

AGGREGATED FINANCIAL REPORT THE SALVATION ARMY AUSTRALIA SOCIAL FUND FOR THE YEAR ENDED 30 JUNE 2021

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The Salvation Army Australia

WILLIAM AND CATHERINE BOOTH – Co-Founders

BRIAN PEDDLE – General

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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 2021 and the independent auditor's report thereon.

Trustees

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

Title	Full Name	Position	Date Appointed
Commissioner	Robert William Donaldson	Territorial Commander	1st July 2019
Colonel	Winsome Joy Merrett	Chief Secretary	11th January 2017
Colonel	Kelvin Leslie Merrett	Assistant Chief Secretary	1st February 2020
Colonel	Geanette Frances Seymour	Board Member	1st August 2018
Lieut-Colonel	Winsome May Mason	Secretary for Business Support	1st July 2020
Lieut-Colonel	Lynette Ann Edge	Secretary for Mission	1st August 2018
Captain	Colin Leslie Francis Reynolds	Board Member	1st July 2020

Principal Activities and Objectives

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

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

No changes in these activities occurred during the financial year.

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

Review of Operations

The Social Fund's operating result was a net income after allocations and before net change in fair value of financial assets of \$10.6m (2020: \$27m net expenditure) whilst total operating expenses were \$995.1m (2020: \$980.1m). In line with The Salvation Army Australia Territory's policies and compliance with donors' restrictions on the use of certain funds, net transfers of \$85.7m (2020: \$41.1m) were made to various reserves for specific purposes.

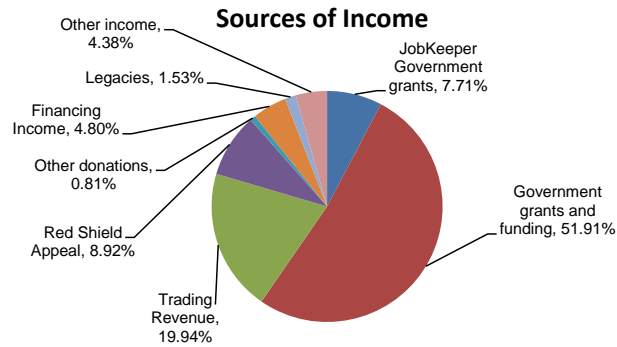
	2021 \$000	2020 \$000
Revenue	1,091,384	994,254
Expenditure	(995,099)	(980,152)
Net income before Allocations (before net change in fair value of financial assets)	96,285	14,102
Allocations to Capital Funds	(85,680)	(41,107)
Net income/(Net expenditure) after Allocations (before OCI)	10,605	(27,005)
Other items	(52)	580
Total Comprehensive Income/(Expenditure) after Allocations	10,554	(26,425)

The Salvation Army Australia Social Fund

TRUSTEES' REPORT

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

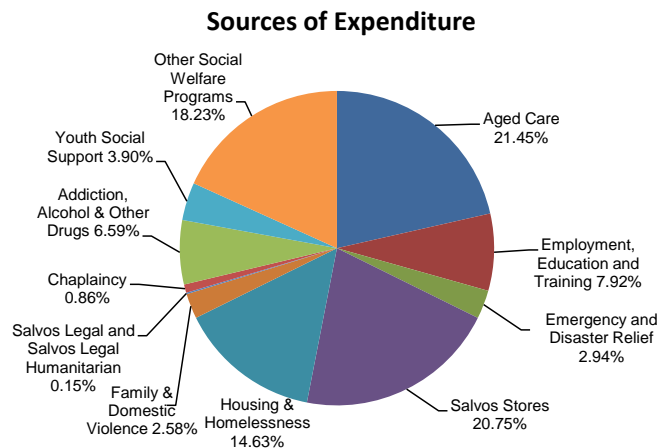
	2021 \$000	2020 \$000
Government grants and funding	566,484	546,620
JobKeeper Government grants	84,096	50,912
Revenue from trading activities	217,607	186,277
Red Shield Appeal	97,337	131,212
Financing income*	52,403	16,922
Legacies	16,650	21,377
Other donations	8,973	14,153
Other income	47,834	26,781
Total Income	1,091,384	994,254



*Financing income includes distribution income and fair value adjustments for investments.

The following is a summary of the areas of expenditure within social program category, in relation to social services provided by the various centres operating within the Social Fund in 2021.

	2021 \$000	2020 \$000
Aged Care	213,450	270,362
Employment, Education and Training	78,793	56,207
Emergency and Disaster Relief	29,298	60,516
Salvos Stores	206,455	188,304
Housing & Homelessness	145,553	113,153
Family & Domestic Violence	25,722	18,018
Salvos Legal and Salvos Legal Humanitarian	1,456	4,014
Chaplaincy	8,548	10,967
Addiction, Alcohol & Other Drugs	65,568	68,252
Disability Support	-	5,777
Youth Social Support	38,774	41,813
Other Social Welfare Programs	181,482	142,769
Total Expenditure	995,099	980,152



The 2021 result included the following:

- The Red Shield Appeal recorded income of \$97.3m (2020: \$131.2m) before fundraising expenses for the year ended 30 June 2021. Included within recorded income was \$16.7m donor designated gifts including emergency appeals and disaster relief (2020: \$61.1m of which \$46.6m was related to Bushfire Relief). Fundraising expenses incurred were \$20.6m (2020: \$20.6m). No Red Shield Appeal funds are used to cover National Redress Scheme claims.
- Legacy income \$16.6m (2020: \$21.4m) was received during the year. Legacy income received from one year to the next can fluctuate considerably, given the uncertain nature of this type of income. Apart from those bequests that specified particular programs or activities for which the funds have been set aside in reserves until able to be used, additional funding was able to be allocated towards the operational costs of the Social Fund, as well as further funds being set aside for future capital expenditure requirements.
- Salvo's Stores performance was impacted by COVID-19 given periods of lockdown involving retail closure, however, there was improved performance where stores have been able to reopen. This contributed to the improvement in income relating to trading activities of \$31.3m (2020: \$19.2m) as Salvo's Stores were impacted in financial year 2020, to a greater extent, by COVID-19 and retail closure.
- Employment Plus' performance improved given the current COVID-19 environment which saw jobseeker caseloads increase resulting in income of \$84.5m (2020: \$57.2m).
- JobKeeper income of \$84.1m (2020: \$50.9m) was received until March 2021. The Social Fund was impacted by COVID-19 with turnover decreasing by 15% at the time of application, as per the qualifying criteria. As a result, Jobkeeper assistance was received by The Salvation Army.

The Salvation Army Australia Social Fund

TRUSTEES' REPORT

Developments

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

With respect to COVID-19, the future impacts on the Social Fund will depend on the evolution of the pandemic tempered by success and timeliness of the vaccine roll-out across the country. The Federal Government alongside State and Territory Governments have indicated that societal normalcy and further easing of restrictions will continue as vaccination rates meet the targets outlined in the National Plan.

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

Events Subsequent to Reporting Date

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

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 30 and forms part of the Trustees' report for the financial year ended 30 June 2021.

Signed in accordance with a resolution of the Trustees:



Winsome Mason

Secretary for Business Support
TRUSTEE



Winsome Merrett

Chief Secretary
TRUSTEE

Dated at Melbourne this 17th day of November 2021

The Salvation Army Australia Social Fund

AGGREGATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2021

	Note	2021 \$000	*2020 Restated \$000
Revenues and other income			
Government grants and funding	2	566,484	546,620
Revenue from trading activities	2	217,607	186,277
Red Shield Appeal donations		97,337	131,212
JobKeeper Government grants		84,096	50,912
Fair value adjustment - investments		21,407	(12,827)
Distribution income		30,996	29,749
Legacies income		16,650	21,377
Other donations		8,973	14,153
Total operating revenue		<u>1,043,550</u>	<u>967,473</u>
Other income		<u>47,834</u>	<u>26,781</u>
Total revenue and other income		<u>1,091,384</u>	<u>994,254</u>
Employee expenses		(555,563)	(535,952)
Depreciation expenses	6, 8	(73,675)	(57,872)
Computer expenses		(12,361)	(11,389)
Welfare/Jobseeker expenses		(118,008)	(114,644)
Building/Occupancy expenses		(108,410)	(113,472)
Motor Vehicle expenses		(10,570)	(11,969)
Rollover accommodation bond credits		(162)	(72)
Amenities and supplies		(43,949)	(50,057)
Professional fees expenses		(19,701)	(22,595)
Financing expenses		(6,153)	(6,162)
Other expenses from ordinary activities		(46,547)	(55,968)
Total operating expenses		<u>(995,099)</u>	<u>(980,152)</u>
Operating net income		96,285	14,102
Other comprehensive income			
Other items		<u>(52)</u>	<u>580</u>
Total comprehensive income for the year		<u>96,233</u>	<u>14,682</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 28.

*The comparative information is restated as the Social Fund made a voluntary change to the accounting policy relating to Community Housing properties. Refer to Note 1(b)(v).

The Salvation Army Australia Social Fund
 AGGREGATED STATEMENT OF FINANCIAL POSITION
 As at 30 June 2021

	Note	2021 \$000	*2020 Restated \$000
CURRENT ASSETS			
Cash and cash equivalents		37,115	29,577
Receivables and other assets	4	30,326	50,894
Other financial assets	5	8,023	38,642
Inventories		5,065	3,995
Land & buildings held for sale		1,438	3,000
TOTAL CURRENT ASSETS		<u>81,967</u>	<u>126,108</u>
NON-CURRENT ASSETS			
Receivables and other assets	4	30,380	34,451
Other financial assets	5	684,708	588,135
Property, plant and equipment	6	707,416	698,324
Right of use assets	8	202,505	180,308
TOTAL NON-CURRENT ASSETS		<u>1,625,009</u>	<u>1,501,218</u>
TOTAL ASSETS		<u><u>1,706,976</u></u>	<u><u>1,627,326</u></u>
CURRENT LIABILITIES			
Lease liabilities	8	41,009	33,947
Payables	9	83,574	120,424
Employee benefits	10	39,996	40,623
Provisions	11	13,974	30,125
Interest free loans	12	215,170	214,354
TOTAL CURRENT LIABILITIES		<u>393,723</u>	<u>439,473</u>
NON-CURRENT LIABILITIES			
Lease liabilities	8	151,132	130,561
Employee benefits	10	7,816	7,373
Provisions	11	19,754	11,090
Interest free loans	12	8,272	8,272
Other liabilities		-	511
TOTAL NON-CURRENT LIABILITIES		<u>186,974</u>	<u>157,807</u>
TOTAL LIABILITIES		<u><u>580,697</u></u>	<u><u>597,280</u></u>
NET ASSETS		<u><u>1,126,279</u></u>	<u><u>1,030,046</u></u>
CAPITAL FUNDS			
Working capital fund		24,453	13,848
Property contribution fund		602,739	597,575
Reserves		338,260	248,422
Trusts and special purpose funds		77,863	98,431
Legacies		82,964	71,770
TOTAL CAPITAL FUNDS		<u><u>1,126,279</u></u>	<u><u>1,030,046</u></u>

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 28.

*The comparative information is restated as the Social Fund made a voluntary change to the accounting policy relating to Community Housing properties. Refer to Note 1(b)(v).

The Salvation Army Australia Social Fund
AGGREGATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2021

	Note	2021	2020
		\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations*		1,146,878	1,029,243
Cash payments in the course of operations		(1,056,324)	(969,455)
Lease interest payments		(3,981)	(5,154)
Investment revenue received		30,996	16,922
Net cash provided by operating activities	13	117,569	71,556
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for investments		(44,547)	(55,766)
Receipts from disposal of investments		-	53,773
Payments for property, plant and equipment		(46,285)	(51,391)
Proceeds from sale of property, plant and equipment		16,133	10,052
Net cash used in investing activities		(74,699)	(43,332)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		-	(200)
Repayment of lease liabilities		(41,410)	(33,202)
Proceeds from residents' accommodation bonds and other deposits received		61,298	59,474
Repayment of residents' accommodation bonds and other deposits		(55,220)	(61,950)
Net cash used in financing activities		(35,332)	(35,878)
Net increase in cash held		7,538	(7,654)
Cash at the beginning of the financial year		29,577	37,231
Cash at the end of the financial year		37,115	29,577

*Cash receipts in the course of operations includes \$101,876k (2020: \$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 28.

The Salvation Army Australia Social Fund
 AGGREGATED STATEMENT OF CHANGES IN CAPITAL FUNDS
 For the year ended 30 June 2021

	Working Capital Fund	Property Contribution Fund	Reserves	Trusts and Special Purpose Funds	Legacies	Total
	\$000	\$000	\$000	\$000	\$000	\$000
At 1 July 2019	40,853	577,875	243,018	91,136	62,482	1,015,364
Operating net income	14,102	-	-	-	-	14,102
Other comprehensive income	-	-	580	-	-	580
	54,955	577,875	243,598	91,136	62,482	1,030,046
Net transfers and allocations within other capital funds	(41,107)	19,700	4,824	7,295	9,288	-
At 30 June 2020*	13,848	597,575	248,422	98,431	71,770	1,030,046
At 1 July 2020	13,848	597,575	248,422	98,431	71,770	1,030,046
Operating net income	96,285	-	-	-	-	96,285
Other comprehensive income	-	-	(52)	-	-	(52)
	110,133	597,575	248,370	98,431	71,770	1,126,279
Net transfers and allocations within other capital funds	(85,680)	5,164	89,890	(20,568)	11,194	-
At 30 June 2021	24,453	602,739	338,260	77,863	82,964	1,126,279

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 28.

*The comparative information is restated as the Social Fund made a voluntary change to the accounting policy relating to Community Housing properties. Refer to Note 1(b)(v).

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 programs in addition to Salvos Stores, Salvation Army Housing, Salvos Legal, Salvos Legal Humanitarian, Salvos Funerals and The Salvation Army Employment Plus Program.

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

The financial report was authorised for issue by the governing body of the Social Fund on 17th November 2021.

(a) Statement of compliance

These special purpose aggregated financial statements are prepared for the Australian Charities and Not-for-profit Commission and comply with all of the recognition and measurement principles of Australian Accounting Standards except that the aggregated operations that comprise the Social Fund do not constitute a group for the purpose of AASB 10 Consolidated Financial Statements. The financial statement disclosures comply with the requirements of 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).

(b) Basis of preparation

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

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

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

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

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 aggregated financial statements incorporates the assets and liabilities and the results of all Social Fund management entities. Inter-company transactions and balances within the Social Fund are eliminated. The Social Fund aggregates the results of all social programs in addition to Salvos Stores, Salvation Army Housing, Salvos Legal, Salvos Legal Humanitarian, Salvos Funerals and The Salvation Army Employment Plus Program.

(ii) Loss of control

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

(iii) Transactions eliminated on aggregation

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

(iv) Going concern

Notwithstanding a negative 'current asset versus current liabilities' deficiency of \$311,756k, 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 (\$215,170k) 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.

With respect to COVID-19, the future impacts on the Social Fund will depend on the evolution of the pandemic tempered by success and timeliness of the vaccine roll-out across the country. The Federal Government alongside State and Territory Governments have indicated that societal normalcy and further easing of restrictions will continue as vaccination rates meet the targets outlined in the National Plan.

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

(v) Change in accounting policy

The Social Fund has made a voluntary change to the accounting policy relating to Community Housing properties. The new accounting policy was adopted for the year ended 30 June 2021 with effect from 1 July 2020 and has been applied retrospectively.

Previously, Community Housing properties were treated as investment properties and were carried at fair value, however having reconsidered the purpose for which the properties were acquired and the current and anticipated use, Social Fund considers the more appropriate accounting policy is to measure these properties at historical cost less accumulated depreciation.

The Social Fund is of the view that the change in policy will result in the financial report providing more relevant and no less reliable information because Community Housing properties at cost less accumulated depreciation is aligned with the remaining classes of land and buildings held by the Social Fund, and the properties are not acquired for the primary purpose of generating capital growth or investment returns and therefore changes in fair value are considered to be of less relevance to users of the financial statements.

The change in accounting policy did not materially impact the Social Fund. As a result, a third balance sheet has not been presented. Comparative information has been restated to reflect the new policy. Comparative information was adjusted as follows:

	2020 As Reported \$000	Adjustments \$000	2020 Restated \$000
Aggregated Statement of Profit or Loss and Other Comprehensive Income			
Other income	39,644	(12,863)	26,781
Depreciation expense	(56,823)	(1,049)	(57,872)
Building/Occupancy expense	(113,471)	(1)	(113,472)
Financing expense	(6,278)	116	(6,162)
Total impact on the Aggregated Statement of Profit or Loss and Other Comprehensive Income	<u>(136,928)</u>	<u>(13,797)</u>	<u>(150,725)</u>
Aggregated Statement of Financial Position			
Community Housing property	103,106	(103,106)	-
Property, plant and equipment	681,099	17,225	698,324
Right of use assets	108,328	71,980	180,308
Right of use current liabilities	(33,939)	(8)	(33,947)
Right of use non-current liabilities	(130,673)	112	(130,561)
Net impact on Assets and Liabilities	<u>727,921</u>	<u>(13,797)</u>	<u>714,124</u>
Property contribution fund	(597,981)	406	(597,575)
Trusts and special purpose funds	(111,822)	13,391	(98,431)
Net impact on Equity	<u>(709,803)</u>	<u>13,797</u>	<u>(696,006)</u>

The Salvation Army Australia Social Fund

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Property, plant and equipment

(i) Property, plant and equipment at cost

Items of property, plant and equipment are stated at cost, or if donated, at fair value at date of gift, less accumulated depreciation (Note 1(c)(ii)) and impairment losses. Capital gifts are shown as revenue.

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

Upon disposal of freehold properties, the income or expenditure on disposal is recorded as income or expenses, then allocated to a reserve to provide funding for future property acquisitions.

(ii) Depreciation

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

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

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

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

(iv) Land and Buildings Held for Sale

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

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

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

(v) Asset sales

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

(d) Financial instruments

The Social Fund classifies its financial assets at 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 Salvation Army Australia Social Fund

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Financial instruments (continued)

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 Aggregated 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.

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.

(e) Measurement of fair values

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

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

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 are level 2 financial assets and their carrying value approximates their fair market value.

(f) Cash and cash equivalents

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

(g) Accommodation Bonds and Resident Loans

(i) Rollovers

Prior to 1 August 2002, the practice of the Social Fund was to 'rollover' an independent living unit (ILU) resident's ongoing 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)

(g) Accommodation Bonds and Resident Loans (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 Aggregated Statement of Profit or Loss and Other Comprehensive Income.

Various assumptions have been included in the calculation of the present value of these estimated receivable and payable balances, including 10-year government bond rate of 1.49%pa (2020: 0.87%pa) decrement rate assumption of 20%pa (2020: 20%pa), refundable accommodation deposit percentage increase rate of 3%pa (2020: 3%pa) refundable accommodation deposit levels and the estimated inflows and outflows for residents eligible for assistance.

(ii) Refundable/Amortisable Accommodation Bonds

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

(h) Inventories

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

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

(i) Impairment

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

(j) Employee benefits

(i) Defined contribution superannuation funds

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

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

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

(iii) Long-term service benefits

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

The Salvation Army Australia Social Fund

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Provisions

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

(l) Goods and services tax

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 Aggregated Statement of Financial Position.

Cash flows are included in the Aggregated 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.

(m) Revenues

Other donations

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

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.

Red Shield Appeal

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

Government grants and funding

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

Resident contributions and patient fees

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

Fee for service

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

Revenue from trading activities

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

Distribution income and Fair value adjustment - investments

Distribution income comprises interest and dividends. Fair value adjustment - investments comprises the net gain on financial assets at FVTPL.

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

Contributions in Kind

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

The Salvation Army Australia Social Fund

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Expenses

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

(o) 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. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Key sources of estimation uncertainty

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

(p) Leases

(i) Determining whether an arrangement contains a lease

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

(ii) Recognition

Lease terms

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

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

Right-of-use assets

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

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

Lease liabilities

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

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

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

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

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

The Salvation Army Australia Social Fund

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Leases (continued)

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

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;

- in all other cases where the renegotiations increase the scope of the lease, the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount; and

- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference immediately recognised in income or expenditure. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

(iii) Lease exemptions and elections

The Social Fund applies the practical expedient available under AASB 16 to exclude short-term and low value leases from recognition as right-of-use assets and lease liabilities in their financial statements. Short-term leases are those which have a lease term of 12 months or less and do not provide the Social Fund with an option to purchase the leased asset. Low value leases are those whereby the underlying asset is valued less than or equal to \$10,000 on an 'as new' basis as at the lease commencement date. Low value assets typically include computer equipment, small items of office furniture and mobile phones.

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

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

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

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

(q) New standards

New standards adopted during the year

A number of new standards, amendments to standards and interpretations are effective from 1 July 2020 but they do not have a material effect on the Social Fund.

New standards not yet adopted

A number of new standards are effective for annual periods beginning on or after 1 July 2021 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.

The Salvation Army Australia Social Fund

NOTES TO THE FINANCIAL STATEMENTS

	2021	2020
	\$000	\$000
2. REVENUE FROM ORDINARY ACTIVITIES		
Government grants and funding:		
Government grants	401,669	389,776
Fee for service	85,565	72,988
Resident contributions and patient fees	79,250	83,856
	<u>566,484</u>	<u>546,620</u>
Revenue from trading activities:		
Revenue from sale of goods	195,383	167,088
Revenue from rent	22,224	19,189
	<u>217,607</u>	<u>186,277</u>
	\$	\$
3. AUDITORS' REMUNERATION		
Audit Services		
Auditors of the Social Fund		
KPMG Australia	<u>923,986</u>	<u>830,862</u>
Other Services		
KPMG Australia	<u>83,234</u>	<u>169,884</u>
	\$000	\$000
4. RECEIVABLES AND OTHER ASSETS		
Current		
Prepayments	3,633	2,632
Accommodation Bond Rollovers	1,499	1,958
Sundry debtors (including deferred consideration)	25,194	46,304
	<u>30,326</u>	<u>50,894</u>
Non-current		
Accommodation Bond Rollovers	10,667	14,644
Loan Receivable - Independent Living Units	3,693	4,076
Independent Living Unit - Lease Refurbishment Contribution	10,133	9,729
Sundry debtors (including deferred consideration)	5,887	6,002
	<u>30,380</u>	<u>34,451</u>

The Salvation Army Australia Social Fund

NOTES TO THE FINANCIAL STATEMENTS

2021 2020
\$000 \$000

5. OTHER FINANCIAL ASSETS

Current

Short term deposits	8,023	38,642
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Non-current

Unlisted units in managed investment funds	684,708	588,135
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Unlisted units in managed investment funds are those where the Social Fund invests its surplus cash with General Fund who in turn invest those funds with third parties. Accordingly, the nature of the Social Fund's investments in this regard is unlisted units in a managed investment fund operated by the General Fund.

The General Fund typically on-invests the Social Fund's capital principally in third party managed investments associated with Australian equity market indices and Australian property as well as a small portion of the overarching portfolio in Australian equities (5.96%) and fixed interest securities (2.59%).

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

2021 *2020
\$000 Restated
\$000

6. PROPERTY, PLANT AND EQUIPMENT

Freehold Land and Buildings

Freehold land at cost	113,692	101,325
Buildings at cost	724,738	728,999
Accumulated depreciation	(220,934)	(207,952)
Total Freehold Land and Buildings	617,496	622,372

Leasehold Improvements

At cost	30,756	30,744
Accumulated depreciation	(29,449)	(28,893)
Total Leasehold Improvements	1,307	1,851

Buildings under construction - at cost

	52,812	41,334
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Motor Vehicles

At cost	11,273	14,389
Accumulated depreciation	(9,262)	(10,047)
Total Motor Vehicles	2,011	4,342

Plant and Equipment

At cost	93,541	82,324
Accumulated depreciation	(59,751)	(53,899)
Total Plant and Equipment	33,790	28,425

Total Property, Plant and Equipment Net Book Value

	707,416	698,324
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The Salvation Army Australia Social Fund

NOTES TO THE FINANCIAL STATEMENTS

2021 *2020
\$000 Restated
 \$000

6. PROPERTY, PLANT AND EQUIPMENT (continued)

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

Freehold Land and Buildings

Carrying amount at beginning of year	622,372	610,025
Additions (and transfers from Building Schemes in Progress - Cost)	19,460	37,889
Transfer to Land and Buildings held for sale	(1,438)	(3,000)
Disposals	(8,807)	(8,801)
Depreciation	(14,091)	(13,741)
Carrying amount at end of year	<u>617,496</u>	<u>622,372</u>

Leasehold Improvements

Carrying amount at beginning of year	1,851	2,197
Additions (and transfers from Building Schemes in Progress - Cost)	448	769
Disposals	(25)	(59)
Depreciation	(967)	(1,056)
Carrying amount at end of year	<u>1,307</u>	<u>1,851</u>

Buildings under construction – at cost

Carrying amount at beginning of year	41,334	21,063
Additions	32,551	46,932
Transfers to Housing, Freehold Land, Buildings/Leasehold Property and Plant and Equipment	(21,073)	(26,661)
Carrying amount at end of year	<u>52,812</u>	<u>41,334</u>

Motor Vehicles

Carrying amount at beginning of year	4,342	5,254
Additions	3,131	886
Disposals	(4,264)	(382)
Depreciation	(1,198)	(1,416)
Carrying amount at end of year	<u>2,011</u>	<u>4,342</u>

Plant and Equipment

Carrying amount at beginning of year	28,425	25,297
Additions (including transfers from building schemes in progress - cost)	11,768	9,207
Disposals	(38)	(810)
Depreciation	(6,365)	(5,269)
Carrying amount at end of year	<u>33,790</u>	<u>28,425</u>

*The comparative information is restated as the Social Fund made a voluntary change to the accounting policy relating to Community Housing properties. Refer to Note 1(b)(v).

The Salvation Army Australia Social Fund

NOTES TO THE FINANCIAL STATEMENTS

2021 2020
\$000 \$000

7. COMMITMENTS

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

Cost to complete Buildings under construction	35,976	33,811
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8. LEASES

2021 *2020
\$000 Restated
 \$000

a) Right of use assets

Property

Opening balance at 1 July	208,623	167,468
Additions	11,127	41,145
Reassessments and modifications	55,362	10
Disposals	(2,863)	-
Closing balance at 30 June	272,249	208,623

Accumulated depreciation

Opening balance at 1 July	33,221	-
Depreciation for the year	49,187	33,221
Reassessments and modifications	(4,423)	-
Disposals	(2,775)	-
Closing balance at 30 June	75,210	33,221

Vehicles

Opening balance at 1 July	8,075	4,853
Additions	6,466	3,222
Reassessments and modifications	(3,740)	-
Disposals	(1,428)	-
Closing balance at 30 June	9,373	8,075

Accumulated depreciation

Opening balance at 1 July	3,169	-
Depreciation for the year	1,867	3,169
Reassessments and modifications	(4)	-
Disposals	(1,125)	-
Closing balance at 30 June	3,907	3,169

Total closing balance at 30 June	202,505	180,308
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The Salvation Army Australia Social Fund
NOTES TO THE FINANCIAL STATEMENTS

8. LEASES (continued)

	2021	*2020
	\$000	Restated \$000
b) Lease liabilities		
<u>Property</u>		
Opening balance at 1 July	159,591	149,586
Additions	11,127	40,355
Interest expense	5,614	4,643
Lease liability payments	(42,053)	(35,003)
Reassessments and modifications	51,408	10
Disposals	(92)	-
Closing balance at 30 June	185,595	159,591
<u>Vehicles</u>		
Opening balance at 1 July	4,917	4,853
Additions	6,466	3,020
Interest expense	102	395
Lease liability payments	(3,338)	(3,351)
Reassessments and modifications	(1,283)	-
Disposals	(318)	-
Closing balance at 30 June	6,546	4,917
Total closing balance at 30 June	192,141	164,508
Included in the financial statements as:		
Current Lease liabilities	41,009	33,947
Non-Current Lease liabilities	151,132	130,561
	192,141	164,508
Amounts recognised in Aggregated Statement of Cash Flows:		
Property	(42,053)	(35,003)
Motor Vehicles	(3,338)	(3,351)
	(45,391)	(38,354)

*The comparative information is restated as the Social Fund made a voluntary change to the accounting policy relating to Community Housing properties. Refer to Note 1(b)(v).

Refer to Note 17 for further information on financial risk management, and maturity analysis covering contractual maturities representing undiscounted contractual cash flows of all lease liabilities recognised.

The Salvation Army Australia Social Fund

NOTES TO THE FINANCIAL STATEMENTS

8. LEASES (continued)

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

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

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

	2021	2020
	\$	\$
Right of use assets	87,461	83,744
Accumulated depreciation	(72,121)	(33,769)
Total lease liability	15,399	50,350
	\$000	\$000

9. PAYABLES

Current

Sundry creditors and accruals	53,333	54,303
Prepaid government funding for social programs	30,241	66,121
	83,574	120,424

10. EMPLOYEE BENEFITS

Current

Employee entitlements	39,996	40,623
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Non-current

Employee entitlements	7,816	7,373
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The Social Fund contributed \$42,762,755 (2020: \$38,797,200) on behalf of employees to the superannuation plans of their choice, in accordance with superannuation guarantee legislation.

11. PROVISIONS

Current

Accommodation bond rollovers	1,044	1,356
National Redress	12,930	28,769
	13,974	30,125

Non-current

Accommodation bond rollovers	5,480	7,460
National Redress	13,081	2,524
Make good of leased premises	1,193	1,106
	19,754	11,090

The Salvation Army Australia Social Fund

NOTES TO THE FINANCIAL STATEMENTS

11. 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 four components:

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

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 settled during the year amounted to \$14,822,269 (2020: \$20,540,117).

No provision is made for unknown civil claims, which may be lodged by claimants directly to the Social Fund as any potential obligations cannot be reliably determined. Potential future unknown claims are provided for as part of future expected outflows set out in item 3 above.

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

The Salvation Army Australia Social Fund

NOTES TO THE FINANCIAL STATEMENTS

	2021	2020
	\$000	\$000
12. INTEREST FREE LOANS		
Current		
Accommodation Bonds	215,170	214,154
Unsecured Loans	-	200
	<u>215,170</u>	<u>214,354</u>
Non-Current		
Secured Loans	7,672	7,672
Unsecured Loans	600	600
	<u>8,272</u>	<u>8,272</u>

Accommodation Bonds

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

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

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

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

Secured Loan

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

Unsecured Loans

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

13. RECONCILIATION OF NET INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES

Net income	<u>96,285</u>	14,102
Adjustments for non-cash items:		
Depreciation	73,675	57,872
Provision for National Redress	9,540	12,037
Investment fair value adjustments	(21,407)	12,827
Other	(13,858)	(21,540)
Cash movements in operating assets and liabilities:		
(Increase)/decrease in receivables and other assets	29,076	(32,458)
(Increase)/decrease in inventories	(1,070)	(756)
Increase/(decrease) in payables	(36,955)	45,786
Increase/(decrease) in employee benefits	(184)	(4,014)
Increase/(decrease) in provisions	(11,761)	(6,759)
Increase/(decrease) in other liabilities	(5,772)	(5,541)
Net cash from operating activities	<u>117,569</u>	<u>71,556</u>

The Salvation Army Australia Social Fund

NOTES TO THE FINANCIAL STATEMENTS

14. 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 2021 were:

Commissioner Robert William Donaldson

Colonel Winsome Joy Merrett

Colonel Kelvin Leslie Merrett

Colonel Geanette Frances Seymour

Lieut-Colonel Winsome May Mason

Lieut-Colonel Lynette Ann Edge

Captain Colin Leslie Francis Reynolds

Trustees' Remuneration

The Trustees are officers 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.

	2021	2020
Total income paid or payable, or otherwise made available to all Trustees of the Social Fund from the Social Fund or any related party	\$000	\$000
	231	243

Receivable from General Fund

The Social Fund's operations are supported by a related party receivable which bears a return which is consistent with arm's length market rates of return. Refer to Note 5 'Other financial assets'.

15. INCOME TAX

The entities which form part of the Social Fund are endorsed by the Australian Taxation Office as Income Tax Exempt Charities. Accordingly the Social Fund is not subject to Australian corporate income tax.

16. 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.

At 30 June 2021, 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 2021, the amount repayable would have been \$12,625,536 (2020: \$13,060,449) and there were no events that required any repayment.

The Salvation Army Australia Social Fund

NOTES TO THE FINANCIAL STATEMENTS

16. CONTINGENT LIABILITIES (continued)

c) National Redress Provision

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

17. FINANCIAL RISK MANAGEMENT

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

- Credit risk
- Market risk
- Liquidity risk

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

The Social Fund has a proportion of its total assets in cash at bank and deposits at call.

Management of the Social Fund regularly monitor the returns obtained on interest bearing deposits.

Credit risk

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

Financial Assets

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

Trade receivables

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

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

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

Refer to the Aggregated Statement of Financial Position "Cash and cash equivalents", Note 4 "Receivables and Other Assets" and Note 5 "Other Financial Assets" for the carrying amount of the Social Fund's financial assets representing the maximum credit exposure. As at 30 June 2021 receivables 30 days past due are immaterial.

The Salvation Army Australia Social Fund

NOTES TO THE FINANCIAL STATEMENTS

17. FINANCIAL RISK MANAGEMENT (continued)

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	
	2021	2020
	\$000	\$000
Cash and cash equivalents	37,115	29,577
Short term deposits	8,023	38,642
Receivables	31,081	52,306
Other financial assets	684,708	588,135
	760,927	708,660

Trade and other receivables

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

	Gross	Impairment	Gross	Impairment
	2021	2021	2020	2020
	\$000	\$000	\$000	\$000
Not past due	31,081	-	52,306	-
Past due 0-30 days	-	-	-	-
Past due 31-120 days	-	-	-	-
	31,081	-	52,306	-

Market risk

Interest rate risk –

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

Other market price risk –

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

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

Exposure to market risk

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

Profile

At the reporting date, the market rate profile of the Social Fund's financial instruments is detailed in Note 5 "Other financial assets".

Liquidity risk

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

The Salvation Army Australia Social Fund

NOTES TO THE FINANCIAL STATEMENTS

17. FINANCIAL RISK MANAGEMENT (continued)

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	Within 1 year	1-5 years	Over 5 years
	\$000	\$000	\$000	\$000	\$000
30 June 2021					
Financial liabilities					
Trade and other payables	(53,333)	(53,333)	(53,333)	-	-
Interest free loans	(223,442)	(223,442)	(215,170)	-	(8,272)
Lease liabilities	(192,141)	(220,516)	(45,797)	(100,272)	(74,447)
	(468,916)	(497,291)	(314,300)	(100,272)	(82,719)
30 June 2020					
Financial liabilities					
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)	(99,562)	(18,681)
	(441,541)	(447,492)	(320,977)	(99,562)	(26,953)

18. 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 9 to 28 are drawn up so as to present fairly the financial position of the Social Fund as at 30 June 2021 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) The aggregated financial statements and notes set out on pages 9 to 28 are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, including:
 - (i) presenting fairly in all material respects the Social Fund's financial position as at 30 June 2021 and of its performance, for the financial year ended on that date.
 - (ii) comply with Australian Accounting Standards - Reduced Disclosure Requirements except that the aggregated entities that comprise the Social Fund do not constitute a group for the purposes of AASB 10 Consolidated Financial Statements, and the Australian Charities and Not-for-profits Commission Regulation 2013; and
- (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:



Winsome Mason
Secretary for Business Support
TRUSTEE



Winsome Merrett
Chief Secretary
TRUSTEE

Dated at Melbourne this 17th day of November 2021



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

To: the Trustees of The Salvation Army Australia Social Fund

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2021 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.

A stylized, handwritten-style version of the KPMG logo.

KPMG

A handwritten signature in black ink, appearing to read 'Chris Sargent'.

Chris Sargent
Partner

Melbourne
17 November 2021



Independent Auditor's Report

To the Trustees of The Salvation Army Australia Social Fund¹

Opinion

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

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

- i. giving a true and fair view of the Aggregated Entity's financial position as at 30 June 2021, 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 2021.
- ii. Aggregated statement of profit or loss and other comprehensive income, Aggregated statement of changes in equity, and Aggregated statement of cash flows for the year then ended.
- iii. Notes including a summary of significant accounting policies.
- iv. Trustees' declaration.

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

- The Salvation Army (Victoria) Property Trust, The Salvation Army (Tasmania) Property Trust,
- The Salvation Army (South Australia) Property Trust,
- The Salvation Army (Western Australia) Property Trust,
- The Salvation Army (Northern Territory) Property Trust,
- The Salvation Army (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 Pty Ltd,
- The Salvation Army Housing Pty Ltd,
- The Salvation Army Housing (Victoria) Pty Ltd,
- 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.

¹ The Salvation Army Australia Social Fund is an aggregation of the entities and businesses listed in Note 1 to the Financial Report



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 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.

Those charged with governance are responsible for overseeing the Aggregated Entity's financial reporting process.



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

Our objective is:

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

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

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

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

We also:

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

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

KPMG

Chris Sargent
Partner

Melbourne
17 November 2021