

# AGGREGATED FINANCIAL REPORT THE SALVATION ARMY AUSTRALIA SOCIAL FUND FOR THE YEAR ENDED 30 JUNE 2020

## Contents

Trustees' Report	2-4
Aggregated Statement of Profit or Loss and Other Comprehensive Income	5
Aggregated Statement of Financial Position	6
Aggregated Statement of Cash Flows	7
Aggregated Statement of Changes in Capital Funds	8
Notes to the Financial Statements	9-36
Trustees' Declaration	37
Auditor's Independence Declaration	38
Independent Auditor's Report	39-41

## 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 2020 and the independent auditor's report thereon.

### Principal Activities

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

- Aged care
- Employment, education and training services
- Legal representation/services
- Housing and homelessness 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.

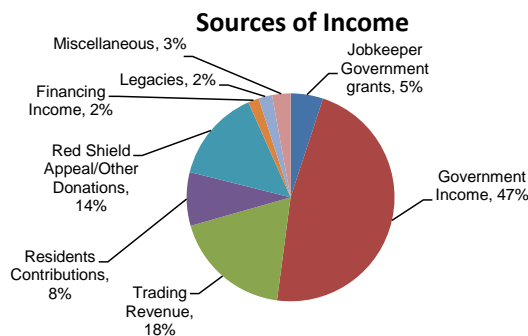
### Review of Operations

The Social Fund's operating result was a net expenditure after allocations and before net change in fair value of financial assets of \$27Mn (2019: \$6.4Mn net income) whilst total operating expenses were \$979.2Mn (2019: \$866.1Mn). In line with The Salvation Army Australia Territory's policies and compliance with donors' restrictions on the use of certain funds, net transfers of \$54.9Mn (\$2019: \$19.6Mn) were made to various reserves for specific purposes.

	<b>2020</b> <b>\$000</b>
Revenue	1,007,117
Expenditure	(979,218)
Net income before Allocations (before net change in fair value of financial assets)	27,899
Allocations to Capital Funds	(54,904)
Net expenditure after Allocations (before net change in fair value of financial assets)	(27,005)
Net Change in Fair Value of Financial Assets	580
Total Comprehensive Loss after Allocations	(26,425)

The following is a summary of the main sources of income for the Social Fund in 2020.

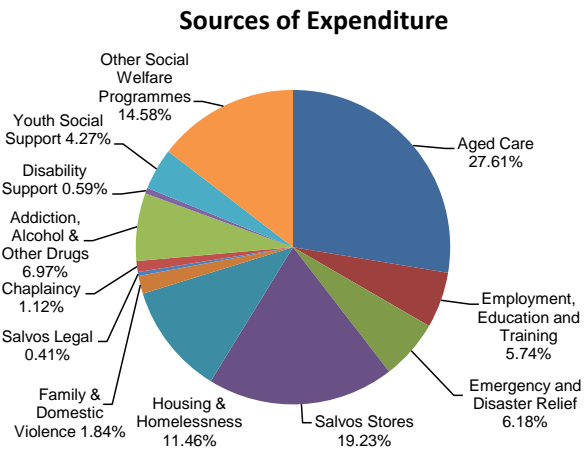
	<b>2020</b> <b>\$000</b>	<b>2019</b> <b>\$000</b>
Government and Capital Income	473,646	441,230
Jobkeeper Government grants	50,912	-
Trading Revenue (incl Salvos Stores)	186,277	208,936
Residents Contributions	83,856	87,378
Red Shield Appeal/Other Donations	145,365	87,068
Financing Income	16,922	26,659
Legacies	21,377	12,335
Miscellaneous	28,762	28,507
<b>Total Income</b>	<b>1,007,117</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 2020.

	2020 \$000	2019 \$000
Aged Care	270,362	223,658
Employment, Education and Training	56,207	59,645
Emergency and Disaster Relief	60,516	-
Salvos Stores	188,304	206,246
Housing & Homelessness	112,218	110,815
Family & Domestic Violence	18,018	19,526
Salvos Legal	4,014	10,905
Chaplaincy	10,967	12,680
Addiction, Alcohol & Other Drugs	68,252	68,517
Disability Support	5,777	13,364
Youth Social Support	41,813	41,221
Other Social Welfare Programmes	142,770	99,485
<b>Total Expenditure</b>	<b>979,218</b>	<b>866,062</b>



The 2020 result included the following:

- The Red Shield Appeal recorded income of \$131.2Mn (2019: \$78Mn) before expenses for the year ended 30 June 2020. This result included \$45.7Mn of bushfire donations. Underlying Red Shield Appeal results are marginally higher than prior years.
- Legacy income \$21.4Mn (2019: \$12.3Mn) 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.
- Salvo's Stores performance was impacted by COVID-19 however, has made significant improvements where they have been able to reopen.

### Developments

During the year The Salvation Army was impacted by COVID-19 in a number of ways. Like most organisations we adopted a working remotely policy where possible. Our retail services were forced to close for periods as COVID-19 spread. Our aged care facilities and in-house services adapted to new disease control standards to prevent the spread of COVID-19. Demand for services for homelessness, financial difficulty and family violence increased. Our ability to hold services and run community events was reduced due to restrictions on gatherings.

The potential financial impacts of COVID-19 are unclear at this stage. The future impacts on the Social Fund will depend on evolution of the pandemic, the impacts to the economy, Government policy and community response.

Even with these restrictions The Salvation Army continued to provide community services, supported bushfire and drought victims and provided support to the community and its members.

# The Salvation Army Australia Social Fund

## TRUSTEES' REPORT

### 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.

As indicated impacts of COVID-19 are uncertain, while current trends indicate no significant impact to the operation of the Social Fund, any dramatic change in the situation, Government Policy or economic position could have an impact into the future.

### Environmental Issues

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

### Insurance of Officers

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

### Rounding of amounts

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

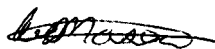
### Auditor

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

### Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 38 and forms part of the Trustees' report for the financial year ended 30 June 2020.

Signed in accordance with a resolution of the Trustees:



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**Lt. Col. Winsome Mason**  
Secretary for Business Support  
TRUSTEE



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**Colonel Winsome Merrett**  
Chief Secretary  
TRUSTEE

Dated at Melbourne this 4th day of November 2020

# The Salvation Army Australia Social Fund

## AGGREGATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

	<i>Note</i>	<b>2020</b>	2019
		<b>\$000</b>	\$000
<b>Revenues and other income</b>			
Revenue from rendering of services	2	536,703	502,084
Other revenues from ordinary activities	2	200,430	218,005
Jobkeeper Government grants		50,912	-
Financing income		16,922	26,659
Legacies income		21,377	12,335
Red Shield Appeal donations	5	131,212	78,000
Total operating revenue		<u>957,556</u>	<u>837,083</u>
Capital revenue:			
Government grants		9,917	917
Fair value adjustment - Community Housing		1,455	12,838
Other income		9,427	12,768
Total capital revenue		<u>20,799</u>	<u>26,523</u>
Other income		<u>28,762</u>	<u>28,507</u>
Total revenue and other income		<u>1,007,117</u>	<u>892,113</u>
Employee expenses		(535,952)	(487,473)
Depreciation expenses	10, 12	(56,823)	(29,872)
Computer expenses		(11,389)	(8,673)
Welfare/Jobseeker expenses		(114,644)	(66,452)
Building/Occupancy expenses		(113,471)	(120,493)
Motor Vehicle expenses		(11,969)	(15,139)
Contribution - General/Property Funds		-	(15,164)
Rollover accommodation bond credits		(72)	932
Amenities and supplies		(50,057)	(44,901)
Professional fees expenses		(22,595)	(16,178)
Financing expenses		(6,278)	(2,661)
Other expenses from ordinary activities		(55,968)	(59,988)
Total operating expenses		<u>(979,218)</u>	<u>(866,062)</u>
<b>Operating net income</b>	18	27,899	26,051
<b>Other comprehensive income</b>			
Net change in fair value of financial assets		<u>580</u>	<u>58</u>
<b>Total comprehensive income for the year</b>		28,479	26,109
Allocations to capital funds	3	(54,904)	(19,603)
<b>Total comprehensive (loss)/income for the year after allocations</b>		<u>(26,425)</u>	<u>6,506</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 9 to 36.

The Social Fund initially applied AASB16, AASB15 and AASB 1058 at 1 July 2019. Under the transition method chosen, comparative information has not been restated.

# The Salvation Army Australia Social Fund

## AGGREGATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Note	2020 \$000	Adjusted* 2019 \$000
<b>CURRENT ASSETS</b>			
Cash	6	29,577	37,231
Receivables and other assets	7	50,894	294,388
Other financial assets	8	38,642	15,641
Inventories	9	3,995	3,239
Land & buildings held for sale	10	3,000	-
<b>TOTAL CURRENT ASSETS</b>		<b>126,108</b>	<b>350,499</b>
<b>NON-CURRENT ASSETS</b>			
Receivables and other assets	7	34,451	32,917
Other financial assets	8	588,135	336,963
Property, plant and equipment	10	681,099	663,836
Community Housing property	11	103,106	94,599
Right of use assets	12	108,328	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,515,119</b>	<b>1,128,316</b>
<b>TOTAL ASSETS</b>		<b>1,641,227</b>	<b>1,478,815</b>
<b>CURRENT LIABILITIES</b>			
Lease liabilities	17	33,939	868
Payables	13	120,424	74,636
Employee benefits	14	40,623	45,023
Provisions	15	30,125	23,811
Interest free loans	16	214,354	216,830
<b>TOTAL CURRENT LIABILITIES</b>		<b>439,465</b>	<b>361,168</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	17	130,673	53,863
Employee benefits	14	7,373	6,987
Provisions	15	11,090	26,908
Interest free loans	16	8,272	8,472
Other liabilities		511	6,052
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>157,919</b>	<b>102,282</b>
<b>TOTAL LIABILITIES</b>		<b>597,384</b>	<b>463,450</b>
<b>NET ASSETS</b>		<b>1,043,843</b>	<b>1,015,364</b>
<b>CAPITAL FUNDS</b>			
Working capital fund	18	13,848	40,853
Property contribution fund	18	597,981	577,875
Reserves	18	248,422	243,018
Trusts and special purpose funds	18	111,822	91,136
Legacies	18	71,770	62,482
<b>TOTAL CAPITAL FUNDS</b>		<b>1,043,843</b>	<b>1,015,364</b>

\* 'Reserves', 'Trusts and special purpose funds' and 'Legacies' with respect to 2019 have been adjusted for a Territorial amalgamational line item re-classification of Capital Funds with respect to the former Eastern Territory and Legacies funding. Refer to Note 1(r).

The Aggregated Statement of Financial Position is to be read in conjunction with the notes to the financial statements set out on pages 9 to 36.

The Social Fund initially applied AASB16, AASB15 and AASB 1058 at 1 July 2019. Under the transition method chosen, comparative information has not been restated.

The Salvation Army Australia Social Fund  
**AGGREGATED STATEMENT OF CASH FLOWS**  
For the year ended 30 June 2020

	Note	2020 \$000	2019 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts in the course of operations*		1,009,899	899,728
Cash payments in the course of operations		(969,456)	(910,337)
Lease interest payments		(5,154)	-
Investment revenue received		16,922	26,659
Capital revenue received		19,345	13,685
<b>Net cash provided by operating activities</b>		<b>71,556</b>	<b>29,735</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for investments		(55,766)	(28,489)
Receipts from redemption of investments		53,773	24,732
Payments for property, plant and equipment		(51,391)	(44,256)
Proceeds from sale of property, plant and equipment		10,052	4,326
<b>Net cash used in investing activities</b>		<b>(43,332)</b>	<b>(43,687)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of borrowings		(200)	(200)
Repayment of lease liabilities		(33,202)	(879)
Proceeds from residents' accommodation bonds and other deposits received		59,474	61,802
Repayment of residents' accommodation bonds and other deposits		(61,950)	(45,991)
<b>Net cash used in financing activities</b>		<b>(35,878)</b>	<b>14,732</b>
Net decrease in cash held		(7,654)	780
Cash at the beginning of the financial year		37,231	36,451
Cash at the end of the financial year	20	<b>29,577</b>	<b>37,231</b>

\*Cash receipts in the course of operations includes \$33,132k in relation to the Federal Government Jobkeeper Program

The Aggregated Statement of Cash flows is to be read in conjunction with the notes to the financial statements set out on pages 9 to 36.

# The Salvation Army Australia Social Fund

## AGGREGATED STATEMENT OF CHANGES IN CAPITAL FUNDS

For the year ended 30 June 2020

	Working Capital Fund	Property Contribution Fund	Reserves	Trusts and Special Purpose Funds	Legacies	Total
	\$000	\$000	\$000	\$000	\$000	\$000
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	(38,368)	(2,820)	28,114	-
At 30 June 2019*	40,853	577,875	243,018	91,136	62,482	1,015,364
At 1 July 2019	40,853	577,875	243,018	91,136	62,482	1,015,364
Operating net income before allocations	27,899	-	-	-	-	27,899
Other comprehensive income	-	-	580	-	-	580
	68,752	577,875	243,598	91,136	62,482	1,043,843
Net transfers and allocations within other capital funds	(54,904)	20,106	4,824	20,686	9,288	-
At 30 June 2020	13,848	597,981	248,422	111,822	71,770	1,043,843

\* 'Reserves', 'Trusts and special purpose funds' and 'Legacies' with respect to 2019 have been adjusted for a Territorial amalgamational line item re-classification of Capital Funds with respect to the former Eastern Territory and Legacies funding. Refer to Note 1(r).

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 9 to 36.

The Social Fund initially applied AASB16, AASB15 and AASB 1058 at 1 July 2019. Under the transition method chosen, comparative information has not been restated.



# 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.

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 operations:

The Salvation Army (Victoria) Property Trust (ABN 64 472 238 844) established pursuant to *The Salvation Army (Victoria) Property Trust Act 1930*;

The Salvation Army (Tasmania) Property Trust (ABN 94 917 169 560) established pursuant to *The Salvation Army (Tasmania) Property Trust Act 1930*;

The Salvation Army (South Australia) Property Trust (ABN 13 320 346 330) established pursuant to *The Salvation Army (South Australia) Property Trust Act 1931*;

The Salvation Army (Western Australia) Property Trust (ABN 25 878 329 270) established pursuant to *The Salvation Army (Western Australia) Property Trust Act 1931*;

The Salvation Army (Northern Territory) Property Trust (ABN 65 906 613 779) established pursuant to *The Salvation Army (Northern Territory) Property Trust Act 1976*;

The Salvation Army (New South Wales) Property Trust (ABN 57 507 607 457) established pursuant to *The Salvation Army (New South Wales) Property Trust Act 1929*;

The Salvation Army (Queensland) Property Trust (ABN 32 234 126 186) established pursuant to *The Salvation Army (Queensland) Property Trust Act 1930*;

The Salvation Army (Victoria) Property Trust atf The Salvation Army (VIC) Social Work (ABN 18 730 899 453);

The Salvation Army (Tasmania) Property Trust atf The Salvation Army (TAS) Social Work (ABN 23 860 168 024);

The Salvation Army (South Australia) Property Trust atf The Salvation Army (SA) Social Work (ABN 45 781 882 681);

The Salvation Army (Western Australia) Property Trust atf The Salvation Army (WA) Social Work (ABN 92 646 174 644);

The Salvation Army (Northern Territory) Property Trust atf The Salvation Army (NT) Social Work (ABN 34 413 960 392);

The Salvation Army (New South Wales) Property Trust atf The Salvation Army (NSW) Social Work (ABN 46 891 896 885);

The Salvation Army (Queensland) Property Trust atf The Salvation Army (QLD) Social Work (ABN 22 035 976 360);

The Salvation Army (Australia) Redress Limited (ABN 94 628 594 294);

Salvos Legal Limited (ABN 14 147 213 214);

Salvos Legal (Humanitarian) Limited (ABN 36 147 212 940);

The Salvation Army (Australia) Self Denial Fund (For Overseas Aid) (ABN 52 609 689 893);

The Salvation Army Aust Self Denial Fund (For Overseas Aid) (ABN 15 562 601 404);

The Salvation Army Community Housing Service (ABN 47 152 257 728);

Salvation Army Housing (ABN 59 608 346 934); and

Salvation Army Housing (Victoria) (ABN 85 133 724 651).

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 governing body of the Social Fund on 4th November 2020.

#### (a) Statement of compliance

These special purpose aggregated financial statements comply with all of the recognition and measurement principles of Australian Accounting Standards except that the aggregated operations that comprise the Social Fund do not constitute a group for the purpose of AASB 10. The financial statement disclosures comply with the 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).

This is the first set of financial statements in which AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities and AASB 16 Leases have been applied. Changes to significant accounting policies are described in Note 1(v).

#### (b) Basis of preparation

The operations of the Social Fund during the year ended 30 June 2020 have been carried out in accordance with all relevant trust deeds.

The financial report is presented in Australian dollars which is the functional currency of all operations. The financial statements have been prepared on the historical cost basis except for 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 of an entity, it derecognises the assets and liabilities and any related Non-Controlling Interest (NCI) and other components of equity. Any resulting gain or loss is recognised in 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 \$313,357k, the financial statements have been prepared on a going concern basis. The deficiency is primarily caused by the requirement under Australian Accounting Standards to classify all accommodation bonds (\$214,354k) 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 \$567,566k) 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 potential financial impacts of COVID-19 are unclear at this stage. The future impacts on the Social Fund will depend on evolution of the pandemic, the impacts to the economy, Government policy and community response. Despite the uncertainty presented by COVID-19 the Social Fund expects to be able to continue satisfactory operations. Accordingly the financial statements have been prepared on a going concern basis.

#### **(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.

#### **(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', 'leasehold property' or 'investment property' (being Community Housing 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.

##### *(iv) Land and Buildings Held for Sale*

Current assets classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. The sale of the asset is expected to be completed within one year from the date of classification.

# 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.

#### (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 and 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, and Community Housing property (being Investment Property) 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. Acquisitions 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 incoming 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 0.87%pa (2019: 1.32%) decrement rate assumption of 20%pa (2019: 20%), refundable accommodation deposit percentage increase rate of 3%pa (2019: 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.

##### (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 the term of the Social Fund's obligations. Remeasurements are recognised in profit or loss in the period in which they arise.

#### (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 15). Costs required to return certain leased premises to their original condition as set out in the lease agreements are recognised as a provision. The provision has been calculated as an estimate of future costs and discounted to a present value and is revised on an annual basis.

#### (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 and Property Fund records part of the territorial and divisional costs. An 'arm's length' contribution is charged by the General and Property Fund to the Social Fund for services provided. As part of the nationalisation of The Salvation Army former Southern and Eastern territories, the Social Fund contributed to the General Fund and Property Fund for head office and administration costs as these had not yet been fully aligned within the new amalgamated Australia Territory structure. In financial year 2020, this alignment has been completed and all head office and administration costs are directly costed to Social Fund.

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

# 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 a point in time, when 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 as revenue where the Social Fund acquires or receives an asset (including cash) in exchange for no consideration, in order to further its objectives. In circumstances where there are sufficiently enforceable rights and/or sufficiently specific performance obligations, revenue is deferred initially as a liability and is then recognised as obligations or conditions are fulfilled.

##### *Revenue from Social Programmes*

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

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

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

##### *Fees from residents*

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

##### *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, judgements and errors

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 15 contains information about the provision for National Redress, Note 11 contains information relating to the fair value of Community Housing (being Investment Property) and Note 1(h)(i) contains information about rollover receivable and payable balances.

##### *Re-classification of Reserves, Trusts and special purpose funds and Legacies*

In December 2019, in undertaking analysis of reserve funds pertaining to the former Eastern Territory, it was determined that certain 'Legacies' balances were previously classified and contained within 'Reserves' and 'Trusts and other special purpose funds'.

The re-classification and adjustment to the 2019 balance sheet was to reduce 'Reserves' and 'Trusts and other special purpose funds' and increase 'Legacies':

	Pre- Adjustment	Adjusted	Post Adjustment
	\$000	\$000	\$000
Reserves	264,997	-21,979	243,018
Trusts and special purpose funds	96,013	-4,877	91,136
Legacies	35,626	26,856	62,482

#### (s) Leases

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

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

##### *(ii) Recognition*

###### *Right-of-use assets*

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

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Social Fund expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

###### *Lease liabilities*

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Social Fund's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties.

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

Extension and termination options are included in most of the property leases. All extension and termination options held are exercisable only by the Social Fund and not by the respective lessor. In determining the lease term, management considered all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. In most cases lease extension options are not included in the calculation of lease liabilities. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the Social Fund as lessee.

##### *(iii) Lease exemptions and elections*

The Social Fund excludes short-term and low value leases. Short-term leases are those which have a lease term of 12 months or less, and low value leases are those whereby the underlying asset is valued less than or equal to \$10,000. Lease payments on these assets are expensed to profit or loss as incurred.



# The Salvation Army Australia Social Fund

## NOTES TO THE FINANCIAL STATEMENTS

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

#### (s) Leases (continued)

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

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

#### (t) Community Housing property

Community Housing property is overseen by Salvation Army Housing and provides homes for individuals and families who are homeless or at risk of homelessness, are on low incomes and those with specific support needs.

In providing these services, Salvation Army Housing has entered into arrangements with Government Housing authorities in the form of:

- Owned property held under AASB 140 Investment Property; and
- Leases whereby The Salvation Army Housing holds Investment Property as a designated class of right of use asset within AASB 16 Leases

Investment 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 is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

For leased Community Housing property the Social Fund applies accounting policies within Note 1(s).

#### (u) New standards

##### *New standards adopted during the year*

A number of new standards, amendments to standards and interpretations are effective from 1 July 2019. AASB 16 Leases has impacted the Social Fund as described in note 1(v) below.

AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-For-Profit entities do not materially impact the Social Fund, and as the modified retrospective method has been applied, no comparative information has been restated. Note 1(o) contains the new accounting policies adopted which result in materially consistent revenue recognition practices with the previous period.

##### *New standards not yet adopted*

A number of new standards are effective for annual periods beginning on or after 1 July 2020 and earlier application is permitted, however, the Social Fund has not early adopted the new or amended standards in preparing these financial statements.

The new standards are not expected to have a significant impact on the Social Fund's financial statements, apart from:

- AASB 2020-2 Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities
- AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2

As the Social Fund applies all the recognition and measurement requirements of all Australian Accounting Standards, there will be no impact on the amounts recognised in the financial statements. The new standards may alter some disclosures in future periods.

Both standards will apply to the Social Fund from the financial year beginning 1 July 2021.

#### (v) Impact of adopting AASB 16 Leases

The Social Fund has applied AASB 16 Leases from 1 July 2019. The standard removes the classification of leases as either operating leases or finance leases for the lessee and effectively treats all leases as finance leases. This moves most off-balance sheet operating leases onto the balance sheet.

The Social Fund has elected and applied various expedients within Note 1(s)(iii) accounting policies.

As disclosed within Note 11, the carrying amount of leased Community Housing property held under a finance lease arrangement was \$72,613,000. A right-of-use asset is recognised for these leases upon initial application of AASB 16 Leases, and continues as a designated class of Investment Property, on 1 July 2019, at an amount equal to the carrying amount of the lease asset immediately before the date measured applying AASB 117 Leases.

# The Salvation Army Australia Social Fund

## NOTES TO THE FINANCIAL STATEMENTS

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

#### (v) Impact of adopting AASB 16 Leases (continued)

##### *Leases formerly classified as finance leases under AASB 117 Leases*

The Social Fund leases a number of buildings. These leases were classified as finance leases under AASB 117. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 July 2019 were determined at the carrying amount of the lease asset and lease liability under AASB 117 immediately before that date.

##### *Leases formerly classified as operating leases under AASB 117 Leases*

On transition, the Social Fund recognised right-of-use assets and lease liabilities under the modified retrospective approach electing no opening adjustment to equity. The impact is set out below:

On 1 July 2019:	\$000
Right of use assets	99,708
Lease liabilities	-99,708

When measuring lease liabilities for leases which were previously classified as operating leases, the Social Fund's discounted lease payments utilised an interest rate at 1 July 2019. The weighted average rate applied was 3.60%.

	\$000
Operating lease commitment as disclosed at 30 June 2019	110,929
Discounted using the incremental borrowing rate at 1 July 2019	(5,079)
Lease liabilities recognised as at 30 June 2019	105,850
Recognition exemption for leases of low-value assets	-
Recognition for leases with less than 12 months of lease term at transition	(6,142)
Lease liabilities recognised on 1 July 2019	99,708

As the Social Fund has recognised depreciation and interest costs associated with AASB 16 Leases, rather than operating lease expenses, the following amounts were recognised during the year:

	\$000
Depreciation expense	35,747
Interest expense	5,154

Cash payments for the principal portion of the lease liability are included within financing activities, with cash payments for the interest portion of the lease liability included under 'Lease interest payments'. Short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability, are included within operating activities.

	\$000
Total cash outflows from lease payments	38,356

# The Salvation Army Australia Social Fund

## NOTES TO THE FINANCIAL STATEMENTS

	NOTE	2020 \$000	2019 \$000
<b>2. REVENUE FROM ORDINARY ACTIVITIES</b>			
Revenue from rendering of services:			
Government grants		379,859	323,954
Fee for service – Government Funding		72,988	90,752
Resident contributions and patient fees		83,856	87,378
		<u>536,703</u>	<u>502,084</u>
Other revenue from ordinary activities:			
Revenue from sale of goods		167,088	191,991
Revenue from rent		19,189	16,946
Other donations received – other than from the Red Shield Appeal		14,153	9,068
		<u>200,430</u>	<u>218,005</u>
Total revenue from ordinary activities		<u><u>737,133</u></u>	<u><u>720,089</u></u>

### 3. ALLOCATIONS TO CAPITAL FUNDS

Allocations have been made (to)/from the following capital funds, excluding working capital:

Property contributions fund	18	(20,106)	(32,677)
Reserves	18	(4,824)	38,368
Trusts and special purpose funds	18	(20,686)	2,820
Legacies	18	(9,288)	(28,114)
		<u>(54,904)</u>	<u>(19,603)</u>

'Reserves', 'Trusts and special purpose funds' and 'Legacies' allocations with respect to 2019 have been adjusted for a Territorial amalgamational line item re-classification of Capital Funds with respect to the former Eastern Territory and Legacies funding. Refer to Note 1(r).

### 4. AUDITORS' REMUNERATION

	2020 \$	2019 \$
Audit Services		
Auditors of the Social Fund		
KPMG Australia	<u>830,862</u>	<u>794,466</u>
Other Services		
KPMG Australia	<u>169,884</u>	<u>268,028</u>

### 5. RED SHIELD APPEAL DONATIONS

	2020 \$000	2019 \$000
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#### Donations

Red Shield Appeal Income	131,212	78,000
Less: Red Shield Appeal Expenses	<u>(20,657)</u>	<u>(21,738)</u>
<b>Net Revenue Available for Distribution</b>	<u><u>110,555</u></u>	<u><u>56,262</u></u>

# The Salvation Army Australia Social Fund

## NOTES TO THE FINANCIAL STATEMENTS

	NOTE	2020 \$000	2019 \$000
<b>5. RED SHIELD APPEAL DONATIONS (Continued)</b>			
<b>Distribution</b>			
Donor designated gifts		(14,530)	(10,418)
Other Emergency Appeals/Disasters (including Bushfire and Drought Relief)		(46,571)	(4,847)
<b>Total Distribution</b>		<b>(61,101)</b>	<b>(15,265)</b>
<b>Net Reserves Available for Social Mission and Community Engagement</b>		<b>49,454</b>	<b>40,997</b>

No Red Shield Appeal funds are used to cover National Redress claims.

### 6. CASH

Cash at bank		29,306	36,387
Cash on hand		271	844
	20	<b>29,577</b>	<b>37,231</b>

### 7. RECEIVABLES AND OTHER ASSETS

#### Current

Prepayments		2,632	3,960
Accommodation Bond Rollovers		1,958	2,279
Sundry debtors (including deferred consideration)		46,304	16,549
Receivables from General Work		-	271,600
		<b>50,894</b>	<b>294,388</b>

Social Work deposits cash to General Work which is then invested by General Work. All former Salvation Army Eastern Territory investment portfolios were held under The Salvation Army (New South Wales) Property Trust and accounted for in the General Work. In financial year 2020, The Salvation Army (New South Wales) Property Trust investment portfolio was subsumed on a proportionate basis so as to allow for consistency of presentation of the Social Fund investments and is shown within 'Other Financial Assets' (Note 8).

#### Non-current

Accommodation Bond Rollovers		14,644	17,141
Loan Receivable - Independent Living Units		4,076	2,794
Independent Living Unit - Lease Refurbishment Contribution		9,729	9,313
Sundry debtors (including deferred consideration)		6,002	3,669
		<b>34,451</b>	<b>32,917</b>

# The Salvation Army Australia Social Fund

## NOTES TO THE FINANCIAL STATEMENTS

	2020 \$000	2019 \$000
<b>8. OTHER FINANCIAL ASSETS</b>		
<b>Current</b>		
Short term deposits	34,850	12,619
Australian Equities	3,792	3,022
	<u>38,642</u>	<u>15,641</u>
<b>Non-current</b>		
Unlisted units in managed investment funds	567,566	319,686
Hybrid and fixed interest securities	20,139	16,658
Other	430	619
	<u>588,135</u>	<u>336,963</u>
<b>9. INVENTORIES</b>		
Raw materials and stores	437	375
Work in progress	-	39
Finished goods	3,558	2,825
	<u>3,995</u>	<u>3,239</u>
<b>10. PROPERTY, PLANT AND EQUIPMENT</b>		
<b>Land and Buildings Held for Sale</b>	<u>3,000</u>	<u>-</u>
Land and buildings Held for Sale represents a property located at 162 Victoria St, Mackay, known as the Mackay Corporate Centre. The disposal is expected to occur within 12 months post 30 June 2020.		
<b>Freehold Land and Buildings</b>		
Freehold land at cost	95,899	93,507
Buildings at cost	716,794	713,280
Accumulated depreciation	(207,546)	(196,762)
<b>Total Freehold Land and Buildings</b>	<u>605,147</u>	<u>610,025</u>
<b>Leasehold Improvements</b>		
At cost	30,744	29,975
Accumulated depreciation	(28,893)	(27,778)
<b>Total Leasehold Improvements</b>	<u>1,851</u>	<u>2,197</u>
<b>Building Schemes in Progress - at cost</b>	<u>41,334</u>	<u>21,063</u>
<b>Motor Vehicles</b>		
At cost	14,389	16,611
Accumulated depreciation	(10,047)	(11,357)
<b>Total Motor Vehicles</b>	<u>4,342</u>	<u>5,254</u>

# The Salvation Army Australia Social Fund

## NOTES TO THE FINANCIAL STATEMENTS

	2020	2019
	\$000	\$000
<b>10. PROPERTY, PLANT AND EQUIPMENT (continued)</b>		
<b>Plant and Equipment</b>		
At cost	82,324	83,023
Accumulated depreciation	(53,899)	(57,726)
<b>Total Plant and Equipment</b>	<b>28,425</b>	<b>25,297</b>
<b>Total Property, Plant and Equipment Net Book Value</b>	<b>681,099</b>	<b>663,836</b>

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	610,025	610,326
Additions (and transfers from Building Schemes in Progress - Cost)	20,258	19,340
Transfer to Land and Buildings held for sale	(3,000)	-
Disposals	(8,801)	(5,706)
Depreciation	(13,335)	(13,935)
Carrying amount at end of year	<b>605,147</b>	<b>610,025</b>

### Leasehold Improvements

Carrying amount at beginning of year	2,197	2,794
Additions (and transfers from Building Schemes in Progress - Cost)	769	704
Disposals	(59)	(21)
Depreciation	(1,056)	(1,280)
Carrying amount at end of year	<b>1,851</b>	<b>2,197</b>

### Building Schemes in Progress – Cost

Carrying amount at beginning of year	21,063	14,187
Additions	46,932	29,874
Transfers to Housing, Freehold Land, Buildings/Leasehold Property and Plant and Equipment	(26,661)	(22,998)
Carrying amount at end of year	<b>41,334</b>	<b>21,063</b>

### Motor Vehicles

Carrying amount at beginning of year	5,254	5,683
Additions	886	1,348
Disposals	(382)	(146)
Depreciation	(1,416)	(1,631)
Carrying amount at end of year	<b>4,342</b>	<b>5,254</b>

# The Salvation Army Australia Social Fund

## NOTES TO THE FINANCIAL STATEMENTS

	2020	2019
	\$000	\$000
<b>10. PROPERTY, PLANT AND EQUIPMENT (continued)</b>		
<b><u>Plant and Equipment</u></b>		
Carrying amount at beginning of year	25,297	23,140
Additions (including transfers from building schemes in progress - cost)	9,207	15,987
Disposals	(810)	(804)
Depreciation	(5,269)	(13,026)
Carrying amount at end of year	<u>28,425</u>	<u>25,297</u>

### 11. COMMUNITY HOUSING PROPERTY

Community Housing property (owned)	a)	29,852	21,986
Community Housing property (leased)	b)	73,254	72,613
		<u>103,106</u>	<u>94,599</u>

#### a) Reconciliation of carrying amount

Opening balance at 1 July	21,986	5,957
Additions and transfers from Schemes in Progress*	7,317	4,760
Disposals	(265)	-
Change in fair value	814	11,269
Closing balance at 30 June	<u>29,852</u>	<u>21,986</u>

#### b) Reconciliation of carrying amount

Opening balance at 1 July	72,613	71,044
Change in fair value	641	1,569
Closing balance at 30 June	<u>73,254</u>	<u>72,613</u>

\* Transfers from Schemes in Progress represent buildings constructed on donated land and transferred to Community Housing on transfer of title to the land. Additions to owned Community Housing relates to 20 titles transferred from the Tasmanian Government under a stock transfer program with a fair value of \$4,882,605, at no cost. The fair value was estimated having regard to valuations provided by Valuer-General.

As at 30 June 2019, the carrying amount of leased Community Housing property held under a finance lease arrangement was \$72,613,000. A right-of-use asset is recognised for these leases upon initial application of AASB 16 Leases, and continues as a designated class of Investment Property, on 1 July 2019, at an amount equal to the carrying amount of the lease asset immediately before the date measured applying AASB 117 Leases.

Community Housing property comprises a number of residential properties that are sub-leased to third parties. The lease terms vary depending on the need of the lessee. No contingent rents are charged.

#### Measurement of fair values

Investment properties are revalued annually with an external valuation carried out every 3 years. The Social Fund has determined the movement in fair value during 2020 and in turn fair value at 30 June 2020 with reference to 30 June 2019 fair values adjusted for the percentage change between the average sales price in June 2019 compared with June 2020 in the specific suburb in which the property is located. The fair value measurement of all the investment properties has been categorised as Level 2 fair value based on the inputs to the valuation technique used.

#### Leases as lessor

The Social Fund leases out its Community Housing property. Due to the nature of the Community Housing residential properties, the lease arrangements are considered to be operating leases. During 2020 Community Housing property rentals of \$10.2m (2019: \$5.3m) were included in other revenues from ordinary activities.

# The Salvation Army Australia Social Fund

## NOTES TO THE FINANCIAL STATEMENTS

	2020 \$000	2019 \$000
<b>12. RIGHT OF USE ASSETS</b>		
Reconciliations of the carrying amounts for each class are set out below:		
<b><u>Property</u></b>		
<b>Right of use asset</b>		
Opening balance at 1 July	-	-
Recognition of right of use asset on initial application of AASB 16 Leases	<b>94,855</b>	-
<b>Adjusted Opening balance at 1 July</b>	<b>94,855</b>	-
Additions	<b>41,145</b>	-
<b>Closing balance at 30 June</b>	<b>136,000</b>	-
<b>Accumulated depreciation</b>		
Opening balance at 1 July	-	-
Recognition of right of use asset on initial application of AASB 16 Leases	-	-
<b>Adjusted Opening balance at 1 July</b>	-	-
Depreciation for the year	<b>32,578</b>	-
<b>Closing balance at 30 June</b>	<b>32,578</b>	-
<b><u>Vehicles</u></b>		
<b>Right of use asset</b>		
Opening balance at 1 July	-	-
Recognition of right of use asset on initial application of AASB 16 Leases	<b>4,853</b>	-
<b>Adjusted Opening balance at 1 July</b>	<b>4,853</b>	-
Additions	<b>3,222</b>	-
<b>Closing balance at 30 June</b>	<b>8,075</b>	-
<b>Accumulated depreciation</b>		
Opening balance at 1 July	-	-
Recognition of right of use asset on initial application of AASB 16 Leases	-	-
<b>Adjusted Opening balance at 1 July</b>	-	-
Depreciation for the year	<b>3,169</b>	-
<b>Closing balance at 30 June</b>	<b>3,169</b>	-
<b>Total closing balance at 30 June</b>	<b>108,328</b>	-



# The Salvation Army Australia Social Fund

## NOTES TO THE FINANCIAL STATEMENTS

	2020	2019
	\$000	\$000
<b>13. PAYABLES</b>		
<b>Current</b>		
Sundry creditors and accruals	54,303	54,184
Prepaid government funding	66,121	20,452
	<u>120,424</u>	<u>74,636</u>
<b>14. EMPLOYEE BENEFITS</b>		
<b>Current</b>		
Employee entitlements	<u>40,623</u>	45,023
<b>Non-current</b>		
Employee entitlements	<u>7,373</u>	6,987
<p>The Social Fund contributed \$38,797,200 (2019: \$36,597,259) on behalf of employees to the superannuation plans of their choice, in accordance with superannuation guarantee legislation.</p>		
<b>15. PROVISIONS</b>		
<b>Current</b>		
Accommodation bond rollovers	1,356	1,618
National Redress	28,769	22,193
	<u>30,125</u>	<u>23,811</u>
<b>Non-current</b>		
Accommodation bond rollovers	7,460	8,599
National Redress	2,524	17,182
Make good of leased premises	1,106	1,127
	<u>11,090</u>	<u>26,908</u>

# The Salvation Army Australia Social Fund

## NOTES TO THE FINANCIAL STATEMENTS

### 15. 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

	2020	2019
	\$000	\$000
<b>16. INTEREST FREE LOANS</b>		
<b>Current</b>		
Accommodation Bonds	214,154	216,630
Unsecured Loans	200	200
	<u>214,354</u>	<u>216,830</u>
<b>Non-Current</b>		
Secured Loans	7,672	7,672
Unsecured Loans	600	800
	<u>8,272</u>	<u>8,472</u>

### Accommodation Bonds

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

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

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

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

### Secured Loan

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

### Unsecured Loans

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

# The Salvation Army Australia Social Fund

## NOTES TO THE FINANCIAL STATEMENTS

	2020 \$000	2019 \$000
<b>17. LEASE LIABILITIES</b>		
<b><u>Property</u></b>		
<b>Lease liabilities</b>		
Recognition of lease liabilities on initial application of AASB 16 Leases	94,855	-
Additions	40,355	-
Interest expense	3,454	-
Lease liability payments	(34,135)	-
<b>Closing balance at 30 June</b>	<b>104,529</b>	<b>-</b>
<b><u>Community Housing</u></b>		
<b>Lease liabilities</b>		
Opening balance at 1 July	54,731	53,745
Interest expense	1,305	1,865
Lease liability payments	(870)	(879)
<b>Closing balance at 30 June</b>	<b>55,166</b>	<b>54,731</b>
<b><u>Vehicles</u></b>		
<b>Lease liabilities</b>		
Recognition of lease liabilities on initial application of AASB 16 Leases	4,853	-
Additions	3,020	-
Interest expense	395	-
Lease liability payments	(3,351)	-
<b>Closing balance at 30 June</b>	<b>4,917</b>	<b>-</b>
<b>Total closing balance at 30 June</b>	<b>164,612</b>	<b>54,731</b>
<b>Included in the financial statements as:</b>		
Current Lease liabilities	33,939	868
Non-Current Lease liabilities	130,673	53,863
	<b>164,612</b>	<b>54,731</b>

Community Housing (being leased Investment Property) was classified as a finance lease arrangement under AASB 117 Leases. Upon initial application of AASB 16 Leases, this designated class of Investment Property continues, on 1 July 2019, at an amount equal to the lease liability immediately before the date measured applying AASB 117 Leases.

Refer to Note 24 for further information on financial risk management.

# The Salvation Army Australia Social Fund

## NOTES TO THE FINANCIAL STATEMENTS

	NOTE	2020 \$000	2019 \$000
<b>18. CAPITAL FUNDS</b>			
<b>Movements in Capital Funds</b>			
<b>Property Contributions Fund</b>			
Opening Balance		577,875	545,198
Net Transfers and allocations from working capital fund	3	20,106	32,677
Closing balance		<u>597,981</u>	<u>577,875</u>
<b>Reserves</b>			
Opening Balance		243,018	281,328
Net Transfers and allocations (to)/from working capital fund	3	4,824	(38,368)
Other comprehensive income		580	58
Closing balance		<u>248,422</u>	<u>243,018</u>
<b>Trusts and Special Purpose Funds</b>			
Opening Balance		91,136	93,956
Net Transfers and allocations from working capital fund	3	20,686	(2,820)
Closing balance		<u>111,822</u>	<u>91,136</u>
<b>Legacies</b>			
Opening Balance		62,482	34,368
Net Transfers and allocations from working capital fund	3	9,288	28,114
Closing balance		<u>71,770</u>	<u>62,482</u>
<b>Working Capital Fund</b>			
Opening Balance		40,853	34,405
Operating net income before allocations		27,899	26,051
Allocations to other capital funds	3	(54,904)	(19,603)
Closing balance		<u>13,848</u>	<u>40,853</u>

'Reserves', 'Trusts and special purpose funds' and 'Legacies' with respect to 2019 have been adjusted for a Territorial amalgamational line item re-classification of Capital Funds with respect to the former Eastern Territory and Legacies funding. Refer to Note 1(r).

# The Salvation Army Australia Social Fund

## NOTES TO THE FINANCIAL STATEMENTS

### 19. COMMITMENTS

#### 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:

	<b>2020</b>	2019
	<b>\$000</b>	\$000
Cost to complete property schemes in progress	<b>33,811</b>	37,866

### 20. 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	<b>29,577</b>	37,231
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# The Salvation Army Australia Social Fund

## NOTES TO THE FINANCIAL STATEMENTS

### 21. 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 2020 were:

Commissioner Robert William Donaldson\*

Colonel Winsome Merrett\*

Colonel Kelvin Leslie Merrett

Colonel Mark Thomas Stuart Campbell

Colonel Geanette Frances Seymour\*

Lieutenant-Colonel Lynette Ann Edge\*

Lieutenant-Colonel Stuart Ronald Evans\*

Captain Richard Charles Parker\*

\* Trustees who held office for the full financial year

#### 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.

	<b>2020</b>	2019
Total income paid or payable, or otherwise made available to all Trustees of the Social Fund from the Social Fund or any related party	<b>\$000</b>	\$000
	<b>243</b>	616

### 22. INCOME TAX

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

# The Salvation Army Australia Social Fund

## NOTES TO THE FINANCIAL STATEMENTS

### 23. 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 2020, the maximum capital grant funding which would have been repayable to the Department of Health and Ageing was \$120,066 (2019: \$312,313).

At 30 June 2020, 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 certain default or closure circumstances, the project agreement requires the Social Fund to repay these capital funds to the Housing Authority over a 30-year term, with the amount repayable reducing by 3.33% per annum upon the anniversary of the date of the project commissioning. As at 30 June 2020, the amount repayable would have been \$13,060,449 (2019: \$13,510,343) and there were no events that required any repayment.



# The Salvation Army Australia Social Fund

## NOTES TO THE FINANCIAL STATEMENTS

### 24. 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 and cash and cash equivalents.

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

Refer to 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 2020 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	
	2020	2019
	\$000	\$000
Cash and cash equivalents	29,577	37,231
Short term deposits	34,850	12,619
Trade receivables	46,304	16,549
	<b>110,731</b>	<b>66,399</b>

# The Salvation Army Australia Social Fund

## NOTES TO THE FINANCIAL STATEMENTS

### 24. FINANCIAL RISK MANAGEMENT (continued)

#### *Trade and other receivables*

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

	<b>Gross</b>	<b>Impairment</b>	Gross	Impairment
	<b>2020</b>	<b>2020</b>	2019	2019
	<b>\$000</b>	<b>\$000</b>	\$000	\$000
Not past due	<b>46,304</b>	-	16,549	-
Past due 0-30 days	-	-	-	-
Past due 31-120 days	-	-	-	-
	<b>46,304</b>	-	16,549	-

#### **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 whilst preserving investment capital.

Management is assisted by JANA Investment Advisers, Crestone Wealth Management and Mercer 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

### 24. 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>2020</b>	<b>\$000</b>	<b>\$000</b>
Equity rate instruments	<b>5,919</b>	(5,919)
	<b>5,919</b>	(5,919)
<b>2019</b>		
Equity rate instruments	<b>3,400</b>	(3,400)
	<b>3,400</b>	(3,400)

#### **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 2020</b>					
<b>Financial liabilities</b>					
Trade and other payables	(54,303)	(54,303)	(54,303)	-	-
Interest free loans	(222,626)	(222,626)	(214,354)	-	(8,272)
Lease liabilities	(164,612)	(170,563)	(52,320)	(42,878)	(75,365)
	<b>(441,541)</b>	<b>(447,492)</b>	<b>(320,977)</b>	<b>(42,878)</b>	<b>(83,637)</b>
<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)
Lease liabilities	(54,731)	(54,731)	(868)	(3,621)	(50,242)
	<b>(334,217)</b>	<b>(334,217)</b>	<b>(271,882)</b>	<b>(3,621)</b>	<b>(58,714)</b>

# The Salvation Army Australia Social Fund

## NOTES TO THE FINANCIAL STATEMENTS

### **25. 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.

As indicated impacts of COVID-19 are uncertain, while current trends indicate no significant impact to the operation of the Social Fund, any dramatic change in the situation, Government Policy or economic position could have an impact into the future.

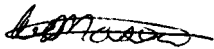
# The Salvation Army Australia Social Fund

## 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 5 to 36 are drawn up so as to present fairly the financial position of the Social Fund as at 30 June 2020 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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**Lt. Col. Winsome Mason**  
Secretary for Business Support  
TRUSTEE



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**Colonel Winsome Merrett**  
Chief Secretary  
TRUSTEE

Dated at Melbourne this 4th day of November 2020



# 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 2020 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.

  
KPMG



Chris Sargent

Partner

Melbourne

4 November 2020



# 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).

### True and fair view

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 2020, 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 2020.
- 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 atf The Salvation Army (NSW) Social Work, The Salvation Army (Queensland) Property Trust atf The Salvation Army (QLD) Social Work, The Salvation Army Community Housing Service, The Salvation Army Housing, The Salvation Army Housing (Victoria), The Salvation Army (Australia) Self Denial Fund (for overseas aid), The Salvation Army Aust Self Denial Fund (for Overseas Aid), The Salvation Army (Australia) Redress Limited, Salvos Legal Limited, Salvos Legal (Humanitarian) Limited 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 (including Independence Standards)* (the Code) that are relevant to our audit of the Aggregated Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with 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 ACNC.

## Other information

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

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

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

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

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

## Responsibilities of Management for the Aggregated Financial Report

Management are responsible for:

- i. Preparing the Aggregated Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and the *ACNC Act 2012*.
- 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 Act 2012*.
- iii. Implementing necessary internal control to enable the preparation of an Aggregated Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.
- iv. Assessing the Aggregated Entity's 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's and the Registered Entities' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Aggregated Financial Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Aggregated Entity and the Registered Entities' to cease to continue as a going concern.
- v. Evaluate the overall presentation, structure and content of the Aggregated Financial Report, including the disclosures, and whether the Aggregated Financial Report represents the underlying transactions and events in a manner that achieves 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  
4 November 2020