

**AGGREGATED FINANCIAL REPORT  
THE SALVATION ARMY AUSTRALIA  
SOCIAL FUND  
FOR THE YEAR ENDED 30 JUNE 2019**

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**The Salvation Army Australia**

*WILLIAM BOOTH* – Founder

*BRIAN PEDDLE* – General

*ROBERT DONALDSON* – Territorial Commander

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# 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 2019 and the independent auditor's report thereon.

On 1 December 2018, The Salvation Army became a unified movement in Australia, after operating as two independent territories. Prior to this financial year, the Eastern Territory and Southern Territory published two separate sets of financial statements. For 30 June 2019, these financial statements aggregate the national results of The Salvation Army Australia with respect to the Social Work.

### Principal Activities

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

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

No changes in the nature of these activities occurred during the financial year.

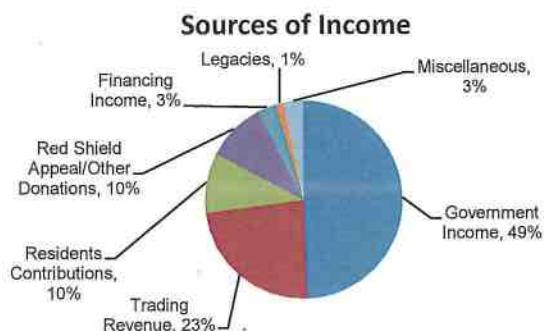
### Review of Operations

The Social Fund's operating result was a net income after allocations and before net change in fair value of financial assets of \$6.4Mn (2018: \$3.7Mn net expenditure) whilst total operating expenses were \$866.1Mn (2018: \$856.6Mn). In line with The Salvation Army Australia Territory's policies and compliance with donors' restrictions on the use of certain funds, net transfers of \$19.6Mn (\$2018: \$52.9Mn) were made to various reserves for specific purposes.

	2019 \$000
Revenue	892,113
Expenditure	(866,062)
Net income/(expenditure) before Allocations (before net change in fair value of financial assets)	26,051
Allocations (to)/from Capital Funds	(19,603)
Net income/(expenditure) after Allocations (before net change in fair value of financial assets)	6,448
Net Change in Fair Value of Financial Assets	58
Total Comprehensive Income/(Loss) after Allocations	6,506

The following is a summary of the main sources of income for the Social Fund in 2019.

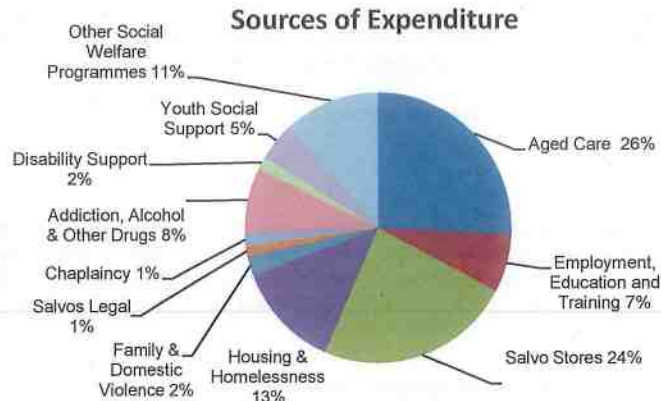
	2019 \$000
Government and Capital Income	441,230
Trading Revenue (incl Salvos Stores)	208,936
Residents Contributions	87,378
Red Shield Appeal/Other Donations	87,068
Financing Income	26,659
Legacies	12,335
Miscellaneous	28,507
<b>Total Income</b>	<b>892,113</b>



## The Salvation Army Australia Social Fund TRUSTEES' REPORT

The following is a summary of the areas of expenditure within social programme category, in relation to social services provided by the various centres operating within the Social Fund in 2019.

	2019 \$000
Aged Care	223,658
Employment, Education and Training	59,645
Salvos Stores	206,246
Housing & Homelessness	110,815
Family & Domestic Violence	19,526
Salvos Legal	10,905
Chaplaincy	12,680
Addiction, Alcohol & Other Drugs	68,517
Disability Support	13,364
Youth Social Support	41,221
Other Social Welfare Programmes	99,485
<b>Total Expenditure</b>	<b>866,062</b>



The 2019 result included the following:

- The Red Shield Appeal recorded income of \$78Mn (2018: \$78.1Mn) before expenses for the year ended 30 June 2019, consistent with 2018.
- Legacy income \$12.3Mn (2018: \$10.8Mn) 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 programmes 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.
- Financing income of \$26.7Mn (2018: \$30.9Mn) was received in 2018/19. Investment income for the portfolio managed by JANA Investment Advisers can fluctuate from year to year depending upon realised and unrealised gains or losses achieved by fund managers within the portfolio.
- Salvos Stores once again had an excellent year, exceeding annual budget expectations and providing net income to the Social Fund, part of which will be reinvested in future capital needs for Salvos Stores.

At 30 June 2019, the Social Fund Aggregated Statement of Financial Position reflects a negative 'current assets versus current liabilities' deficiency of \$10.7Mn. This is mainly caused by the requirement to disclose all accommodation bonds (\$216.6Mn) 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's major investment asset (unlisted units in managed investment funds of \$299Mn) is disclosed as a non-current asset in accordance with Australian Accounting Standards. However, these funds continue to remain available to the Social Fund as required to support cash flow requirements.

# The Salvation Army Australia Social Fund

## TRUSTEES' REPORT

### National Redress Scheme

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.

A provision has been raised to provide redress as detailed in Note 14.

### Developments

On 1 March 2016, The Salvation Army International Headquarters announced the amalgamation of the Australia Eastern and Southern Territories. The objective of this amalgamation was to provide a structure for The Salvation Army to best deliver our spiritual and social mission to all Australians. The new national headquarters of The Salvation Army Australia Territory is based in Melbourne and whilst work continues on the transition to national departments and support functions, the new Australia Territory was officially announced as operational by General Brian Peddle in December 2018.

The amalgamation will produce significant and lasting benefits, including:

- A clear and consistent mission strategy and mission culture across the whole of Australia, ensuring that all our efforts and resources are being used for greatest effect;
- A unified national strategy for solving the spiritual and social issues that affect vulnerable Australians;
- Improving our capacity for innovation and strategic thinking by building on the best of each Territory;
- The ability to speak and act with a single voice for greater impact on matters of national interest, including social justice, care for the vulnerable and other matters of spiritual and community significance;
- The ability to build a stronger national partnership with other denominations and Christian organisations, Federal Government, news and media organisations, national corporate and business organisations, national peak bodies, other agencies and community organisations; and
- Releasing more personnel and financial resources for front line mission by reducing duplication and streamlining systems and processes.

The new Australia Territory will continue its positive transformation journey as it implements consistent policies, procedures and improved systems across the Army in future years.



# The Salvation Army Australia Social Fund

## TRUSTEES' REPORT

### Events Subsequent to Reporting Date

In the opinion of the Trustees since 30 June 2019, there have been no transactions or events of an unusual nature likely to affect significantly the operations of the Social Fund, the results of those operations or the state of affairs of the entity in future financial years.

### Environmental Issues

The operations of the Social Fund are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

### 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.

### Auditor

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

Signed in accordance with a resolution of the Trustees:



**Lieutenant-Colonel Stuart R Evans (B Economics, MBA)**  
Secretary for Business Support  
TRUSTEE



**Colonel Mark T S Campbell (BA Leadership (UNE), MA Theological Studies (SCD))**  
Chief Secretary  
TRUSTEE

Dated at Melbourne this 6th day of November 2019

The Salvation Army Australia Social Fund

AGGREGATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019

	<i>Note</i>	<b>2019</b>	2018
		<b>\$000</b>	\$000
<b>Revenues and other income</b>			
Revenue from rendering of services	2	502,084	488,418
Other revenues from ordinary activities	2	218,005	203,036
Financing income		26,659	30,880
Legacies income		12,335	10,797
Red Shield Appeal donations	5	78,000	78,078
<b>Total operating revenue</b>		<u>837,083</u>	<u>811,209</u>
Capital revenue:			
Government grants		917	112
Fair value of Community Housing	11	12,838	1,316
Other income		12,768	4,961
<b>Total capital revenue</b>		<u>26,523</u>	<u>6,389</u>
Other income		<u>28,507</u>	<u>88,132</u>
<b>Total revenue and other income</b>		<u>892,113</u>	<u>905,730</u>
Employee expenses		(487,473)	(474,516)
Depreciation expenses	10	(29,872)	(28,290)
Computer expenses		(8,673)	(5,926)
Welfare/Jobseeker expenses		(66,452)	(49,673)
Building/Occupancy expenses		(120,493)	(113,990)
Motor Vehicle expenses		(15,139)	(13,981)
Contribution - General/Property Funds	1(n)	(15,164)	(21,046)
Rollover accommodation bond credits	1(h)(i)	932	(134)
Amenities and supplies		(44,901)	(43,686)
Professional fees expenses		(16,178)	(15,647)
Financing expenses	1(p)	(2,661)	(3,851)
Other expenses from ordinary activities		(59,988)	(85,892)
<b>Total operating expenses</b>		<u>(866,062)</u>	<u>(856,632)</u>
<b>Operating net income</b>	17	26,051	49,098
<b>Other comprehensive income</b>			
Net change in fair value of financial assets		58	27
<b>Total comprehensive income for the year</b>		26,109	49,125
Allocations to capital funds	3	(19,603)	(52,879)
<b>Total comprehensive income for the year after allocations</b>		<u>6,506</u>	<u>(3,754)</u>

The Aggregated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to the financial statements set out on pages 10 to 35.

The Salvation Army Australia Social Fund  
**AGGREGATED STATEMENT OF FINANCIAL POSITION**  
As at 30 June 2019

	Note	2019 \$000	2018 \$000
<b>CURRENT ASSETS</b>			
Cash	6	37,231	36,451
Receivables and other assets	7	294,388	286,393
Other financial assets	8	15,641	73,610
Inventories	9	3,239	2,215
<b>TOTAL CURRENT ASSETS</b>		<u>350,499</u>	<u>398,669</u>
<b>NON-CURRENT ASSETS</b>			
Receivables and other assets	7	32,917	32,042
Other financial assets	8	336,963	275,022
Property, plant and equipment	10	663,836	656,130
Community Housing property	11	94,599	77,001
<b>TOTAL NON-CURRENT ASSETS</b>		<u>1,128,315</u>	<u>1,040,195</u>
<b>TOTAL ASSETS</b>		<u>1,478,814</u>	<u>1,438,864</u>
<b>CURRENT LIABILITIES</b>			
Payables	12	74,636	76,435
Employee benefits	13	45,023	44,655
Provisions	14	23,811	14,816
Finance lease liability	15	868	888
Interest free loans	16	216,830	201,019
<b>TOTAL CURRENT LIABILITIES</b>		<u>361,168</u>	<u>337,813</u>
<b>NON-CURRENT LIABILITIES</b>			
Employee benefits	13	6,987	6,556
Provisions	14	26,908	37,461
Finance lease liability	15	53,863	52,857
Interest free loans	16	8,472	8,672
Special purpose funds		6,052	6,250
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>102,282</u>	<u>111,796</u>
<b>TOTAL LIABILITIES</b>		<u>463,450</u>	<u>449,609</u>
<b>NET ASSETS</b>		<u>1,015,364</u>	<u>989,255</u>
<b>CAPITAL FUNDS</b>			
Working capital fund	17	40,853	34,405
Property contribution fund	17	577,875	545,198
Reserves	17	264,997	281,328
Trusts and special purpose funds	17	96,013	93,956
Legacies	17	35,626	34,368
<b>TOTAL CAPITAL FUNDS</b>		<u>1,015,364</u>	<u>989,255</u>

The Aggregated Statement of Financial Position is to be read in conjunction with the notes to the financial statements set out on pages 10 to 35.

The Salvation Army Australia Social Fund  
**AGGREGATED STATEMENT OF CASH FLOWS**  
For the year ended 30 June 2019

	Note	2019 \$000	2018 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts in the course of operations		899,728	828,552
Cash payments in the course of operations		(910,337)	(852,124)
Investment revenue received		26,659	32,540
Capital revenue received		13,685	5,073
<b>Net cash provided by operating activities</b>		<u>29,735</u>	<u>14,041</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for investments		(28,489)	(95,341)
Receipts from redemption of investments		24,732	70,968
Payments for property, plant and equipment		(44,256)	(52,054)
Proceeds from sale of property, plant and equipment		4,326	47,053
Cash paid for acquisition of new entity net of cash acquired - Dementia Care Matters		-	(2,679)
<b>Net cash used in investing activities</b>		<u>(43,687)</u>	<u>(32,053)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of borrowings		(200)	(200)
Repayment of finance lease liability		(879)	(853)
Proceeds from residents' accommodation bonds and other deposits received		61,802	86,970
Repayment of residents' accommodation bonds and other deposits		(45,991)	(59,137)
<b>Net cash provided by financing activities</b>		<u>14,732</u>	<u>26,780</u>
Net increase in cash held		780	8,768
Cash at the beginning of the financial year		<u>36,451</u>	<u>27,683</u>
Cash at the end of the financial year	19	<u>37,231</u>	<u>36,451</u>

The Aggregated Statement of Cash flows is to be read in conjunction with the notes to the financial statements set out on pages 10 to 35.



# The Salvation Army Australia Social Fund

## AGGREGATED STATEMENT OF CHANGES IN CAPITAL FUNDS

For the year ended 30 June 2019

	Working Capital Fund	Property Contribution Fund	Reserves	Trusts and Special Purpose Funds	Legacies	Total
	\$000	\$000	\$000	\$000	\$000	\$000
At 30 June 2017	38,186	537,034	267,383	64,583	32,944	940,130
Operating net income before allocations	49,098	-	-	-	-	49,098
Other comprehensive income	-	-	27	-	-	27
	87,284	537,034	267,410	64,583	32,944	989,255
Net transfers and allocations within other capital funds	(52,879)	8,164	13,918	29,373	1,424	-
At 30 June 2018	34,405	545,198	281,328	93,956	34,368	989,255
At 1 July 2018	34,405	545,198	281,328	93,956	34,368	989,255
Operating net income before allocations	26,051	-	-	-	-	26,051
Other comprehensive income	-	-	58	-	-	58
	60,456	545,198	281,386	93,956	34,368	1,015,364
Net transfers and allocations within other capital funds	(19,603)	32,677	(16,389)	2,057	1,258	-
At 30 June 2019	40,853	577,875	264,997	96,013	35,626	1,015,364

The Aggregated Statement of Changes in Capital Funds is to be read in conjunction with the notes to the financial statements set out on pages 10 to 35.

# The Salvation Army Australia Social Fund

## NOTES TO THE FINANCIAL STATEMENTS

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The Salvation Army is a not-for-profit organisation and has been operating in Australia since 1880.

On 1 December 2018, The Salvation Army became a unified movement in Australia, after operating as two independent territories. Prior to this financial year, the Eastern Territory and Southern Territory published two separate sets of financial statements. For 30 June 2019, these financial statements aggregate the national results of The Salvation Army Australia with respect to the Social Work.

The Salvation Army Australia is domiciled in Australia and the address of the organisation's registered office is:

The Salvation Army Australia  
95-97 Railway Rd,  
Blackburn VIC 3130

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

The Salvation Army (Victoria) Property Trust (ABN 64 472 238 844);  
The Salvation Army (Tasmania) Property Trust (ABN 94 917 169 560);  
The Salvation Army (South Australia) Property Trust (ABN 13 320 346 330);  
The Salvation Army (Western Australia) Property Trust (ABN 25 878 329 270);  
The Salvation Army (Northern Territory) Property Trust (ABN 65 906 613 779);  
The Salvation Army (New South Wales) Property Trust (ABN 57 507 607 457);  
The Salvation Army (Queensland) Property Trust (ABN 32 234 126 186);  
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);  
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).

The Social Fund aggregates the results of all Social Programmes, Salvos Stores, Salvation Army Housing, Salvos Legal and The Salvation Army Employment Plus Programme.

In the opinion of the Trustees, having regard to the not-for-profit nature of The Salvation Army, the terms used in the prescribed format of the aggregated statement of profit or loss and other comprehensive income are not appropriate. The words 'net income/(expenditure)' have been substituted for the term 'profit' or 'loss'.

The financial report was authorised for issue by the Trustees on November 2019.

#### (a) Statement of compliance

These special purpose aggregated financial statements comply with all of the general purpose financial statement requirements of Tier 2 in accordance with Australian Accounting Standards – Reduced Disclosure Requirements 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)* except that the aggregated entities that comprise the Social Fund do not constitute a group for the purpose of AASB 10 Consolidated Financial Statements.

#### (b) Basis of preparation

The operations of the Social Fund during the year ended 30 June 2019 have been carried out in accordance with all relevant trust deeds.

The financial report is presented in Australian dollars which is the organisation's functional currency. The financial statements have been prepared on the historical cost basis except for Community Housing Properties, financial instruments and loans receivable which are measured at fair value.

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

# The Salvation Army Australia Social Fund

## NOTES TO THE FINANCIAL STATEMENTS

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Basis of aggregation**

##### *(i) Aggregation of operations and activities*

The financial statements aggregate Social Fund management entities.

##### *(ii) Loss of control*

When the Social Fund loses control 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 profit or loss. 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. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

##### *(iv) Going concern*

Notwithstanding a negative 'current asset versus current liabilities' deficiency of \$10.7Mn, the financial statements have been prepared on a going concern basis. The deficiency is caused by the requirement under Australian Accounting Standards to classify all accommodation bonds (\$216.6M) 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's major investment asset (unlisted units in managed investment funds of \$299Mn) is disclosed as a non-current asset in accordance with Australian Accounting Standards. However, these funds continue to remain available to the Social Fund as required to support cash flow requirements.

#### **(c) Red Shield Appeal Donations**

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. In addition, the Territorial Public Relations department oversees our wills and bequests work, and overseas appeals.

#### **(d) Property, plant and equipment**

##### *(i) Controlled assets*

Items of property, plant and equipment are stated at cost, or if donated, at appraised value at date of gift, less accumulated depreciation (Note 1(d)(ii)) and impairment losses. Assets acquired for \$10,000 or above are capitalised. Capital gifts are shown as revenue and an allocation is made to the property contributions fund.

Property that is being constructed for future use is classified as 'building schemes in progress' 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 profit or loss on disposal is recorded as income or expenses, then allocated to reserve to provide funding for future property acquisitions. Independent valuations are obtained as to the market value of any property before it is sold.

##### *(ii) Depreciation*

With the exception of freehold land, depreciation is charged to the 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	Deemed useful life, to a maximum of 7 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) Property Contributions Fund Reserve*

Under International Salvation Army accounting policies and procedures, funds that have been utilised to finance the acquisition of freehold properties must be transferred to the Property Contributions Fund Reserve. These contributions are transferred to meet building depreciation costs, thus relieving the impact on the working capital fund.

# The Salvation Army Australia Social Fund

## NOTES TO THE FINANCIAL STATEMENTS

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (e) Financial instruments

The Social Fund classifies its financial assets as either amortised cost or at fair value through profit or loss or fair value through other comprehensive income, depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets include managed funds recognised at fair value through profit or loss and cash and cash equivalents, short-term deposits, trade receivables and sundry receivables are recognised at amortised cost.

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.

#### (e) Financial instruments (continued)

##### (i) Financial assets and financial liabilities — Recognition and derecognition

The Social Fund initially recognises loans and receivables and debt securities on the date that they are originated. All other financial assets and financial liabilities are initially recognised on the trade date at which the Social Fund becomes a party to the contractual provisions of the instrument.

The Social Fund derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Social Fund is recognised as a separate asset or liability.

The Social Fund derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Social Fund has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### (ii) Financial assets — Measurement

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

Investments in managed funds are initially measured at fair value plus transaction costs. These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

###### Financial assets measured at amortised cost

A financial asset is classified as subsequently measured at amortised cost if:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are initially valued at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

###### Financial liabilities measured at amortised cost

Financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method. Liabilities classified as financial liabilities at amortised cost include trade and other payables.

###### Financial assets at fair value through other comprehensive income (FVTOCI)

On initial recognition, the Social Fund can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity and hybrid instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

Investments in equity and hybrid instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income.



# The Salvation Army Australia Social Fund

## NOTES TO THE FINANCIAL STATEMENTS

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (f) Measurement of fair values

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.

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 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.

#### *Fair value hierarchy*

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 and hybrid and fixed interest securities are level 2 financial assets and their carrying value approximates their fair market value.

Residential aged care bed licences were granted by the Department of Health in the past at no cost. It is not possible for The Salvation Army to measure the fair value reliably at acquisition date as the acquisition dates are not always available. Acquisitions since 2005 are recorded at fair value as at the date of acquisition, as determined by independent valuation.

#### (g) 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.

#### (h) Accommodation Bonds and Resident Loans

##### *(i) Rollovers*

Prior to 1 August 2002, the practice of the Social Fund was to 'roll over' 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.



# The Salvation Army Australia Social Fund

## NOTES TO THE FINANCIAL STATEMENTS

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (h) Accommodation Bonds and Resident Loans (continued)

##### (i) Rollovers (continued)

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 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 1.32%pa (2018: 2.63%) decrement rate assumption of 20%pa (2018: 25%), refundable accommodation deposit percentage increase rate of 3%pa (2018: 3%) 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, whilst the amortisable amount is recognised as revenue and then transferred from accumulated net income to reserves and held for aged care centre capital projects.

##### (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 (based on the expected date of settlement). 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.

#### (i) 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 allocation of overheads has been included in the valuation. Stocks of foodstuffs and consumable stores held at various social centres are expensed.

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

#### (j) Impairment

The carrying amounts of the Social Fund's assets, other than inventories (see accounting policy 1(i)) and financial instruments (see accounting policy 1(e)), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

##### *Calculation of recoverable amount*

The recoverable amount of the Social Fund's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables are recognised based on the expected losses from past default rates.

# The Salvation Army Australia Social Fund

## NOTES TO THE FINANCIAL STATEMENTS

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (k) Employee benefits

##### *(i) Defined contribution superannuation funds*

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the 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 to the terms of the Social Fund's obligations.

#### (l) Provisions

A provision is recognised in the 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.

A provision for 'make-good' costs on leased premises has been recognised, based upon an assessment of lease terms and conditions (see Note 14).

#### (m) Goods and services tax

Revenues, 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 Tax Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included. The gross amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the ATO are classified as operating cash flows.

#### (n) Contribution to General and Property Funds

The General Fund records part of the territorial and divisional headquarters' costs. These headquarters oversee the social infrastructure of the Social Fund. An 'arm's length' contribution is charged by the General Fund to the Social Fund for services provided.

The Property Fund records part of the costs relating to the Property Department and the Territorial Headquarters building. An 'arms length' contribution is charged by the Property Fund to the Social Fund for services provided, and towards the costs of the Territorial Headquarters building.

#### (o) Revenues

Revenues are recognised when the Social Fund is legally entitled to the income and the amount can be quantified with reasonable accuracy. Revenues are recognised net of the amount of goods and services tax (GST) payable to the Australian Taxation Office.

##### *Donations*

Donations collected, including cash and goods for resale, are recognised as revenue when the Social Fund gains control, economic benefits are probable and the amount of the donation can be measured reliably.

# The Salvation Army Australia Social Fund

## NOTES TO THE FINANCIAL STATEMENTS

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (o) Revenues (continued)

##### *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 the date the Social Fund becomes legally entitled to the shares or property.

A portion of legacies are used to assist with meeting operational costs within the Social Fund, but the majority of legacies are used for capital purposes. Legacies form the major source of capital for social building schemes.

##### *Red Shield Appeal*

Donations to the Red Shield Appeal are recognised when received.

##### *Revenue from Social Programmes*

The Social Fund's social programme activity is supported by grants received from the federal, state and local governments. Grants received on the condition of specified services are delivered, or conditions are fulfilled, and where there is a return obligation are considered reciprocal. 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 non-reciprocal grants is recognised when the organisation obtains control of the funds.

##### *The Salvation Army Employment Plus – Fee for Service Government Funding*

Revenue from employment administration services is recognised in line with the completion and provision of ongoing employment services on a percentage of completion basis. Revenue from employment outcome fees is recognised in line with the unconditional right to receive the outcome fee.

##### *Fees from residents*

Fees charged for care provided to residents are recognised when the service is provided.

##### *Sale of goods*

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.

##### *Financing Income*

Financing income comprises interest, dividends and the net gain or loss on financial assets at FVTPL.

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

##### *Asset sales*

The gain or loss on disposal of all non-current property assets is determined as the difference between the carrying value of the asset at the time of disposal and the net proceeds on disposal.

##### *Contributions in Kind*

No amounts are included in the financial statements for services donated by volunteers, or donated goods.

#### (p) Expenses

Borrowing costs are expensed as incurred and included in financing expenses.

# The Salvation Army Australia Social Fund

## NOTES TO THE FINANCIAL STATEMENTS

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (q) Capital Revenue available for allocation

The Social Fund has adopted a policy of separately disclosing revenue received which is designated for capital purposes rather than operating activities. This designation is determined either directly by the donor or by the trustees of the Social Fund. This revenue is fully allocated to reserves and special purpose funds to be used to provide and maintain the infrastructure used by the social programmes of the Social Fund.

#### (r) Accounting estimates and judgements

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.

##### *Key sources of estimation uncertainty*

Note 14 contains information about the provision for National Redress, and Note 1(h)(i) contains information about rollover receivable and payable balances.

#### (s) Leases

##### *(i) Determining whether an arrangement contains a lease*

At inception of an arrangement, the Social Fund determines whether such an arrangement is or contains a lease. At inception or on reassessment of the arrangement that contains a lease, the Social Fund separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Social Fund concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Social Fund's incremental borrowing rate.

##### *(ii) Leased assets*

Assets held by the Social Fund under leases which transfer to the Fund substantially all the risks and rewards of ownership are classified as finance leases. The leased asset is measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset. Assets held under other leases are classified as operating leases and are not recognised in the Social Fund's statement of financial position.

The Social Fund leases some shops and office facilities. The provisions of these leases are such that substantially all the risks and benefits of ownership of the property are retained by the lessors and accordingly, in the financial statements, they are classified as operating leases.

##### *(iii) Lease payments*

Payments made under operating leases are recognised in the Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

##### *(iii) Lease payments (continued)*

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Refer Note 18(b) for details of non-cancellable operating lease commitments.



# The Salvation Army Australia Social Fund

## NOTES TO THE FINANCIAL STATEMENTS

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (t) Community Housing property

Community Housing property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss.

Any gain or loss on disposal of a Community Housing property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit and loss. When a Community Housing property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

#### (i) Community Housing property rental income

Rental income from Community Housing property is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as other income.

#### (u) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2019 and have not been applied in preparing these financial statements.

AASB 15 Revenue from Contracts with Customers and AASB 1058 Income for Not-for-profit Entities, establishes a comprehensive framework for determining whether, how much and when revenue is recognised. The Salvation Army has assessed the impact of this new accounting standard and concluded that there is no material change to processes or impact with respect to recorded revenue recognition.

AASB 16 Leases is expected to have a significant effect on the financial statements of the Social Fund. AASB 16 reforms involve the change in accounting for leases whereby operating leases will be recorded on the balance sheet as a right to use asset with a corresponding financial liability, and subsequent recording of depreciation and finance charges through profit or loss. Currently, the expense relating to operating leases is only recognised in the Aggregated Statement of Profit or Loss and Other Comprehensive Income as a rental expense.

The Social Fund will apply the standard from 1 July 2019 and intends to apply the modified retrospective method and will not restate comparative amounts for the first year of adoption. There are recognition exemptions for short-term leases and leases of low-value items (for which the Social Fund determines to be less than \$10,000).

The Social Fund has completed an initial assessment of the potential impact on the aggregated financial statements resulting from the application of AASB 16 with respect to existing lease arrangements that fall within the scope of the standard (primarily in relation to property).

There are three classes of identified 'right-of-use' assets which are expected to have a material impact:

- Property
- Motor Vehicles
- IT Hardware and Software

With respect to these three main classes of 'right-of-use' assets, the estimated transitional impact upon initial adoption of AASB 16 as at 1 July 2019 is expected to be between:

- \$98m and \$120m for the right of use asset component; and
- \$98m and \$120m for the lease liability component.

The Social Fund is not required to make any adjustments for leases in which it is a lessor except where it is an intermediate lessor in a sub-lease.

In addition, the Social Fund has considered and assessed peppercorn and resident agreements with respect to AASB 16.

#### Peppercorn Leases

Peppercorn leases have 'below-market' terms and conditions which principally enable the Social Fund to further its objectives. The AASB issued AASB 2018-8 Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities providing a temporary option for not-for-profit entities to measure a class or classes of right-of-use assets arising from the application of the new leases standard, AASB 16 Leases, to 'peppercorn' or concessionary leases at:

- fair value in accordance with AASB 13 Fair Value Measurement; or
- cost in accordance with AASB 16, which would incorporate the measurement of the lease liability.

The Social Fund has elected to measure peppercorn leases at 'cost'. The monetary impact at cost under AASB 16 is immaterial.



# The Salvation Army Australia Social Fund

## NOTES TO THE FINANCIAL STATEMENTS

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (u) New standards and interpretations not yet adopted (continued)

##### *Resident Agreements*

##### *Aged Care*

The Social Fund has assessed the impact of AASB 16 in respect of its resident agreements, specifically due to the security of tenure and right to occupy a room. The Social Fund has undertaken a review of the resident agreements and determined that whilst the contractual arrangements will result in the resident agreement being deemed a lease under AASB 16, the impact of treating the Social Fund as a lessor and recording revenue and a finance charge under AASB 16 is immaterial.

For those residents who have opted to pay a Daily Accommodation Payment (DAP), adopting AASB 16 will not result in a change in accounting treatment. For those residents who have opted to pay a Refundable Accommodation Deposit (RAD), whilst AASB 16 would regard there being a non-cash consideration for accommodation, the Social Fund has concluded that no material changes to current accounting treatment will occur due to:

- The repayment of the RAD being ultimately guaranteed by the Federal Government such that there is no credit risk rate to include in the discount rate which results in the appropriate rate being the risk-free overnight cash rate; and
- Given the maximum non-cancellable period of the lease term is seven days, the difference between the fair value of the RAD determined based upon AASB 9 Financial Instruments and the nominal amount of the RAD would be negligible.

##### *Independent Living Units (ILUs)*

The Social Fund is in the process of finalising its evaluation of the potential impact of AASB 16 with respect to ILUs. The license agreements that ILU residents enter with the Social Fund confer the right to occupy a unit, with an obligation on the Social Fund to refund the ILU loan upon the resident's departure. The impact with respect to ILU arrangements is expected to be immaterial.

#### (v) Changes in accounting policies

The Social Fund has consistently applied the accounting policies set out above to all periods presented in these financial statements.

# The Salvation Army Australia Social Fund

## NOTES TO THE FINANCIAL STATEMENTS

	NOTE	2019 \$000	2018 \$000
<b>2. REVENUE FROM ORDINARY ACTIVITIES</b>			
Revenue from rendering of services:			
Government grants		323,954	315,017
Fee for service – Government Funding		90,752	87,388
Resident contributions and patient fees		87,378	86,013
		<u>502,084</u>	<u>488,418</u>
Other revenue from ordinary activities:			
Revenue from trading and rent		208,937	194,232
Other donations received – other than from the Red Shield Appeal		9,068	8,804
		<u>218,005</u>	<u>203,036</u>
Total revenue from ordinary activities		<u><u>720,089</u></u>	<u><u>691,454</u></u>
<b>3. ALLOCATIONS TO CAPITAL FUNDS</b>			
Allocations have been made (to)/from the following capital funds, excluding working capital:			
Property contributions fund	17	(32,677)	(8,164)
Reserves	17	16,389	(13,918)
Trusts and special purpose funds	17	(2,057)	(29,373)
Legacies	17	(1,258)	(1,424)
		<u>(19,603)</u>	<u>(52,879)</u>
<b>4. AUDITORS' REMUNERATION</b>			
		2019	2018
Audit Services		\$	\$
Auditors of the Social Fund			
KPMG Australia		794,466	731,100
		<u>794,466</u>	<u>731,100</u>
Other Services			
KPMG Australia		268,028	780,124
		<u>268,028</u>	<u>780,124</u>
<b>5. RED SHIELD APPEAL DONATIONS</b>			
		2019	2018
		\$000	\$000
<b>Donations</b>			
Red Shield Appeal Income		78,000	78,078
Less: Red Shield Appeal Expenses		21,738	27,996
<b>Net Revenue Available for Distribution</b>		<u><u>56,262</u></u>	<u><u>50,082</u></u>

# The Salvation Army Australia Social Fund

## NOTES TO THE FINANCIAL STATEMENTS

	NOTE	2019 \$000	2018 \$000
<b>5. RED SHIELD APPEAL DONATIONS (Continued)</b>			
<b>Distribution</b>			
Donor designated gifts		10,418	8,561
Other Emergency Appeals/Disasters (including Drought Relief)		4,847	176
<b>Total Distribution</b>		<b>15,265</b>	<b>8,737</b>
<b>Net Funds Available for Social Mission and Community Engagement</b>		<b>40,997</b>	<b>41,345</b>
No Red Shield Appeal funds are used to cover National Redress claims.			
<b>6. CASH</b>			
Cash at bank		36,387	35,662
Cash on hand		844	789
	19	<b>37,231</b>	<b>36,451</b>
<b>7. RECEIVABLES AND OTHER ASSETS</b>			
<b>Current</b>			
Prepayments		3,960	4,130
Accommodation Bond Rollovers	1(h)	2,279	2,983
Sundry debtors (including deferred consideration)		16,549	21,285
Receivables from General Work		271,600	257,995
		<b>294,388</b>	<b>286,393</b>
Social Work deposits cash to General Work which is then invested by General Work. All the former Salvation Army Eastern Territory investment portfolios are held under The Salvation Army (New South Wales) Property Trust and accounted for in the General Work. The returns from the receivable are utilised to fund the Social Work's operations. The receivable from General Work bears interest at an average 1.44% per annum (2018: 1.21%), and can be recalled at any time.			
<b>Non-current</b>			
Accommodation Bond Rollovers	1(h)	17,141	15,346
Loan Receivable - Independent Living Units	1(h)	2,794	4,756
Independent Living Unit - Lease Refurbishment Contribution	1(h)	9,313	8,269
Sundry debtors (including deferred consideration)		3,669	3,671
		<b>32,917</b>	<b>32,042</b>

# The Salvation Army Australia Social Fund

## NOTES TO THE FINANCIAL STATEMENTS

	2019	2018
	\$000	\$000
<b>8. OTHER FINANCIAL ASSETS</b>		
<b>Current</b>		
Short term deposits	15,641	73,610
<b>Non-current</b>		
Unlisted units in managed investment funds	298,949	240,913
Hybrid and fixed interest securities	37,395	33,544
Other	619	565
	<u>336,963</u>	<u>275,022</u>
	<u>352,604</u>	<u>348,632</u>
<b>9. INVENTORIES</b>		
Raw materials and stores	375	338
Work in progress	39	20
Finished goods	2,825	1,857
	<u>3,239</u>	<u>2,215</u>
<b>10. PROPERTY, PLANT AND EQUIPMENT</b>		
<b>Freehold Land and Buildings</b>		
Freehold land at cost	93,507	88,948
Buildings at cost	713,280	707,153
Accumulated depreciation	(196,762)	(185,775)
<b>Total Freehold Land and Buildings</b>	<u>610,025</u>	<u>610,326</u>
<b>Leasehold Improvements</b>		
At cost	29,975	27,517
Accumulated depreciation	(27,778)	(24,723)
<b>Total Leasehold Improvements</b>	<u>2,197</u>	<u>2,794</u>
<b>Building Schemes in Progress - at cost</b>	<u>21,063</u>	<u>14,187</u>
<b>Motor Vehicles</b>		
At cost	16,611	16,537
Accumulated depreciation	(11,357)	(10,854)
<b>Total Motor Vehicles</b>	<u>5,254</u>	<u>5,683</u>
<b>Plant and Equipment</b>		
At cost	83,023	113,230
Accumulated depreciation	(57,726)	(90,090)
<b>Total Plant and Equipment</b>	<u>25,297</u>	<u>23,140</u>
<b>Total Property, Plant and Equipment Net Book Value</b>	<u>663,836</u>	<u>656,130</u>

The Salvation Army Australia Social Fund  
 NOTES TO THE FINANCIAL STATEMENTS

2019  
 \$000

2018  
 \$000

10. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

Freehold Land and Buildings

Carrying amount at beginning of year	610,326	558,789
Additions (and transfers from Building Schemes in Progress - Cost)	19,340	70,263
Disposals	(5,706)	(5,763)
Depreciation	(13,935)	(12,963)
Carrying amount at end of year	<u>610,025</u>	<u>610,326</u>

Leasehold Improvements

Carrying amount at beginning of year	2,794	4,876
Additions (and transfers from Building Schemes in Progress - Cost)	704	1,457
Disposals	(21)	(354)
Depreciation	(1,280)	(3,185)
Carrying amount at end of year	<u>2,197</u>	<u>2,794</u>

Building Schemes in Progress – Cost

Carrying amount at beginning of year	14,187	48,584
Additions	29,874	37,455
Transfers from Investment Property	-	70
Transfers to Freehold Land, Buildings/Leasehold Property and Plant and Equipment	(22,998)	(71,922)
Carrying amount at end of year	<u>21,063</u>	<u>14,187</u>

Motor Vehicles

Carrying amount at beginning of year	5,683	4,821
Additions	1,348	2,282
Disposals	(146)	(12)
Depreciation	(1,631)	(1,408)
Carrying amount at end of year	<u>5,254</u>	<u>5,683</u>

Plant and Equipment

Carrying amount at beginning of year	23,140	23,155
Additions (including transfers from building schemes in progress - cost)	15,987	11,014
Disposals	(804)	(294)
Depreciation	(13,026)	(10,735)
Carrying amount at end of year	<u>25,297</u>	<u>23,140</u>



# The Salvation Army Australia Social Fund

## NOTES TO THE FINANCIAL STATEMENTS

	2019	2018
	\$000	\$000
<b>11. COMMUNITY HOUSING PROPERTY</b>		
Community Housing property	<u>94,599</u>	<u>77,001</u>
<b>(a) Reconciliation of carrying amount</b>		
Opening	77,001	75,276
Acquisitions	4,760	983
Disposal	-	(574)
Change in fair value	<u>12,838</u>	<u>1,316</u>
Closing balance	<u>94,599</u>	<u>77,001</u>

Community Housing property comprises a number of residential properties that are leased to third parties. The lease terms vary depending on the need of the lessee. No contingent rents are charged. A portion of the acquisition of Community Housing properties represent a non-cash transaction and was affected by way of a finance lease liability (refer note 15) and a non-cash grant.

### **(b) Measurement of fair values**

The fair value of Community Housing property was determined by external, independent property valuers (Valuer-General) having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Fund's Community Housing property portfolio every year.

### **(c) Leases as lessor**

The Fund leases out its Community Housing property. Due to the nature of the community housing residential properties the minimum lease payments are not material to the Social Fund's financial statements.

During 2019 Community Housing property rentals of \$5.3m (2018: \$5.5m) were included in other revenues from ordinary activities.

# The Salvation Army Australia Social Fund

## NOTES TO THE FINANCIAL STATEMENTS

	NOTE	2019 \$000	2018 \$000
<b>12. PAYABLES</b>			
<b>Current</b>			
Sundry creditors and accruals		54,184	58,701
Prepaid government funding		20,452	17,734
		<u>74,636</u>	<u>76,435</u>

### 13. EMPLOYEE BENEFITS

<b>Current</b>			
Employee entitlements		<u>45,023</u>	<u>44,655</u>
<b>Non-current</b>			
Employee entitlements		<u>6,987</u>	<u>6,556</u>

The Social Fund contributed \$36,597,259 (2018: \$34,414,909) on behalf of employees to the superannuation plans of their choice, in accordance with superannuation guarantee legislation.

#### Amounts not expected to be settled within the next 12 months

The current provisions for annual and long service leave include all unconditional entitlements where employees have completed the required period of service. The entire amount is presented as current since the Social Fund does not have a right to defer settlement.

Based on past experience, the full annual leave provision is treated as current. However, the Social Fund does not expect all employees to take the full amount accrued for long service leave within the next 12 months. The following amounts reflect long service leave which has been disclosed as a current liability but which is not expected to be taken or paid within the next 12 months.

Long service leave obligation not expected to be settled within 12 months		<u>18,986</u>	<u>16,374</u>
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### 14. PROVISIONS

<b>Current</b>			
Accommodation bond rollovers	1(h)	1,618	1,256
National Redress		22,193	13,560
		<u>23,811</u>	<u>14,816</u>
<b>Non-current</b>			
Accommodation bond rollovers	1(h)	8,599	7,649
National Redress		17,182	28,656
Make good of leased premises	1(l)	1,127	1,156
		<u>26,908</u>	<u>37,461</u>

# The Salvation Army Australia Social Fund

## NOTES TO THE FINANCIAL STATEMENTS

### 14. PROVISIONS (continued)

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.

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 three 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 made;
2. Claims known but yet to be settled which will be assessed by the National Redress Scheme and a payment is made; and
3. Unknown claims yet to be received, which may be lodged by claimants to the National Redress Scheme and a payment is made.

The estimation of the cost of unknown claims yet to be lodged under the National Redress Scheme or through known 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 paid have not and will not be funded from Red Shield Appeal or legacy funds.

# The Salvation Army Australia Social Fund

## NOTES TO THE FINANCIAL STATEMENTS

	2019	2018
	\$000	\$000
<b>15. LOANS AND BORROWINGS</b>		
<b>Current</b>		
Finance lease liabilities	<u>868</u>	<u>888</u>
<b>Non-Current</b>		
Finance lease liabilities	<u>53,863</u>	<u>52,857</u>
<b>(a) Finance lease liabilities</b>		
Finance lease liabilities are payable as follows		
Less than one year	868	888
Between one and five years	3,621	3,779
More than five years	<u>50,242</u>	<u>49,078</u>
	<u>54,731</u>	<u>53,745</u>

### Lease of investment property not in the legal form of a lease

During 2017 the Social Fund entered into an arrangement with the South Australian Housing Trust whereby it is required to provide residential housing to the community. Through this arrangement, it was determined that the Social Fund has control of the community housing assets and an option to buy the property at a beneficial price. Accordingly, although the arrangement is not in the legal form of a lease, the Social Fund concluded that the arrangement contains a lease of the community housing assets. The lease was classified as a finance lease.

At inception of the arrangement, payments are split into lease payments and payments related to the other elements based on their relative fair values. The imputed finance costs on the liability were determined based on the Social Fund's incremental borrowing rate 3.6% (2018: 4.72%). At 30 June 2019, properties with a fair value of \$72,613,000 (2018: \$71,044,000) were subject to a deed of statutory charge which forms security for the finance lease.

### 16. INTEREST FREE LOANS

	2019	2018
	\$000	\$000
<b>Current</b>		
Accommodation Bonds	216,630	200,819
Unsecured Loans	<u>200</u>	<u>200</u>
	<u>216,830</u>	<u>201,019</u>
<b>Non-Current</b>		
Secured Loans	7,672	7,672
Unsecured Loans	<u>800</u>	<u>1,000</u>
	<u>8,472</u>	<u>8,672</u>

# The Salvation Army Australia Social Fund

## NOTES TO THE FINANCIAL STATEMENTS

### 16. INTEREST FREE LOANS (continued)

#### 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. The amortisation amount is transferred to reserves held for aged care redevelopments.

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 Loans

These balances represent loans provided by government bodies towards the construction of aged care centres.

### 17. CAPITAL FUNDS

	NOTE	2019 \$000	2018 \$000
<b>Movements in Capital Funds</b>			
<b>Property Contributions Fund</b>			
Opening Balance		545,198	537,034
Net Transfers and allocations from working capital fund	3	32,677	8,164
Closing balance		<u>577,875</u>	<u>545,198</u>
<b>Reserves</b>			
Opening Balance		281,328	267,383
Net Transfers and allocations (to)/from working capital fund	3	(16,389)	13,918
Other comprehensive income		58	27
Closing balance		<u>264,997</u>	<u>281,328</u>
<b>Trusts and Special Purpose Funds</b>			
Opening Balance		93,956	64,583
Net Transfers and allocations from working capital fund	3	2,057	29,373
Closing balance		<u>96,013</u>	<u>93,956</u>
<b>Legacies</b>			
Opening Balance		34,368	32,944
Net Transfers and allocations from working capital fund	3	1,258	1,424
Closing balance		<u>35,626</u>	<u>34,368</u>



# The Salvation Army Australia Social Fund

## NOTES TO THE FINANCIAL STATEMENTS

	NOTE	2019 \$000	2018 \$000
<b>17. CAPITAL FUNDS (continued)</b>			
<b>Working Capital Fund</b>			
Opening Balance		34,405	38,186
Operating net income before allocations		26,051	49,098
Allocations to other capital funds	3	<u>(19,603)</u>	<u>(52,879)</u>
Closing balance		<u>40,853</u>	<u>34,405</u>

## 18. COMMITMENTS

### (a) Capital Commitments

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

Certain portions of these funds will be provided by Territorial Headquarters and other funds will be received from other sources. Due to the uncertainties necessarily surrounding funding from sources other than Territorial Headquarters, it is not possible, at any point in time, to quantify the exact financial commitment required of Territorial Headquarters for these projects. However, the maximum values are:

	2019 \$000	2018 \$000
Cost to complete property schemes in progress	37,866	35,013
Property schemes approved but not commenced as at 30 June 2019	<u>2,836</u>	<u>1,472</u>
	<u>40,702</u>	<u>36,485</u>

### (b) Operating Lease Commitments

Future operating lease rentals (including properties) not provided for in the financial statements and payable:

	2019 \$000	2018 \$000
Not later than one year	36,465	37,990
Later than one year but not later than five years	<u>68,201</u>	<u>68,045</u>
Later than five years	<u>6,263</u>	<u>7,542</u>
	<u>110,929</u>	<u>113,577</u>

The Social Fund leases a number of properties under operating leases. During the year, \$36,744,000 (2018: \$35,093,000) was recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income as operating property leases. The leases typically run for a period of 3 to 5 years and usually include an option to renew the lease after that period. Lease payments are increased at the end of the lease period to reflect market rentals.

# The Salvation Army Australia Social Fund

## NOTES TO THE FINANCIAL STATEMENTS

NOTE	2019 \$000	2018 \$000
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### 19. NOTES TO THE STATEMENT OF CASH FLOWS

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank, cash in transit and cash held at social centres net of outstanding bank overdrafts. Cash at the end of financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash	6	<u>37,231</u>	<u>36,451</u>
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### 20. RELATED PARTY DISCLOSURES

#### Key Management Personnel Disclosures

The Trustees of the Social Fund are deemed to be the key management personnel of the Social Fund. The names of the Trustees who held office during the year ended 30 June 2019 were:

Commissioner Floyd Tidd \*

Colonel Graeme Rigley

Colonel Mark Thomas Stuart Campbell \*

Colonel Geanette Frances Seymour

Lieutenant-Colonel Winsome Joy Merrett \*

Lieutenant-Colonel Stuart Evans \*

Lieutenant-Colonel Lynette Ann Edge

Captain Richard Charles Parker

Mr Malcolm Roberts

Mr Gregory Stowe

\* Trustees who held office for the full financial year

# The Salvation Army Australia Social Fund

## NOTES TO THE FINANCIAL STATEMENTS

2019	2018
\$000	\$000

### 20. RELATED PARTY DISCLOSURES (continued)

#### Trustees' Remuneration

The Trustees are officers or staff of the Social Fund, and receive remuneration in accordance with established Salvation Army guidelines as below. In addition, officer trustees also receive 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 Trustees of the Social Fund. There are no other transactions with key management personnel.

Total income paid or payable, or otherwise made available to all Trustees of the Social Fund from the Social Fund or any related party

616	1,127
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### 21. INCOME TAX

The Salvation Army organisations are endorsed by the Australian Taxation Office as Income Tax Exempt Charities.

### 22. CONTINGENT LIABILITIES

#### a) 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.

In addition, at the time of divesting some of its aged care centres, the Department of Health and Ageing had provided the Social Fund with capital grant funding towards the construction of Gilgunya Village, Weeroona Hostel, Inala Village Nursing Home, Edenfield Hostel, Warrina Hostel and Darwin Nursing Home. Under certain conditions, a portion of these capital grants may need to be repaid by the Social Fund to the Department of Health and Ageing. The amount repayable to the Department of Health and Ageing reduces over time, with 2021 being the last expiration date for the capital grant funding provided for Gilgunya Village. As at 30 June 2019, the maximum capital grant funding which would have been repayable to the Department of Health and Ageing was \$312,313 (2018: \$506,000).

At 30 June 2019, 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.

#### b) 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 the project agreement, under certain default or closure circumstances, The Social Fund would be required 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 2019, the amount repayable would have been \$13,510,343 (2018: \$14,050,000) and there were no events that required any repayment.

# The Salvation Army Australia Social Fund

## NOTES TO THE FINANCIAL STATEMENTS

### 23. FINANCIAL RISK MANAGEMENT

The Social Fund has exposure to the following risks from their use of financial instruments:

- 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 low 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 from customers.

#### *Financial Assets*

The Social Funds financial assets are held 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 customer. 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 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 customers 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 their estimate of incurred losses 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 Note 6 "Cash", Note 7 "Receivables and Other Assets" and Note 8 "Other Financial Assets" for the carrying amount of the Social Fund's financial assets representing the maximum credit exposure. As at 30 June 2019 receivables 30 days past due are immaterial balance.

#### **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:

	Carrying Amount	
	2019	2018
	\$000	\$000
Cash and cash equivalents	37,231	36,451
Trade receivables	20,218	24,956
	<u>57,449</u>	<u>61,408</u>

# The Salvation Army Australia Social Fund

## NOTES TO THE FINANCIAL STATEMENTS

### 23. FINANCIAL RISK MANAGEMENT (continued)

#### *Trade and other receivables*

The aging of the Social Fund's sundry debtors at the reporting date was:

	Gross 2019 \$000	Impairment 2019 \$000	Gross 2018 \$000	Impairment 2018 \$000
Not past due	20,218	-	24,956	-
Past due 0-30 days	-	-	-	-
Past due 31-120 days	-	-	-	-
	<b>20,218</b>	<b>-</b>	<b>24,956</b>	<b>-</b>

#### **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 equity price risk, which arises from equity managed funds and hybrid securities. Management monitors the proportion of equity managed funds and hybrid securities in its investment portfolio based on market indices. The primary goal of the Social Fund's investment strategy is to maximise investment returns.

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

##### *Exposure to market risk*

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

##### *Profile*

At the reporting date, the market rate profile of the Social Fund's equity financial instruments is set out in Note 8.

##### *Fair value sensitivity analysis for equity managed funds and hybrid instruments*

The equity financial asset represents managed funds and hybrid fixed interest securities.



# The Salvation Army Australia Social Fund

## NOTES TO THE FINANCIAL STATEMENTS

### 23. FINANCIAL RISK MANAGEMENT (continued)

#### Sensitivity analysis

A reasonably possible change of 100 basis points in returns at the reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit or Loss / equity	
	1% Increase	1% Decrease
<b>2019</b>	<b>\$000</b>	<b>\$000</b>
Equity rate instruments	3,370	(3,370)
	<u>3,370</u>	<u>(3,370)</u>
<b>2018</b>		
Equity rate instruments	2,750	(2,750)
	<u>2,750</u>	<u>(2,750)</u>

#### Liquidity risk

The Social Fund's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the 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 at 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:

	Carrying Amount	Contractual Cash Flows	12 months or less	1-2 years	More than 2 years
	\$000	\$000	\$000	\$000	\$000
<b>30 June 2019</b>					
<b>Financial liabilities</b>					
Trade and other payables	(54,184)	(54,184)	(54,184)	-	-
Interest free loans	(225,302)	(225,302)	(216,830)	-	(8,472)
Finance lease liability	(54,731)	(54,731)	(868)	(3,621)	(50,242)
	<u>(334,217)</u>	<u>(334,217)</u>	<u>(271,882)</u>	<u>(3,621)</u>	<u>(58,714)</u>
<b>30 June 2018</b>					
<b>Financial liabilities</b>					
Trade and other payables	(58,701)	(58,701)	(58,701)	-	-
Interest free loans	(209,691)	(209,691)	(201,019)	-	(8,672)
Finance lease liability	(53,745)	(53,745)	(888)	(3,779)	(49,078)
	<u>(322,137)</u>	<u>(322,137)</u>	<u>(260,608)</u>	<u>(3,779)</u>	<u>(57,750)</u>

# The Salvation Army Australia Social Fund

## NOTES TO THE FINANCIAL STATEMENTS

### 24. 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.

# The Salvation Army Australia Social Fund

## TRUSTEES' DECLARATION

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

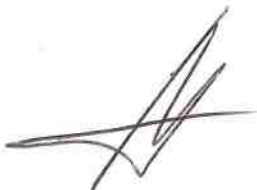
- (i) The accompanying aggregated financial statements and notes set out on pages 6 to 35 are drawn up so as to present fairly the financial position of the Social Fund as at 30 June 2019 and the results of its operations and its cash flows for the year then ended;
- (ii) The operations have been carried out in accordance with The Salvation Army Trusts and Deeds;
- (iii) These special purpose aggregated financial statements comply with all of the general purpose financial statement requirements of Tier 2 in accordance with Australian Accounting Standards – Reduced Disclosure Requirements 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) except that the aggregated entities that comprise the Social Fund do not constitute a group for the purpose of AASB 10 Consolidated Financial Statements; and
- (iv) 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:



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**Lieutenant-Colonel Stuart R Evans (B Economics, MBA)**  
Secretary for Business Support  
TRUSTEE



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**Colonel Mark T S Campbell (BA Leadership (UNE), MA Theological Studies (SCD))**  
Chief Secretary  
TRUSTEE

Dated at Melbourne this 4th day of November 2019



# 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 Territory 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 2019 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

6 November 2019



# Independent Auditor's Report

To the Trustees of The Salvation Army Australia Territory Social Fund

## Opinion

We have audited the **Aggregated Financial Report**, of The Salvation Army Australia Territory 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 2019, 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*.

The **Aggregated Financial Report** comprises:

- i. Aggregated statement of financial position as at 30 June 2019.
- ii. Aggregated statement of profit or loss and other comprehensive income, Aggregated statement of changes in capital funds, 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 (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) Property Trust, The Salvation Army (Queensland) Property Trust, The Salvation Army (New South Wales) Trust as Trustee for The Social Work, The Salvation Army (Queensland) Property Trust as Trustee for The Social Work, The Salvation Army Community Housing Service, The Salvation Army Aust Self Denial Fund (for Overseas Aid) and the entities they controlled at the year end or from time to time during the financial year.

## 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* (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 the Code.





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

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 ACNC 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 and the ACNC.

## Other information

Other Information is financial and non-financial information in Aggregated Entity's annual reporting which is provided in addition to the Aggregated Financial Report and the Auditor's Report. Management 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.
- 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.
- 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 and the Registered Entities' 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 scepticism 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 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 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 fair presentation.

We communicate with the Trustees of the Aggregated Entity and the 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.



KPMG



Chris Sargent  
Partner  
Melbourne  
6 November 2019

# Deductible gift recipient status

Gifts of \$2 or more to the social work of The Salvation Army in Australia are tax deductible.

ABNs:

- The trustee for The Salvation Army (New South Wales) Social Work ABN 46 891 896 885
- The trustee for The Salvation Army (Tasmania) Social Work ABN 23 860 168 024
- The trustee for The Salvation Army (Victoria) Social Work ABN 18 730 899 453
- The trustee for The Salvation Army (South Australia) Social Work ABN 45 781 882 681
- The trustee for The Salvation Army (Western Australia) Social Work ABN 92 646 174 644
- The trustee for The Salvation Army (Northern Territory) Social Work ABN 34 413 960 392
- The trustee for The Salvation Army (Queensland) Social Work ABN 22 035 976 360
- The trustee for The Salvation Army (Victoria) Housing ABN 85 133 724 651
- The trustee for The Salvation Army Housing Limited ABN 59 608 346 934
- The trustee for The Salvation Army (Australia) Self Denial Fund (For Overseas Aid) ABN 52 609 689 893
- The trustee for The Salvation Army (Australia) Self Denial Fund (For Overseas Aid) ABN 15 562 601 404
- The Salvation Army Community Housing Service Limited ABN 47 152 257 728
- Salvos Legal (Humanitarian) Limited ABN 36 147 212 940