



The Salvation Army Community Housing Service
(a company limited by guarantee)

ABN 47 152 257 728

Annual Financial Report 2015

The Salvation Army Community Housing Service
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The Salvation Army Community Housing Service

ABN 47 152 257 728 (a company limited by guarantee)

Directors' report for the year ended 30 June 2015

The directors present their report together with the financial report of The Salvation Army Community Housing Service ("the Company") for the year ended 30 June 2015 and the auditor's report thereon.

The Salvation Army Community Housing Service is a not-for-profit community housing provider established in July 2011. The sole member of the Company is The Salvation Army (NSW) Property Trust, which forms part of The Salvation Army Australia Eastern Territory ("TSA").

The key regulation which affects The Salvation Army Community Housing Service is the Australian Charities and Not-for-profit Commissions Act 2012.

The Salvation Army Community Housing Service is a community housing provider which employs professional staff to assist the provision of affordable housing.

Directors

The directors in office at the date and during the period of this report are:

Directors	Period of Appointment	Qualifications	Number of Directors meetings eligible to attend	Number attended
Mr Ian Costley Non Executive Director	Oct 2014 to current		5	4
Major Cecil Reuben Woodward Non Executive Director	July 2011 to current	BSW (Hons), Dip HR, MSWAP, MBA)	6	6
Mr Ian Minnett - Director Non Executive Director	July 2011 to current	BCom, FCA, GAICD	6	4
Lt-Col Laurie Robertson Non Executive Director	April 2013 to current		6	6
Mr Peter Michael Alward Non Executive Director	July 2011 to current	Dip in Business & Real Estate Management, Licensed Real	6	6
Mrs Rhonda Joy Gregory Non Executive Director	July 2011 to current	BTh	6	5
Ms Natalee O'Brien Non Executive Director	April 2013 to current	Dip in Youth Work, Dip in AOD, BA Social Science	6	5

Directors' Experience

Major Cecil Reuben Woodward

Major Woodward has 43 years experience as an Officer of The Salvation Army as a leader and manager of local and regional churches.

Mr Ian Minnett

Mr Minnett has many years experience in the private and not-for-profit sectors. Mr Minnett is currently a Trustee of The Salvation Army Property Trusts - NSW & QLD and also a Board Member for Employment Plus and Aged Care Plus' Board of Management with The Salvation Army.

Lieutenant-Colonel Laurie Robertson

Lieutenant-Colonel Laurie Robertson has 35 years experience as an Officer of The Salvation Army as a leader and manager of local and regional churches and is currently a Trustee for The Salvation Army Property Trusts - NSW & QLD.

Mr Peter Michael Alward

Mr Alward has many years experience in the private, public and not-for-profit sectors. Mr Alward is currently a Trustee of The Salvation Army Property Trusts - NSW & QLD and also a member of Aged Care Plus' Board of Management with The Salvation Army.

Mrs Rhonda Joy Gregory

Mrs Gregory has many years experience working with homelessness and social support programmes. Mrs Gregory currently serves on several industry boards, Homelessness Australia, Council to Homeless Persons Australia (CHPA) and is currently Chairperson of the Board of Homelessness NSW.

Ms Natalee O'Brien

Ms O'Brien has many years experience in social work and has been employed with The Salvation Army for 13 years. She recently began the position of Acting Assistant Director for The Salvation Army Territorial Mission and Resource Team.

The Salvation Army Community Housing Service

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Directors' report for the period ended 30 June 2015

Principal activities

The Company's principal activity is to provide accommodation and support for low income households on a not for profit basis, particularly for households in financial need or who have at the time specific physical, mental or social disabilities which impede their acquisition or successful use of private or public housing.

Review of Operations

The net operating deficit of the Company for the financial year is \$317,699. (2014 deficit \$31,593).

State of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Company that occurred during the financial year under review not otherwise disclosed in the report or the financial statements.

Environmental regulations and performance

The Company's operations are not regulated by any significant environmental regulations under either Commonwealth or State Legislation.

Events subsequent to balance date

No matters or circumstances have arisen since 30 June 2015 which have significantly affected, or will adversely affect the results of the Company in subsequent financial years.

Likely developments

In the opinion of the directors, there are no likely changes in the operations of the Company which will adversely affect the results of the Company in subsequent financial years.

Insurance of Officers

The Company has insured the directors for any potential claims arising from their work as directors of the Company. The directors have not included the details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' liability and legal expenses' insurance contracts, as such disclosure is prohibited under the terms of the contract.

Members/Winding Up

Each person who is a Member, and each person who was a Member during the year ending on the day of the commencement of the winding up of the Company, undertakes to contribute to the property of the Company for:

- payment of debt and liabilities of the Company
- payment of the costs, charges and expenses of the winding up; and
- any adjustment of the rights of the contributories among Members

If the Company is wound up, the liability of the members is limited to the nominal amount that they have guaranteed.

Going concern

As at 30 June 2015, the Company reported a net deficit of \$317,698 (2014: deficit of \$31,593) and net assets deficit of \$300,024 (2014: net assets of \$17,675).

The financial report of the Company has been prepared on the going concern basis of accounting, which assumes the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The financial report has been prepared on a going concern basis as a result of the following:

- The member of the Company, The Salvation Army (NSW) Property Trust has provided a letter of support confirming that it will provide financial assistance to the Company as and when is needed to enable the Company to continue its operations and fulfil all of its financial obligations. This undertaking is provided by The Salvation Army (NSW) Property Trust for the minimum of the twelve months from the date of the signing of the financial statements.
- The Salvation Army (NSW) Property Trust has also provided in the Letter of Support that it will not call for the payment of any amounts payable by the Company for the minimum of the twelve months from the date of the signing of the financial statements.
- The Salvation Army (NSW) Property Trust acknowledges that the Company may be or become insolvent without the financial support offered in the letter of support and that the Company will rely on the Letter of Support in continuing to trade.

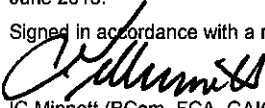
The directors have therefore concluded that it is appropriate to prepare the financial report on a going concern basis. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

The Salvation Army Community Housing Service
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Directors' report for the period ended 30 June 2015

Auditor's independence declaration

The auditor's independence declaration is set out on page 14 and forms part of the Directors' report for the period ended 30 June 2015.

Signed in accordance with a resolution of the Board of Directors.


IC Minnett (BCom, FCA, GAICD)
Director

Dated at Sydney on the

28/10/15


PM Alward (Dip Business & Real Estate)
Non Executive Director

Dated at Sydney on the

28/10/15

The Salvation Army Community Housing Service
ABN 47 152 257 728 (a company limited by guarantee)
Statement of comprehensive income
For the year ending 30 June 2015

	Note	2015 \$	2014 \$
Revenues			
Rental Income		597,237	810,206
Tenant Contributions		10,017	35,743
Management Fees		16,025	39,600
Housing NSW Income		15,404	42,359
Interest		2,372	3,732
Other income		52,882	17,837
Total revenues		<u>693,937</u>	<u>949,477</u>
Expenses			
Interest		-	4,569
Depreciation		30,793	30,716
Motor vehicles		34,511	35,272
Professional fees		8,466	18,232
Property maintenance		223,696	314,477
Employees salaries & oncosts	4	340,965	260,159
Travel		14,974	6,990
Telecommunication		15,767	11,943
Administration		74,840	10,900
Management fees		96,001	128,183
Other Property Costs		171,623	159,629
		<u>1,011,637</u>	<u>981,070</u>
(Deficit)/surplus for the year		<u>(317,699)</u>	<u>(31,593)</u>
Other comprehensive income		-	-
Total comprehensive (loss) income for the year		<u>(317,699)</u>	<u>(31,593)</u>

The above statement of comprehensive income should be read in conjunction with the accompanying notes see pages 9-12.

The Salvation Army Community Housing Service
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Statement of financial position
For the year ending 30 June 2015

	Note	2015 \$	2014 \$
Current Assets			
Cash and cash equivalents		995,763	349,819
Receivables	5	47,179	122,590
		<u>1,042,942</u>	<u>472,409</u>
Non current assets			
Software	6	92,147	122,862
Plant & Equipment		573	-
		<u>92,720</u>	<u>122,862</u>
Total assets		<u><u>1,135,662</u></u>	<u><u>595,272</u></u>
Current Liabilities			
Payables	8	1,394,751	531,574
HR provisions	7	18,293	15,224
Deferred income		21,719	16,451
Resident bonds		923	14,348
		<u>1,435,686</u>	<u>577,597</u>
Net assets		<u><u>(300,024)</u></u>	<u><u>17,675</u></u>
ACCUMULATED FUNDS			
Accumulated funds		<u>(300,024)</u>	<u>17,675</u>
TOTAL ACCUMULATED FUNDS		<u><u>(300,024)</u></u>	<u><u>17,675</u></u>

The above statement of comprehensive income should be read in conjunction with the accompanying notes see pages 9-12.

The Salvation Army Community Housing Service
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Statement of changes in equity for the year ended 30 June 2015

	Note	2015 \$	2014 \$
Accumulated funds at the beginning of the financial year		17,675	49,269
(Deficit)/surplus for the period		(317,699)	(31,593)
Total accumulated (deficit)/surplus at the end of the financial year		<u>(300,024)</u>	<u>17,675</u>

The above statement of comprehensive income should be read in conjunction with the accompanying notes see pages 9-12.

The Salvation Army Community Housing Service
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Cash flow statement
For the year ending 30 June 2015

	Note	2015 \$	2014 \$
Cash flows from operating activities			
Receipts		689,914	858,010
Payments to suppliers and employees		(42,427)	(727,739)
Interest received		13,121	3,732
Interest paid		(11,886)	(758)
Net cash Inflow from operating activities	10	<u><u>648,722</u></u>	<u><u>133,245</u></u>
Cash flow from Investing activities			
Acquisition of software		-	(926)
Acquisition of plant and equipment		(2,778)	-
Net cashflow from investing activities		<u><u>(2,778)</u></u>	<u><u>(926)</u></u>
Net increase in cash and cash equivalents		645,944	132,319
Cash and cash equivalents at the beginning of the financial year		<u>349,819</u>	<u>217,500</u>
Cash and cash equivalents at the end of the financial year		<u><u>995,763</u></u>	<u><u>349,819</u></u>

The above statement of comprehensive income should be read in conjunction with the accompanying notes see pages 9-12.

The Salvation Army Community Housing Service
ABN 47 152 257 728 (a company limited by guarantee)
Notes to the financial statements
30 June 2015

1 Reporting Entity

The Salvation Army Community Housing Service ("the Company") was incorporated on 22nd July 2011 in Australia and is a company limited by guarantee. The address of the Company's registered office is 140 Elizabeth Street, Sydney NSW 2000. The Company is a not for profit entity primarily involved in the provision of affordable housing.

The directors have prepared the financial statements on the basis that the Company is a non-reporting entity because there are no users dependent on general purpose financial reports. This financial report is therefore a special purpose financial report that has been prepared in order to meet the requirements of the Australian Charities and Not-for-profit Commissions Act 2012 (ACNC Act).

In the opinion of the directors, having regard to the not for profit nature of the Company's business, the terms used in the prescribed format of the statement of comprehensive income are not appropriate. The word 'surplus' has been substituted for the term 'profit' in the prescribed format of the Statement of comprehensive income.

2 Basis of preparation

(a) Statement of compliance

The special purpose financial statements have been prepared in accordance with the requirements of the ACNC Act and the recognition, measurement and classification aspects of all applicable Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB).

The special purpose financial statements include only the disclosure requirements of the following AASBs and those disclosures considered necessary by the Trustees:

- AASB 101 Presentation of Financial Statements
- AASB 107 Statement of Cash Flows
- AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors
- AASB 1048 Interpretation and Application of Standards
- AASB 1054 Australia Additional Disclosures

(b) Basis of measurement

The financial statements have been prepared on an accruals basis and are based on historical costs unless otherwise stated in the notes.

(c) Going concern

As at 30 June 2015, the Company reported a net deficit of \$317,699 (2014: deficit of \$31,593) and net assets deficit of \$300,024 (2014: net assets of \$17,675).

The financial report of the Company has been prepared on the going concern basis of accounting, which assumes the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The financial report has been prepared on a going concern basis as a result of the following:

- The member of the Company, The Salvation Army (NSW) Property Trust has provided a letter of support confirming that it will provide financial assistance to the Company as and when is needed to enable the Company to continue its operations and fulfil all of its financial obligations. This undertaking is provided by The Salvation Army (NSW) Property Trust for the minimum of the twelve months from the date of the signing of the financial statements.
The Salvation Army (NSW) Property Trust has also provided in the Letter of Support that it will not call for the payment of any amounts payable by the Company for the minimum of the twelve months from the date of the signing of the financial statements.
- The Salvation Army (NSW) Property Trust acknowledges that the Company may be or become insolvent without the financial support offered in the letter of support and that the Company will rely on the Letter of Support in continuing to trade.

The directors have therefore concluded that it is appropriate to prepare the financial report on a going concern basis. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

(d) Functional and presentation currency

The special purpose financial report is presented in Australian dollars, which is the Company's functional currency.

The Salvation Army Community Housing Service

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Notes to the financial statements

30 June 2015

3 Significant accounting policies

(a) Use of estimates and judgements

The preparation of the special purpose financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial report included in Note 5 - Receivables.

(b) Revenue recognition

Revenue is recognised at the fair value of the consideration received or receivable when the organisation is legally entitled to receive it. Revenues are recognised net of the amounts of goods and services tax (GST) payable to the Australian Taxation Office. Revenue is recognised for the main business activities as follows:

(i) Rental Income

Rental income from the provision of housing is recognised upon the delivery of services to tenants.

(ii) Tenant Contributions

Tenant Contributions are recognised as revenue when received and are collected exclusive of goods and services tax (GST).

(iii) Management Fees

Management fees are recognised as revenue when received for services provided to third parties.

(iv) Housing NSW Income

Income from Housing New South Wales (NSW) is recognised as revenue when received.

(c) Income tax

The Company is exempt from income tax under the Income Tax Assessment Act (1997) as it is registered as a charitable institution.

(d) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. The majority of receivables are due for settlement 7 days in advance being for rent.

Collectability of debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables.

3 Summary of significant accounting policies (con't)

(e) Intangibles

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less amortisation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

(ii) Amortisation

Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight line basis over the estimated useful lives of each component of an item of intangibles.

The estimated useful life for the current and comparative years is as follows:

- Software	5 years
- Plant & Equipment	5 years

(f) Interest Income

Interest income is recognised as it accrues in the Statement of comprehensive income.

(g) Cash and cash equivalents

Cash and cash equivalents comprise of cash balances with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short term commitments. These include mainly cash at bank.

(h) Payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid under normal business terms.

The Salvation Army Community Housing Service
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Notes to the financial statements
30 June 2015

(i) Employee Benefits

Short term employee benefits such as annual leave that are expected to be wholly settled within 12 months of the reporting date, are recognised as current liabilities in respect of employees' services up to the reporting date and measured on an undiscounted basis and expensed as the related service is provided.

(j) Good and services tax

Revenues, expenses and assets are recognised net of the amounts of goods and service tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office. 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.

Cash Flows are included in the cash flow statement gross of GST.

(k) Deferred Income

The Salvation Army Community Housing Service recognises revenue upon delivery of services to tenants. Payments received in advance from tenants for services occurring in future periods are recorded as deferred income and are recognised as revenue when the services have been provided.

(l) Resident Bonds

The Salvation Army Community Housing Service collects bonds from tenants on an instalment basis which are to be paid to the Rental Bond Board in the relevant state. The bonds are recognised as a liability until such time as the bond has been received in full and forwarded to the relevant Rental Bond Board or the tenant vacates the premises and the bond is returned to the tenant less any outstanding rent or expenses.

(m) Volunteer workers

No monetary value has been attributed to the valuable services provided by the many volunteer workers.

(n) New standards & interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact The Salvation Army Community Housing Service in the period of initial application. They are available for early adoption at 30 June 2015, but have not been applied in preparing these Financial Statements.

- AASB 15 Revenue from Contracts with Customers: The Salvation Army Community Housing Service is assessing the potential impact on the financial statements resulting from the application of AASB 15 for the financial year ending 30 June 2019.
- AASB 9 Financial Instruments: This standard is not expected to have a material impact on the financial statements.

The Salvation Army Community Housing Service
ABN 47 152 257 728 (a company limited by guarantee)

Notes to the financial statements
30 June 2015

	2015	2014
	\$	\$
4 Employee Expenses		
Salaries & Wages	289,561	220,599
Superannuation	26,713	20,355
Training and other related costs	24,692	19,205
Total	340,965	260,159
5 Receivables		
Amount relates to rental income	47,179	122,590
Receivables are current and non-current		
6 Intangibles		
Software		
Cost	153,578	153,578
Less Amortisation	(61,431)	(30,716)
Net Book Value	92,147	122,862
7 HR Provisions		
Annual Leave	(18,293)	13,720
Long Service Leave	-	1,505
	(18,293)	15,224
8 Payables		
Payables due to The Salvation Army	1,394,751	531,574
9 Auditor remuneration		
Auditor of the Company - KPMG Australia		
Audit of financial reports	8,294	9,000
10 Reconciliation of total (deficit)/surplus to net cash inflow from operating activities		
	2015	2014
	\$	\$
Operating deficit from ordinary activities	(317,699)	(31,593)
Add back non cash items		
Depreciation	32,921	30,716
Change in operating assets and liabilities		
Decrease/(Increase) in receivables	75,411	(87,735)
(Decrease)/Increase in financing	863,177	188,844
(Decrease)/Increase in employee benefits	3,069	7,816
(Decrease)/Increase in deferred income	5,268	10,849
(Decrease)/Increase in resident bonds	(13,425)	14,348
Net cash inflow from operating activities	648,722	133,245
11 Contingent Liabilities		
The Company does not have any material contingent liabilities at the reporting date.		
12 Commitments		
The Company does not have any material capital or other expenditure commitments at the reporting date which had been contracted for at that date but not recognised as liabilities.		
13 Events subsequent to balance date		
In the opinion of the Directors, no transactions or events material and unusual in nature have arisen in the interval between the end of the financial year and the date of this financial reporting item, which have significantly affected or are likely to adversely affect the operations of the Company, the results of the operations or the state of the Company in the future financial years.		

The Salvation Army Community Housing Service
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Directors' declaration
30 June 2015

In the opinion of the directors of The Salvation Army Community Housing Service:

- (a) the Company is not publicly accountable nor a reporting entity;
- (b) the financial statements and notes, set out on pages 4 to 12, are in accordance with the Australian Charities and Not-for-profits Commissions Act 2012, including:
 - (i) giving a true and fair view, of the financial position of the Company as at 30 June 2015 and of its performance, as represented by the results of its operations for the financial year ended on that date in accordance with the statement of compliance described in Note 2(a); and
 - (ii) complying with Australian Accounting Standards to the extent described in Note 2(a) and the Australian Charities and Not-for-profits Commission Regulations 2013; and
- (c) these are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



IC Minnett (BCom, FCA, GAICD)
Director

Dated at Sydney on the

28th Oct 2015



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

To: the directors of The Salvation Army Community Housing Service

I declare that, to the best of my knowledge and belief, in relation to the review for the financial year ended 30 June 2015 there have been:

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

KPMG

KPMG

Daniel Robinson
Director

Sydney

28 October 2015



Independent auditor's review report to the members of The Salvation Army Community Housing Service

Report on the financial report

We have reviewed the accompanying financial report, being a special purpose financial report, of The Salvation Army Community Housing Service (the Company), which comprises the statement of financial position as at 30 June 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 13 comprising a summary of significant accounting policies and other explanatory information and the Directors' declaration of the Company.

This review report has also been prepared for the members of the Company pursuant to *Australian Charities and Not-for-profits Commission Act 2012* (ACNC Act) and the *Australian Charities and Not-for-profits Commission Regulation 2013* (collectively the Act and Regulations).

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the ACNC Act. The Directors' responsibility also includes such internal control as the Directors determine necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2415 *Review of a Financial Report: Company Limited by Guarantee or an Entity Reporting under the ACNC Act*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the ACNC Act, including: giving a true and fair view of the Company's financial position as at 30 June 2015 and its performance for the year ended on that date; and complying with the Australian Accounting Standards and the ACNC Act. ASRE 2415 requires that we comply with the ethical requirements relevant to the review of the financial report.

A review of a financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Independence

In conducting our review, we have complied with the independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of The Salvation Army Community Housing Service is not in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- (a) giving a true and fair view of the Company's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards to the extent described in Note 2 and the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis of accounting

Without modifying our conclusion, we draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the ACNC Act. As a result, the financial report may not be suitable for another purpose.

KPMG

KPMG

Daniel Robinson
Director

Sydney

28 October 2015