

The Salvation Army Australia Social Fund

Aggregated Financial Report

For the Year Ended 30 June 2022

WILLIAM AND CATHERINE BOOTH – Co-Founders

BRIAN PEDDLE – General

ROBERT DONALDSON – Territorial Commander

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The Salvation Army Australia Social Fund

Contents

For the Year Ended 30 June 2022

	Page
Financial Statements	
Trustees' Report	1 - 3
Aggregated Statement of Profit or Loss and Other Comprehensive Income	4
Aggregated Statement of Financial Position	5
Aggregated Statement of Cash Flows	6
Aggregated Statement of Changes in Equity	7
Notes to the Financial Statements	8 - 35
Trustees' Declaration	36
Auditor's Independence Declaration	37
Independent Audit Report	38 - 40

The Salvation Army Australia Social Fund
TRUSTEES' REPORT

The Trustees of The Salvation Army Australia Social Fund ("Social Fund") submit the following report, together with the financial statements, on the operations of the Social Fund for the financial year ended 30 June 2022 and the independent auditor's report thereon.

Trustees

The Trustees of the Social Fund at any time during or since the end of the financial year are:

Title	Full Name	Position	Date Appointed	Date Ceased
Commissioner	Robert William Donaldson	Territorial Commander	1st July 2019	
Colonel	Mark Douglas Watts	Governance Advisor - IHQ	1st January 2022	
Colonel	Winsome Joy Merrett	Chief Secretary	11th January 2017	
Lieutenant-Colonel	Winsome May Mason	Assistant Chief Secretary	1st July 2020	
Lieutenant-Colonel	Neil Risely Venables	Secretary for Communications and Business Support	7th March 2022	
Captain	Colin Leslie Francis Reynolds	Corps Officer	1st July 2020	
Captain	Stuart Norman McGregor Glover	Secretary for Mission	20th September 2021	
Colonel	Geanette Frances Seymour	Retired Officer & Board Member	1st August 2018	1st January 2022
Colonel	Kelvin Leslie Merrett	Assistant Chief Secretary	1st February 2020	1st March 2022
Lieutenant-Colonel	Lynette Ann Edge	Secretary for Mission	1st August 2018	20th September 2021

Principal Activities and Objectives

During the year, the principal continuing activities of the Social Fund comprised of:

- Aged care
- Employment, education and training services
- Legal representation/services
- Housing and homelessness programs
- Family and domestic violence programs
- Community support services
- Humanitarian services
- Overseas aid
- Chaplaincy programs
- Addiction, alcohol and other drugs programs
- Salvos stores

Legal representation/services were wound down and ceased to operate during the financial year.

The Social Fund provides welfare and social support services across Australia and overseas – in cities, country towns and rural communities. Our work touches every demographic and age group. The Social Fund is involved in national issues while also bringing hope to people who may be experiencing hardship or injustice. We speak about justice, compassion and other issues that support the welfare of others and view them as a whole person – body, mind and spirit.

Review of Operations

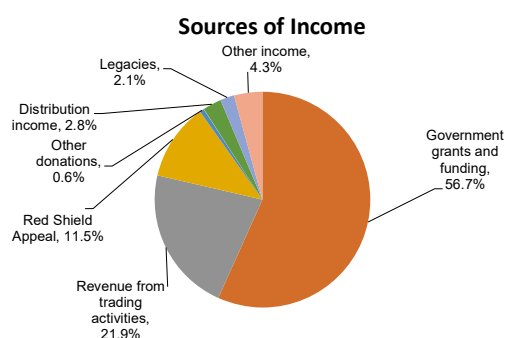
The Social Fund's operating result was a net expenditure after allocations of \$23.5m (2021: \$10.6m net income) whilst total operating expenses were \$1,013m (2021: \$995.1m). In line with The Salvation Army Australia Territory's policies and compliance with donors' restrictions on the use of certain funds, net transfers of \$15.6m from capital funds (2021: \$85.7m to capital funds) were made to various reserves for specific purposes.

	2022	2021
	\$000	\$000
Revenue	974,010	1,069,977
Expenditure	(1,013,031)	(973,692)
Net expenditure before Allocations	(39,021)	96,285
Allocations (to)/from Working Capital Fund	15,568	(85,680)
Net income/(Net expenditure) after Allocations (before Other Comprehensive Income)	(23,453)	10,605
Other items	-	(52)
Total Comprehensive Income/(Expenditure) after Allocations	(23,453)	10,553

The Salvation Army Australia Social Fund
TRUSTEES' REPORT

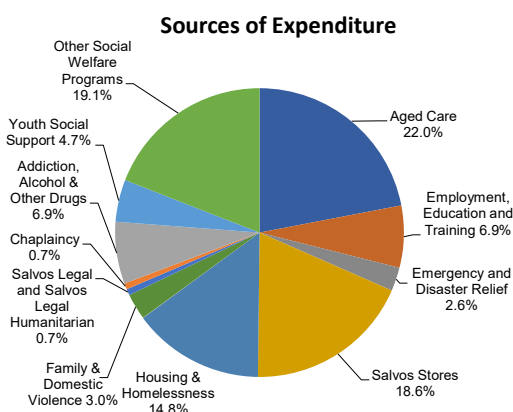
The following is a summary of the main sources of income for the Social Fund.

	2022	2021
	\$000	\$000
Government grants and funding	552,594	566,484
Revenue from trading activities	213,141	217,607
Red Shield Appeal	112,379	97,337
JobKeeper Government grants	-	84,096
Distribution income	27,277	30,996
Other income	41,518	47,834
Legacies	20,776	16,650
Other donations	6,325	8,973
Total Income	974,010	1,069,977



The following is a summary of the areas of expenditure within social program category, in relation to social services provided by the various centres operating within the Social Fund in 2022.

	2022	2021
	\$000	\$000
Aged Care	222,823	214,170
Salvos Stores	188,428	181,111
Other Social Welfare Programs	193,188	185,684
Housing & Homelessness	149,583	143,774
Employment, Education and Training	70,200	67,474
Addiction, Alcohol & Other Drugs	70,123	67,400
Youth Social Support	47,922	46,061
Emergency and Disaster Relief	26,841	25,799
Family & Domestic Violence	29,931	28,769
Chaplaincy	7,055	6,781
Salvos Legal and Salvos Legal Humanitarian	6,937	6,668
Total Expenditure	1,013,031	973,692



The 2022 result included the following:

- The Red Shield Appeal recorded income of \$112.4m (2021: \$97.3m) before fundraising expenses for the year ended 30 June 2022. Recorded within Red Shield Appeal income was \$35.4m donor designated gifts including emergency appeals and disaster relief (2021: \$16.7m). Fundraising expenses incurred were \$22.3m (2021: \$20.6m). No Red Shield Appeal funds are used to cover National Redress Scheme claims.
- Legacy income \$20.8m (2021: \$16.7m) was received during the year. Legacy income received from one year to the next can fluctuate considerably, given the uncertain nature of this type of income. Apart from those bequests that specified particular programs or activities for which the funds have been set aside in reserves until able to be used, additional funding was able to be allocated towards the operational costs of the Social Fund, as well as further funds being set aside for future capital expenditure requirements.
- Salvo's stores performance was impacted by COVID-19 given periods of lockdown contributing to slight reduction in revenue from trading activities of \$3m.

The Salvation Army Australia Social Fund
TRUSTEES' REPORT

Developments

During the year, the ongoing effects of COVID-19 continued to impact The Salvation Army. The organisation continued to operate remotely where possible however our retail stores were again forced to close for periods throughout the year and our ability to hold services and run community events was restricted particularly in the states of Victoria and New South Wales. Demand for services for homelessness, financial difficulty and family violence remained high.

The Salvation Army continues to provide community services, assistance and support to the community and its members.

Events Subsequent to Reporting Date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Trustees of the Social Fund, to affect significantly the operations of the Social Fund, the results of those operations, or the state of affairs of the Social Fund, in future financial years.

Environmental Issues

The Social Fund is subject to environmental regulations under the law of the Commonwealth and of a State. However, the governing body of the Social Fund believes that adequate systems are in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Social Fund.

Insurance of Officers

The Social Fund has, during the financial year, paid an insurance premium in respect of an insurance policy for the benefit of the Trustees and Officers of the Social Fund. The insurance is in the normal course of business and grants indemnity for liabilities permitted to be indemnified by The Salvation Army Australia Territory under Section 199 of the *Corporations Act 2001 (Cth)*. In accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy including the nature of the liability insured against and the amount of the premium.

Rounding of amounts

Amounts in this report have been rounded off to the nearest thousand dollars except where otherwise indicated.

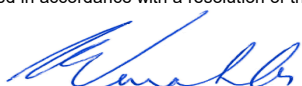
Auditor

KPMG continues as the Social Fund's auditor at the date of this report.

Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 36 and forms part of the Trustees' report for the financial year ended 30 June 2022.

Signed in accordance with a resolution of the Trustees:

_____  _____

Neil Venables

Secretary for Communications and Business Support
TRUSTEE

_____  _____

Winsome Merrett

Chief Secretary
TRUSTEE

Dated at Melbourne this 16th day of November 2022

The Salvation Army Australia Social Fund

Aggregated Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 30 June 2022

	Note	2022 \$000	2021 \$000
Revenue	2	905,215	991,147
Distribution income		27,277	30,996
Other income		41,518	47,834
Total revenue and other income		<u>974,010</u>	<u>1,069,977</u>
Employee expenses		(570,439)	(555,563)
Depreciation expenses	6, 8	(68,359)	(73,675)
Computer expenses		(13,295)	(12,361)
Welfare/Jobseeker expenses		(74,284)	(118,008)
Building/Occupancy expenses		(108,205)	(108,410)
Motor Vehicle expenses		(9,740)	(10,570)
Rollover accommodation bond credits		(546)	(162)
Amenities and supplies		(44,723)	(43,949)
Professional fees expenses		(20,364)	(19,701)
Financing expenses		(5,663)	(6,153)
Fair value (loss)/gain		(32,768)	21,407
Other expenses from ordinary activities		(64,645)	(46,547)
Total operating expenses		<u>(1,013,031)</u>	<u>(973,692)</u>
Operating net (expenditure)/income		(39,021)	96,285
Other comprehensive income			
Other items		-	(52)
Total comprehensive (loss)/income for the year		<u>(39,021)</u>	<u>96,233</u>

The accompanying notes form part of these financial statements.

The Salvation Army Australia Social Fund

Aggregated Statement of Financial Position

As At 30 June 2022

	Note	2022 \$000	2021 \$000
ASSETS			
Current Assets			
Cash and cash equivalents		38,631	37,115
Trade and other receivables	4	14,985	26,693
Prepayments		2,815	3,633
Other financial assets	5	8,044	8,023
Inventories		4,072	5,065
Non-current assets held for sale		3,084	1,438
Total Current Assets		<u>71,631</u>	<u>81,967</u>
Non-Current Assets			
Trade and other receivables	4	30,490	30,380
Other financial assets	5	647,044	684,708
Property, plant and equipment	6	722,951	707,416
Right-of-use assets	8	188,648	202,505
Total Non-Current Assets		<u>1,589,133</u>	<u>1,625,009</u>
TOTAL ASSETS		<u>1,660,764</u>	<u>1,706,976</u>
LIABILITIES			
Current Liabilities			
Lease liabilities	8	39,214	41,009
Trade and other payables	9	79,068	83,574
Employee benefits	10	40,495	39,995
Provisions	11	12,982	13,974
Interest free loans	12	220,865	215,170
Total Current Liabilities		<u>392,624</u>	<u>393,722</u>
Non-Current Liabilities			
Lease liabilities	8	141,344	151,132
Employee benefits	10	7,381	7,816
Provisions	11	23,885	19,754
Interest free loans	12	8,272	8,272
Total Non-Current Liabilities		<u>180,882</u>	<u>186,974</u>
TOTAL LIABILITIES		<u>573,506</u>	<u>580,696</u>
NET ASSETS		<u>1,087,258</u>	<u>1,126,280</u>
CAPITAL FUNDS			
Working Capital fund		1,000	24,453
Property contributions fund		610,540	602,739
Reserves		314,260	338,260
Trusts and special purpose funds		77,295	77,863
Legacies		84,163	82,964
TOTAL CAPITAL FUNDS		<u>1,087,258</u>	<u>1,126,279</u>

The accompanying notes form part of these financial statements.

The Salvation Army Australia Social Fund

Aggregated Statement of Cash Flows

For the Year Ended 30 June 2022

	Note	2022 \$000	2021 \$000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts in the course of operations*		1,039,763	1,146,878
Cash payments in the course of operations		(986,829)	(1,055,887)
Interest paid		(5,663)	(6,153)
Interest received		27,277	30,996
Net cash provided by/(used in) operating activities	13	<u>74,548</u>	<u>115,834</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for investments		(79,049)	(44,547)
Receipts from disposal of investments		83,923	-
Payments for property, plant and equipment		(51,890)	(46,285)
Proceeds from sale of property, plant and equipment		7,960	16,133
Net cash provided by/(used in) investing activities		<u>(39,056)</u>	<u>(74,699)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of lease liabilities		(40,006)	(39,675)
Proceeds from residents' accommodation bonds and other deposits received		61,743	61,298
Repayment of residents' accommodation bonds and other deposits		(55,713)	(55,220)
Net cash provided by/(used in) financing activities		<u>(33,976)</u>	<u>(33,597)</u>
Net increase/(decrease) in cash and cash equivalents held		1,516	7,538
Cash and cash equivalents at beginning of year		<u>37,115</u>	<u>29,577</u>
Cash and cash equivalents at end of financial year		<u><u>38,631</u></u>	<u><u>37,115</u></u>

*Cash receipts in the course of operations includes \$101,876k for 2021 financial year in relation to the Federal Government JobKeeper Program. No amounts were received in 2022 as the Federal Government ceased these payments.

The Salvation Army Australia Social Fund

Aggregated Statement of Changes in Equity
For the Year Ended 30 June 2022

2021

	Working Capital Fund	Property Contribution Fund	Reserves	Trusts and Special Purpose Funds	Legacies	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 1 July 2020	13,848	597,575	248,422	98,431	71,770	1,030,046
Operating net income	96,285	-	-	-	-	96,285
Other comprehensive income	-	-	(52)	-	-	(52)
	110,133	597,575	248,370	98,431	71,770	1,126,279
Net transfers and allocations within other capital funds	(85,680)	5,164	89,890	(20,568)	11,194	-
Balance at 30 June 2021	24,453	602,739	338,260	77,863	82,964	1,126,279

2022

	Working Capital Fund	Property Contribution Fund	Reserves	Trusts and Special Purpose Funds	Legacies	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 1 July 2021	24,453	602,739	338,260	77,863	82,964	1,126,279
Operating net expenditure	(39,021)	-	-	-	-	(39,021)
Other comprehensive income	-	-	-	-	-	-
	(14,568)	602,739	338,260	77,863	82,964	1,087,258
Net transfers and allocations within other capital funds	15,568	7,801	(24,000)	(568)	1,199	-
Balance at 30 June 2022	1,000	610,540	314,260	77,295	84,163	1,087,258

The accompanying notes form part of these financial statements.

The Salvation Army Australia Social Fund

Notes to the Financial Statements For the Year Ended 30 June 2022

1 Summary of Significant Accounting Policies

The Salvation Army is a not-for-profit organisation and has been operating in Australia since 1880. The Salvation Army Australia is domiciled in Australia and the address of the organisation's registered office is:

The Salvation Army Australia
95-99 Railway Rd,
Blackburn VIC 3130

The Salvation Army Australia Social Fund ('Social Fund') includes the following operations:

The Salvation Army (Victoria) Property Trust (ABN 64 472 238 844) established pursuant to *The Salvation Army (Victoria) Property Trust Act 1930*;
The Salvation Army (Tasmania) Property Trust (ABN 94 917 169 560) established pursuant to *the Salvation Army (Tasmania) Property Trust Act 1930*;
The Salvation Army (South Australia) Property Trust (ABN 13 320 346 330) established pursuant to *The Salvation Army (South Australia) Property Trust Act 1931*;
The Salvation Army (Western Australia) Property Trust (ABN 25 878 329 270) established pursuant to *The Salvation Army (Western Australia) Property Trust Act 1931*;
The Salvation Army (Northern Territory) Property Trust (ABN 65 906 613 779) established pursuant to *the Salvation Army (Northern Territory) Property Trust Act 1976*;
The Salvation Army (New South Wales) Property Trust (ABN 57 507 607 457) established pursuant to *The Salvation Army (New South Wales) Property Trust Act 1929*;
The Salvation Army (Queensland) Property Trust (ABN 32 234 126 186) established pursuant to *the Salvation Army (Queensland) Property Trust Act 1930*;
The Salvation Army (Victoria) Property Trust atf The Salvation Army (VIC) Social Work (ABN 18 730 899 453);
The Salvation Army (Tasmania) Property Trust atf The Salvation Army (TAS) Social Work (ABN 23 860 168 024);
The Salvation Army (South Australia) Property Trust atf The Salvation Army (SA) Social Work (ABN 45 781 882 681);
The Salvation Army (Western Australia) Property Trust atf The Salvation Army (WA) Social Work (ABN 92 646 174 644);
The Salvation Army (Northern Territory) Property Trust atf The Salvation Army (NT) Social Work (ABN 34 413 960 392);
The Salvation Army (New South Wales) Property Trust atf The Salvation Army (NSW) Social Work (ABN 46 891 896 885);
The Salvation Army (Queensland) Property Trust atf The Salvation Army (QLD) Social Work (ABN 22 035 976 360);
The Salvation Army (Australia) Redress Limited (ABN 94 628 594 294);
Salvos Legal Limited (ABN 14 147 213 214);
Salvos Legal (Humanitarian) Limited (ABN 36 147 212 940);
The Salvation Army (Australia) Self Denial Fund (For Overseas Aid) (ABN 52 609 689 893);
The Salvation Army Aust Self Denial Fund (For Overseas Aid) (ABN 15 562 601 404);
The Salvation Army Community Housing Service (ABN 47 152 257 728);
Salvation Army Housing (ABN 59 608 346 934); and
Salvation Army Housing (Victoria) (ABN 85 133 724 651).

In the opinion of the Trustees, having regard to the not-for-profit nature of The Salvation Army, the terms profit and loss have been substituted with the terms 'net income/(expenditure)' as these terms are considered more appropriate given the nature of the Social Fund, as an entity.

The financial report was authorised for issue by the governing body of the Social Fund on 16th November 2022.

(a) Statement of compliance

These special purpose aggregated financial statements are prepared for the Australian Charities and Not-for-profit Commission and comply with all of the recognition and measurement principles of Australian Accounting Standards except that the aggregated operations that comprise the Social Fund do not constitute a group for the purpose of AASB 10 Consolidated Financial Statements. The financial statement disclosures comply with the requirements of 'GPFS-Tier 2 SD' in accordance with 'AASB 1060 General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities' adopted by the Australian Accounting Standards Board (AASB), *the Australian Charities and Not-for-profit Commission Act (ACNC) 2012* (Cth) and the Australian Charities and Not-for-profit Commission Regulations 2013 (Cth).

(b) Basis of preparation

The financial report is presented in Australian dollars which is the functional currency of all operations. The financial statements have been prepared on the historical cost basis except for financial instruments and loans receivable which are measured at fair value.

The Salvation Army Australia Social Fund

Notes to the Financial Statements

For the Year Ended 30 June 2022

1 Summary of Significant Accounting Policies (continued)

(b) Basis of preparation (continued)

All amounts in the financial report have been rounded to the nearest thousand dollars except where otherwise indicated.

In preparing these aggregated financial statements, management has made judgements, estimates and assumptions that affect the application of the Social Fund's accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Going concern

Notwithstanding a 'current asset versus current liabilities' deficiency of \$320,993k, the financial statements have been prepared on a going concern basis. The deficiency is primarily caused by the requirement under Australian Accounting Standards to classify all accommodation bonds (\$220,865k) as current liabilities, as there is no unconditional right to defer payment for 12 months if residents were to depart an aged care centre. Based on past experience, the Social Fund believes that not all accommodation bonds will need to be refunded within the next 12 months. The Social Fund has a large investment portfolio which is classified as non-current however is highly liquid and can be called upon if required.

Despite the continued uncertainty presented by COVID-19, the Social Fund expects to be able to continue satisfactory operations. Accordingly the financial statements have been prepared on a going concern basis.

Basis of aggregation

(i) Aggregation of operations and activities

The aggregated financial statements incorporates the assets and liabilities and the results of social programs, Salvo Stores, Salvation Army Housing, Salvos Legal, Salvos Legal Humanitarian, Salvos Funerals and The Salvation Army Employment Plus Program.

(ii) Loss of control

When the Social Fund loses control of an entity, it derecognises the assets and liabilities and any related Non-Controlling Interest (NCI) and other components of equity. Any resulting gain or loss is recognised in the Aggregated Statement of Profit or Loss and Other Comprehensive Income. Any interest retained is measured at fair value when control is lost.

(iii) Transactions eliminated on aggregation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the aggregated financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2022

1 Summary of Significant Accounting Policies (continued)

(c) Property, plant and equipment

(i) Property, plant and equipment at cost

Items of property, plant and equipment are stated at cost, or if donated, at fair value of the asset on the date received less accumulated depreciation. Capital gifts are shown as revenue.

Property that is being constructed for future use is classified as 'Buildings under construction' and stated at cost until construction is complete, at which time it is reclassified as 'freehold buildings' or 'leasehold property'.

Upon disposal of freehold properties, the income or expenditure on disposal is recorded as income or expenses.

(ii) Depreciation

With the exception of freehold land, depreciation is charged to the Aggregated Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. Depreciation commences from the date of acquisition or, in respect of constructed assets, from the time an asset is completed and ready for use.

The estimated useful lives in the current and comparative periods are as follows:

· Buildings	50 years
· Plant and Equipment (excluding motor vehicles)	3 years
· Motor Vehicles/Trucks/Airplanes/Helicopters	4 to 20 years
· Leasehold Improvements	Term of the lease

The residual value, the useful life and the depreciation method applied to an asset are reassessed annually.

(iii) Land and buildings held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to dispose. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets or employee benefit assets which continue to be measured in accordance with the Social Fund's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for distribution and subsequent gains and losses on remeasurement are recognised in net income or expenditure.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

The Salvation Army Australia Social Fund

Notes to the Financial Statements For the Year Ended 30 June 2022

1 Summary of Significant Accounting Policies (continued)

(c) Property, plant and equipment (continued)

(iv) Asset sales

The gain or loss on disposal of all property, plant and equipment is determined as the difference between the carrying value of the asset at time of disposal and the net proceeds on disposal.

(d) Financial instruments

(i) Financial assets

Financial instruments are recognised initially on the date that the Social Fund becomes party to the contractual provisions of the instrument. All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

On initial recognition, the Social Fund classifies its financial assets into the following categories, those measured at:

- amortised cost
- fair value through profit or loss - FVTPL

Financial assets are not reclassified subsequent to their initial recognition unless the Social Fund changes its business model for managing financial assets.

Amortised cost

The Social Fund's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the Aggregated Statement of Financial Position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

Financial assets at fair value through profit or loss (FVTPL)

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL.

Net gains or losses, including any interest or dividend income are recognised in profit or loss.

The Social Fund's financial assets measured at FVTPL comprise of managed funds and loan receivables in the Aggregated Statement of Financial Position.

The Salvation Army Australia Social Fund

Notes to the Financial Statements

For the Year Ended 30 June 2022

1 Summary of Significant Accounting Policies (continued)

(d) Financial instruments (continued)

(i) Financial assets (continued)

Impairment of financial assets

Impairment of financial assets, held at amortised cost, has been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Social Fund has determined the probability of non-payment of these financial assets and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in financing expenses. Once these financial assets are determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

(ii) Financial liabilities

The Social Fund measures all financial liabilities initially at fair value less transaction costs, and subsequently, financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Social Fund comprise trade payables, interest free loans and lease liabilities.

(e) Measurement of fair values

A number of the Social Fund's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Social Fund has an established control framework with respect to the measurement and disclosure of fair values. This includes management that has overall responsibilities for all significant fair value measurements, including Level 3 fair values, and reports directly to the Trustees.

The carrying amounts and fair value of the Social Fund financial assets, measured or disclosed at fair value are determined using a 3-level hierarchy, being:

- Level 1: Quoted prices (unadjusted) in active markets for identical markets that the entity can access at the measurement date
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the assets either directly or indirectly
- Level 3: Unobservable inputs for the assets

The unlisted units in managed investment funds are level 2 financial assets and their carrying value approximates their fair market value.

Loan receivables include refundable loans from 99 year leases that The Salvation Army purchased from independent living units to accommodate residents from one of its Independent Living Units to make way for an aged care development. The loan receivables are recognised at fair value net of a management fee payable over a maximum of 10 years and incorporate any fair value adjustment in relation to a terminal value. The terminal value results in The Salvation Army sharing in any capital gain or loss.

Notes to the Financial Statements

For the Year Ended 30 June 2022

1 Summary of Significant Accounting Policies (continued)

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at bank and cash in transit balances with an original maturity of 3 months or less from the acquisition date that are subject to an insignificant risk of change in their fair value.

(g) Accommodation Bonds and Resident Loans

(i) Rollovers

Prior to 1 August 2002, the practice of the Social Fund was to 'rollover' an independent living unit (ILU) resident's ingoing refundable accommodation deposit when that resident moved from an ILU into low care/hostel accommodation on the same site. As part of the sale of various aged care centres on 1 July 2005, the Social Fund retained responsibility, under certain conditions, to fund part/all of any future accommodation bonds charged to ILU residents who had resided at such centres prior to 1 August 2002, when they moved into low care/hostel accommodation on the same site. The majority of any funds released under this 'rollover' policy will be repaid to the Social Fund when the residents vacate the aged care centre.

An assessment was made at balance date by the Social Fund as to the present value of estimated future payments under this rollover policy, and estimated receivables representing funds to be returned to the Social Fund, when the residents vacate the aged care centre, with any adjustment recorded through the Aggregated Statement of Profit or Loss and Other Comprehensive Income.

Various assumptions have been included in the calculation of the present value of these estimated receivable and payable balances, including 10-year government bond rate of 3.69%pa (2021: 1.49%pa) decrease rate assumption of 20%pa (2021: 20%pa), refundable accommodation deposit percentage increase rate of 3%pa (2021: 3%pa) refundable accommodation deposit levels and the estimated inflows and outflows for residents eligible for assistance.

(ii) Refundable/Amortisable Accommodation Bonds

Many residents of aged care centres pay a refundable and amortisable accommodation bond to the Social Fund. The refundable portion is in the form of an interest free loan repayable in full.

(iii) ILUs and Resident Loans

Resident loans are non-interest bearing liabilities to residents of independent living units (ILUs). The loans represent the initial payments made by residents to The Salvation Army to gain entry to an independent living unit net of the accrued deferred management fee. The loans are payable to a resident on the termination of the resident's occupation rights to the independent living unit.

Notwithstanding the expected term of an occupancy is several years, the resident has the option to cancel the residency agreement at any time. As this option constitutes a demand feature, the liability is not discounted. Liabilities to ILU residents are stated net of deferred management fees recoverable.

Additionally, Warringah Place is one of The Salvation Army's resident funded ILUs. Residents of Warringah Place are Registered Interest Holders under the *Retirement Villages Act 1999 (NSW)*. The ILUs are issued under long term leases and residents share in capital gains and losses.

The lease refurbishment contribution is calculated as either 2.5% of the original lease premium for each year of the lease to a maximum of 10 years or 10% of the original lease premium for each year of the lease to a maximum of 30%, and accounted for as refurbishment contribution receivable.

The Salvation Army Australia Social Fund

Notes to the Financial Statements

For the Year Ended 30 June 2022

1 Summary of Significant Accounting Policies (continued)

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. No value is assigned to donated goods where the value of the item is of nominal or low value.

Inventory is assessed on a regular basis, and slow moving or damaged items are provided for within a provision for stock obsolescence.

(i) Impairment of non-financial assets

The carrying amounts of the Social Fund's assets, other than inventories and financial instruments, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists the assets recoverable amount is estimated and is compared to the assets carrying value. An impairment loss is recognised if the carrying value of the asset exceeds the recoverable amount.

(j) Employee benefits

(i) Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the Aggregated Statement of Profit or Loss and Other Comprehensive Income as incurred.

(ii) Wages, salaries, annual leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Social Fund expects to pay as at reporting date including related on-costs.

(iii) Long-term service benefits

The Social Fund's net obligation in respect of long-term service benefits, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to high quality corporate bonds at the reporting date which have maturity dates approximating the term of the Social Fund's obligations. Remeasurements are recognised as income or expenditure in the Aggregated Statement of Profit and Loss and Other Comprehensive Income as incurred.

(k) Provisions

A provision is recognised in the Aggregated Statement of Financial Position when the Social Fund has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(l) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

The Salvation Army Australia Social Fund

Notes to the Financial Statements

For the Year Ended 30 June 2022

1 Summary of Significant Accounting Policies (continued)

(l) Goods and services tax (GST) (continued)

Receivables and payable are stated inclusive of GST.

Cash flows in the Aggregated Statement of Cash Flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(m) Revenue and other income

(i) Other donations

Donations are recognised as revenue in the Social Fund to allow it to further its objectives where the Social Fund receives cash in exchange for no consideration. Where donations contain specific performance obligations, the revenue is recognised over time as work is performed. Where a donation does not have a specific condition, it is recognised as income when received.

(ii) Legacies

Legacies are recognised when the Social Fund receives the legacy. Revenue from legacies comprising bequests of shares or other property are recognised at fair value, being the market value of the shares or property, at a point in time, when the Social Fund becomes legally entitled to the shares or property.

(iii) Red Shield Appeal

The Salvation Army Red Shield Appeal is an annual appeal. The amounts received and corresponding fundraising expenses are reflected in the financial report in the same year as the appeal. Red Shield Appeal monies are recognised as revenue where the Social Fund acquires or receives an asset (including cash) in exchange for no consideration, in order to further its objectives. In circumstances where there are sufficiently enforceable rights and/or sufficiently specific performance obligations, revenue is deferred initially as a liability and is then recognised as obligations or conditions are fulfilled.

(iv) Government grants

The Social Fund's social program activity is supported by grants received from the federal, state and local governments. Grants can be received on the condition of specified services being delivered, or conditions being fulfilled. Such grants are initially recognised as a liability called prepaid government funding and revenue is recognised as services are performed or conditions fulfilled. Revenue from grants, where there is a lack of enforceable rights and obligations and/or sufficiently specific performance obligations, is recognised when the organisation obtains control of the funds.

(v) Resident contributions and patient fees

Resident fee income is recognised over time as the service is delivered to the resident. Accrued resident income represents an estimate of fees due from residents not billed at balance date.

(vi) Government funding - fee for service

Revenue from employment administration services is recognised on a percentage completion basis overtime. Revenue from employment outcomes is recognised at a point in time when the unconditional right to receive the outcome fee is earned.

The Salvation Army Australia Social Fund

Notes to the Financial Statements

For the Year Ended 30 June 2022

1 Summary of Significant Accounting Policies (continued)

(m) Revenue and other income (continued)

(vii) Revenue from trading activities

Revenue from the sale of goods comprises revenue earned (net of returns, discounts and allowances) from the sale of goods for resale and gifts donated for resale. Sales revenue is recognised when the control of goods passes to the customer.

(viii) Distribution income and Fair value adjustment - investments

Distribution income comprises interest and dividends. Fair value adjustment - investments comprises the net gain on financial assets at FVTPL. The 'effective interest rate' is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset.

Interest income is recognised using the effective interest method. Dividend income is recognised in income or expenditure on the date on which the Social Fund's right to receive payment is established.

(ix) Contributions in Kind

No amounts are included in the aggregated financial statements for services donated by volunteers, or donated goods that have a low or nominal value.

(n) Expenses

Borrowing costs are expensed as incurred, and lease interest expense associated with lease liabilities, is included in financing expenses.

(o) Accounting estimate and judgments

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

(i) Key sources of estimation uncertainty

Note 11 contains information about the provision for National Redress, and Note 1(g)(i) contains information about rollover receivable and payable balances.

(p) Leases

(i) Determining whether an arrangement contains a lease

At inception of a contract, the Social Fund assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Social Fund uses the definition of a lease in AASB 16 Leases along with the application guidance provided in the Standard.

Notes to the Financial Statements

For the Year Ended 30 June 2022

1 Summary of Significant Accounting Policies (continued)

(p) Leases (continued)

(ii) Recognition

Lease terms

Property leases that are not peppercorn arrangements typically have a maximum term of up to 10 years from commencement, including the first renewal option. Property leases normally include provisions for annual increases in rental payments to reflect changes in fixed percentage increases and/or changes in the consumer price index (CPI).

Motor vehicle leases are typically for a maximum period of 5 years, and are expected to run their full terms.

(iii) Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease, which is the date on which the lessor makes the leased asset available to the Social Fund. The right-of-use asset is measured at cost, which comprises the initial present value amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Where the Social Fund does not expect to obtain ownership of the leased asset at the end of the lease term, right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is shorter. Where the Social Fund expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is recognised over its estimated useful life. Right-of-use assets are subject to impairment. In addition, the right-of-use asset is periodically adjusted for any reassessments and modifications of the lease liability.

(iv) Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments that are not paid at the commencement date and are to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Social Fund's incremental borrowing rate. Lease payments comprise fixed payments (including any in-substance fixed payments), plus any variable lease payments that depend on an index or rate (initially measured using the index or rate as at the commencement date), less any lease incentives received, plus any amounts expected to be paid under residual value guarantees, plus the exercise price of a purchase option when the exercise of the option is reasonably certain to occur, plus any anticipated termination penalties.

The Social Fund has determined its incremental borrowing rates based on rates it would otherwise currently pay in respect to debt facilities for similar assets, adjusted to reflect the terms of the particular lease and the nature of the underlying leased asset.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in one or more of the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, and/or to income or expenditure if the carrying amount of the right-of-use asset is fully written down.

Notes to the Financial Statements

For the Year Ended 30 June 2022

1 Summary of Significant Accounting Policies (continued)

(p) Leases (continued)

(iv) Lease liabilities (continued)

Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

Extension and termination options are a feature of most of the property leases agreements that the Social Fund is a lessee party to. All extension and termination options held are exercisable only by the Social Fund and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension and termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. Decisions around lease term and the likelihood of extending a lease (where an extension option is available) are based on the class of asset, nature of the lease and the number of years remaining on the initial lease term. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the Social Fund as lessee.

When the Social Fund renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- in all other cases where the renegotiations increase the scope of the lease, the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount; and
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference immediately recognised in income or expenditure. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

(v) Lease exemptions and elections

AASB 16 provides the option to elect, on an asset class-by-asset class basis, not to separate payments in respect to non-lease components (such as outgoings) from lease component payments, and measure the associated right-of-use asset and lease liability based on all of the payments under the agreement. The Social Fund has not applied this practical expedient and therefore has excluded any material non-lease component payments from the measurement of its right-of-use assets and lease liabilities.

The Social Fund has elected to apply incremental borrowing rates by class of asset. Classes include property and vehicles.

Notes to the Financial Statements

For the Year Ended 30 June 2022

1 Summary of Significant Accounting Policies (continued)

(p) Leases (continued)

(v) Lease exemptions and elections (continued)

Peppercorn leases principally enable the Social Fund to further its objectives where a 'peppercorn' amount is paid as consideration to a lessor. The AASB issued AASB 2018-8 Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities, which allows not-for-profit entities to elect to measure 'peppercorn' or concessionary leases at cost, rather than fair value. Peppercorn leases are incorporated within the 'Property' class of right-of-use lease assets.

The Australian Accounting Standards Board issued AASB 2020-4 Amendments to Australian Accounting Standards - COVID-19-Related Rent Concessions (Amendment to AASB 16) in June 2020. This amendment introduced an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. In April 2021, AASB 2021-3 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions beyond 30 June 2021 was issued to extend the practical expedient to rent concessions that reduce only lease payments originally due on or before 30 June 2022. The Social Fund has elected to apply the practical expedient to all of the COVID-19 related rent concessions it has obtained as lessee. For rent concessions in leases that do not qualify for the practical expedient, the Social Fund assesses whether there is a lease modification.

(q) New Accounting Standards and Interpretations

New standards adopted during the year

A number of new standards, amendments to standards and interpretations are effective from 1 July 2021 but they do not have a material effect on the Social Fund.

New standards not yet adopted

A number of new standards are effective for annual periods beginning on or after 1 July 2022 and earlier application is permitted, however, the Social Fund has not early adopted the new or amended standards in preparing these aggregated financial statements.

None of these are expected to have a significant effect on the financial statements of the Social Fund.

(r) Income Tax

The Social Fund is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997*.

The Salvation Army Australia Social Fund

Notes to the Financial Statements

For the Year Ended 30 June 2022

2 Revenue

	2022	2021
	\$000	\$000
Government grants	381,875	401,669
Government funding - fee for service	90,373	85,565
Resident contributions and patient fees	80,346	79,250
Revenue from trading activities	213,141	217,607
Red Shield Appeal donations	112,379	97,337
JobKeeper Government grants	-	84,096
Legacies income	20,776	16,650
Other donations	6,325	8,973
Total Revenue	905,215	991,147

3 Auditors' Remuneration

	2022	2021
	\$	\$
Audit services - KPMG Australia	831,166	923,986
Other services - KPMG Australia	80,271	83,234
Total Auditors' Remuneration	911,437	1,007,220

4 Trade and other receivables

	2022	2021
	\$000	\$000
Current		
Accommodation Bond Rollovers	1,208	1,499
Sundry debtors	13,777	25,194
Total Current Trade and other receivables	14,985	26,693
Non-Current		
Accommodation Bond Rollovers	6,918	10,667
Loan Receivable - Independent Living Units	7,044	3,693
Independent Living Unit - Lease Refurbishment Contribution	10,757	10,133
Sundry debtors	5,771	5,887
Total Non-Current Trade and other receivables	30,490	30,380

The Salvation Army Australia Social Fund

Notes to the Financial Statements

For the Year Ended 30 June 2022

5 Other financial assets

	2022 \$000	2021 \$000
Current		
Short term deposits	8,044	8,023
Non-Current		
Unlisted units in managed investment funds	647,044	684,708

Unlisted units in managed investment funds are those where the Social Fund invests its surplus cash with General Fund who in turn invest those funds with third parties. Accordingly, the nature of the Social Fund's investments in this regard is unlisted units in a managed investment fund operated by the General Fund.

The General Fund typically on-invests the Social Fund's capital principally in third party managed investments associated with Australian equity market indices and Australian property as well as a small portion of the overarching portfolio in Australian equities 7.6% (2021: 6%) and fixed interest securities 3.1% (2021: 2.6%).

The returns earned by the Social Fund are influenced by the investment returns of the General Fund and passed back to the Social Fund on a pro-rata basis, based on the Social Fund's contribution to each investment made by the General Fund.

6 Property, plant and equipment

	2022 \$000	2021 \$000
Freehold Land and Buildings		
Freehold land at cost	106,456	113,692
Buildings at cost	766,706	724,738
Accumulated depreciation	(232,151)	(220,934)
	<u>641,011</u>	<u>617,496</u>
Leasehold Improvements		
At cost	27,613	30,756
Accumulated depreciation	(25,932)	(29,449)
	<u>1,681</u>	<u>1,307</u>
Buildings under construction - at cost	<u>38,985</u>	<u>52,812</u>
Motor vehicles		
At cost	10,994	11,273
Accumulated depreciation	(9,680)	(9,262)
	<u>1,314</u>	<u>2,011</u>

The Salvation Army Australia Social Fund

Notes to the Financial Statements

For the Year Ended 30 June 2022

6 Property, plant and equipment (continued)

Plant and equipment

At cost	108,977	93,541
Accumulated depreciation	(69,017)	(59,751)
	39,960	33,790
Total property, plant and equipment	722,951	707,416

Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Freehold Land and Buildings \$000	Buildings under construction - at cost \$000	Plant and Equipment \$000	Motor Vehicles \$000	Leasehold Improvements \$000	Total \$000
Year ended 30 June 2021						
Balance at the beginning of year	622,372	41,334	28,425	4,342	1,851	698,324
Additions/Transfers in	19,460	32,551	11,768	3,131	448	67,358
Transfers out	(1,438)	(21,073)	-	-	-	(22,511)
Disposals	(8,807)	-	(38)	(4,264)	(25)	(13,134)
Depreciation	(14,091)	-	(6,365)	(1,198)	(967)	(22,621)
	617,496	52,812	33,790	2,011	1,307	707,416

	Freehold Land and Buildings \$000	Buildings under construction - at cost \$000	Plant and Equipment \$000	Motor Vehicles \$000	Leasehold Improvements \$000	Total \$000
Year ended 30 June 2022						
Balance at the beginning of year	617,496	52,812	33,790	2,011	1,307	707,416
Additions/Transfers in	46,319	36,185	16,664	909	1,216	101,293
Transfers out	(3,698)	(50,012)	-	-	-	(53,710)
Disposals	(3,913)	-	(706)	(669)	(11)	(5,299)
Depreciation	(15,193)	-	(9,788)	(937)	(831)	(26,749)
	641,011	38,985	39,960	1,314	1,681	722,951

7 Commitments

The Social Fund is constantly engaged in planned and ongoing construction projects requiring the commitment of significant funds.

	2022	2021
	\$000	\$000
Cost to complete Buildings under construction	60,705	35,976

The Salvation Army Australia Social Fund

Notes to the Financial Statements

For the Year Ended 30 June 2022

8 Leases

Right-of-use assets

	Property \$000	Motor Vehicles \$000	Total \$000
Cost			
At 1 July 2020	208,623	8,075	216,698
Additions	11,127	6,466	17,593
Reassessments and modifications	55,362	(3,740)	51,622
Disposals	(2,863)	(1,428)	(4,291)
At 30 June 2021	<u>272,249</u>	<u>9,373</u>	<u>281,622</u>
Additions	3,618	1,629	5,247
Reassessments and modifications	25,065	311	25,376
Disposals	(13,312)	(1,453)	(14,765)
At 30 June 2022	<u><u>287,620</u></u>	<u><u>9,860</u></u>	<u><u>297,480</u></u>
Accumulated depreciation			
At 1 July 2020	33,221	3,169	36,390
Depreciation	49,187	1,867	51,054
Reassessments and modifications	(4,423)	(4)	(4,427)
Disposals	(2,775)	(1,125)	(3,900)
At 30 June 2021	<u>75,210</u>	<u>3,907</u>	<u>79,117</u>
Depreciation	38,741	2,869	41,610
Reassessments and modifications	(538)	(14)	(552)
Disposals	(9,933)	(1,410)	(11,343)
At 30 June 2022	<u><u>103,480</u></u>	<u><u>5,352</u></u>	<u><u>108,832</u></u>
Net carrying amount			
At 30 June 2021	<u>197,039</u>	<u>5,466</u>	<u>202,505</u>
At 30 June 2022	<u><u>184,140</u></u>	<u><u>4,508</u></u>	<u><u>188,648</u></u>

The Salvation Army Australia Social Fund

Notes to the Financial Statements

For the Year Ended 30 June 2022

8 Leases (continued)

Lease liabilities

	Property \$000	Motor Vehicles \$000	Total \$000
At 1 July 2020	159,591	4,917	164,508
Additions	11,127	6,466	17,593
Interest expense	5,614	102	5,716
Lease liability payments	(42,053)	(3,338)	(45,391)
Reassessments and modifications	51,408	(1,283)	50,125
Disposals	(92)	(318)	(410)
At 30 June 2021	<u>185,595</u>	<u>6,546</u>	<u>192,141</u>
Included in the financial statements as:			
Current liabilities	38,071	2,938	41,009
Non-current liabilities	147,524	3,608	151,132
At 30 June 2021	185,595	6,546	192,141
Additions	3,618	1,629	5,247
Interest expense	4,770	261	5,031
Lease liability payments	(41,516)	(3,521)	(45,037)
Reassessments and modifications	26,292	318	26,610
Disposals	(3,391)	(43)	(3,434)
At 30 June 2022	<u>175,368</u>	<u>5,190</u>	<u>180,558</u>
Included in the financial statements as:			
Current liabilities	36,724	2,490	39,214
Non-current liabilities	138,644	2,700	141,344
	<u>175,368</u>	<u>5,190</u>	<u>180,558</u>

The Salvation Army Australia Social Fund

Notes to the Financial Statements

For the Year Ended 30 June 2022

8 Leases (continued)

Amounts recognised in Cash Flows from Financing Activities in Aggregated Statement of Cash Flows:

	Property \$000	Motor Vehicles \$000	Computer Software \$000
30 June 2021			
Lease liability payment	(36,439)	(3,236)	-
30 June 2022			
Lease liability payment	(36,745)	(3,259)	-

Amounts recognised in Cash Flows from Operating Activities in Aggregated Statement of Cash Flows:

	Property \$000	Motor Vehicles \$000	Computer Software \$000
30 June 2021			
Interest payment	(5,614)	(102)	-
30 June 2022			
Interest payment	(4,770)	(261)	-

Refer to Note 16 for further information on financial risk management, and maturity analysis covering contractual maturities representing undiscounted contractual cash flows of all lease liabilities recognised.

Leases with significantly below-market terms and conditions ('Peppercorn')

The Social Fund has the right to use a number of properties for no or nominal rental payments in order to further the entity's not-for-profit objectives. The lease terms for these properties range from 1 - 92 years. The Social Fund is permitted to continue to use the properties provided that The Salvation Army's status as a not-for-profit entity does not change and that it continues to operate for the benefit of the community.

The Social Fund elected to measure the right of use asset arising from these leases at cost, which is based on the associated lease liability. The carrying amounts attributable to Peppercorn leases were as follows:

	2022 \$	2021 \$
Right of use assets	2,020	87,461
Accumulated depreciation	(505)	(72,121)
Total lease liability	1,548	15,399

The Salvation Army Australia Social Fund

Notes to the Financial Statements

For the Year Ended 30 June 2022

9 Trade and other payables

	2022	2021
	\$000	\$000
Current		
Sundry creditors and accruals	42,789	53,333
Prepaid government funding for social programs	36,279	30,241
Total Current Trade and other payables	<u>79,068</u>	<u>83,574</u>

10 Employee Benefits

	2022	2021
	\$000	\$000
Current		
Annual leave	27,570	27,061
Long service leave	12,925	12,934
	<u>40,495</u>	<u>39,995</u>
Non-Current		
Long service leave	<u>7,381</u>	7,816

The Social Fund contributed \$44,466,085 (2021: \$42,762,755) on behalf of employees to the superannuation plans of their choice, in accordance with superannuation guarantee legislation.

11 Provisions

	2022	2021
	\$000	\$000
Current		
Accommodation bond rollovers	689	1,044
National Redress	12,293	12,930
Total Current Provisions	<u>12,982</u>	<u>13,974</u>
Non-Current		
Accommodation bond rollovers	3,241	5,480
National Redress	19,477	13,081
Make good of leased premises	1,167	1,193
Total Non-Current Provisions	<u>23,885</u>	<u>19,754</u>

The Salvation Army Australia has publicly expressed it is deeply regretful of any incident of historical abuse perpetrated.

The *National Redress Scheme for Institutional Child Sexual Abuse Act 2018 (Cth)* (National Redress Scheme) was assented to on 21 June 2018, and is in direct response to the Royal Commission into Institutional Responses to Child Sexual Abuse. On 9 October 2018, the Minister for Families and Social Services accepted the Social Fund's application to join the National Redress Scheme.

The Salvation Army Australia Social Fund

Notes to the Financial Statements For the Year Ended 30 June 2022

11 Provisions (continued)

This Act establishes the National Redress Scheme for Institutional Child Sexual Abuse which provides redress to survivors of past institutional child sexual abuse.

The participating institutions are:

- (a) all Commonwealth institutions; and
- (b) any State institution that is declared to be a participating institution; and
- (c) any Territory institution that is declared to be a participating institution; and
- (d) any non-government institution that is declared to be a participating institution.

Participating institutions that are determined by the National Redress Scheme to be responsible for the abuse of a person are liable for the costs of providing redress to the person. Those institutions are also liable for contributing to the costs of the administration of the scheme. The National Redress Scheme is responsible for recovering those costs from those institutions through funding contributions, which those institutions are required to pay on a quarterly basis.

The provision for National Redress has been based on the assessment by The Salvation Army Australia Territory's legal representatives, historical experiences and information made available as part of the Royal Commission into Institutional Responses to Child Sexual Abuse and consists of five components:

1. Claims settled previously where the historical payment made to the claimant may be reassessed by the National Redress Scheme and an additional payment is considered probable;
2. Claims known but yet to be settled which will be assessed by the National Redress Scheme and a payment is considered probable;
3. Unknown claims yet to be received, which may be lodged by claimants to the National Redress Scheme and a payment is considered probable;
4. Civil claims known but yet to be settled which are being finalised by nominated legal firms and a payment is considered probable; and
5. Unknown civil claims yet to be received by nominated legal firms.

The estimation of the cost of unknown claims yet to be lodged under the National Redress Scheme or through known or unknown civil cases against The Salvation Army is inherently judgmental and consequently, the provision for National Redress represents a 'best estimate' at reporting date. As additional information comes to light, and the uncertainty is resolved, the Social Fund will reassess the provision.

Claims settled during the year amounted to \$12,034,938 (2021: \$14,822,269).

Any negative change in assumptions about the number of claims or settlement value of such claims will result in additional settlement payments beyond that which is provided. There can be no certainty as to the number of National Redress or civil claims which will be received in relation to the National Redress Scheme.

The Salvation Army Australia Social Fund

Notes to the Financial Statements For the Year Ended 30 June 2022

12 Interest free loans

	2022 \$000	2021 \$000
Current		
Accommodation Bonds	220,865	215,170
Total Current Interest free loans	<u>220,865</u>	<u>215,170</u>
Non-Current		
Secured Loans	7,672	7,672
Unsecured Loans	600	600
Total Non-Current Interest free loans	<u>8,272</u>	<u>8,272</u>

Accommodation Bonds

These balances are repayable to residents of aged care centres upon their vacating of the centres. When taking up residence at aged care centres, government legislation allows for residents to pay a refundable and an amortisable entry contribution to the Social Fund.

The refundable portion is in the form of an interest-free loan repayable in full, while the amortisable portion is amortised over five years and recognised as income.

These balances are required to be used for the benefit of aged care residents. The Salvation Army is required to ensure sufficient liquidity to enable it to repay the bonds as required.

As there is no unconditional right to defer payment for 12 months, these liabilities are recorded as current liabilities. Based on past experience, the Social Fund believes that not all accommodation bonds may need to be refunded within a given year.

Secured Loan

This balance represents loans provided by government bodies towards the construction/purchase of social centres, secured against the properties. The loans are only repayable to the government bodies under certain default or closure circumstances. It is not foreseen that such circumstances will exist within the next 12 months.

Unsecured Loan

These balances represent loans provided by government bodies towards the construction of aged care centres. The loans are only repayable to the government bodies under certain default or closure circumstances. It is not foreseen that such circumstances will exist within the next 12 months.

The Salvation Army Australia Social Fund

Notes to the Financial Statements

For the Year Ended 30 June 2022

13 Reconciliation of Net Income to Cash Flows from Operating Activities

	2022 \$000	2021 \$000
Net expenditure	(39,021)	96,285
Adjustments for non-cash items		
- depreciation	68,359	73,675
- property donated	(7,794)	-
- project write-offs	10,340	10,477
- provision for National Redress	18,207	9,540
- investment fair value adjustments	32,768	(21,407)
- net gain on disposal of property, plant and equipment	(20,804)	(5,509)
- other	387	(25,659)
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	11,598	25,640
- (increase)/decrease in prepayments	818	(1,001)
- (increase)/decrease in inventories	993	(1,070)
- increase/(decrease) in trade and other payables	(4,506)	(36,955)
- increase/(decrease) in employee benefits	64	(184)
- increase/(decrease) in provisions	3,139	(7,487)
- increase/(decrease) in other liabilities	-	(511)
Cashflows from operations	<u>74,548</u>	<u>115,834</u>

14 Related Parties

Key management personnel compensation

Key management personnel compensation comprised the following:

	2022 \$000	2021 \$000
Short-term employee benefits	1,157	1,221
Post-employment benefits	121	58
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	<u>1,278</u>	<u>1,279</u>

Compensation of the Social Fund's key management personnel includes salaries, allowances and contributions to superannuation or a post-employment defined benefit plan.

Key management personnel include officers of the Social Fund who receive remuneration in accordance with established Salvation Army guidelines. In addition, officers also receive medical benefits, accommodation and use of a motor vehicle at no cost as part of their officership, in accordance with established Salvation Army guidelines. No additional remuneration is received by these officers for acting in their capacity as key management personnel, within the Social Fund. There are no other transactions with key management personnel.

The Salvation Army Australia Social Fund

Notes to the Financial Statements

For the Year Ended 30 June 2022

14 Related Parties (continued)

Related party transactions with General Fund

The Social Fund's operations are supported by General Fund's treasury and investment pool distributions. General Fund also incorporates a portion of Social Fund's head office and departmental costs which, by way of transfer pricing, are charged to Social Fund. Social Fund's purchase of goods, services and contributions to projects from other income sources contained within General Fund.

	2022 \$000	2021 \$000
Social Fund's purchase of goods, services and contributions to projects from:		
The Salvation Army Australia General Fund	163,789	162,103
Social Fund's receipt of goods, services and contributions to projects from:		
The Salvation Army Australia General Fund	37,533	68,260
Amounts owed by The Salvation Army Social Fund to:		
The Salvation Army Australia General Fund	-	6,065
Amounts owed to The Salvation Army Social Fund by:		
The Salvation Army Australia General Fund*	631,297	667,833

*Contained within non-current investments (disclosed in Note 5 under 'Unlisted units in managed investment funds') of which \$631,297k (2021: \$667,833k) is a related party investment held within General Fund, as a portion of the total investment balance.

Related party transactions with other Salvation Army Territories

The Salvation Army Social Fund provides and receives funds for goods, services and contributions for projects, with other Salvation Army Territories across the world:

	2022 \$000	2021 \$000
Purchase of goods, services and contributions to projects		
The Salvation Army Caribbean Territory	-	1
The Salvation Army Eastern Europe Territory	78	4
The Salvation Army India Northern Territory	331	205
The Salvation Army India Western Territory	2	-
The Salvation Army Indonesia Territory	-	171
The Salvation Army International Headquarters	863	1,124
The Salvation Army Kenya East Territory	231	332
The Salvation Army Kenya West Territory	113	403
The Salvation Army Malawi Territory	761	693
The Salvation Army Netherlands, Czech Republic and Slovakia Territory	5	-
The Salvation Army New Zealand, Fiji, Tonga and Samoa Territory	74	31
The Salvation Army Pakistan Territory	17	6
The Salvation Army Papua New Guinea & Solomon Islands Territory	504	64
The Salvation Army Philippines Territory	-	121
The Salvation Army Rwanda and Burundi Command	26	13

The Salvation Army Australia Social Fund

Notes to the Financial Statements

For the Year Ended 30 June 2022

14 Related Parties (continued)

	2022 \$000	2021 \$000
The Salvation Army Singapore, Malaysia and Myanmar Territory	52	65
The Salvation Army South America West Territory	11	-
The Salvation Army Sweden and Latvia Territory	3	-
The Salvation Army South Africa Territory	-	62
The Salvation Army Sri Lanka Territory	-	8
The Salvation Army Tanzania Territory	317	167
The Salvation Army Uganda Territory	133	151
The Salvation Army USA Eastern Territory	2	-
	3,523	3,621
Recipient of goods, services and contributions to projects		
The Salvation Army Caribbean Territory	-	10
The Salvation Army New Zealand, Fiji, Tonga and Samoa Territory	52	130
	52	140
Amounts owed by The Salvation Army Social Fund		
The Salvation Army Kenya West Territory	1	-

15 Contingent Liabilities

Sale of aged care centres on 1 July 2005

On 1 July 2005, the Social Fund completed the sale of 15 of its 19 sites catering for aged care hostels and nursing homes, as well as retirement living units to Retirement Care Australia (RCA). In addition, TriCare acquired the Hayville retirement village in Box Hill, Melbourne. The business sale agreements included various warranties from the Social Fund to the purchasers, whereby under certain circumstances, they may seek financial compensation from the Social Fund.

At 30 June 2022, the Trustees are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required. However, funds have been set aside to an 'aged care divestment contingency reserve' to cover these amounts.

The Salvation Army Australia Social Fund

Notes to the Financial Statements

For the Year Ended 30 June 2022

15 Contingent Liabilities (continued)

Capital grant funding

The Social Fund received \$16,209,000 from the Housing Authority in Western Australia between 2012-2015 as part capital funding towards the provision of a homeless accommodation and support facility in Northbridge, Perth, Western Australia.

Under certain default or closure circumstances, the project agreement requires the Social Fund to repay these capital funds to the Housing Authority over a 30-year term, with the amount repayable reducing by 3.33% per annum upon the anniversary of the date of the project commissioning. As at 30 June 2022, the amount repayable would have been \$12,205,106 (2021: \$12,625,536) and there were no events that required any repayment.

National redress provision

Note 11 contains details of contingencies and uncertainties associated with the National Redress Provision.

16 Financial Risk Management

The Social Fund has exposure to the following risks from their use of financial instruments, including exposures arising as a result of investments made by the General Fund on behalf of the Social Fund.

- Credit risk
- Market risk
- Liquidity risk

This note presents information about the Social Fund's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. The Trustees of the Social Fund consider the Social Fund's risk exposure to be within the risk appetite set by the Trustees, from their use of financial instruments. Further quantitative disclosures are included throughout this financial report.

The Social Fund has a proportion of its total assets in cash at bank and deposits at call. Management of the Social Fund regularly monitor the returns obtained on interest bearing deposits.

Credit risk

Credit risk is the risk of financial loss to the Social Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Social Fund's receivables and cash and cash equivalents.

Financial Assets

The majority of the Social Fund's financial assets are held with General Fund which controls and invests funds with major financial institutions. The Social Fund does hold a portion of investments directly with major financial institutions that have a high credit rating.

Trade receivables

The Social Fund's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. The Social Fund operates in the Australian region. The Social Fund has a concentration of transactions with reputable organisations, financial institutions and the Australian government, including the various Commonwealth and State departments, accordingly limiting its credit risk.

The Salvation Army Australia Social Fund

Notes to the Financial Statements

For the Year Ended 30 June 2022

16 Financial Risk Management (continued)

The Social Fund has established a credit policy under which the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all counterparties requiring credit over a certain amount. The Social Fund does not require collateral in respect of financial assets.

The Social Fund has established an allowance for impairment that represents an estimate of expected credit losses not incurred in respect of trade and other receivables and investments. The main component of this allowance are a specific loss component that related to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Refer to the Aggregated Statement of Financial Position "Cash and cash equivalents", Note 4 "Trade and other receivables" and Note 5 "Other financial assets" for the carrying amount of the Social Fund's financial assets representing the maximum credit exposure. As at 30 June 2022 receivables 30 days past due are immaterial.

Exposure to credit risk

The carrying amount of the Social Fund's financial assets represents the maximum credit exposure. The Social Fund's maximum exposure to credit risk at balance date was as follows:

	2022	2021
	\$000	\$000
Cash and cash equivalents	38,631	37,115
Short term deposits	8,044	8,023
Receivables	45,475	57,073
Unlisted units in managed investment funds	647,044	684,708
Total	739,194	786,919

Trade and other receivables

The ageing of the Social Fund's receivables at the reporting date was:

	2022		2021	
	Gross	Impairment	Gross	Impairment
	\$000	\$000	\$000	\$000
Not past due	45,475	-	57,073	-
Past due 0-30 days	-	-	-	-
Past due 31-120 days	-	-	-	-
	45,475	-	57,073	-

The Salvation Army Australia Social Fund

Notes to the Financial Statements

For the Year Ended 30 June 2022

16 Financial Risk Management (continued)

Market risk

Interest rate risk

Management of the Social Fund ensures that a portion of its interest rate risk exposure is at fixed-rates.

Other market price risk

The Social Fund is exposed to market price risk which arises from unlisted units in managed investment funds held and operated by General Fund. The Social Fund invests its surplus cash with General Fund who in turn invest those funds with third parties. The market price risk is carried by the Social Fund who are subject to fluctuations in the market price as any gains or losses are passed back on a pro-rata basis from the General Fund. The primary goal of the Social Fund's investment strategy is to maximise investment returns whilst preserving investment capital and as such, the General Fund manage the investments with regard to this and closely monitor market indices.

Management is assisted by JANA Investment Advisers, Crestone Wealth Management and Mercer in this regard.

Exposure to market risk

Management monitors movements in rates of return on a regular basis and ensures that returns are at market levels. No derivative contracts are used to manage market risk.

Profile

At the reporting date, the market profile of the Social Fund's financial instruments includes 26.5% Australian equities, 21% Global equities, 10.7% Fixed income and 41.8% Diversified debt.

Liquidity risk

The Social Fund's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquid assets to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Social Fund's reputation. Management of the Social Fund aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities (other than trade payables) over the succeeding 60 days. The Social Fund's investments in unlisted unit trusts are readily convertible to cash within acceptable notice periods.

Exposure to liquidity risk

Liquidity risk is the risk that the Social Fund will not be able to meet its financial obligations as they fall due. The Social Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Social Fund's reputation.

Management of the Social Fund monitors its cash flow requirements and ensures that it has sufficient cash on demand to meet expected operational expenses.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

The Salvation Army Australia Social Fund

Notes to the Financial Statements

For the Year Ended 30 June 2022

16 Financial Risk Management (continued)

	Carrying Amount \$000	Contractual Cash Flows \$000	Within 1 year \$000	1-5 years \$000	Over 5 years \$000
30 June 2022					
Trade and other payables	(42,789)	(42,789)	(42,789)	-	-
Interest free loans	(229,137)	(229,137)	(220,865)	-	(8,272)
Lease liabilities	(180,558)	(264,193)	(43,449)	(92,919)	(127,825)
	<u>(452,484)</u>	<u>(536,119)</u>	<u>(307,103)</u>	<u>(92,919)</u>	<u>(136,097)</u>
30 June 2021					
Trade and other payables	(53,333)	(53,333)	(53,333)	-	-
Interest free loans	(223,442)	(223,442)	(215,170)	-	(8,272)
Lease liabilities	(192,141)	(220,516)	(45,797)	(100,272)	(74,447)
	<u>(468,916)</u>	<u>(497,291)</u>	<u>(314,300)</u>	<u>(100,272)</u>	<u>(82,719)</u>

17 Events after the end of the Reporting Period

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Trustees of the Social Fund, to affect significantly the operations of the Social Fund, the results of those operations, or the state of affairs of the Social Fund, in future financial years.

The Salvation Army Australia Social Fund

Trustees' Declaration

In the opinion of the Trustees of The Salvation Army Australia Social Fund ("Social Fund"):

- (i) The accompanying aggregated financial statements and notes set out on pages 4 - 35 are drawn up so as to present fairly the financial position of the Social Fund as at 30 June 2022 and the results of its operations and its cash flows for the year then ended;
- (ii) The aggregated financial statements and notes set out on pages 4 - 35 are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, including:
 - (i) presenting fairly in all material respects the Social Fund's financial position as at 30 June 2022 and of its performance, for the financial year ended on that date.
 - (ii) comply with Australian Accounting Standards - Simplified Disclosure Requirements except that the aggregated entities that comprise the Social Fund do not constitute a group for the purposes of AASB 10 Consolidated Financial Statements, and the Australian Charities and Not-for-profits Commission Regulation 2013; and
- (iii) There are reasonable grounds to believe that the Social Fund will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Trustees:



Neil Venables

Secretary for Communications and Business Support
TRUSTEE



Winsome Merrett

Chief Secretary
TRUSTEE

Dated at Melbourne this 16th day of November 2022



Auditor's Independence Declaration under subdivision 60- C section 60-40 of Australian Charities and Not-for-profits Commission Act 2012

To: the Trustees of The Salvation Army Australia Social Fund

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2022 there have been:

- i. no contraventions of the auditor independence requirements as set out in the Australian Charities and Not-for-profits Commission Act 2012 in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.



Chris Sargent

Partner

Melbourne

16 November 2022



Independent Auditor's Report

To the Trustees of The Salvation Army Australia Social Fund

Opinion

We have audited the **Aggregated Financial Report** of The Salvation Army Australia Social Fund (the Aggregated Entity).

In our opinion, the accompanying Aggregated Financial Report of the Aggregated Entity is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012*, including:

- i. giving a true and fair view of the Aggregated Entity's financial position as at 30 June 2022, and of its financial performance and its cash flows for the year ended on that date; and
- ii. complying with *Australian Accounting Standards* to the extent described in Note 1 and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013 (ACNCR)*.

The **Aggregated Financial Report** comprises:

- i. Aggregated statement of financial position as at 30 June 2022.
- ii. Aggregated statement of profit or loss and other comprehensive income, Aggregated statement of changes in equity, and Aggregated statement of cash flows for the year then ended.
- iii. Notes including a summary of significant accounting policies.
- iv. Trustees' declaration.

The **Aggregated Entity** consists of the Registered Entities being

- The Salvation Army (Victoria) Property Trust,
- The Salvation Army (Tasmania) Property Trust,
- The Salvation Army (South Australia) Property Trust,
- The Salvation Army (Western Australia) Property Trust,
- The Salvation Army (Northern Territory) Property Trust,
- The Salvation Army (New South Wales) Property Trust,
- The Salvation Army (Queensland) Property Trust,
- The Salvation Army (Victoria) Property Trust atf The Salvation Army (VIC) Social Work,
- The Salvation Army (Tasmania) Property Trust atf The Salvation Army (TAS) Social Work,
- The Salvation Army (South Australia) Property Trust atf The Salvation Army (SA) Social Work,
- The Salvation Army (Western Australia) Property Trust atf The Salvation Army (WA) Social Work,
- The Salvation Army (Northern Territory) Property Trust atf The Salvation Army (NT) Social Work,
- The Salvation Army (New South Wales) Trust atf The Salvation Army (NSW) Social Work,
- The Salvation Army (Queensland) Property Trust atf The Salvation Army (QLD) Social Work,
- The Salvation Army (Australia) Redress Limited,
- Salvos Legal Limited,
- Salvos Legal (Humanitarian) Limited,
- The Salvation Army (Australia) Self Denial Fund (for Overseas Aid),
- The Salvation Army Aust Self Denial Fund (for Overseas Aid),
- The Salvation Army Community Housing Service,
- Salvation Army Housing,
- Salvation Army Housing (Victoria).

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Aggregated Financial Report* section of our report.

We are independent of the Aggregated Entity in accordance with the auditor independence requirements of the *ACNC Act 2012* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Aggregated Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.



Emphasis of matter – basis of preparation and restriction on use and distribution

We draw attention to Note 1 to the Aggregated Financial Report, which describes the basis of preparation.

The Aggregated Financial Report has been prepared for the purpose of fulfilling the Trustees' financial reporting responsibilities under the *ACNC Act 2012*. As a result, the Aggregated Financial Report and this Auditor's Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Our report is intended solely for the Trustees of the Aggregated Entity and should not be used by any other party. We disclaim any assumption of responsibility for any reliance on this Auditor's Report, or on the Aggregated Financial Report to which it relates to any person other than the Trustees of the Aggregated Entity.

Other information

Other Information is financial and non-financial information in The Salvation Army Australia Social Fund's annual reporting which is provided in addition to the Aggregated Financial Report and the Auditor's Report. The Trustees are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Trustees Report.

Our opinion on the Aggregated Financial Report does not cover the Other Information and, accordingly, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Aggregated Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Aggregated Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report, we have nothing to report.

Responsibilities of Management for the Aggregated Financial Report

Management are responsible for:

- i. Preparing the Aggregated Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and the ACNC and ACNCR.
- ii. Determining that the basis of preparation described in Note 1 to the Aggregated Financial Report is appropriate to meet the requirements of the ACNC. The basis of preparation is also appropriate to meet the needs of the trustees.
- iii. Implementing necessary internal control to enable the preparation of an Aggregated Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.
- iv. Assessing the Aggregated Entity's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Aggregated Entity and the Registered Entities or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the Aggregated Financial Report

Our objective is:

- i. to obtain reasonable assurance about whether the Aggregated Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- ii. to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Aggregated Financial Report.

As part of an audit in accordance with *Australian Auditing Standards*, we exercise professional judgement and maintain professional skepticism throughout the audit.

We also:

- i. Identify and assess the risks of material misstatement of the Aggregated Financial Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ii. Obtain an understanding of internal control relevant to the Audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Aggregated Entity's and the Registered Entities' internal control.
- iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- iv. Conclude on the appropriateness of the Trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Aggregated Entity's and the Registered Entities' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Aggregated Financial Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Aggregated Entity and the Registered Entities' to cease to continue as a going concern.
- v. Evaluate the overall presentation, structure and content of the Aggregated Financial Report, including the disclosures, and whether the Aggregated Financial Report represents the underlying transactions and events in a manner that achieves true and fair presentation.

We communicate with the Trustees of the Aggregated Entity and Registered Entities regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.




Chris Sargent

Partner

Melbourne

16 November 2022