part of this statement.

The Salvation Army Twin Cities (Minneapolis and Saint Paul) Operating Units - Operating Fund
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS - CONTINUED
Year ended September 30, 2014

	Unrestricted			Temporarily restricted	Total
	General operating	Board designated	Property and equipment		
Expenses					
Program services					
Corps Community Centers	\$ 5,427,389	\$ -	\$ 818,267	\$ 6,245,656	\$ 6,245,656
Booth Brown House	1,307,630	-	171,094	1,478,724	1,478,724
Harbor Light Center	8,272,064	-	337,908	8,609,972	8,609,972
Booth Manor	54,802	-	6,066	60,868	60,868
Volunteer services	245,057	-	-	245,057	245,057
Social services	9,382,481	-	56,558	9,439,039	9,439,039
Total program services	24,689,423	-	1,389,893	26,079,316	26,079,316
Supporting services					
Management and general	1,083,162	-	2,671	1,085,833	1,085,833
Fundraising	4,897,583	-	951	4,898,534	4,898,534
Total supporting services	5,980,745	-	3,622	5,984,367	5,984,367
Total expenses	30,670,168	-	1,393,515	32,063,683	32,063,683
(Deficit) excess of revenues and support over expenses	(952,352)	1,262	(324,975)	(1,276,065)	48,788
Board-designated transfers	(310,831)	(110,608)	421,439	-	-
Transfers from other Salvation Army units	808,971	-	-	808,971	808,971
(DECREASE) INCREASE IN NET ASSETS	(454,212)	(109,346)	96,464	(467,094)	48,788
Net assets at beginning of year	2,996,904	761,261	601,733	4,359,898	182,329
Net assets at end of year	\$ 2,542,692	\$ 651,915	\$ 698,197	\$ 3,892,804	\$ 231,117

The accompanying notes are an integral part of this statement.

The Salvation Army Twin Cities (Minneapolis and Saint Paul) Operating Units - Operating Fund
STATEMENT OF FUNCTIONAL EXPENSES
Year ended September 30, 2015

	Program services						Supporting services				
	Corps Community Centers	Booth Brown House	Harbor Light Center	Booth Manor	Volunteer services	Social services	Total	Management and general	Fundraising	Total	Total
Salaries	\$ 2,054,688	\$ 701,978	\$ 3,688,836	\$ 23,949	\$ 108,631	\$ 2,105,418	\$ 8,683,500	\$ 399,730	\$ 1,676,205	\$ 2,075,935	\$ 10,759,435
Health and retirement	498,363	115,991	811,649	10,021	26,387	471,812	1,934,223	83,641	185,952	269,593	2,203,816
Payroll taxes	179,201	63,166	346,684	827	10,322	184,104	784,304	35,417	136,175	171,592	955,896
Professional fees	51,080	9,922	260,927	1,334	9,306	135,506	468,075	146,678	155,943	302,621	770,696
Supplies	297,565	22,399	299,891	5,111	1,840	32,226	659,032	12,450	62,860	75,310	734,342
Telephone	72,606	8,959	41,794	1,341	1,126	29,226	155,052	4,141	6,681	10,822	165,874
Occupancy	1,359,861	326,545	1,016,653	113,828	15,876	187,993	3,020,756	70,565	81,781	152,346	3,173,102
Furniture and equipment	172,659	20,288	59,242	1,540	2,379	82,061	338,169	12,721	43,213	55,934	394,103
Printing, publications and postage	21,659	575	6,130	856	1,298	22,385	52,903	3,221	1,111,256	1,114,477	1,167,380
Transportation	276,789	8,268	92,580	11,711	2,039	92,250	483,637	37,652	41,525	79,177	562,814
Conferences and meetings	64,329	6,119	15,041	1,374	2,907	22,947	112,717	655	85,231	85,886	198,603
Assistance to individuals	118,719	24,050	2,026,501	189	-	6,239,515	8,408,974	-	303,091	303,091	8,712,065
Organization dues	6,764	360	114	212	352	16,755	24,557	2,648	1,329	3,977	28,534
Awards and grants	25,161	1,326	3,850	1,387	-	24,849	56,573	14,328	-	14,328	70,901
Other expenditures	55,089	4,934	58,214	250	74	906	119,467	3,082	292	3,374	122,841
Contribution - World Services	164,970	3,950	20,025	3,175	-	-	192,120	5,004	105,730	110,734	302,854
Appropriation to other funds	20	-	-	-	-	-	20	-	98,261	98,261	98,281
Supporting services to Northern Divisional Headquarters	383,550	97,888	558,445	(75)	-	225,860	1,265,668	3,460	1,281,670	1,285,130	2,550,798
Depreciation	172,716	2,082	75,704	-	-	57,295	307,797	-	-	-	307,797
Total expenses	\$ 5,975,789	\$ 1,418,800	\$ 9,382,280	\$ 177,030	\$ 182,537	\$ 9,931,108	\$ 27,067,544	\$ 835,393	\$ 5,377,195	\$ 6,212,588	\$ 33,280,132

The accompanying notes are an integral part of this statement.

The Salvation Army Twin Cities (Minneapolis and Saint Paul) Operating Units - Operating Fund
STATEMENT OF FUNCTIONAL EXPENSES
Year ended September 30, 2014

	Program services						Supporting services				
	Corps Community Centers	Booth Brown House	Harbor Light Center	Booth Manor	Volunteer services	Social services	Total	Management and general	Fundraising	Total	Total
Salaries	\$ 2,180,107	\$ 662,931	\$ 3,553,649	\$ 21,957	\$ 165,627	\$ 1,726,812	\$ 8,311,083	\$ 616,929	\$ 1,551,326	\$ 2,168,255	\$ 10,479,338
Health and retirement	510,149	147,818	823,578	9,997	34,496	387,030	1,913,068	121,625	146,304	267,929	2,180,997
Payroll taxes	179,829	59,934	332,401	761	13,864	157,440	744,229	52,785	127,093	179,878	924,107
Professional fees	35,820	10,074	218,219	1,824	2,019	135,299	403,255	134,369	131,974	266,343	669,598
Supplies	380,229	36,573	323,018	5,086	1,144	26,304	772,354	10,818	107,300	118,118	890,472
Telephone	76,427	7,719	33,400	1,169	1,107	20,673	140,495	6,905	6,661	13,566	154,061
Occupancy	1,460,361	380,693	1,031,765	507	16,165	170,735	3,060,226	67,607	63,584	131,191	3,191,417
Furniture and equipment	108,568	21,964	61,890	1,531	2,464	59,914	256,331	11,373	37,584	48,957	305,288
Printing, publications and postage	34,131	1,093	11,019	1,155	4,019	24,404	75,821	6,598	1,138,948	1,145,546	1,221,367
Transportation	325,383	10,050	88,792	6,164	1,405	97,960	529,754	42,100	72,800	114,900	644,654
Conferences and meetings	44,283	2,826	13,999	440	1,892	23,210	86,650	3,374	122,717	126,091	212,741
Assistance to individuals	107,410	25,074	1,536,491	-	-	6,159,514	7,828,489	-	-	-	7,828,489
Organization dues	9,521	633	1,680	209	650	10,858	23,551	3,394	5,459	8,853	32,404
Awards and grants	38,020	1,094	(16)	961	-	36,687	76,746	3,876	16	3,892	80,638
Other expenditures	26,134	6,364	22,018	204	205	1,268	56,193	322	500	822	57,015
Contribution - World Services	173,947	4,400	19,551	2,908	-	102,650	303,456	-	-	-	303,456
Appropriation to other funds	6,494	-	-	-	-	108,601	115,095	-	(12,931)	(12,931)	102,164
Supporting services to Northern Divisional Headquarters	358,099	91,790	455,470	(71)	-	133,122	1,038,410	3,758	1,398,248	1,402,006	2,440,416
Depreciation	190,744	7,694	83,048	6,066	-	56,558	344,110	-	951	951	345,061
Total expenses	\$ 6,245,656	\$ 1,478,724	\$ 8,609,972	\$ 60,868	\$ 245,057	\$ 9,439,039	\$ 26,079,316	\$ 1,085,833	\$ 4,898,534	\$ 5,984,367	\$ 32,063,683

The accompanying notes are an integral part of this statement.

The Salvation Army Twin Cities (Minneapolis and Saint Paul) Operating Units - Operating Fund
STATEMENT OF CASH FLOWS
Years ended September 30,

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Decrease in net assets	\$ (878,588)	\$ (418,306)
Adjustments to reconcile decrease in net assets to net cash used in operating activities		
Depreciation	307,797	345,061
Loss (gain) on sale of property and equipment	1,291	(20,087)
Property transferred to other Salvation Army units	-	44,345
Changes in operating assets and liabilities		
Accounts receivable, net	(104,469)	59,500
Other assets	16,229	(75,252)
Due from other Salvation Army units	85,128	19,539
Accounts payable and accrued expenses	81,679	(105,414)
Due to other Salvation Army units	454,763	2,630
Deferred revenue	(48,650)	48,650
Net cash used in operating activities	<u>(84,820)</u>	<u>(99,334)</u>
Cash flows from investing activities		
Purchase of property and equipment	(186,882)	(483,533)
Proceeds from sale of land, buildings and equipment	4,708	17,750
Net cash used in investing activities	<u>(182,174)</u>	<u>(465,783)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(266,994)	(565,117)
Cash and cash equivalents at beginning of year	<u>4,586,538</u>	<u>5,151,655</u>
Cash and cash equivalents at end of year	<u><u>\$ 4,319,544</u></u>	<u><u>\$ 4,586,538</u></u>

The accompanying notes are an integral part of this statement.

The Salvation Army Twin Cities (Minneapolis and Saint Paul) Operating Units - Operating Fund
NOTES TO FINANCIAL STATEMENTS
September 30, 2015 and 2014

NOTE A - 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 membership includes 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 Central Territory of The Salvation Army (Central Territory) 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 (IRC), as amended, and is exempt from state income taxes under related state provisions.

The accompanying financial statements are summaries of the financial position, results of operations, net asset classifications and sources and applications of cash of The Salvation Army Twin Cities (Minneapolis and Saint Paul) Operating Units - Operating Fund (the Army) of the Central Territory of The Salvation Army (the Central Territory). The Army is supervised by the officers of The Salvation Army Northern Division (the Divisional Headquarters), an operating unit of the Central Territory. The Central Territory is composed of the states of Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, South Dakota and Wisconsin. The Central Territory is incorporated in the state of Illinois, with the corporate headquarters located in Hoffman Estates, Illinois. Included in the Army are the Twin Cities Fund, seven Corps Community Centers and one Outpost, the Booth Brown House, and the Harbor Light Center. The accounts of these entities have been combined for financial statement purposes, and all significant intercompany accounts and transactions have been eliminated.

The Army includes the following activities:

Corps Community Centers and Outpost - The Corps Community Centers and Outpost (also referred to as Worship and Service Centers) provide a variety of youth and adult programs, including Bible studies, worship services, music instruction, character-building group activities, after-school programs and summer day camps. The current Corps Community Centers and Outpost are located at the following addresses:

Minneapolis Central Corps	2727 Central Avenue NE, Minneapolis, MN 55418-3210
Minneapolis Parkview Corps	2024 Lyndale Avenue N, Minneapolis, MN 55411-1451
Minneapolis Temple Corps	1604 East Lake Street, Minneapolis, MN 55407-1897
Noble Worship & Community Center	10011 Noble Parkway, Brooklyn Park, MN 55433
St. Paul Citadel	401 West Seventh Street, St. Paul, MN 55102
Lakewood Temple	2080 Woodlyn Avenue, Maplewood, MN 55109
St. Paul Eastside	1019 Payne Avenue, St. Paul, MN 55101
Twin Cities Bethel Korean Outpost	Burnsville, MN

Booth Brown House - The Booth Brown House Foyer program offers transitional and supportive housing for older teens and young adults in St. Paul, Minnesota. Booth Brown House also operates a drop-in overnight shelter for homeless young adults and teens.

Harbor Light Center - The Harbor Light Center provides emergency shelter and nutrition, chemical dependency treatment, transitional housing, health care services and spiritual support to its clients.

Booth Manor - Booth Manor represents program services to residents of the Army's 157-unit senior citizen high-rise in Minneapolis.

**The Salvation Army Twin Cities (Minneapolis and Saint Paul) Operating Units - Operating Fund
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2015 and 2014**

Volunteer services - By providing volunteers, volunteer services supports other Army programs.

Social services - The social services program provides individuals and families in crisis with emergency assistance, food shelf, counseling and referrals.

Management and general - Management and general provides general and administrative support to the Army's programs described above.

Fundraising - Fundraising includes costs of special appeals, capital campaign and other fundraising activities. Contributions, net of expenses and supporting services payments, are distributed primarily to programs and activities of the Army (including its programs funded by United Way).

These financial statements do not extend to any other activities and programs administered by the Northern Division, nor the activities of the Minneapolis Adult Rehabilitation Center.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

In order to observe restrictions which donors place on grants and other gifts, as well as designations made by the Board of Trustees/Directors, all assets, liabilities and activities are accounted for in the following net asset classifications:

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

Temporarily restricted net assets - Subject to donor-imposed stipulations that may be fulfilled by actions of the Army to meet the stipulations or become unrestricted at the date specified by the donor.

Cash and Cash Equivalents

For purposes of these statements, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and having original maturities of three months or less.

Property and Equipment

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

Support and Revenue

All items of revenue and public support are stated on the accrual basis.

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Contributions subject to donor-imposed restrictions are recorded as temporarily restricted support and are reclassified as unrestricted when the donor-imposed restriction has been fulfilled or the stipulated time period has elapsed. Contributions with restrictions that are met during the fiscal year are recorded as unrestricted support. Support and revenue are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions that are not fulfilled in the accounting period. All expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets, that is, the expiration of the donor-imposed stipulated purpose or the elapsing of the specified time period, are reported as reclassifications of net assets.

Donations In-kind and Contributed Services

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

Contributed property and equipment are recorded at fair value at the date of donation as unrestricted support and revenue unless the use of such contributed assets is restricted by a donor-imposed restriction.

Contributed services are reported as contributions at their fair value if such services create or enhance non-financial assets, or if they would have been purchased if not provided by contribution, require specialized skills and are provided by individuals possessing such specialized skills. In addition, the appropriate value of donated services of individuals is recorded as an expense when such services qualify for cost reimbursement from third-party providers. During the years ended September 30, 2015 and 2014, there were no contributed services reported as contributions as they did not meet the criteria for recognition.

For the years ended September 30, 2015 and 2014, the Army recognized revenue and expense in the amount of \$6,328,593 and \$5,959,474, respectively, for donations in-kind.

Expenses

All expenses are stated on the accrual basis and are presented in the accompanying statements of activities and changes in net assets and the statements of functional expenses.

Depreciation

Depreciation is provided on vehicles, furniture and equipment (with a purchase price of \$10,000 or more) at straight-line rates based on estimated service lives. A full year of depreciation expense will be recorded in the year of acquisition. No depreciation is charged in the year of disposition. Estimated useful lives range from four to 15 years for equipment, four years for general vehicles and 10 years for multiple-passenger vehicles.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cost-reimbursement grant programs are subject to independent audit under the Office of Management and Budget Circular A-133 and review 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

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experience, management believes that any costs ultimately disallowed would not materially affect the Army's financial position.

NOTE C - ACCOUNTS RECEIVABLE

The collectability of accounts receivable is evaluated based on the length of time the receivables are outstanding and the anticipated future collectible amounts based on historical experience. Accounts receivable are charged to the allowance for doubtful accounts when they are deemed uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

NOTE D - GRANTS RECEIVABLE

The Army receives funding from various federal and state grants. The receivable balance at year-end (included in accounts receivable on the statements of financial position) represents amounts due to the Army from various granting organizations for services performed under the grant contracts. As of September 30, 2015 and 2014, an allowance for doubtful accounts was not considered necessary.

Support from government agencies received for expenditures in future years is recorded as deferred revenue at year-end.

NOTE E - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of September 30:

	<u>2015</u>	<u>2014</u>
Shelter activities	\$250,000	\$ -
Disaster relief	148,135	142,805
After school and youth programs	271,255	77,897
Welfare and support for needy persons	29,927	2,905
Other	<u>5,162</u>	<u>7,510</u>
Total	<u>\$704,479</u>	<u>\$231,117</u>

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September 30, 2015 and 2014

Net assets, released from donor restrictions during the years ended September 30, 2015 and 2014, by incurring expenses satisfying purpose restrictions or by occurrence of other events specified by donor were as follows:

	<u>2015</u>	<u>2014</u>
Shelter activities	\$ 50,000	\$ -
Disaster relief	-	18,183
After school and youth programs	39,402	19,120
Welfare and support for needy persons	100,557	2,102
Other	<u>4,389</u>	<u>-</u>
Total	<u>\$194,348</u>	<u>\$39,405</u>

NOTE F - FUNDRAISING AND ADMINISTRATIVE EXPENSE RATIO

The Army's management and general and fundraising expenses as a percentage of total expenses are as follows for the years ended September 30:

	<u>2015</u>		<u>2014</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Management and general	\$ 835,393	2.5%	\$1,085,833	3.4%
Fundraising	<u>5,377,195</u>	<u>16.2</u>	<u>4,898,534</u>	<u>15.3</u>
Total	<u>\$6,212,588</u>	<u>18.7%</u>	<u>\$5,984,367</u>	<u>18.7%</u>

NOTE G - PENSION PLAN AND RETIREMENT AND POST-RETIREMENT BENEFIT PROVISIONS

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%) of employees' salaries. The Army incurred \$320,193 and \$348,375 of expense under the Plan for the years ended September 30, 2015 and 2014, respectively.

Officers' Retirement Provision

The Army has a retirement provision for officers that provides retirement benefits and certain health care and death benefits to retired officers, as defined by The Salvation Army policy governing such benefits. Central Territory has total responsibility for the administration of retirement benefits. Retirement allowances are

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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 Army and included in expenses for this provision were \$75,999 and \$79,201 for the years ended September 30, 2015 and 2014, respectively.

NOTE H - OPERATING LEASES

The Army is committed under non-cancelable operating leases for building space and equipment. Future minimum lease payments under the non-cancelable leases for the year ending September 30, 2016, are \$15,574.

Rental expense for operating leases for the years ended September 30, 2015 and 2014, was \$128,772 and \$90,303, respectively.

NOTE I - RELATED-PARTY TRANSACTIONS

Cash Deposits

The Army deposits cash in the Divisional Headquarters' cash accounts for various reserve purposes. The total cash held by the related party was \$2,228,068 and \$3,086,436 at September 30, 2015 and 2014, respectively.

Contributed Facilities

The Army occupies, without charge, various properties that are owned by Central Territory. The use of these facilities is recorded as donations in-kind and occupancy expenses at their estimated fair value. Total donations in-kind and occupancy expense was \$1,165,311 and \$1,048,453 for the years ended September 30, 2015 and 2014, respectively.

Support Services

In accordance with The Salvation Army's national policy, 10% of certain public support and revenue is to be shared with the Northern Division. These payments are used as directed by the Divisional Finance Board for research, community programs, management, general and fund-raising expenses, and other supporting services. The total support services for the years ended September 30, 2015 and 2014, was \$2,550,798 and \$2,440,416, respectively.

Employee Benefits

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 Army and included in expenses were \$1,807,624 and \$1,753,421 in fiscal years 2015 and 2014, respectively.

The Salvation Army Twin Cities (Minneapolis and Saint Paul) Operating Units - Operating Fund
NOTES TO FINANCIAL STATEMENTS - CONTINUED
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Other Related-party Transactions

At September 30, 2015 and 2014, the Army had \$332,628 and \$417,756 due from the Northern Divisional Headquarters and other Salvation Army units, respectively. The balance due from the Northern Divisional Headquarters includes stock donations, mail appeal receipts, grants in transit from trust accounts and adjustment of supporting services assessments.

At September 30, 2015 and 2014, the Army had \$1,068,083 and \$613,320 due to the Northern Divisional Headquarters and other Salvation Army units primarily representing supporting services, pension charges, professional fees and reimbursement of operating expenses, respectively.

The Army paid net assets of \$351,313 to and received net assets of \$808,971 from other affiliated operating units for the years ended September 30, 2015 and 2014, respectively. These net assets primarily consist of transfers to/from The Salvation Army's Divisional Headquarters and Central Territory.

NOTE J - CONCENTRATION OF CREDIT RISK

Certain financial instruments subject the Army to credit risk. Those financial instruments consist primarily of cash and accounts receivable. The Army maintains its cash balance in financial institutions and, at times, these balances may exceed federally insured limits. The Army has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

NOTE K - DESIGNATED RESERVES

Unrestricted net assets are periodically designated as reserves by the Divisional Finance Board for specific purposes or locations. Property-related reserves are included in the property and equipment fund and other reserves, such as memorials and other programs, are included in the Board-designated fund.

NOTE L - INCOME TAXES

The Army is a distinct operating unit of, and its activities are included within, the operations of the Central Territory. As an operating unit of the Central Territory, The Army does not have a federal or state income tax filing requirement. The Central Territory is recognized as exempt from federal income taxes under section 501(a) of the IRC as an organization exempt under IRC 501(c)(3). The activity of the Central Territory and its operating units may be subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the IRC.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
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NOTE M - RECLASSIFICATION

Certain expenses have been reclassified in the 2014 statement of activities and changes in net assets to more accurately reflect the nature of the expenditures consistent with the current year presentation. This reclassification had no impact on net assets.

NOTE N - CONTINGENCIES AND COMMITMENTS

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

NOTE O - SUBSEQUENT EVENTS

The Army evaluated its September 30, 2015, financial statements for subsequent events through January 29, 2016, the date the financial statements were available to be issued. The Army is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

The Salvation Army Twin Cities (Minneapolis and Saint Paul) Operating Units - Operating Fund
SCHEDULE OF FUNCTIONAL EXPENSES - CORPS COMMUNITY CENTERS
Year ended September 30, 2015

	Minneapolis Central Corps	Minneapolis Parkview Corps	Minneapolis Temple Corps	Noble Corps	Lakewood Temple Corps	St. Paul Citadel Corps	St. Paul Eastside Corps	Bethel Korean Outpost	Total
Salaries	\$ 298,253	\$ 143,382	\$ 136,892	\$ 130,685	\$ 510,284	\$ 547,210	\$ 246,217	\$ 41,765	\$ 2,054,688
Health and retirement	90,524	32,124	50,460	41,549	103,649	112,786	44,691	22,580	498,363
Payroll taxes	19,161	10,177	8,945	13,249	52,166	50,060	23,477	1,966	179,201
Professional fees	5,841	3,248	2,470	1,086	12,782	21,415	2,865	1,373	51,080
Supplies	31,717	28,821	17,239	31,968	56,287	55,099	62,561	13,873	297,565
Telephone	8,821	7,203	9,108	9,861	9,982	14,507	9,440	3,684	72,606
Occupancy	238,933	145,833	109,191	184,343	217,533	290,297	143,367	30,364	1,359,861
Furniture and equipment	19,174	24,471	32,509	7,020	23,988	52,108	10,205	3,184	172,659
Printing, publications and postage	3,456	2,003	4,227	1,505	3,751	4,806	1,432	479	21,659
Transportation	31,495	30,917	17,373	49,876	40,914	51,158	35,553	19,503	276,789
Conferences and meetings	3,457	15,051	5,454	6,541	4,604	19,524	1,919	7,779	64,329
Assistance to individuals	12,005	8,652	6,186	10,133	59,120	13,016	6,036	3,571	118,719
Organization dues	534	255	285	353	1,731	2,973	235	398	6,764
Awards and grants	298	1,563	-	405	10,113	232	1,000	11,550	25,161
Other expenditures	1,767	6,397	333	1,338	42,775	1,804	597	78	55,089
Contribution - World Services	19,659	13,916	13,318	41,066	33,542	31,801	8,288	3,380	164,970
Appropriations to other funds	-	-	-	-	-	-	20	-	20
Supporting services to Northern Divisional Headquarters	33,730	35,365	29,160	44,359	112,937	80,542	35,457	12,000	383,550
Depreciation	35,877	23,660	24,272	21,422	27,846	23,567	16,072	-	172,716
Total expenses	\$ 854,702	\$ 533,038	\$ 467,422	\$ 596,759	\$ 1,324,004	\$ 1,372,905	\$ 649,432	\$ 177,527	\$ 5,975,789

The Salvation Army Twin Cities (Minneapolis and Saint Paul) Operating Units - Operating Fund
SCHEDULE OF FUNCTIONAL EXPENSES - CORPS COMMUNITY CENTERS
Year ended September 30, 2014

	Minneapolis Central Corps	Minneapolis Parkview Corps	Minneapolis Temple Corps	Noble Corps	Harvest Corps	Lakewood Temple Corps	St. Paul Citadel Corps	St. Paul Eastside Corps	Bethel Korean Outpost	Total
Salaries	\$ 346,444	\$ 118,323	\$ 121,254	\$ 119,968	\$ 63,769	\$ 581,450	\$ 527,891	\$ 259,509	\$ 41,499	\$ 2,180,107
Health and retirement	98,034	33,037	42,534	47,747	21,899	91,698	106,903	46,397	21,900	510,149
Payroll taxes	25,784	8,363	7,834	10,439	9,761	51,059	45,548	20,675	366	179,829
Professional fees	4,747	3,761	1,884	3,881	1,452	11,386	5,216	3,045	448	35,820
Supplies	39,719	32,772	14,570	27,861	9,088	105,795	59,910	75,032	15,482	380,229
Telephone	10,990	8,135	8,500	10,110	4,601	9,948	11,855	8,872	3,416	76,427
Occupancy	248,806	137,599	91,747	194,386	68,640	250,516	291,958	146,692	30,017	1,460,361
Furniture and equipment	19,141	32,497	10,055	8,792	2,098	8,600	13,219	11,725	2,441	108,568
Printing, publications and postage	5,701	2,752	3,197	2,702	2,169	7,525	6,935	2,594	556	34,131
Transportation	45,106	31,044	16,168	34,631	16,736	43,377	60,014	53,283	25,024	325,383
Conferences and meetings	4,103	2,625	4,626	4,652	973	3,934	16,612	861	5,897	44,283
Assistance to individuals	14,058	10,872	5,888	9,399	3,674	47,075	10,829	5,450	165	107,410
Organization dues	749	84	100	2,002	235	1,995	3,653	315	388	9,521
Awards and grants	10,949	565	-	2,829	-	7,573	4,421	275	11,408	38,020
Other expenditures	782	1,258	699	1,721	(166)	10,818	7,310	2,802	910	26,134
Contribution - World Services	26,988	13,873	12,501	36,388	7,080	30,964	35,397	7,440	3,316	173,947
Appropriations to other funds	-	-	-	-	-	6,494	-	-	-	6,494
Supporting services to Northern Divisional Headquarters	37,354	17,629	25,847	38,898	13,719	114,357	75,877	24,817	9,601	358,099
Depreciation	35,877	30,866	31,583	13,064	5,241	27,846	23,566	6,768	15,933	190,744
Total expenses	\$ 975,332	\$ 486,055	\$ 398,987	\$ 569,470	\$ 230,969	\$ 1,412,410	\$ 1,307,114	\$ 676,552	\$ 188,767	\$ 6,245,656