



Annual Report 2018

THE SALVATION ARMY AUSTRALIA

Vision

Wherever there is hardship or injustice,
Salvos will live, love and fight
alongside others
to transform Australia one life at a time
with the love of Jesus.

THE SALVATION ARMY AUSTRALIA

Values

Mission

The Salvation Army is a Christian movement dedicated to sharing the love of Jesus.

We share the love of Jesus by:

CARING FOR PEOPLE

- Being there when people need us most
- We offer care and compassion as a sacred encounter with transformative potential

CREATING FAITH PATHWAYS

- Taking a holistic approach to the human condition that values spirituality
- We graciously share the Good News of Jesus and grow in faith together

BUILDING HEALTHY COMMUNITIES

- Investing ourselves in relationships that promote mutual flourishing
- We find the wholeness God intends for us in community

WORKING FOR JUSTICE

- Tackling the social systems that harm creation and strip away human dignity
- We join God's work to build a fairer world where all can thrive

Recognising that God is already at work in the world, we value:

INTEGRITY

Being honest and accountable in all we do

COMPASSION

Hearing and responding to pain with love

RESPECT

Affirming the worth and capacity of all people

DIVERSITY

Embracing difference as a gift

COLLABORATION

Creating partnerships in mission

We commit ourselves in prayer and practice to this land of Australia and its people, seeking reconciliation, unity and equity.

In the writing of its 2017-18 annual report, The Salvation Army acknowledges Aboriginal and Torres Strait Islanders as the traditional custodians of all the lands throughout Australia and recognises their continuing connection to their culture, lands and waters. We pay our respects to their Elders past, present and emerging.

Commissioner Floyd Tidd

Territorial Commander
Australia Territory

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Cover: Jo Hodge, from Adelaide City Salvos, in her role as coordinator of the DUO (Do Unto Others) street outreach program in the South Australian capital. Photo: Duan Kereru

MESSAGE FROM THE

Territorial Commander



As Territorial Commander of the new Australia Territory, I am pleased to present the first national annual report for The Salvation Army. This report provides an overview of the work undertaken during the 2017-18 financial year as well as reporting on our financial performance.

However, beyond the financials and the statistical presentation, you will read stories of lives changed as The Salvation Army lives out its vision of 'transforming Australia one life at a time'. Through each interaction with fellow Australians, including those doing it tough, The Salvation Army is committed to live, love and fight alongside them to facilitate much-needed positive change.

Our national structure undergirds our commitment to accountability and transparency, supporting the need for efficient, streamlined administrative processes and robust governance. The new governance model includes independent directors as well as non-executive members of The Salvation Army community. I am grateful for a board committed to the effective delivery of our mission in Australia. As Salvation Army personnel care for people, create faith pathways, build healthy communities and work for justice, the board will provide governance support and accountability. This report introduces you to the board members.

The Australia-wide footprint of our movement enables increasing opportunities for significant local and organisational innovation learning from our frontline practitioners, clients, program participants, donors, volunteers and supporters.

Also, importantly, our united voice is being raised in support of those who are going through traumatic times. As we journey with them, we accept the responsibility to share the key insights received from them. In conjunction with our national research and advocacy unit, Salvation Army

leadership is able to clearly articulate to governments and funding bodies our concerns and causes affecting our fellow Australians.

Celebrating and pursuing stronger partnerships, and recognising the mutuality of service and mission delivery, is another vital part of our strategy. We are stronger together.

Through thousands of Salvos, including all our mission expressions, soldiers, adherent members, officers, employees and volunteers, we are exercising careful stewardship of our resources. Streamlined national and state-based teams are serving the needs of those who need support.

In the journey to a national entity—one of the largest NGO corporate restructures in Australia's history—we remain committed to bringing transformational impact to individuals, families and communities that depend on The Salvation Army to bring hope where it's needed most.

As you read this report, it is my hope that you will catch our vision: 'Wherever there is hardship or injustice, Salvos will live, love and fight alongside others, to transform Australia one life at a time with the love of Jesus'.

Thank you for your active interest and ongoing support.

God bless,

A handwritten signature in blue ink, appearing to read 'Floyd Tidd'. The signature is fluid and cursive, written in a professional style.

Commissioner Floyd Tidd

Territorial Commander
Chair of Governance Board
Australia Territory

MESSAGE FROM THE



Chief Secretary

This first national annual report in 97 years shares stories and information about the newly unified Salvation Army in Australia. While this unification of the two territories officially began on 1 December 2018, there had been a number of areas that began operating nationally during the 2017-18 financial year.

Operational matters throughout the 2017-18 financial year have included the national coordination of staffing, the recruiting of national heads of department, the commencement of processes to provide national property, IT and financial services, and the streamlining and honing of our mission activities.

We have focused on what we are doing, where we are doing it, and how and why we want to continue in those mission areas. And, thank God, he is continuing to use us in helping people transform their lives.

Our statistics and our financial notes present a partial story of human need being met, through the diligent use of government funds and the generous support of our donors. But to understand the enormity of what we face in Australia you will need to dig deeper.

This annual report will give you indications of innovative approaches to meeting human need in the name of Jesus Christ. The Salvation Army is unashamedly part of the Christian church and seeks to share with Australians the love, kindness and compassion that Jesus taught and demonstrated.

I am proud of our officers, employees, volunteers and Salvationists—soldiers and adherent members. When a person presents at a Salvation Army community service or corps (church), they are welcomed with love and care, without discrimination and without judgement.

It is worth noting that the work that we do across many sectors—helping people through issues including homelessness, emergencies, entrenched or situational poverty, crises, family and domestic violence, and substance abuse—could not happen without the financial support of hundreds of thousands of donors across the land, who help to generate and sustain the financial means by which we act.

We thank you for what you bring to The Salvation Army. We pray you will continue to stand by us as we stand alongside Australians who urgently need our help.

God bless,

A handwritten signature in blue ink that reads "Mark Campbell". The signature is written in a cursive style and is underlined with a single blue stroke.

Colonel Mark Campbell

Chief Secretary
Chair of Executive Mission Council
Australia Territory

National strategy

In August 2018, we launched our national strategy for the Australia Territory. It outlines what The Salvation Army will do to achieve its national vision—and its priority areas for the next three years to serve all Australia, especially people experiencing hardship and injustice.

Our strategy is built on four pillars, each underpinned by three strategic imperatives that will inform and guide our actions.

PILLAR 1: WE WILL TRANSFORM

Transformation happens through relationships—with Jesus and in the community.

DELIVER HOLISTIC MISSION

Local mission delivery is how we provide integrated and holistic mission to the communities we serve. Our mission expressions, working together with other community partners, will enable us to focus and strengthen our efforts to service a social need and create faith pathways. Our local mission delivery model creates opportunities for all local mission expressions to connect and collaborate as members of Area Leadership Teams.

STRENGTHEN THE ARMY'S VOICE ON NATIONAL ISSUES

We use our voice so that we can positively influence public policy and bring about social change in areas of greatest need.

MAKE DISCIPLES

We will create pathways for spiritual fulfilment and service because our heartfelt desire is for people to know and follow Jesus.

PILLAR 2: WE WILL FOCUS

Focusing our efforts where we can have greatest missional impact will help us to achieve our vision.

FOSTER CHRISTIAN SPIRITUALITY

We will consciously foster deep, dynamic Christian spirituality throughout the Army; reflected through prayer, aligning our lives with Scripture and holy living in our work and personal lives.

FOCUS OUR EFFORTS

We will direct our time, energy and resources where we can have the greatest impact.

BUILD LEADERSHIP CAPABILITY

We will build the capability of our leaders, so that we are well equipped to deliver our strategy and realise our vision.

4 PILLARS

We will transform



We will focus



We will pioneer



We will be accountable

Deliver holistic mission

Foster Christian spirituality

Encourage innovation

Renew culture

Strengthen the Army's voice on national issues

Focus our efforts

Grow partnerships

Enhance measurement

Make disciples

Build leadership capability

Create sustainable leadership

Improve stewardship and sustainability

12 STRATEGIC IMPERATIVES

PILLAR 3: WE WILL PIONEER

Innovation and finding new ways to do things will keep our movement relevant. We will continue to build on our strengths and work to make a positive impact on people's lives.

ENCOURAGE INNOVATION

Being future-focused will help us to embed innovation throughout the Army. We will systematically work through cultural barriers that stop us from being innovative, and identify better ways of working.

GROW PARTNERSHIPS

Our desire is to grow existing relationships and foster new partnerships that are enduring and sustainable. We want to work with partners who share our vision.

CREATE SUSTAINABLE LEADERSHIP

The emerging generation of Salvos needs to better reflect the diversity of the Australian community and be supported to develop so that they can shape and lead our movement into the future. We will honour, develop and encourage our people to reach their leadership potential.

PILLAR 4: WE WILL BE ACCOUNTABLE

Accountability will help us to continue to be a vibrant and relevant movement for future generations and enable us to deliver on our mission, vision and national strategy.

RENEW CULTURE

Building on the strengths of our existing culture, renewing our culture will help us to attract new Salvos, while facilitating innovation.

ENHANCE MEASUREMENT

Clear reporting measures will make sure that everyone knows what is expected of them and that they understand the role they play in realising our vision. The measures will help to track our overall progress as we work to make a difference in the communities that we serve.

IMPROVE STEWARDSHIP AND SUSTAINABILITY

For our movement to grow and be sustainable so that we can thrive, we need to use our resources responsibly and efficiently, build a diverse funding base and ensure that our resources are aligned to our mission and vision.

THE AUSTRALIA TERRITORY

Board of Governance

The Salvation Army in Australia is at the forefront of the worldwide movement to improve the way the organisation is governed. This includes an overhaul of the governance model used in Army territories around the world. One of the key components of the new Australia Territory has been the creation of a Board of Governance from 1 August 2018.

“Having a board is a key component of our new governance structure. It will help to realise our vision and is integral for us to operate effectively as a single territory and demonstrates best practice transparency and accountability,” Chair of the Board, Commissioner Floyd Tidd, said when announcing its formation.

As well as Territorial Commander Commissioner Tidd, the Board includes five additional officers—including the Chief Secretary (Colonel Mark Campbell) and Territorial President of Women’s Ministries (Commissioner Tracey Tidd)—and five independent members, two of whom are Salvationists.

“They are all people who live out a personal faith in Jesus Christ, and the diversity of our board members—age, gender, ethnicity and background—reflects the Australian community and the future of the movement,” Commissioner Tidd said.

“They will be responsible for providing oversight, legal compliance and adherence to International Headquarters principles and we’re very fortunate to have such a high calibre of board members who are passionate about The Salvation Army and the work that we do.”

In 2016, then-General André Cox called Salvationists around the world to spiritual and missional renewal. He affirmed that we are accountable to God and each other; we are accountable for the way we live every moment of every day; we are accountable for learning and improving and we need processes and systems that are fit for our God-given purpose. This resulted in the IHQ Accountability Framework. The Salvation Army Australia is one of the first Salvation Army territories to change its governance model in response to the Accountability Movement.

The new Australia Territory Board supports the movement in delivering the mission and realising the territory’s vision through a national strategy.

BOARD OF GOVERNANCE (FROM 1 AUGUST 2018)



Adrian Appo



Colonel Mark Campbell

Greg Couttas
(Audit & Risk Committee Chair)Richard Grellman, AM
(Independent Lead)

Desley Hargreaves



Lieutenant Lydia Hong



Felicity Natoli



Captain Richard Parker

Colonel Geanette Seymour
(Alternate Chair)Commissioner Floyd Tidd
(Chair)

Commissioner Tracey Tidd

2017-18 CABINET MEMBERS

Commissioner Floyd Tidd	National Commander
Commissioner Tracey Tidd	National President for Women's Ministries
Colonel Julie Campbell	National Secretary for Women's Ministries, Advocate for Gender Equity
Colonel Mark Campbell	National Chief Secretary
Colonel Wayne Maxwell	National Ambassador for Holiness and Prayer
Colonel Robyn Maxwell	National Ambassador for Holiness and Prayer
Lt-Colonel Winsome Merrett	AUS Secretary for Programme, National Assistant Chief Secretary
Lt-Colonel Lynette Edge	National Secretary for Mission
Lt-Colonel Stuart Evans	National Secretary for Business Support
Captain Anne Jeffrey	Assistant National Secretary for Women's Ministries
Captain Lance Jeffrey	National Secretary for Spiritual Life Development
Lt-Colonel Neil Venables	National Secretary for Communications
Colonel Graeme Rigley	AUS Territorial Chief Secretary
Colonel Karyn Rigley	AUS Territorial Secretary of Women's Ministries, Territorial Personnel Secretary
Lt-Colonel Kelvin Pethybridge	AUE Chief Secretary
Lt-Colonel Cheralynne Pethybridge	AUE Territorial Secretary for Women's Ministries
Lt-Colonel Ian Callander	AUS Assistant Chief Secretary (Operations)
Lt-Colonel Vivien Callander	AUS Assistant Chief Secretary (Administration)
Lt-Colonel Kelvin Merrett	AUS Secretary for Personnel, National Secretary for Personnel
Major Winsome Mason	AUS Secretary for Business Administration
Lt-Colonel John Hodge	AUE Secretary for Business Support
Lt-Colonel Laurie Robertson	AUE Secretary for Program
Lt-Colonel Chris Reid	AUE Secretary for Personnel
Major Peter Farthing	AUE Head of College

2017-18 DIVISIONAL LEADERS

Central Victoria

Majors Christine and Michael Wright

Eastern Victoria

Majors Bram and Jean Cassidy

New South Wales/ACT

Lt-Colonel Miriam Gluyas

Northern Territory (Regional Officers)

Captains Katie and Richard Parker

Queensland

Lt-Colonels David and Sandra Godkin

South Australia

Majors Barry and Ros Casey

State Social Command Victoria

Majors Michael and Annette Coleman

Tasmania

Majors John and Wendy Freind

Victoria

Lt-Colonels Bruce and Debra Stevens

Western Australia

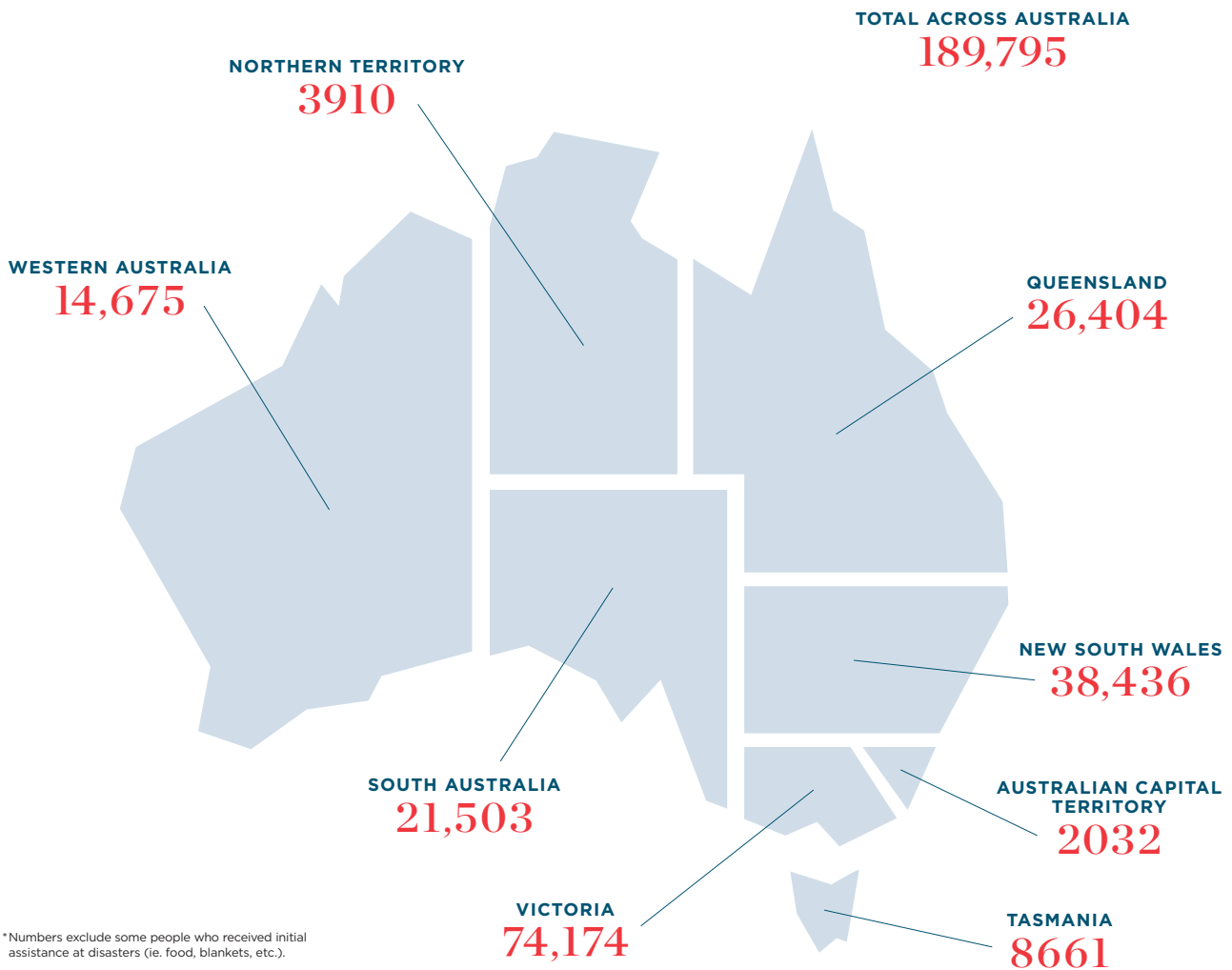
Majors Neil and Lisa Venables
Lt-Colonels Chris and Stuart Reid

Western Victoria

Majors Brian and Jennifer Pratt

2017-18 Snapshot of our services

Number of people who have received
Salvation Army support by state*





1400
COMMUNITY SUPPORT ACTIVITIES



1,148,175
SESSIONS OF CARE ACROSS ALL SOCIAL PROGRAMS



54,713
SESSIONS OF SUPPORT FOR PEOPLE EXPERIENCING FINANCIAL DIFFICULTY



\$39,683,945
ASSISTANCE DOLLAR AMOUNT



164,679
CASE MANAGEMENT AND EMERGENCY RELIEF SUPPORT AND ASSESSMENT SESSIONS



14,244
PEOPLE ASSISTED THROUGH ADDICTION TO/DEPENDENCY ON ALCOHOL AND OTHER DRUGS



5941
PEOPLE EXPERIENCING FAMILY VIOLENCE RECEIVED CARE



38,741
PEOPLE SUPPORTED WHO WERE HOMELESS OR AT RISK OF HOMELESSNESS (CLIENTS AND DEPENDANTS)



13,046
PEOPLE PROVIDED WITH SOME FORM OF HOUSING BY THE SALVATION ARMY, BE IT CRISIS, SHORT-TERM OR LONG-TERM



\$39,000,000
SURPLUS GENERATED BY SALVOS STORES

Statistics provided by The Salvation Army Australia, Service and Mission Information System (SAMIS), July 2017 - June 2018.

Community connection the real appeal

Each year, the Australian community generously supports The Salvation Army Red Shield Appeal, which provides vital funding for our extensive range of services and programs across Australia. The 2018 appeal raised \$79,834,000, which is a credit to our remarkable donors, volunteer collectors and our network of individual and corporate supporters.

A highlight of The Salvation Army Red Shield Appeal is our Doorknock, held each year on the last weekend of May. This year, the activity saw more than 50,000 volunteers mobilise to collect donations in local communities. By knocking on doors, collecting in shopping centres and other busy locations, these amazing volunteers helped raise almost \$7 million. On behalf of The Salvation Army, I would like to warmly thank each and every volunteer who made this result possible. We are also grateful to Westpac and McDonald's, two organisations that have supported our Doorknock for many years.

As our core annual fundraising activity, The Salvation Army Red Shield Appeal ensures we can assist thousands of people in need every week. Every day, we see people experiencing homelessness, family and domestic violence, disaster, financial crisis, addiction and crisis. Each and every person who comes to us has their own story and our teams on the front line work tirelessly to provide a tailored response to their needs, bringing about long-term positive impact.

Donations from the community, corporate partners and gifts left in Wills are critical to providing people like Ally* with the support they need. Ally became isolated from her support network and at risk of homelessness because of an abusive relationship. After leaving the relationship to ensure

the safety of her unborn child, she was left with a significant debt, which became too difficult to manage. Just before Christmas, with her financial situation at breaking point, she reached out for help, initially looking for some food and a present for her child.

Because of generous donations to the Red Shield Appeal, we were not only able to provide crisis support but also connect her with a financial counsellor to help her find a pathway through her hardship. Ally saw this moment in her life as a turning point and felt enabled to rebuild her life and provide for her child and regain independence.

The Salvation Army has been through significant change this financial year. I would like to acknowledge the work of our previous Fundraising Directors—Leigh Cleave and David Drysdale—who provided leadership through the transition to one territory and ensured our critical fundraising targets were met. I look forward to working alongside the community in the coming year to see more lives transformed through The Salvation Army Red Shield Appeal under the leadership and guidance of Janine Kewming, our new Head of Fundraising for The Salvation Army Australia.



A handwritten signature in blue ink, appearing to read 'Neil Venables', written in a cursive style.

Lieutenant-Colonel Neil Venables
Secretary for Communications

*Name changed to protect privacy



RED SHIELD APPEAL 2018 RESULTS

(Doorknock and Neighbourhood Appeal)

Australian Capital Territory	\$211,000
New South Wales	\$2.8million
Northern Territory	\$51,000
Queensland	\$1.04million
South Australia	\$526,000
Tasmania	\$191,000
Victoria	\$1.7million
Western Australia	\$430,000
TOTAL	\$6,949,000



THE SALVATION ARMY

TAP TO DONATE

\$10



THANK YOU

Please Donate



TAP TO PAY

Army of volunteers

Every morning, our “Army of volunteers” wake up and give their time to support the work of The Salvation Army. In corps, offices, stores and centres through the country, volunteers can be found contributing to local mission delivery. Working alongside officers, soldiers and employees, volunteers bring to life our values of integrity, compassion, respect, diversity and collaboration.

Where there is disadvantage, hardship or crisis, volunteers answer the call to respond to needs, help rebuild lives and bring hope. Every year, The Salvation Army provides more than a million acts of practical care for vulnerable Australians, much of which would not be possible without our valued volunteers.

Salvation Army world leader General Brian Peddle referred to Salvo volunteers as “the hands and feet of this movement”, who make “an invaluable contribution to the ongoing work of The Salvation Army”.

How true the General’s words are, when we consider that volunteers:

- make up over 75% of our workforce
- are 30,000 strong in number (ongoing volunteers)
- provide a workforce of 50,000 during the annual Red Shield Appeal



There is no ask too big, or too small for our volunteers. They may serve on executive boards or knock on doors, serve meals to emergency services during times of disaster or wrap Christmas gifts—whatever the need, our volunteers are ready and willing. As we aim to transform Australia one life at a time, with the love of Jesus, volunteers are there.

Volunteers are Salvos, and with more people calling themselves a “Salvo”, the more we can do. Can you answer the call to put love into action? Whether it is sorting donations, mentoring, collecting much-needed funds or sharing a meal with someone during Christmas, you are invited to join our “Army of volunteers”.

Hub of life in the Red Centre

Connecting the community through many integrated services is at the heart of The Salvation Army's work in the Northern Territory town of Alice Springs.

Captains Nari and Stuart McGifford (right), leaders of The Salvation Army in Alice Springs, find that sometimes the greatest grace can be found in the simplest of measures.

"One of the things that we do here," Stuart says, "is that, right at the front of the building, there is a cold-water tap.

"We are here in one of the driest places in Australia. It's a desert; it's freezing in places at night in winter, and so people come and fill their water bottle or have a drink. Jesus talked about a reward for people who give 'a cup of water in my name', and it becomes the basis of everything we do here. Everything we do is spiritual; every moment, in every place."

The McGiffords oversee an extensive body of social work in Alice Springs, and they believe that every act of kindness, every bit of help provided by every staff member, is the work of Christ.

Nari explains that many Salvation Army services are co-located on-site, with a thrift shop and hostel on other sites, but they are "co-managed, so there is no place that operates on its own. It's all integrated and connected," she says. "We have the opportunity to meet people's needs, whatever they are, wherever they are, right then and there."

Nari adds that the Salvos' desire to live holy, Christian lives is part of every minute of every day, from the work of their cleaner, through to their Bible readings and worship and



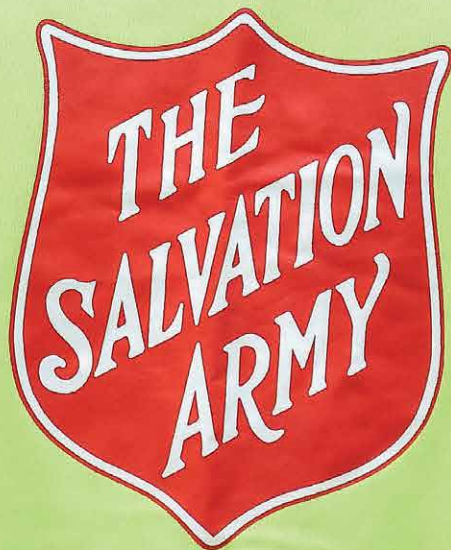
prayer meetings, and the work of their chaplain who sits with people to share a cup of coffee and listen to their heartache and their stories.

"Holy living is love in action," Nari says. "We have time for prayer and Scripture and worship, but the bulk of our time is service in action."

In the Sunday meetings held at the Army's corps (church), they sing, pray and read from the Bible in different languages. "There are four key language groups that meet here in Alice Springs," Nari says.

Beyond the language differences, there is also deep difference in how life is perceived and lived.

"There is a timelessness to the work here," Stuart says, "to sitting and listening and being still—that is part of our country's original culture, which is foreign to me as an active go-getter, a 'busy, do everything' person. So this place helps centre me, and my work with Aboriginal people."



VOLUNTEER

Surveying hardship



The Economic and Social Impact Survey explores the challenges, barriers and levels of disadvantage experienced by those who access The Salvation Army emergency relief services. In other words, it highlights where the need is most.

The Salvation Army's seventh annual national Economic and Social Impact Survey (ESIS) in the 2017-18 financial year revealed a 13 per cent increase in the level of deprivation experienced by children. More than two-thirds of those children experience severe deprivation, growing up in households with significant hardship and disadvantage.

ESIS 2018 included data from, and views expressed by, 1267 emergency relief clients and 1470 children.

More than one in 10 respondents were homeless or residing in temporary accommodation. Of these, half were homeless for more than 12 months. One quarter of respondents relocated in the past year, and 59 per cent of households with children had to move schools due to family violence, which added further isolation, disconnection and hardships for families.

After paying accommodation expenses, ESIS respondents were left with \$21 a day to live on. More than 96 per cent of ESIS households with children were living below the poverty line. Newstart Allowance recipients had the least amount of income to live on, being left with less than \$17 a day per family after housing costs.

Single parent households and couples with children experienced the lowest standard of living, and faced the biggest gap below the poverty line. This gap widened even further with an additional child.

Half of respondents reported that finding a job was the biggest challenge they faced each day. Nearly one-third of respondents were actively looking for a job. They reported that being out of the workforce, parenting responsibilities, the cost of transport, and a lack of experience and skills were the main barriers to finding employment. Nearly two in five respondents cited mental health issues as the main reason precluding them from engaging in the labour force.

For the past seven years, The Salvation Army has asked people who access our emergency relief services to share their experiences of financial hardship, disadvantage and the challenges they face each day, through the organisation's survey. The majority of respondents continue to experience extreme housing stress, face multiple barriers to finding work, and manage on very little income each week. Many households struggle to maintain a basic standard of living, often go without essential items, and at times are unable to feed themselves or their families.

“Many households struggle to maintain a basic standard of living..”

PUTTING THE JIGSAW BACK TOGETHER

Jonno is 55. He shared his story with The Salvation Army Economic and Social Impact Survey in December 2017.*

I used to have trouble with drugs and alcohol, but I don't touch them now. I was living in Northern NSW in a caravan when the floods hit after Cyclone Debbie. The only things that didn't get washed away were me and my dog. The water took the van and my belongings and I was destitute—living in cars or rest areas, sometimes in tents.

I got a government house and moved with basically nothing. I needed help, and The Salvation Army were one of the parties that changed my life. I got furniture, bedding, I got food. To me it was like having 10 Christmases at once. I'd been depressed for two years, but the Salvos helped put the jigsaw pieces back together for me.

It was hard to get accommodation because of my dog. He was 10 years old then. He was born on my bed and it wasn't an option to get rid of him. Without accommodation, life was stuffed. Even with a belly full of food, I was still down. You can't live properly, and I felt I was trapped in a corner. I was homeless, and that's embarrassing, too, especially at my age. So I was anxious and depressed, but the Salvos understood.

These days, I'm king of my castle. I got a two-bedroom home with a yard that's big enough for me and my dog.

He just runs around the whole day and I can let him, not having to worry about where he is and if he is going to get run over. We are secure.

I have learnt not to give up. I still have financial stress and pressures. Budget counselling with The Salvation Army Moneycare people helps. The power bill knocks me for six. I'm only running a TV, a fridge, a washing machine and hot water. I don't even use lights when I go to bed.

The only way to live is to be honest. If there was \$20 per fortnight for alcohol, then that could be \$20 for food. The Salvation Army worker said to me, “You don't need that alcohol in your life.” When crunch time came I had to really look at my finances and see where it all goes wrong.

I slowly learned that having a few beers wasn't the answer to depression. I got some counselling, which helped. I've got mental health issues. When I was 15 I was told you can't beat the man in the mirror. That's still true. I had to be honest and share my feelings and my anxieties. You've got to look in the mirror and be serious with yourself.

I could be a lot better, but I'm better than I was. I'm growing. I planted the seed when I first moved into this place, thinking this could be home for the rest of our lives. So that was a big burden off my back. So, yeah, I've still got a long way to go, but I'm going to enjoy the ride as I get better.

*Name changed to protect privacy

Opportunity to work

Giving people meaningful, fulfilling jobs is the goal of The Salvation Army Employment Plus, one of Australia's largest and most experienced employment services providers.

The Salvation Army Employment Plus (EPlus) has continued to grow its services over the past financial year to assist more people to find sustainable employment.

EPlus is a national Mission Enterprise, serving communities in every state and territory of Australia. In May 2018, it celebrated 20 years of supporting the most disadvantaged Australians with employment services.

EPlus' belief today, as it was in 1998, is that every Australian deserves a meaningful, fulfilling job. The transformative effect of a job does more than just provide material support; it builds a sense of hope, purpose and worth in lives and improves communities.

During 2017-18, EPlus launched two new services— Disability Employment Services (DES) and ParentsNext. DES helps people with short-term or permanent disabilities, conditions or injuries to access employment through personal targeted services.

EPlus is excited to be working in partnership with five Salvation Army corps (churches) in Adelaide North to deliver the ParentsNext program, which helps parents to prepare to return to the workforce as their children reach school age.

Our youth services (Transition to Work, and Smart, Skilled and Hired in NSW) continue to outperform expectations, getting more and more disadvantaged young people into study or work. Last year, these services placed more than 1200 young people into jobs and achieved more than 550 educational outcomes.

“The transformative effect of a job does more than just provide material support...”



EMPLOYMENT PLUS DURING 2017-18

During the 2017-18 financial year, Employment Plus placed more than 20,000 people into jobs and assisted more than 77,000 people seeking employment.

Of these 77,000 job seekers:

- 10% were Aboriginal or Torres Strait Islander
- 14% were people aged 15-24
- 16% were workers aged over 50
- 21% experience some form of disability
- 4% were people seeking refuge and/or asylum.

Our specialist services supported our major contract (jobactive), which reaches more than 63,000 unemployed Australians each year across 90 locations. In 2017-18, EPlus placed more than 20,000 of our job seekers into work with our network of about 15,000 employers across Australia.

Our jobactive service also supports the development of new and innovative employment services that deliver targeted assistance to some of the most vulnerable people in our community.

EPlus Local@Auburn commenced in May 2018, in partnership with Auburn Corps in Sydney. A team of dedicated corps volunteers and a visiting EPlus staff member worked throughout the year to help over 80 people seeking asylum develop their skills and access local jobs. To date we have placed more than 30 people into work and enrolled six people in TAFE courses.

In the year ahead, EPlus aims to strengthen its connection with other mission expressions of The Salvation Army to reach more disadvantaged job seekers through our network of services.

JOB COACH SOLVES KEN'S EMPLOYMENT MYSTERY

Ken, a 57-year-old Wurundjeri man, was living in a caravan park in Victoria's Yarra Valley. Deaf from birth, associated learning disabilities had seen him struggle with literacy and numeracy for his entire life.

Ken wanted a steady job and wanted to stop moving around—but achieving this goal was a mystery to him. Attending The Salvation Army Employment Plus in Lilydale in October 2017 was the first step in a long journey, a process of learning how to ask for the help he truly needed.

His 'job coach' at Lilydale could plainly see Ken's barriers to employment, but it was also obvious that her new client was a personable, gentle, kind man who was embarking on a new life path. She had a great feeling that Diversity Dimensions—an Indigenous employment preparation program that works with Woolworths supermarkets—could prove just the solution. The Lilydale job coach gave Ken personalised one-on-one coaching over a series of consultations to help him complete the required online induction modules.

Ken secured a place in a pre-employment program at Woolworths Canterbury Gardens, however, there were immediate issues when his hearing aids failed and he couldn't communicate effectively with his supervisors or peers. EPlus staff worked closely with Ken's employers to advocate for his retention in the program, emphasising his commitment and progress. We arranged for the purchase of hearing aid replacements to ensure Ken's ongoing participation.

Although he remained in the pre-employment program, Ken was now behind on rent at the caravan park. He was becoming frustrated. It seemed with each step forward came another that set him back. EPlus promptly referred Ken to The Salvation Army Moneycare service, where specialists took the time to understand Ken's situation before contacting the caravan park owner to negotiate a payment plan.

At Woolworths, Ken gradually began to shine; his way with people was paying genuine dividends. In November 2017, the employer contacted EPlus to report that not only did he "love Ken's attitude", but that he was offering him an ongoing role in its fruit and vegetable department. Ken achieved his 26-week employment outcome and is still working. For EPlus, Ken was not a 'case', he was a person deserving help, who ultimately was able to help himself.

Walk for homelessness

During the 2017-18 financial year, The Salvation Army assisted more than 38,000 people who were either homeless or at risk of homelessness. Compelled to do something about this issue, a Salvation Army officer in Melbourne decided to walk to Canberra to raise awareness about the plight of homelessness in Australia.

On Friday 8 September 2017, Major Brendan Nottle, the Corps Officer of The Salvation Army's Project 614 in Bourke Street, Melbourne, put on his walking shoes and headed north.

Forty days and 703 kilometres later, Major Nottle arrived at the front steps of Parliament House (right) in the nation's capital where he presented a petition to the Federal Government, calling for a national, multi-partisan policy to eliminate homelessness.

The walk provided Major Nottle and The Salvation Army the opportunity to speak with numerous communities and with scores of political representatives, including the then-Prime Minister, Malcolm Turnbull, and the Leader of the Opposition, Bill Shorten.

Major Nottle literally spoke to thousands of Australians, helped raise more than \$123,000, and gathered more than 9340 signatures on his petition. The major's long walk, including a brisk swim across the Murray River, also received more than 400 media hits across Australia, estimated to be worth more than \$2 million, which reached 20 million Australians.

In January 2018, Major Nottle used some of the funds raised to launch the Concierge program in Melbourne, which employs eight formerly homeless people to help those who are experiencing homelessness.

The Concierge team liaises with local rough sleepers and encourages them to access services. They also exercise



a custodial duty, picking up paper and rubbish, and speak with staff and owners in the neighbouring businesses to enquire about people sleeping rough in their doorways overnight. This opens up avenues to assist homeless people, and helps break down stereotypical prejudices against the homeless. Each night, Melbourne Project 614 opens its café to 150 or more people, to rest and be safe.

Melbourne 614 has since launched a report on its Concierge program, with Lord Mayor Sally Capp officially opening a new community hub supported by police, ambulance and paramedic personnel to address the needs of the 500 people who present daily, many with complex needs and alarming physical and mental health issues.

In the right lane

A driver mentoring program in the Hunter Valley, operated by The Salvation Army Oasis Youth Support Network, is opening up life opportunities for young people.

Drive For Life is a revolutionary driver mentoring program run by The Salvation Army that helps disadvantaged young people learn how to drive. The program gives them access to professional driving lessons, driver mentoring and financial support to cover the cost of driving tests and licence fees.

“We are particularly interested in supporting young people who may otherwise tend to fall through the gaps,” says Jean Rennie, Drive For Life Coordinator for the Oasis Youth Support Network in the Hunter region of NSW. “Most of our participants experience social disadvantage. They are commonly struggling with mental health issues and are likely to be lacking positive role models in their lives.”

While public transport helps most people in suburban areas of Australia travel to their jobs, finding employment

in regional areas can be much tougher. The lack of a licence can mean the difference between employment and unemployment. Drive For Life is looking to not only help young people find employment, but also give them greater independence and connect them to the wider community.

One of the biggest supporters of the program is Glencore, a multinational mining company with a significant coal mining presence in the Hunter Valley, which last year donated \$100,000 to the program.

“Drive For Life is an investment in each and every young person that enters the program and we recognise that the benefits are far-reaching,” Glencore Community Relations Manager Craig Strudwick says. “We want to see safe and skilled young drivers on our roads and we appreciate that a driver’s licence can dramatically improve a young person’s employment prospects.”



SHANTELL

The Drive for Life program has given Shantell (left) new-found independence and confidence. The young mother from Belmont had been on her L plates for several years, but couldn’t get to the point of sitting for her provisional driver test.

“I had my L plates for many years, but my struggle with anxiety prevented me from building my log-book hours and sitting the driving test,” she says. “Drive For Life gave me the opportunity to form a connection with an amazing driving mentor who gave me the emotional and practical support I needed to get back behind the wheel.

“The support that they gave me, and the confidence that I now have, I wouldn’t have my licence without them. I’m proud to say that I now have my P plates and I’m actively looking for work.”

Social and community services

Salvation Army founder William Booth's concern for a person's physical as well as spiritual welfare is reflected in the wide network of social and community services that exist today. The Salvation Army provides more than one million episodes of care each year throughout Australia and spends hundreds of millions of dollars per annum delivering its social services.

COMMUNITY SERVICES

The Salvation Army's national network of community service centres provide practical emergency assistance for families and individuals facing hardship, including:

- assistance with food, clothing, household items, bills
- financial, material and legal aid for migrants and ethnic communities

CRISIS AND SUPPORTED ACCOMMODATION

The Salvation Army provides accommodation and related support for homeless persons, including:

- refuges for women and their children
- crisis and medium-term accommodation for men, women and children experiencing homelessness
- community houses

YOUTH SUPPORT

Salvation Army youth programs focus on prevention as well as assistance for homeless and disadvantaged young people.

EMPLOYMENT SERVICES

The Salvation Army employment services seek to help those who are unemployed become fulfilled, productive and successful working Australians. The Salvation Army Employment Plus assists about 80,000 job candidates each year, including placing more than 20,000 people into work.

RECOVERY SERVICES

The Salvation Army Bridge Program for rehabilitation offers a bridge to recovery for people suffering from a range of addictions, including alcohol, other drugs, and gambling.

EMERGENCY SERVICES

The Salvation Army has been at the scene of many major disasters involving the Australian community, such as Cyclone Tracy and the Granville rail disaster in the 1970s, the Port Arthur massacre and Thredbo landslide in the 1990s, a host of natural disasters including the Victorian and Blue Mountains bushfires, and floods, cyclones and droughts that have hit Queensland and NSW hard in recent years.

CHAPLAINCY

Across Australia, there are 280 Salvation Army chaplains who support people in hospitals, courts, prisons, remote rural areas and other community settings. These chaplains also provide counsel and comfort to victims of disaster, emergency and crime, as well as providing support to personnel who serve at such times.



Commissioners Floyd and Tracey Tidd on the scene at the Lismore floods in April 2017 with Captain Jennifer and Major Lindsay Reeves (then-Corps Officers), SAES catering team member Sandra Ross, and young volunteer Sarah Ross in front of The Salvation Army emergency services catering unit.

COURT AND PRISON SERVICES

Salvation Army court and prison chaplains seek to bring caring support to all affected by the destructive cycle of crime.

RED SHIELD DEFENCE SERVICES

The RSDS aims to provide practical support with Christian influence to hundreds of Australian Defence Force members and families each day.

AGED CARE

The Salvation Army Aged Care Plus facilities provide accommodation and quality care for older Australians. They operate a wide network of services, including independent living units, low and high care facilities and community care packages.

FINANCIAL COUNSELLING

Moneycare provides assistance and suggests options for people facing financial difficulties.

SALVOS STORES AND FAMILY STORES

Second-hand goods donated to The Salvation Army are sold through Salvos Stores (the recycling business unit) or Family Stores (run by Salvation Army corps), and funds are then channelled back into The Salvation Army's services.

OUTBACK FLYING SERVICE

Known as the Flying Padre, the service offers spiritual, emotional and practical support to the people of remote and outback Queensland and Northern Territory.

Thank you Australia

Thank you for helping us to give hope where it's needed most.

We are empowered by the generous support of the Australian community and a large number of corporate, government, community, family and individual supporters.

GOVERNMENT PARTNERS

ACT Government Community Services
ACT Government Health Directorate
ACT Government, Community Services Directorate
Department of Foreign Affairs and Trade
Central Coast Local Health District
Corrective Services NSW
EIS Health Limited trading as Central and Eastern Sydney PHN (Australian Government Initiative)
Federal Attorney-General's Department
Federal Department of Health
Federal Department of Human Services (Centrelink)
Federal Department of Social Services
Federal Department of the Prime Minister and Cabinet
Federal Department of Veterans' Affairs
Government of Western Australia
Hunter New England Local Health District
North Queensland Primary Health Network
NSW Department of Family and Community Services
NSW Department of Health
NSW Office of Emergency Management
NSW Department of Fair Trading
NSW Department of Family and Community Services (Ageing, Disability and Home Care)
NSW Department of Justice
NSW Department of Justice, Corrective Services
NSW Department of Justice, Juvenile Justice
NSW Health, South Eastern Sydney Local Health District
NT Department of Chief Minister

NT Department of Children and Families
NT Department of Health
NT Department of Housing
NT Department of Infrastructure, Planning and Logistics
NT Health Network Northern Territory
PHN South Western Sydney (Australian Government Initiative)
QLD Child Safety, Youth and Women
QLD Department of Communities, Disability Services and Seniors
QLD Department of Health
QLD Department of Housing and Public Works
QLD Department of Justice and Attorney General
QLD Department of Employment, Small Business and Training
QLD Department of Child Safety, Youth and Women
QLD Department of Communities, Child Safety and Disability Services
QLD Department of Education and Training
QLD Department of Fire and Emergency Services (Queensland Government)
SA Department for Communities and Social Inclusion
SA Department for Families and Communities
SA Department of Education and Child Development
SA Department of Health and Ageing
SA Department of Premier and Cabinet
SA Minister for Housing
SA Minister for Human Services
TAS Department of Health and Human Services

TAS Department of Premier and Cabinet (Tasmania)
 TAS Tasmania Community Fund Board
 (Crown in Right of Tasmania)
 TAS Health Organisation South
 VIC Department of Education and Training
 VIC Department of Health and Human Services
 VIC Department of Justice and Regulation
 VIC Department of Premier and Cabinet
 VIC Responsible Gambling Foundation
 VIC LOCAL Frankston City Council
 VIC LOCAL Melbourne City Council
 VIC LOCAL Melton City Council
 WA Department for Child Protection and Family Support
 WA Department of Communities
 WA Department of Fire and Emergency Services
 WA Department of Health
 WA Mental Health Commission
 WA Drug and Alcohol Office
 WA Housing Authority
 Went West Limited trading as Western Sydney
 Primary Health Network
 Western Queensland Primary Care Collaborative Limited

PHILANTHROPIC PARTNERS

ADCO Constructions Pty Ltd
 Alison Margaret Clark Charitable Trust
 Amy Irene Christina Ostberg Estate
 Barbara Maidment
 Brazil Family Foundation
 CF—Warren Read Endowment
 Colin Bisdee Trust
 Country Women's Association of NSW
 Dalara Foundation
 Dick and Pip Smith
 Eleanor Reeve Dailey Charitable Trust
 Evolhope Pty Ltd
 Frank and Rosie O'Halloran
 George W Vowell Foundation Ltd
 Goldburg Family Foundation
 Hugh D. T. Williamson Foundation
 Kerr Neilson
 Lina Shlager
 MAST Foundation
 Matana Foundation for Young People
 Mellow Yellow Products Trust
 Michael Burgess
 Paul and Heather Musgrave
 Peter and Susan Pickles
 Philip Usher Constructions
 Plummer Victor
 Project Futures
 Property Industry Foundation
 Queensland Community Foundation
 RACQ Foundation
 Roger Massy-Greene and Belinda Hutchinson, AM

RSL Queensland
 Stan and Maureen Duke Foundation
 The AN Carmichael Memorial Fund,
 managed by Equity Trustees
 The Beryl and Lloyd Collins Perpetual Charitable Trust
 The Cory Charitable Foundation
 The Donald and Joan Wilson Foundation
 The Gladstone Foundation
 The Gloria McKerrow Foundation
 The Haggarty Foundation
 The Harold Guyse Kinsman Trust Fund
 The Irene Patricia Hunt Memorial Trust
 The McKay Family
 The Orloff Family Charitable Trust
 The Profield Foundation
 The R E Ross Trust
 The Rock Foundation
 The Stuart Leslie Foundation
 The Sylvia and Charles Viertel Charitable Foundation
 The William Mansel Higgins and Dorothy Higgins
 Charitable Trust
 Tickets.com Pty Ltd
 Tim Fairfax, AC and Gina Fairfax
 Wood Family Foundation

CORPORATE PARTNERS

Alinta Energy
 Aurizon
 ClubsNSW
 Coca-Cola South Pacific Pty Ltd
 JLL
 Kmart Australia Ltd
 Lumo Energy Australia Pty Ltd
 Myer Community Fund
 Myer Pty Ltd
 Ritchies Stores Pty Ltd
 Technology One Ltd
 Twin Towns Services Club
 Westpac Banking Corporation
 Woolworths Limited

NOT-FOR-PROFIT PARTNERS

Brotherhood of St Laurence
 Coull Foundation
 Genesis Charitable Foundation
 Goulburn Valley Health
 Grenet Foundation
 Lentara Uniting Care
 Lord Mayor's Charitable Trust
 Melbourne City Mission
 Real Estate Institute of Western Australia
 Roger David
 Samaritan House
 Smith Family
 The Sun Foundation

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The Trustees of The Salvation Army Australia Eastern Territory present the following report for the year ended 30 June 2018.

The financial report of the Social Work of The Salvation Army Australia Eastern Territory incorporates:

- The Salvation Army (New South Wales) Property Trust ABN 57 507 607 457
- The Salvation Army (Queensland) Property Trust ABN 32 234 126 186
- The Salvation Army (New South Wales) Trust as Trustee for The Social Work ABN 46 891 896 885 (DGR)*
- The Salvation Army (Queensland) Property Trust as Trustee for The Social Work ABN 22 035 976 360 (DGR)*
- Salvos Legal Limited ABN 14 147 213 214
- Salvos Legal (Humanitarian) Limited ABN 36 147 212 940 (DGR)*
- The Salvation Army Community Housing Service ABN 47 152 257 728 (DGR)*
- The Salvation Army (Australia) Self Denial Fund (For Overseas Aid) ABN 52 609 689 893 (DGR)*
- The Salvation Army Aust Self Denial Fund (for Overseas Aid) ABN 15 562 601 404 (DGR)*

The general purpose financial statements of The Salvation Army Australia Eastern Territory have been prepared under Section 60-95 of the Australian Charities and Not For Profit Commission (ACNC) Act.

The above listed controlled entities marked with an asterisk form part of the 'ACNC reporting group' consolidated in the financial statements of The Salvation Army Australia Eastern Territory.

The Trustees of The Salvation Army (New South Wales) Property Trust also act as Trustees for The Salvation Army activities operated in, and property held in, the Australian Capital Territory. This is in accordance with The Salvation Army (Australian Capital Territory) Ordinance 1934.

PRINCIPAL ACTIVITIES

During the year the principal continuing activities of The Salvation Army Australia Eastern Territory Social Work comprised of (in alphabetical order):

- aged care;
- chaplaincies including hospital, court and prison, defence forces;
- counselling services;
- crisis support including community housing service;
- drug, alcohol and gambling addiction rehabilitation;
- emergency/disaster services;
- family support services including family tracing;
- humanitarian services;
- legal service/representation;

- overseas aid;
- sale of donated goods; and
- youth, employment and training programs.

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

REVIEW OF OPERATIONS

The Salvation Army Australia Eastern Territory Social Work's total comprehensive income for the year after transfers to reserves was \$4,453,000 loss (2017: \$4,350,000). The comprehensive income after transfer to reserves included a net transfer of \$45,643,000 to various reserves (2017: \$3,764,000 to reserves) for later use for specific purposes in compliance with donors' restrictions and The Salvation Army's policies.

The 2018 result included the following items:

- The sale of the old Pacific Lodge Aged Care Plus Centre previously located in Dee Why (NSW), resulting in a net gain of \$23.5m. The sale proceeds were used to fund the construction of a new Pacific Lodge Aged Care Plus Centre in Collaroy (NSW) which was officially opened in April 2018. Pacific Lodge Aged Care Plus Centre is a modern 50 bed resident and family focused Centre that offers holistic care and specialised support, such as mental health services.
- The sale of the Toowong Student Residence in Toowong (Queensland), resulting in a net gain of \$9.6m which was transferred to a committed reserve to fund future affordable or social housing capital projects.
- Included in the Social Program expenses was \$15.4m provision for National Redress Scheme. The Salvation Army Eastern Territory has publicly expressed it is deeply regretful of any incident of abuse perpetuated between the 1940's and 1980's towards children who had been in its care.

The National Redress Scheme for Institutional Child Sexual Abuse Act 2018 (National Redress Scheme) was assented to on 21 June 2018. On 9 October 2018, the Minister for Families and Social Services accepted The Salvation Army's application to join the National Redress Scheme. (For more details, refer to note 18).

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No other matters or circumstances have arisen since 30 June 2018 which have significantly affected, or will adversely affect, the results of The Salvation Army Australia Eastern Territory Social Work in subsequent financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

On 1 March 2016, The Salvation Army International Headquarters announced the amalgamation of the Australia Eastern and Southern Territories. The objective of this amalgamation is to provide a structure for The Salvation Army to best deliver its spiritual and social mission to all Australians. The new national headquarters of The Salvation Army Australia Territory will be based in Melbourne and work continues on the transition to national departments and support functions. The amalgamation has commenced with the goal for the national Australia Territory to be fully operational by January 2019.

It is expected that the amalgamation will produce significant and lasting benefits, including:

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

EVENTS SUBSEQUENT TO REPORTING DATE

In the opinion of the Trustees, other than the above, there are no likely changes in the operations of The Salvation Army Australia Eastern Territory Social Work which will adversely affect the results of The Salvation Army Australia Eastern Territory Social Work in subsequent financial years.

ENVIRONMENTAL ISSUES

The operations of The Salvation Army Australia Eastern Territory are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

INSURANCE OF OFFICERS

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

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the Trustees of The Salvation Army, and any other payments arising from liabilities incurred by the Trustees in connection with such proceedings. This does not include liabilities that arise from conduct involving a wilful breach of duty by the Trustees or the improper use by the Trustees of their position or of information to gain advantage for themselves or someone else or to cause detriment to the organisation.

AUDITOR

KPMG continues as The Salvation Army Australia Eastern Territory Social Work's auditor at the date of this report.

Signed in accordance with a resolution of the Trustees:



Colonel MTS Campbell

(BA Leadership (UNE), MA Theological Studies (SCD))
National Chief Secretary
Trustee



Lieutenant-Colonel SR Evans

(B Economics, MBA)
National Secretary for Business Support
Trustee

Dated at Sydney the 8th day of November 2018

Aggregated Statement of comprehensive income

FOR THE YEAR ENDED 30 JUNE 2018

	NOTE	2018 \$'000	2017 \$'000
REVENUES	4	428,749	395,937
Other income	5	34,587	4,364
Total income		<u>463,336</u>	<u>400,301</u>
EXPENSES	6		
Social programs		182,341	160,196
Aged care		126,076	121,512
Employment and youth training		46,458	45,587
Recycling operations - Salvos Stores		46,843	45,156
Appeal expenses		14,319	16,265
Overseas Aid		6,136	3,706
Total expenses		<u>422,173</u>	<u>392,422</u>
OPERATING SURPLUS		<u>41,163</u>	<u>7,879</u>
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to operating surplus			
Changes in the fair value of available for sale financial assets		27	235
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>41,190</u>	<u>8,114</u>
ALLOCATIONS (TO) CAPITAL RESERVES	7	(45,643)	(3,764)
TOTAL COMPREHENSIVE (LOSS)/INCOME AFTER ALLOCATIONS		<u>(4,453)</u>	<u>4,350</u>

The above statement of comprehensive income should be read in conjunction with the accompanying notes. For further information on the loss from continuing operations before allocations, please refer to the review of operations in the Trustees' Report on page 29.

Aggregated Statement of financial position

AS AT 30 JUNE 2018

	NOTE	2018 \$'000	2017 \$'000
ASSETS			
Cash and cash equivalents	8	23,258	15,233
Financial assets at fair value through profit or loss	9	4,433	4,444
Receivables	10	272,041	210,973
Deposits	12	53,000	53,000
Available for sale financial assets	20	17,080	16,407
Held to maturity deposits		-	623
Inventories	11	890	1,748
Other receivables	13	14,409	12,650
Property, plant and equipment	14	426,110	408,014
Intangibles	15	418	490
TOTAL ASSETS		811,639	723,582
LIABILITIES			
Trade payables		21,865	19,569
Prepaid income		3,900	4,661
Accruals and other payables	16	14,744	8,787
Accommodation bonds/Refundable Accommodation deposits/Residents loans	17	185,587	161,102
Provisions	18	42,317	27,258
Interest bearing liabilities	19	1,850	2,019
TOTAL LIABILITIES		270,263	223,396
NET ASSETS		541,376	500,186
CAPITAL RESERVES AND ACCUMULATED FUNDS			
Capital contributions - property		391,679	350,670
Designated reserves - allocated to social program		24,471	35,324
Donor restricted reserves		97,196	81,709
Investments revaluation reserve		517	490
Accumulated surplus		27,513	31,993
TOTAL CAPITAL RESERVES AND ACCUMULATED FUNDS		541,376	500,186

The above statement of financial position should be read in conjunction with the accompanying notes.

Aggregated Statement of changes in capital reserves and accumulated funds

FOR THE YEAR ENDED 30 JUNE 2018

	NOTE	2018 \$'000	2017 \$'000
CAPITAL RESERVES			
Capital contributions - property			
Balance 1 July		350,670	337,905
Movement in reserves	7	41,009	12,765
Balance 30 June		<u>391,679</u>	<u>350,670</u>
DESIGNATED RESERVES - ALLOCATED TO SOCIAL PROGRAM			
Balance 1 July		35,324	46,524
Movement in reserves	7	(10,853)	(11,200)
Balance 30 June		<u>24,471</u>	<u>35,324</u>
Total designated reserves		<u>416,150</u>	<u>385,994</u>
DONOR RESTRICTED RESERVES			
Balance 1 July		81,709	79,510
Movement in reserves	7	15,487	2,199
Balance 30 June		<u>97,196</u>	<u>81,709</u>
Available for sale investments revaluation reserve			
Balance 1 July		490	255
Movement in reserves		27	235
Balance 30 June		<u>517</u>	<u>490</u>
TOTAL CAPITAL RESERVES		<u>513,863</u>	<u>468,193</u>
ACCUMULATED SURPLUS			
Balance 1 July		31,993	27,878
Surplus for the year before allocations		41,163	7,879
Transfers (to) capital reserves	7	(45,643)	(3,764)
Balance 30 June		<u>27,513</u>	<u>31,993</u>
TOTAL CAPITAL RESERVES AND ACCUMULATED FUNDS		<u>541,376</u>	<u>500,186</u>

Aggregated Statement of cash flows

FOR THE YEAR ENDED 30 JUNE 2018

	NOTE	2018 \$'000	2017 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations		415,330	387,371
Cash payments in the course of operations		(449,684)	(367,242)
Dividends and distributions received		13,176	13,604
Interest received		3,068	2,906
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES		<u>(18,110)</u>	<u>36,639</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		40,112	7,071
Payments for property, plant and equipment		(40,978)	(56,873)
Payments for investments		(646)	(852)
Proceeds from sale of investments		619	6,996
Cash paid for acquisition of a new entity - Dementia Care Matters		(4,764)	-
Cash acquired through acquisition of a new entity - Dementia Care Matters		2,085	-
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		<u>(3,572)</u>	<u>(43,658)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Refundable accommodation deposits/loans from residents of aged care centres/retirement villages		80,700	56,282
Repayment of residents refundable accommodation deposits/loans		(50,825)	(42,256)
Residents trust and other deposits received		927	578
Repayment of residents trust and other deposits		(1,095)	(1,001)
NET CASH INFLOW FROM FINANCING ACTIVITIES		29,707	13,603
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the financial year		15,233	8,649
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	8	<u>23,258</u>	<u>15,233</u>

Notes to the financial statements

30 JUNE 2018

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Notes to the financial statements

30 JUNE 2018

1 REPORTING ENTITY

The Salvation Army is a not-for-profit organisation and has been operating in Australia since 1880. The Australia Eastern Territory completes 97 years in operation from Sydney in 2018. The Territory is incorporated by the following Acts and Ordinances of Parliament:

- The Salvation Army (New South Wales) Property Trust Act 1929;
- The Salvation Army (Queensland) Property Trust Act 1930; and
- The Salvation Army (Australian Capital Territory) Ordinance 1934.

This general purpose financial report covers The Salvation Army Australia Eastern Territory Social Work ("The Salvation Army" or "Social Work"). The financial report is presented in Australian dollars, rounded to the nearest thousand unless otherwise stated.

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

The Salvation Army Australia Eastern Territory
Territorial Headquarters
261- 265 Chalmers Street,
Redfern NSW 2017

In the opinion of the Trustees, having regard to the not-for-profit nature of The Salvation Army, the terms used in the prescribed format of the 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.

The financial report of the Social Work of The Salvation Army Australia Eastern Territory incorporates:

- The Salvation Army (New South Wales) Property Trust ABN 57 507 607 457
- The Salvation Army (Queensland) Property Trust ABN 32 234 126 186
- The Salvation Army (New South Wales) Trust as Trustee for The Social Work ABN 46 891 896 885 (DGR)*
- The Salvation Army (Queensland) Property Trust as Trustee for The Social Work ABN 22 035 976 360 (DGR)*
- Salvos Legal Limited ABN 14 147 213 214
- Salvos Legal (Humanitarian) Limited ABN 36 147 212 940 (DGR)*

- The Salvation Army Community Housing Service ABN 47 152 257 728 (DGR)*
- The Salvation Army (Australia) Self Denial Fund (For Overseas Aid) ABN 52 609 689 893 (DGR)*
- The Salvation Army Aust Self Denial Fund (for Overseas Aid) ABN 15 562 601 404 (DGR)*

2 BASIS OF PREPARATION

(a) Statement of compliance

The financial report is Tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements (AASB-RDRs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Australian Charities and Not-for-Profits Commission (ACNC) Act 2012 and the Australian Charities and Not-for-Profits Commission Regulation 2013.

The financial statements were authorised for issue by the Trustees on 30 October 2018.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial instruments (refer note 3(h)), and loans receivable (refer note 3(j)), all of which are measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets.

(c) Functional and presentation currency

The financial statements are presented in Australian dollars, which is the organisation's functional currency, rounded to the nearest thousand unless otherwise stated.

(d) Presentation of statement of financial position on liquidity basis

The Trustees have chosen to present the statement of financial position under the liquidity presentation method (AASB 101) on the basis that it presents a reliable and more relevant view. An estimate of the timeframe of likely settlements of accommodation bonds/residents loans and long service leave as either within 12 months or after 12 months is provided at notes 17 and 18.

(e) Use of estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including

expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Salvation Army makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

In order to present the statement of financial position on a liquidity basis, management has made judgements based on past statistical trends, to determine the timeframe of settlement as either within 12 months or after 12 months.

3 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all years presented, unless otherwise specified. The financial statements as at and for the year ended 30 June 2018 of the Social Work cover The Salvation Army Australia Eastern Territory Social Work entities on an aggregated basis.

(a) Basis of aggregation

The Social Work financial report incorporates the assets (including certain land and buildings registered under the name of The Salvation Army Property Trusts) and liabilities as at 30 June 2018 and the results for the year then ended.

The balances and effects of transactions between Social Work entities have been eliminated.

The financial report does not include income and expenditure, assets and liabilities of The Salvation Army Australia Eastern Territory General Work.

(b) The Salvation Army Employment Plus Program

The Salvation Army Australia Eastern Territory in conjunction with The Salvation Army Australia Southern Territory has been jointly involved in the management of the national Salvation Army Employment Plus program since 1 May 1998. This project commenced when The Salvation Army in Australia won a tender from the Federal Government to provide employment services to long term unemployed persons. This project is considered to be consistent with the overall aims of The Salvation Army and with the aims to assist the long term unemployed. This program is not considered to be a stand alone operation. The 50% interest of The Salvation Army Australia Eastern Territory in the assets, liabilities, income and expenses of the Employment Plus joint program activity have been incorporated in this financial report.

(c) Income tax

The Salvation Army being a charitable organisation is exempt from income tax under Subdivision 50-B of the Income Tax Assessment Act 1997. The following entities are registered as a deductible gift recipient for tax:

- The Salvation Army Red Shield Appeal;
- The Salvation Army Christmas Appeal;
- The Salvation Army (Australia) Self Denial Fund (for Overseas Aid);
- The Salvation Army Disaster Relief Fund;
- Salvos Legal (Humanitarian) Limited;
- The Salvation Army Community Housing Service; and
- The Salvation Army Aust Self Denial Fund (for Overseas Aid).

(d) 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 major business activities as follows:

(i) Government funding

Grants and subsidies from governments are recognised at their fair value in the period in which the services are provided, having regard to the stage of completion of the service obligations, where a performance and return obligation exists. Where no such obligation exists, the grants are recognised when the right to receive the grant is established as contributions received/receivable (refer to d(iv)).

(ii) Legacies and bequests

Legacies are recognised when received at Territorial Headquarters. The Territorial Operations Council approves all allocations of bequests in accordance with the expressed terms of the Will. The legacies are allocated to reserves mostly for capital purposes.

Revenue from legacies comprising bequests of property are recognised at fair value, being the market value of the property at the date the organisation becomes legally entitled to the property.

(iii) Donations and fundraising

Donations and fundraising income are recognised when received. The primary fundraising activity is the annual Red Shield Appeal.

Notes to the financial statements

30 JUNE 2018

The Salvation Army has implemented systems of control to ensure the monies received at its offices are properly recorded in the accounting records.

(iv) Contributions received/receivable

Grant income is recognised in accordance with AASB 1004 'Contributions' when:

- a) the entity obtains control or the right to receive the contribution;
- b) the amount of the contribution can be measured reliably; and
- c) it is probable that the future economic benefits comprising the contribution will flow to the entity.

The expenditure, to which the grant relates, is expensed as incurred and may not correlate to the timing of grant receipts.

(v) Interest, dividends and distributions

Interest income is recognised as it accrues. Dividends and distributions are recognised as revenue when the right to receive payment is established.

(vi) Donated goods

Donated goods received for Salvos Stores are not valued due to the inability to reliably measure their value. Revenue is only recognised when goods are sold.

(e) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash at bank, cash on hand and deposits held at call with financial institutions.

(f) 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 in no more than 30 days.

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

(g) Inventories

Inventory includes welfare prepaid cards, stock purchased for Salvos Stores and livestock for one of the social centres. The inventories are stated at the lower of cost and net

realisable value. Cost is determined on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) Investments and other financial assets

The Salvation Army classifies its investments in the following categories: financial assets at fair value through profit and loss, held to maturity, loans and receivables and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held to maturity, re-assesses this designation at each reporting date.

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

Financial assets at fair value through profit or loss comprise a managed investments portfolio acquired principally for the purpose of selling in the short term with the intention of making a positive return to fund the Social Work's operations. Financial assets at fair value through profit and loss are carried at fair value based on quoted prices in an active market. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category, including interest and dividend income, are presented in the statement of comprehensive income within other income or other expenses in the period in which they arise.

(ii) Available for sale financial assets

Available for sale financial assets comprise principally a managed investment portfolio, generally held for periods in excess of twelve months.

Available for sale financial assets are carried at fair value.

Gains or decreases in fair value below cost arising from changes in the fair value of the available for sale investments are recognised in equity.

For the available for sale financial assets, all declines in fair value below cost in excess of 30 percent of the investment cost or a continuing decline in the market value below cost of greater than 12 months without any increase in fair value are indicators that an asset is impaired. Further, management also considers recovery in fair values subsequent to the reporting date until the date that the audit report is signed in the assessment.

If any such evidence exists for available for sale financial assets, the cumulative loss - measured as the difference

between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the profit and loss - is removed from equity and recognised in the operating surplus in the statement of comprehensive income. Subsequent recoveries of impairment losses recognised in the statement of comprehensive income on equity instruments classified as available for sale are not reversed through profit and loss in the statement of comprehensive income.

When investments classified as available for sale are sold, the accumulated fair value adjustment recognised in equity is included in the statement of comprehensive income as part of the gain or loss on disposal.

(iii) Held to maturity

Held to maturity deposits are non-derivative financial assets with fixed and determinable payments and fixed maturities that the Trustees have the positive intention and ability to hold to maturity. These investments normally have a maturity of more than 12 months from the date of acquisition. Held to maturity financial assets are recognised at amortised cost.

The Salvation Army assesses whether there is objective evidence that a financial asset or group of financial assets is impaired at each balance date.

(i) Property, plant and equipment

Freehold properties are stated at cost or, if donated, at appraised value at the date of the gift. Policies set by The Salvation Army IHQ do not allow for the revaluation of property.

Under IHQ accounting policies and procedures, funds utilised to finance the acquisition of freehold properties are matched as a transfer from accumulated funds to the capital contribution - property reserve. These contributions are set aside to meet ongoing building depreciation costs and/or impairment costs, thus relieving the impact on the working capital.

When disposing of freehold properties, the original capital contribution funds (net of allocations to the statement of comprehensive income to meet building depreciation costs) for those properties are transferred from the capital contribution - property to a designated property reserve. The purpose of the transfer is to preserve the designated capital funding for future capital projects. The profit or loss on the sale of the property is recorded in the statement of comprehensive income and then transferred to a designated property reserve.

Land is not depreciated. All other property, plant and equipment is stated at historical costs less depreciation. Depreciation is calculated using the straight-line method to allocate their costs, net of residual values, over their estimated useful lives, as follows:

Buildings	50 years
Plant and equipment	4 - 5 years
Motor vehicles	5 years
Aircraft	20 years
Leasehold improvements	lease term (maximum of 5 years)

The Salvation Army's policy is to commission property assets three months after the building has been officially opened.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (refer to note 3 (m)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

(j) Loan receivables

Loan receivables include the 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 the 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.

(k) Leased assets

Leases in terms of which The Salvation Army assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

Notes to the financial statements

30 JUNE 2018

Other leases are operating leases and are not recognised in the statement of financial position.

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

Payments made under operating leases are expensed on a straight line basis over the term of the lease. Refer note 22(b) for details of non-cancellable operating lease commitments.

(I) Intangible assets

(i) Bed licences

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

(ii) Software

Where computer software costs are not integrally related to associated hardware, they are recognised as an intangible asset where they are clearly identifiable, can be readily measured and it is probable they will lead to future economic benefits that the Social Work controls.

The Social Work carries capitalised computer software assets at cost less amortisation and any impairment losses.

These assets are amortised over the estimated useful lives of the computer software (being between 3 to 5 years) on a straight line basis. Computer software maintenance costs are expensed as incurred. Any impairment loss is recognised in the statement of comprehensive income when incurred.

(iii) Goodwill and subsequent measurement

Goodwill on acquisition of a new entity is recognised as an asset and initially measured at cost, and represents the excess paid above the fair value of the assets and liabilities obtained as part of the business combination.

Goodwill is subject to impairment testing as described in Note 3(m). For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating

units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the organisation at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment.

During the year an acquisition of \$4.764m (2017: Nil) was made by The Salvation Army for Dementia Care Matters of which \$2.741m (2017 : Nil) was for goodwill. The implied goodwill amount of \$2.741m was fully impaired at 30 June 2018 and was included as aged care expenses. Dementia Care Matters is a leading international dementia care culture change organisation. This acquisition forms part of The Salvation Army Aged Care Plus' commitment to see health outcomes improved for older residents living with dementia in the UK, Ireland, Canada, Australia and USA.

Assets acquired and liabilities assumed:

	2018 \$'000
Assets	
Cash and Cash Equivalents	2,085
Trade and Other Receivables	223
Non-current	558
Total Assets	<u>2,866</u>
Liabilities	
Trade and Other Payables	524
Corporation Tax	319
Non-current	-
Total Liabilities	843
Total identifiable net assets acquired	2,023
Purchase consideration transferred	4,764
Implied goodwill (see impaired note above)	<u>2,741</u>

(m) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation but are tested annually for impairment. If any indication of impairment exists, the asset's recoverable amount is estimated. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. As the future economic benefits of the asset are not primarily dependent on the asset's ability to generate net cash inflows and when the entity would, if deprived of the asset, replace its remaining future economic benefits, value in use is the depreciated replacement cost of an asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(n) Payables

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

(o) Maintenance and repairs

Maintenance, repair and minor renewal costs are charged as expenses as incurred, except where they relate to the replacement of a component of an asset in which case the costs are capitalised and depreciated in accordance with Note 3(i).

(p) Employee benefits***(i) Short-term employee benefits***

Short-term employee benefits are expensed as the

related service is provided. A liability is recognised for the amount expected to be paid if The Salvation Army has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Other long-term employee benefits

The Salvation Army's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in surplus or deficit in the period in which they arise.

(q) Refundable accommodation deposits/Residents Loans

(i) Refundable accommodation deposits (RADs) are paid by residents upon their admission to facilities and are settled after a resident vacates the premises in accordance with the Aged Care Act 1997. Providers must pay a base interest rate on all refunds on the RADs within legislated time frames and must pay a penalty on refunds made outside legislated time frames. Accommodation bond balances held prior to 1 July 2014 are reduced by annual retention fees charged in accordance with the Aged Care Act 1997.

RADs refunds are guaranteed by the Government under the prudential standards legislation. Providers are required to have sufficient liquidity to ensure that they can refund bond balances as they fall due in the following twelve months. Providers are also required to implement and maintain a liquidity management strategy. This is updated on an annual basis.

(ii) 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.

Notes to the financial statements

30 JUNE 2018

(r) Warringah Place lease refurbishment contribution

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.

(s) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

(i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

(ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, Australian Taxation Office (ATO) is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, ATO is classified within operating cash flows.

(t) Comparatives

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

(u) Prepaid income

Government funding received in advance where there is a present obligation for the funds to be repaid, where certain conditions are not met, is accounted for as prepaid income.

(v) Deposits

Deposits represent excess cash deposited with The Salvation Army Australia Eastern Territory General Work ("General Work") which then invests these funds in managed investment portfolios. Deposits are held at cost. As future cash flows cannot be predicted with any certainty, and

deposits can be called at any time, the carrying value has not been amortised. The return received by the Social Work does not necessarily reflect the returns made on the investment portfolios held by General Work.

(w) Make good provision

A make good provision is recognised if the Social Work has a present legal or constructive obligation to return a rental premises to its original condition on conclusion of the lease, the cost can be estimated reliably, and it is probable that an outflow of economic resources will be required to settle that obligation. The make good provision is determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The unwinding of the discount is recognised as a finance cost.

(x) National redress scheme provision

A National Redress Scheme provision is recognised if The Salvation Army 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. The provision is to cover claims currently received and being/yet to be processed and unknown claims yet to be lodged.

(y) Personal injury claims provision

A personal injury claim provision is recognised if the Social Work 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. The provision is to cover claims currently received and being/yet to be processed.

(z) New standards and interpretation not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2017 and have not been applied in preparing these financial statements.

None of these is expected to have a significant effect on the financial statements of the Social Work, except for:

- AASB 15 Revenue from Contracts with Customer and AASB 1058 Income for Not-for-profit Entities, which establishes a comprehensive framework for determining whether, how much and when revenue is recognised, and is mandatory for the Social Work's 2020 financial statements;
- AASB 9 Financial Instruments, AASB 2009-11 Amendment

to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010), AASB 2012-6 Amendments to Australian Accounting Standards-Mandatory Effective Date of AASB 9 and Transition Disclosures, AASB 2013-9 Amendments to Australian Accounting Standards-Conceptual Framework, Materiality and Financial Instrument, AASB 2014-1 Amendments to Australian Standards (Part E : Financial Instruments), AASB 2014-7 Amendments to Australian Standards arising from AASB 9 (December 2014), and AASB 2014-8

Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) - Application of AASB 9 (December 2009) and AASB 9 (December 2010) (effective 1 January 2018).

- Leases, which requires companies to bring most operating leases on balance sheet and becomes mandatory for the Social Work's 2020 financial statements.

The Social Work does not have a plan to adopt these standards early and the extent of their impact has not yet been determined.

	2018	2017
	\$'000	\$'000
4 REVENUES		
From continuing operations		
Government funding	194,376	188,611
Red Shield Appeal	42,571	46,641
Social services client contributions	60,827	58,728
Sale of donated goods	62,497	59,605
Legacies and donations	10,282	7,781
Overseas Aid	12,205	4,298
Other revenue		
Other	29,747	13,763
Dividends	895	1,075
Distributions from deposits held by General Fund (refer to note 12)	12,281	12,529
Interest	3,068	2,906
	<u>428,749</u>	<u>395,937</u>
5 OTHER INCOME		
Net gain on disposal of property, plant and equipment	34,602	4,264
Net investment revaluation (loss)	(15)	100
	<u>34,587</u>	<u>4,364</u>
6 EXPENSES		
Operating surplus from continuing operations before allocations		
Depreciation/amortisation	8,134	7,781
Buildings	9,200	8,743
Plant and equipment	110	131
Intangible assets	17,444	16,655
Total depreciation/amortisation		
Employee entitlements		
Annual leave	9,220	8,866
Long service leave	464	460
Superannuation expense	15,985	15,443
Total employee entitlements	<u>25,669</u>	<u>24,769</u>

Notes to the financial statements

30 JUNE 2018

	2018 \$'000	2017 \$'000
Rental expense relating to operating leases		
Minimum lease payments	12,386	11,271
Samaritan relief expenses (refer to note 3 (f))	366	1,846
Goodwill write-off (refer to note 3(l)(iii))	2,741	-
7 ALLOCATIONS TO/(FROM) CAPITAL RESERVES		
Allocations have been made to/(from) the following capital reserves		
Capital contributions - property	41,009	12,765
Designated reserves	(10,853)	(11,200)
Donor restricted reserves	15,487	2,199
	45,643	3,764

Transfers to reserves are funds allocated from current year/or accumulated surplus for specific purposes in compliance with donors' restrictions and The Salvation Army policies, which will be utilised for future front line programs and capital projects. The specific purposes for the above reserves are as follows:

(i) Capital contributions - property

These funds are reserved and relate to properties purchased by The Salvation Army in its social work throughout the Territory.

(ii) Designated reserves

These are unrestricted incoming funds which have been designated by The Salvation Army to fund specific projects.

These projects cover front line programs, capital projects, and support costs of a wide variety of social work throughout the Territory.

(iii) Donor restricted reserves

These are restricted incoming funds, which can only be expended in accordance with the specific terms laid down by the donors.

8 CASH AND CASH EQUIVALENTS

Cash at bank	22,646	14,903
Cash on hand	612	330
	23,258	15,233

The deposits are bearing floating effective interest rates between 1.05% and 1.37% (2017: 1.07% and 1.31%).

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Carrying amount at the beginning of the year	4,444	11,340
(Devaluation)/Revaluation	(15)	100
Additions/(Redemptions)	4	(6,996)
Carrying amount at the end of the year	4,433	4,444

Changes in fair values of the financial assets at fair value through profit or loss are recorded in the statement of comprehensive income.

	2018 \$'000	2017 \$'000
10 RECEIVABLES		
Receivables - external parties	14,638	14,406
Provision for doubtful debts - external parties	(592)	(539)
Receivables from General Work	257,995	197,106
	<u>272,041</u>	<u>210,973</u>

Social Work deposits cash to General Work which is then invested by General Work. All The Salvation Army Australia Eastern Territory investment portfolios are held under The Salvation Army (New South Wales) Property Trust and accounted for in the General Work. The receivable from General Work attracts monthly interest calculated at the rate stipulated in the Official Minute and included in the statement of comprehensive income. The returns from the receivable are utilised to fund the Social Work's operations. The receivable from General Work bears interest at an average 1.21% per annum (2017: 1.71%), is unsecured and can be recalled at any time. Refer to note 23(b) for further details.

SAMARITAN RELIEF EXPENSES (BAD DEBTS WRITTEN OFF)

The Social Work has recognised a loss of \$365,550 (2017: \$1,846,267) in respect of samaritan relief expenses during the year ended 30 June 2018. This loss has been included in the statement of comprehensive income.

	2018 \$'000	2017 \$'000
11 INVENTORIES		
Welfare cards - at cost	54	145
Raw materials and stores - at net realisable value	836	1,603
	<u>890</u>	<u>1,748</u>
12 DEPOSITS		
Deposits in General Work	53,000	53,000

Social Work contributes its excess cash to General Work which is then invested by General Work. All The Salvation Army Australia Eastern Territory's investment portfolios are held under The Salvation Army (New South Wales) Property Trust and accounted for in the General Work. The deposits in General Work can be recalled at any time if required. Social Work is entitled to receive monthly distributions from General Work. The return received by the Social Work does not necessarily reflect the returns made on the investment portfolios held by General Work. The net return achieved in 2018 was 23.17% (2017: 23.64%). Refer to note 23(b) for further details.

	2018 \$'000	2017 \$'000
13 OTHER RECEIVABLES		
Prepayments and security deposits	1,384	643
Loan receivables - Independent Living Units	4,756	4,632
Independent Living Unit lease refurbishment contribution	8,269	7,375
	<u>14,409</u>	<u>12,650</u>

Notes to the financial statements

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	2018 \$'000	2017 \$'000
14 PROPERTY, PLANT AND EQUIPMENT		
Freehold land		
- at cost	49,799	44,114
Freehold buildings		
- at cost	463,326	412,967
- accumulated depreciation	(120,235)	(114,880)
	<u>343,091</u>	<u>298,087</u>
Total land and buildings	<u>392,890</u>	<u>342,201</u>
Plant and equipment		
- at cost	96,905	88,291
- accumulated depreciation	(77,382)	(69,893)
Total plant and equipment	<u>19,523</u>	<u>18,398</u>
Work in progress - at cost	<u>13,697</u>	<u>47,415</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	<u>426,110</u>	<u>408,014</u>

Motor vehicles, aircraft, furniture and fixtures and leasehold improvements are aggregated into plant and equipment.

RECONCILIATIONS

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

	LAND & BUILDINGS \$'000	WORK IN PROGRESS \$'000	PLANT & EQUIPMENT \$'000	TOTAL \$'000
COST				
Balance at 1 July 2017	457,081	47,415	88,291	592,787
Transfer from work in progress and additions	63,815	(33,719)	10,844	40,940
Disposals	(7,771)	-	(2,229)	(10,000)
BALANCE AT 30 JUNE 2018	<u>513,125</u>	<u>13,696</u>	<u>96,906</u>	<u>623,727</u>
ACCUMULATED DEPRECIATION				
Balance at 1 July 2017	114,880	-	69,893	184,773
Depreciation	8,133	-	9,201	17,334
Disposals	(2,778)	-	(1,712)	(4,490)
BALANCE AT 30 JUNE 2018	<u>120,235</u>	<u>-</u>	<u>77,382</u>	<u>197,617</u>
	<u>392,890</u>	<u>13,696</u>	<u>19,524</u>	<u>426,110</u>

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

A leased property held at \$5,963,000 is included in freehold buildings. During 2012/13 financial year, The Salvation Army entered an agreement with the Department of Disability, Housing and Community Services, Australian Capital Territory (the "ACT") for the building of community housing on Crown land leased by The Salvation Army. The building is used to provide accommodation to disadvantaged members of the community, particularly the aged and those who are at risk of becoming homeless. In accordance with the terms of the agreement, building costs of \$5,963,000 were covered by the ACT. During the 20 year term, the ACT retains control of the building as The Salvation Army does not have the right to dispose of the building without the approval of the ACT. However, since all risks and rewards incidental to ownership of the building are transferred to The Salvation Army, the building costs are accounted for as a leased property but with no lease liability as it is waived.

	2018	2017
	\$'000	\$'000
15 INTANGIBLES		
COMPUTER SOFTWARE		
COST		
Balance at 1 July	5,044	5,023
Additions	38	21
Disposals	-	-
BALANCE AT 30 JUNE	<u>5,082</u>	<u>5,044</u>
COMPUTER SOFTWARE		
ACCUMULATED DEPRECIATION		
Balance at 1 July	4,554	4,423
Additions	110	131
BALANCE AT 30 JUNE	<u>4,664</u>	<u>4,554</u>
CARRYING VALUE		
at 30 June	<u>418</u>	<u>490</u>
16 ACCRUALS AND OTHER PAYABLES		
Accruals	7,567	6,062
Other payables	7,177	2,725
	<u>14,744</u>	<u>8,787</u>
17 REFUNDABLE ACCOMMODATION DEPOSITS/RESIDENTS LOANS/ACCOMMODATION BONDS		
Refundable accommodation deposits	42,439	41,665
- likely to be repaid within 12 months	114,742	112,650
- likely to be repaid after 12 months	<u>157,181</u>	<u>154,315</u>
Residents loans for Independent Living Units		
- likely to be repaid within 12 months	7,102	1,697
- likely to be repaid after 12 months	21,305	5,090
	<u>28,406</u>	<u>6,787</u>
	<u>185,587</u>	<u>161,102</u>

The majority of the accruals relate to salary and wages which are paid within the first month of the new financial year.

Notes to the financial statements

30 JUNE 2018

	2018 \$'000	2017 \$'000
18 PROVISIONS		
Annual leave	13,031	13,100
Long service leave		
- likely to be settled within 12 months	506	848
- likely to be settled after 12 months	9,614	8,755
	<u>10,120</u>	<u>9,603</u>
Make good provision		
Carrying amount at the beginning of the year	555	291
Additions	-	264
Payments/write back	(87)	-
	<u>468</u>	<u>555</u>
Personal injury claims provision	3,335	4,000
National Redress Scheme provision		
- likely to be settled within 12 months	4,042	-
- likely to be settled after 12 months	11,321	-
	<u>15,363</u>	<u>-</u>
	<u>42,317</u>	<u>27,258</u>

The Salvation Army Australia Eastern Territory has publicly expressed it is deeply regretful of any incident of abuse perpetuated between the 1940's and 1980's towards children who had been in its care.

The National Redress Scheme for Institutional Child Sexual Abuse Act 2018 was assented to law on 21 June 2018 and is in direct response to the Royal Commission into Institutional Responses to Child Sexual Abuse. The Salvation Army intended to apply to join the National Redress Scheme once enacted. On 9 October 2018, the Minister for Families and Social Services accepted The Salvation Army's application to join the National Redress Scheme. The entity that will interface between The Salvation Army and the National Redress Scheme is The Salvation Army (Australia) Redress Limited, a company limited by guarantee ABN 94 628 594 294.

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

Redress under the scheme is for abuse that is within the scope of the scheme. Abuse of a person is within the scope of the scheme if:

- (a) it occurred when the person was a child; and
- (b) it occurred before the scheme start day; and
- (c) it occurred inside a participating State, inside a Territory, or outside Australia (that is, it did not occur inside a State that is not participating in the scheme).

Redress consists of 3 components:

- (a) a redress payment (of up to \$150,000); and
- (b) a counselling and psychological component which, depending on where the person lives, consists of access to counselling and psychological services or a counselling and psychological services payment (of up to \$5,000); and
- (c) a direct personal response from each participating institution responsible for the 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 Operator 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 Operator 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's legal representatives, historical experiences and information made available as part of the Royal Commission into Institutional Responses to Child Sexual Abuse, and consists of three components –

1. Claims settled previously, where the historical payment made to the claimant may be reassessed by the National Redress Scheme, and an additional payment is made;

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

The Social Work historically has provided for known claims at reporting date, as there was insufficient information available to assess unknown claims. The uncertainty around unknown claims has reduced as part of the enactment of The National Redress Scheme for Institutional Child Sexual Abuse Act 2018 and finalisation of the Royal Commission into Institutional Responses to Child Sexual Abuse.

The estimation of the cost of unknown claims yet to be lodged under the National Redress Scheme is inherently judgmental and consequently, the provision for National Redress Scheme represents a 'best estimate' at reporting date. The Social Work will reassess the provision as additional information comes to light, and the uncertainty is resolved.

Claims paid have not, and will not, be funded from Red Shield Appeal or legacy funds.

	2018 \$'000	2017 \$'000
19 INTEREST BEARING LIABILITIES		
Residents trust funds	1,850	1,850
The aged care residents deposit funds with The Salvation Army Social Work and receive interest at an average 1% per annum (2017: 1.04%).		
20 AVAILABLE FOR SALE FINANCIAL ASSETS		
At the beginning of the year	16,407	15,321
Additions	646	851
Revaluation	27	235
At the end of the year	17,080	16,407
Managed portfolio - at market value	17,080	16,407

The available for sale financial assets were not impaired (2017: Nil) as at 30 June 2018.

21 CONTINGENCIES

The Salvation Army is not subject to any material contingent liabilities at reporting date.

Notes to the financial statements

30 JUNE 2018

22 COMMITMENTS

(A) CAPITAL COMMITMENTS

The Salvation Army Australia Eastern Territory Social Work is continuously engaged in planned and ongoing construction projects requiring the commitment of significant funds. This expenditure is contracted for at the reporting date but not recognised as a liability.

	2018 \$'000	2017 \$'000
Cost to complete property contracts in progress	29,991	45,453
Property projects approved but not commenced as at 30 June 2018	1,330	1,591
(B) LEASE COMMITMENTS		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within 1 year	11,547	9,930
Later than 1 year but not later than 5 years	19,595	16,893
Later than 5 years	1,439	364
Total	<u>32,581</u>	<u>27,187</u>

The Salvation Army Australia Eastern Territory Social Work holds 4 long term leases of land with the Australian Capital Territory ('the lessor'), which are all classified as operating leases. Under the terms of the leases, The Salvation Army pays nominal rent to the lessor. The notional fair value of the approximate lease rental amounting to \$548,875 (2017: \$520,594) has been recognised as an expense in surplus or deficit. However, this is offset by a contribution income from the lessor of the same amount which is also recognised in surplus or deficit. Accordingly, there is no significant net impact on the net surplus or deficit for the current and previous years.

23 RELATED PARTIES TRANSACTIONS

- (a) Key management personnel
During the financial year the total amount of remuneration paid or payable to a group of key management personnel was \$530,896 (2017: \$737,581).
- (b) Other transactions with related parties
During the year, The Salvation Army Australia Eastern

Territory Social Work has paid \$204,159 (2017: \$196,784) to The Salvation Army IHQ as management fees. As at 30 June 2018, there was no outstanding balance.

The Salvation Army Australia Eastern Territory Social Work has received contributions from The Salvation Army Australia Southern Territory for some joint programs/initiatives (Red Shield Defence Services, National Secretariat, software development project, International Disaster Management Project and the tax consultant) amounting to \$1,713,131 (2017: \$1,809,485). As at 30 June 2018, a balance of \$84,070 was outstanding and was classified within receivables.

The Salvation Army Australia Eastern Territory Social Work has received contributions from The Salvation Army New Zealand, Fiji and Tonga Territory for an International Disaster Management Project and a software development project amounting to \$125,181 (2017: \$123,120). As at 30 June 2018, a balance of \$31,434 was outstanding and was classified within receivables.

Included in receivables is an amount of \$254,251,615 (2017: \$197,105,783) owing from General Work to Social Work, being Social Work's contribution towards investments which are held in General Work. Social Work received total interest of \$2,723,096 (2017: \$2,400,157) from these investment contributions. Further, Social Work has made deposits of \$53,000,000 (2017: \$53,000,000) to General Work for investment purposes and received total distributions of \$12,281,240 (2017: \$12,529,342).

24 SUBSEQUENT EVENTS

No matters or circumstances have arisen since 30 June 2018 which have significantly affected, or will adversely affect the results of The Salvation Army Australia Eastern Territory Social Work in subsequent financial years.

TRUSTEES' DECLARATION 30 JUNE 2018

In the opinion of the Trustees of The Salvation Army Australia Eastern Territory Social Work:

- (a) the financial statements set out on pages 31 to 51 are drawn up so as to give a true and fair view of The Salvation Army Australia Eastern Territory Social Work's financial position as at 30 June 2018, and its financial performance for the financial year ended on that date;
- (b) the financial statements and notes have been drawn up in accordance with applicable Australian Accounting Standards - Reduced Disclosure Requirements and other authoritative pronouncements of the Australian Accounting Standards Board and the Australian Charities and Not-for-Profits Commission Regulation 2013; and

- (c) at the date of this declaration, there are reasonable grounds to believe that The Salvation Army Australia Eastern Territory Social Work will be able to pay its debts as and when they fall due.

Signed in accordance with a resolution of the Trustees



Colonel MTS Campbell

(BA Leadership (UNE), MA Theological Studies (SCD))
National Chief Secretary
Trustee



Lieutenant-Colonel SR Evans

(B Economics, MBA)
National Secretary for Business Support
Trustee

Dated at Sydney the 8th day of November 2018



Independent Auditor's Report

To the Trustees of the Registered Entities that comprise The Salvation Army Australia Eastern Territory Social Work (the Trustees)

Opinion

We have audited the **Aggregated Financial Report**, of The Salvation Army Australia Eastern Territory Social Work (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* and the aggregated basis of preparation described in Note 1 to the financial statements including:

- i. giving a true and fair view of the Aggregated Entity's financial position as at 30 June 2018, and of its financial performance and its cash flows for the year ended on that date; and
- ii. complying with *Australian Accounting Standards – Reduced Disclosure Requirements* 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 2018.
- ii. Aggregated statement of comprehensive income, Aggregated statement of changes in capital reserves and accumulated funds, and Aggregated statement of cash flows for the year then ended.
- iii. Notes including a summary of significant accounting policies.
- iv. Trustees' declaration.

The **Aggregated Entity** consists of The Salvation Army (New South Wales) Property Trust, The Salvation Army (Queensland) Property Trust, The Salvation Army (New South Wales) Trust as Trustee for The Social Work, The Salvation Army (Queensland) Property Trust as Trustee for The Social Work, The Salvation Army Community Housing Service, The Salvation Army (Australia) Self Denial Fund (For Overseas Aid), The Salvation Army Aust Self Denial Fund (for Overseas Aid) and the entities they controlled at the year end or from time to time during the financial year.

Basis for opinion

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

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

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



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 an audit opinion or 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 the Trustees for the Aggregated Financial Report

The Trustees are responsible for:

- i. Preparing the Aggregated Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards - Reduced Disclosures Requirements*, the aggregated basis of preparation described in Note 1 to the financial statements and the ACNC.
- ii. Implementing necessary internal control to enable the preparation of an Aggregated Financial Report that is presented fairly and is free from material misstatement, whether due to fraud or error.
- iii. Assessing the Aggregated Entity and Registered Entities' ability to continue as a going concern. 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 Registered Entities or to cease operations, or have no realistic alternative but to do so.

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

Our objective is:

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

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

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

As part of an audit in accordance with *Australian Auditing Standards*, we exercise professional judgment 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 and Registered Entities' internal control.
- iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- iv. Conclude on the appropriateness of the Trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Aggregated Entity and 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 Registered Entities to cease to continue as a going concern.
- v. Evaluate the overall presentation, structure and content of the Aggregated Financial Report, including the disclosures, and whether the Aggregated Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.
- vi. Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Aggregated Entity to express an opinion on the Aggregated Financial Report. The auditor is responsible for the direction, supervision and performance of the group audit. The auditor remains solely responsible for the audit opinion.

We communicate with the Trustees 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

Daniel Robinson

Partner

Sydney

30 October 2018



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 Australian Eastern Territory Social Work.

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2018 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 handwritten signature of Daniel Robinson in black ink, written in a cursive style.

KPMG

A handwritten signature of Daniel Robinson in black ink, written in a cursive style.

Daniel Robinson
Partner

Sydney
30 October 2018

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Trustees' Report

The Trustees of The Salvation Army Australia Southern Territory 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 2018 and the independent audit report thereon.

PRINCIPAL ACTIVITIES

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

- Aged care services
- Out of home care services
- Employment, education and training services
- Housing and homelessness programmes
- Family and domestic violence programmes
- Community support services
- Chaplaincy programmes
- Addiction, alcohol and other drugs programmes
- Salvos Stores

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

REVIEW OF OPERATIONS

In 2018, the Social Fund's operating result was a surplus after allocations and before net change in fair value of financial assets of \$701,000 (2017: surplus of 1,104,000). Total revenues were \$444,846,000 (2017: \$420,833,000), whilst total operating expenses were \$436,909,000 (2017: \$393,749,000).

In line with The Salvation Army Australia Southern Territory's policies and compliance with donors' restrictions on the use of certain funds, net transfers of \$7,236,000 were made to various reserves for specific purposes (2017: \$25,980,000 of net transfers were made to capital projects or set aside in various reserves for future specific purposes).

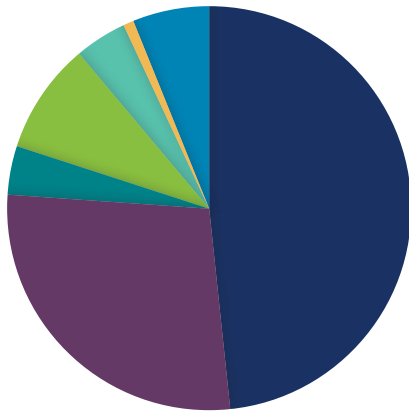
	2018 \$'000	2017 \$'000
Revenue	444,846	420,833
Expenditure	<u>(436,909)</u>	<u>(393,749)</u>
Deficit before Allocations (before net change in fair value of financial assets)	7,937	27,084
Allocations from Capital Funds	<u>(7,236)</u>	<u>(25,980)</u>
Deficit after Allocations (before net change in fair value of financial assets)	701	1,104
Net Change in Fair Value of Financial Assets	<u>-</u>	<u>2,944</u>
Total Comprehensive Income after Allocations	701	4,048

Trustees' Report

The following is a summary of the main sources of income for the Social Fund in 2018.

2018 SOURCES OF INCOME

	2018 \$'000	2017 \$'000
Government Income (Incl. Capital)	216,495	215,299
Trading Revenue (incl Salvos Stores)	124,564	118,975
Residents Contributions	19,908	19,232
Red Shield Appeal/Other Donations	38,582	38,877
Financing Income	16,704	13,885
Legacies	4,005	5,259
Miscellaneous	24,588	9,306
Total Income	444,846	420,833

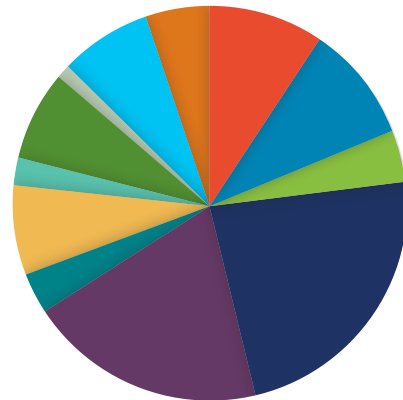


- Government Income 49%
- Trading Revenue 28%
- Residents Contributions 4%
- Red Shield Appeal/Other Donations 9%
- Financing Income 4%
- Legacies 1%
- Miscellaneous 6%

The following is a summary of the areas of expenditure within social programme category, in relation to social services provided by the various centres operating within the Social Fund in 2018.

2018 SOURCES OF EXPENDITURE

	2018 \$'000	2017 \$'000
Aged Care	39,408	37,751
Out of Home Care	39,726	34,449
Employment, Education and Training	33,720	33,566
Salvos Stores	96,481	92,615
Housing & Homelessness	84,610	74,369
Family & Domestic Violence	13,847	10,190
Community Support Services	32,138	31,379
Chaplaincy	7,168	6,754
Addiction, Alcohol & Other Drugs	32,249	29,014
Other Social Welfare Programmes	5,525	5,293
Administration & Research	28,697	25,572
Total Social Centre Expenditure	413,569	380,952
Other Expenditure including RSA	23,340	12,797
Total Expenditure	436,909	393,749



- Aged Care 9%
- Out of Home Care 9%
- Employment, Education and Training 4%
- Salvos Stores 22%
- Housing & Homelessness 19%
- Family & Domestic Violence 3%
- Community Support Services 7%
- Chaplaincy 2%
- Addiction, Alcohol & Other Drugs 7%
- Other Social Welfare Programmes 1%
- Administration & Research 7%
- Other Expenditure incl. RSA 5%

The 2018 result included the following:

- The Red Shield Appeal recorded income of \$35.5Mn (2017: \$36.6Mn) before expenses for the year ended 30 June 2018, consistent with 2017.
- Legacy income (\$4Mn) (2017: \$5.2Mn) was received during the year. Legacy income received from one year to the next can fluctuate considerably, given the uncertain nature of this type of income. Apart from those bequests that specified particular programmes or activities for which the funds have been set aside in reserves until able to be used, additional funding was able to be allocated towards the operational costs of the Social Fund, as well as further funds being set aside for future capital expenditure requirements.
- Financing income of \$16.7Mn (2017: \$13.9Mn) was received in 2017/18. Investment income for the portfolio managed by JANA Investment Advisers can fluctuate from year to year depending upon realised and unrealised gains or losses achieved by fund managers within the portfolio.
- Salvos Stores once again had an excellent year, exceeding annual budget expectations and providing a net surplus to the Social Fund, part of which will be reinvested in future capital needs for Salvos Stores.

At 30 June 2018 the Social Fund Aggregated Statement of Financial Position continues to reflect a positive 'current assets versus current liabilities' position. The Social Fund's major investment asset (unlisted units in managed investment funds) is disclosed as a non-current asset in accordance with Australian Accounting Standards. However, these funds continue to remain available to the Social Fund as required to support cash flow requirements.

NATIONAL REDRESS SCHEME

The Salvation Army Australia Southern Territory has publicly expressed it is deeply regretful of any incident of abuse perpetuated between the 1940's and 1980's towards children who had been in its care.

The National Redress Scheme for Institutional Child Sexual Abuse Act 2018 (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. The Social Fund intended to apply to join the National Redress Scheme once enacted. On 9 October 2018, the Minister for Families and Social Services accepted the Social Fund's application to join the National Redress Scheme.

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

LIKELY DEVELOPMENTS

On 1 March 2016, The Salvation Army International Headquarters announced the amalgamation of the Australia Eastern and Southern Territories. The objective of this amalgamation is to provide a structure for The Salvation Army to best deliver our spiritual and social mission to all Australians. The new national headquarters of The Salvation Army Australia Territory will be based in Melbourne and work continues on the transition to national departments and support functions. The amalgamation has commenced with the goal for the national Australia Territory to be fully operational by January 2019.

It is expected that the amalgamation will produce significant and lasting benefits, including:

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

In the opinion of the Trustees, other than the above, there are no likely changes in the operations of the Social Fund that will adversely affect the results of the Social Fund in subsequent financial years.

EVENTS SUBSEQUENT TO REPORTING DATE

In the opinion of the Trustees since 30 June 2018 there have been no transactions or events of an unusual nature likely to affect significantly the operations of the Social Fund the results of those operations or the state of affairs of the entity in future financial years.

Trustees' Report

ENVIRONMENTAL ISSUES

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

INSURANCE OF OFFICERS

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

AUDITOR

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

Signed in accordance with a resolution of the Trustees:



Lieutenant-Colonel SR Evans

(B Economics, MBA)

National Secretary for Business Support
Trustee



Colonel MTS Campbell

(BA Leadership (UNE), MA Theological Studies (SCD))

National Chief Secretary
Trustee

Dated at Sydney the 8th day of November 2018

Aggregated statement of profit or loss and other comprehensive income

FOR THE YEAR ENDED 30 JUNE 2018

	NOTE	2018 \$'000	2017 \$'000
REVENUES AND OTHER INCOME			
Revenue from rendering of services	2	236,317	214,863
Other revenues from ordinary activities	2	127,639	122,255
Financing income		16,704	13,885
Legacies income		4,005	5,259
Red Shield Appeal donations	5	35,507	35,597
Total operating revenue		<u>420,172</u>	<u>391,859</u>
Capital revenue:			
Government grants		86	487
Community Housing capital contribution	18(d)	-	19,181
Other income		3,037	724
Total capital revenue		<u>3,123</u>	<u>20,392</u>
Other income		<u>21,551</u>	<u>8,582</u>
Total revenue and other income		<u>444,846</u>	<u>420,833</u>
Employee expenses			
Depreciation expenses	10	(242,201)	(222,721)
Computer expenses		(10,846)	(11,085)
Welfare/Jobseeker expenses		(2,441)	(2,722)
Building/Occupancy expenses		(26,745)	(22,307)
Motor Vehicle expenses		(56,800)	(54,516)
Contribution - General/Property Funds	1(n)	(8,060)	(8,007)
Rollover accommodation bond credits	1(h)(i)	(21,046)	(22,297)
Amenities and supplies		(134)	(157)
Professional fees expenses		(16,027)	(15,031)
Financing expenses	1(t)	(11,787)	(13,705)
Other expenses from ordinary activities		(2,983)	(1,811)
Total operating expenses		<u>(37,839)</u>	<u>(19,390)</u>
OPERATING SURPLUS	18	<u>7,937</u>	<u>27,084</u>
OTHER COMPREHENSIVE INCOME			
Net change in fair value of financial assets		-	2,944
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>7,937</u>	<u>30,028</u>
Allocations to capital funds	3	(7,236)	(25,980)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR AFTER ALLOCATIONS		<u>701</u>	<u>4,048</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 64 to 90.

Aggregated statement of financial position

AS AT 30 JUNE 2018

	NOTE	2018 \$'000	2017 \$'000
CURRENT ASSETS			
Cash	6	13,093	12,350
Receivables and other assets	7	14,594	12,194
Other financial assets	8	69,177	54,548
Inventories	9	1,324	1,381
Land & buildings held for sale		-	421
TOTAL CURRENT ASSETS		<u>98,188</u>	<u>80,894</u>
NON-CURRENT ASSETS			
Receivables and other assets	7	19,017	22,194
Other financial assets	8	204,942	187,833
Property, plant and equipment	10	229,602	231,231
Community Housing property	11	77,001	75,276
TOTAL NON-CURRENT ASSETS		<u>530,562</u>	<u>516,534</u>
TOTAL ASSETS		<u>628,750</u>	<u>597,428</u>
CURRENT LIABILITIES			
Payables	12	41,708	40,542
Employee benefits	13	24,908	23,148
Provisions	14	7,436	4,088
Finance lease liability	15	888	882
Interest free loans	16	5,552	4,370
TOTAL CURRENT LIABILITIES		<u>80,492</u>	<u>73,030</u>
NON-CURRENT LIABILITIES			
Employee benefits	13	3,119	3,124
Provisions	14	25,672	13,204
Finance lease liability	15	52,857	51,401
Interest free loans	16	18,611	16,615
Special purpose funds	17	118	110
TOTAL NON-CURRENT LIABILITIES		<u>100,377</u>	<u>84,454</u>
TOTAL LIABILITIES		<u>180,869</u>	<u>157,484</u>
NET ASSETS		<u>447,881</u>	<u>439,944</u>
CAPITAL FUNDS			
Working capital fund	18(a)	6,894	6,193
Property contribution fund	18(a)	216,630	217,330
Reserves	18(a)	159,577	155,610
Trusts and special purpose funds	18(a)	30,619	28,080
Legacies	18(a)	34,161	32,731
TOTAL CAPITAL FUNDS		<u>447,881</u>	<u>439,944</u>

The Aggregated Statement of Financial Position is to be read in conjunction with the notes to the financial statements set out on pages 64 to 90.

Aggregated statement of cash flows

FOR THE YEAR ENDED 30 JUNE 2018

	NOTE	2018 \$'000	2017 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations		461,481	423,731
Cash payments in the course of operations		(440,691)	(400,401)
Investment revenue received		16,296	13,124
Capital revenue received		3,123	4,582
Net cash provided by operating activities		<u>40,209</u>	<u>41,036</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts from redemption of investments		62,957	8,684
Payments for investments		(94,695)	(38,835)
Payments for property, plant and equipment		(11,114)	(9,581)
Proceeds from sale of property, plant and equipment		1,032	2,478
Net cash used in investing activities		<u>(41,820)</u>	<u>(37,254)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(200)	(200)
Repayment of finance lease liability		(853)	(649)
Proceeds from residents' accommodation bonds		6,270	5,458
Repayment of residents' accommodation bonds		(2,863)	(2,904)
Net cash provided by financing activities		<u>2,354</u>	<u>1,705</u>
Net increase in cash held		743	5,487
Cash at the beginning of the financial year		12,350	6,863
Cash at the end of the financial year	20	<u>13,093</u>	<u>12,350</u>

The Aggregated Statement of Cash flows is to be read in conjunction with the notes to the financial statements set out on pages 64 to 90.

Aggregated statement of changes in capital funds

FOR THE YEAR ENDED 30 JUNE 2018

	Working Capital Fund	Property contribution fund	Reserves	Trusts and Special Purpose Funds	Legacies	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 30 June 2016	4,762	218,805	146,504	9,906	29,939	409,916
Operating Surplus before allocations	27,084	-	-	-	-	27,084
Other comprehensive income	327	-	2,617	-	-	2,944
	32,173	218,805	149,121	9,906	29,939	439,944
Allocations within other capital funds	(25,980)	(1,475)	6,489	18,174	2,792	-
At 30 June 2017	6,193	217,330	155,610	28,080	32,731	439,944
At 1 July 2017	6,193	217,330	155,610	28,080	32,731	439,944
Operating Surplus before allocations	7,937	-	-	-	-	7,937
Other comprehensive income	-	-	-	-	-	-
	14,130	217,330	155,610	28,080	32,731	447,881
Allocations within other capital funds	(7,236)	(700)	3,967	2,539	1,430	-
At 30 June 2018	6,894	216,630	159,577	30,619	34,161	447,881

Notes to the financial statements

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

The Salvation Army (Victoria) Property Trust (ABN 64 472 238 844);
 The Salvation Army (Tasmania) Property Trust (ABN 94 917 169 560);
 The Salvation Army (South Australia) Property Trust (ABN 13 320 346 330);
 The Salvation Army (Western Australia) Property Trust (ABN 25 878 329 270);
 The Salvation Army (Northern Territory) Property Trust (ABN 65 906 613 779);
 The Salvation Army (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);
 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 centres, Salvos Stores, Salvation Army Housing and a 50% share of The Salvation Army Employment Plus programme. There has been no change in entities aggregated during the financial year.

The Social Fund is a not for profit entity.

The financial report was authorised for issue by the Trustees on 8 November 2018.

(a) Statement of compliance

The financial statements are Tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements adopted by the Australian Accounting Standards Board (AASB) and the Australian Charities and Not-for-profit Commission Act (ACNC) 2012 and the Australian Charities and Not-for-profit Commission Regulations 2013.

(b) Basis of preparation

The operations of the Social Fund during the year ended 30 June 2018 have been carried out in accordance with The Salvation Army - Social Trust Deed of 1920.

The financial report is presented in Australian dollars. The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

BASIS OF AGGREGATION***(i) Subsidiaries***

Subsidiaries are entities controlled by the Social Fund. The Social Fund controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the aggregated financial statements from the date on which control commences until the date on which control ceases.

(ii) Loss of control

When the Social Fund loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related Non-Controlling Interest (NCI) and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(iii) Transactions eliminated on aggregation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the aggregated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(c) Red Shield Appeal Donations

The Salvation Army Red Shield Appeal is an annual appeal. The amounts received and corresponding fundraising

expenses are reflected in the financial report in the same year as the appeal. In addition, the Territorial Public Relations department oversees our wills and bequests work, and overseas appeals.

(d) Property, plant and equipment***(i) Controlled assets***

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

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

Upon disposal of freehold properties, the cost is transferred to a capital property reserve, together with sales proceeds to determine the profit or loss on the sale of the property. In addition, the funding contribution or grant in the property contributions fund relating to the disposal is transferred to the same reserve, to provide funding for future property acquisitions. Independent valuations are obtained as to the market value of any property before it is sold.

(ii) Depreciation

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

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

Buildings	50 years
Plant and Equipment (excluding motor vehicles)	3 years
Motor Vehicles/Trucks	Deemed useful life, to a maximum of 7 years
Leasehold Improvements	Term of the lease
Information Technology capital projects	Deemed useful life, to a maximum of 10 years

Notes to the financial statements

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

(iii) Property Contributions Fund Reserve

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

(e) Financial instruments

The Social Fund classifies its financial assets as either amortised cost or at fair value through profit or loss, 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.

The Social Fund classifies non-derivative financial liabilities into the other financial liabilities category.

(i) Non-derivative financial assets and financial liabilities – Recognition and derecognition

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

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

The Social Fund derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Social Fund has a legal

right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(ii) Non-derivative financial assets – Measurement

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

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

Financial assets measured at amortised cost

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

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

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

Financial liabilities measured at amortised cost

Non-derivative 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.

(f) Measurement of fair values

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

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

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

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

Fair value hierarchy

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

Level 1: Quoted prices (unadjusted) in active markets for identical markets that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within level 1 that are observable for the assets either directly or indirectly

Level 3: Unobservable inputs for the assets

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

(g) Cash and cash equivalents

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

(h) Accommodation Bond

(i) Rollovers

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

An assessment was made at balance date by the Social Fund as to the present value of estimated future payments under this rollover policy, and estimated receivables representing funds to be returned to the Social Fund, when the residents vacate the aged care centre, with any adjustment recorded through the 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 2.63%pa (2017: 2.60%) decrement rate assumption of 25%pa (2017: 25%), refundable accommodation deposit percentage increase rate of 3%pa (2017: 5%) refundable accommodation deposit levels and the estimated inflows and outflows for residents eligible for assistance.

(ii) Refundable/Amortisable Accommodation Bonds

Many residents of aged care centres pay a refundable and amortisable accommodation bond to the Social Fund. The refundable portion is in the form of an interest free loan repayable in full, whilst the amortisable amount is recognised as revenue and then transferred from accumulated surplus to reserves and held for aged care centre capital projects.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. No allocation of overheads has been included in the valuation.

Notes to the financial statements

Stocks of foodstuffs and consumable stores held at various social centres are expensed.

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

(j) Impairment

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

Calculation of recoverable amount

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

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

(k) Employee benefits

(i) Defined contribution superannuation funds

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

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

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

(iii) Long-term service benefits

The Social Fund's net obligation in respect of long-term service benefits, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement

dates, and is discounted using the rates attached to high quality corporate bonds at the reporting date which have maturity dates approximating to the terms of the Social Fund's obligations.

(l) Provisions

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

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

(m) Goods and services tax

Revenues, expenses and assets are recognised gross 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 excluded. The gross amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

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

(n) Contribution to General and Property Funds

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

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

(o) Revenues

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

Donations

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

Legacies

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

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

Red Shield Appeal

Donations to the Red Shield Appeal are recognised when received.

Revenue from Social Programmes

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

The Salvation Army Employment Plus - Fee for Service Government Funding

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

Fees from residents

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

Sale of goods

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

Financing income

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

Interest income is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Social Fund's right to receive payment is established. The 'effective interest rate' is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset.

Asset sales

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

Contributions in Kind

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

(p) Expenses

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

(q) Capital Revenue available for allocation

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

(r) Accounting estimates and judgements

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Notes to the financial statements

Key sources of estimation uncertainty

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

(s) The Salvation Army Employment Plus

The Salvation Army Australia Southern Territory in conjunction with The Salvation Army Australia Eastern Territory has been jointly involved in a jointly controlled operation of The Salvation Army Employment Plus programme since 1 May 1998. This project commenced when The Salvation Army in Australia won a tender from the Federal Government to provide employment services to long term unemployed persons. This project is considered to be part of the overall aims of The Salvation Army and is not considered separate from these aims in any way. The proportionate interests in the assets, liabilities, income and expenses of The Salvation Army Employment Plus programme have been incorporated in the financial statements.

(t) Leases

(i) Determining whether an arrangement contains a lease

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

(ii) Leased assets

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

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

(iii) Lease payments

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

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

Refer Note 19(b) for details of non-cancellable operating lease commitments.

(u) Community Housing property

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

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

(i) Community Housing property rental income

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

(v) Rounding

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

(w) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2017 and have not been applied in preparing these financial statements.

None of these is expected to have a significant effect on the financial statements of the Social Fund, except for:

- AASB 15 Revenue from Contracts with Customers and AASB 1058 Income for Not-for-profit Entities, which establishes a comprehensive framework for determining whether, how much and when revenue is recognised, and is mandatory for the Social Fund's 2020 financial statements; and
- AASB 16 Leases, which requires companies to bring most operating leases on-balance sheet and becomes mandatory for the Social Fund's 2020 financial statements.

The Social Fund does not plan to adopt these standards early and their extent of the impact has not yet been determined.

(x) Changes in accounting policies

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

Notes to the financial statements

	NOTE	2018 \$'000	2017 \$'000
2. REVENUE FROM ORDINARY ACTIVITIES			
Revenue from rendering of services:			
Government grants		169,921	152,308
Fee for service – Government Funding		46,488	43,323
Resident contributions and patient fees		19,908	19,232
		<u>236,317</u>	<u>214,863</u>
Other revenue from ordinary activities:			
Revenue from trading and rent		124,564	118,975
Other donations received – other than from the Red Shield Appeal		3,075	3,280
		<u>127,639</u>	<u>122,255</u>
Total revenue from ordinary activities		<u>363,956</u>	<u>337,118</u>
3. ALLOCATIONS TO CAPITAL FUNDS			
Allocations have been made (to)/from the following capital funds, excluding working capital:			
	18(a)	2,344	3,958
Property contributions fund	18(a)	(3,157)	(7,534)
Reserves	18(a)	(3,116)	(18,321)
Trusts and special purpose funds	18(a)	(3,307)	(4,083)
Legacies		<u>(7,236)</u>	<u>(25,980)</u>
4. AUDITORS' REMUNERATION			
Audit Services			
Auditors of the Social Fund		<u>302,600</u>	<u>317,720</u>
KPMG Australia			
Other Services		<u>229,124</u>	<u>-</u>
KPMG Australia			

	2018	2017
	\$'000	\$'000
5. RED SHIELD APPEAL DONATIONS		
DONATIONS		
Victoria	21,205	20,648
South Australia	4,141	4,496
Western Australia	7,857	8,089
Tasmania	1,909	1,877
Northern Territory	395	487
	<u>35,507</u>	<u>35,597</u>
Less: Expenses	(11,228)	(12,080)
NET REVENUE AVAILABLE FOR DISTRIBUTION/ALLOCATIONS	<u>24,279</u>	<u>23,517</u>
DISTRIBUTION/ALLOCATIONS		
Social programme deficits:		
Out of home care	946	802
Addictions, alcohol and other drugs	3,633	3,911
Family and domestic violence	1,038	1,354
Housing and homelessness	5,757	6,712
Community support service	11,320	11,025
Chaplaincy	5,393	5,210
Emergency services	777	819
Other	3,884	3,630
Social services and community programmes total	<u>32,748</u>	<u>33,463</u>
Less: Funding provided outside of Red Shield Appeal - Note (a)	(12,932)	(14,142)
	19,816	19,321
Capital Appeals	-	100
Other Emergency Appeals	18	105
Donor designated gifts	4,445	3,991
TOTAL DISTRIBUTION/ALLOCATIONS	<u>24,279</u>	<u>23,517</u>

Notes

- (a) The Social Fund provides additional funds outside of those raised through the Red Shield Appeal (net revenue available for distribution/allocation) for direct service provision within its social centres.
- (b) No Red Shield Appeal funds are used to cover National Redress claims.

Notes to the financial statements

	NOTE	2018 \$'000	2017 \$'000
6. CASH			
Cash on hand		177	176
Cash at bank		12,916	12,174
	20	<u>13,093</u>	<u>12,350</u>
7. RECEIVABLES AND OTHER ASSETS			
CURRENT			
Prepayments		2,820	996
Accommodation Bond Rollovers	1(h)	2,983	2,918
Sundry debtors (including deferred consideration)		8,791	8,280
		<u>14,594</u>	<u>12,194</u>
NON-CURRENT			
Accommodation Bond Rollovers	1(h)	15,346	17,928
Sundry debtors (including deferred consideration)		3,671	4,266
		<u>19,017</u>	<u>22,194</u>
8. OTHER FINANCIAL ASSETS			
CURRENT			
Short term deposits		69,177	54,548
NON-CURRENT			
Unlisted units in managed investment funds		170,833	155,637
Hybrid and fixed interest securities		33,544	31,701
Other		565	495
		<u>204,942</u>	<u>187,833</u>
		<u>274,119</u>	<u>242,381</u>
9. INVENTORIES			
Raw materials and stores		339	480
Work in progress		19	9
Finished goods		966	892
		<u>1,324</u>	<u>1,381</u>

	2018 \$'000	2017 \$'000
10. PROPERTY, PLANT AND EQUIPMENT		
FREEHOLD LAND AND BUILDINGS		
Freehold land at cost	39,149	37,810
Buildings at cost	243,642	239,714
Accumulated depreciation	(65,540)	(60,936)
TOTAL FREEHOLD LAND AND BUILDINGS	<u>217,251</u>	<u>216,588</u>
LEASEHOLD IMPROVEMENTS		
At cost	15,711	15,372
Accumulated depreciation	(15,038)	(12,446)
TOTAL LEASEHOLD IMPROVEMENTS	<u>673</u>	<u>2,926</u>
BUILDING SCHEMES IN PROGRESS - AT COST	<u>489</u>	<u>1,169</u>
MOTOR VEHICLES		
At cost	5,918	5,397
Accumulated depreciation	(3,914)	(3,800)
TOTAL MOTOR VEHICLES	<u>2,004</u>	<u>1,597</u>
PLANT AND EQUIPMENT		
At cost	33,897	30,632
Accumulated depreciation	(24,712)	(21,681)
TOTAL PLANT AND EQUIPMENT	<u>9,185</u>	<u>8,951</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT NET BOOK VALUE	<u>229,602</u>	<u>231,231</u>

Social Fund freehold land and buildings and leasehold improvements of \$217,924,000 (2017: \$219,514,000) are funded through the Property Contributions Fund (excluding building schemes in progress funding) of \$212,368,000 as at 30 June 2018 (2017: \$213,586,000). The remaining balance is funded from the following sources:

	2018 \$'000	2017 \$'000
Interest free loans	<u>5,500</u>	<u>5,700</u>
Social Fund freehold properties - under funded	<u>56</u>	<u>228</u>

Notes to the financial statements

	2018 \$'000	2017 \$'000
10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)		
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:		
FREEHOLD LAND AND BUILDINGS		
Carrying amount at beginning of year	216,588	220,888
Additions (transfers from Building Schemes in Progress - Cost)	6,448	1,986
Transfer to Land and Buildings held for sale	-	(421)
Disposals	(956)	(1,066)
Depreciation	(4,829)	(4,799)
Carrying amount at end of year	<u>217,251</u>	<u>216,588</u>
LEASEHOLD IMPROVEMENTS		
Carrying amount at beginning of year	2,926	5,177
Other additions	221	380
Depreciation	(2,474)	(2,631)
Carrying amount at end of year	<u>673</u>	<u>2,926</u>
BUILDING SCHEMES IN PROGRESS - COST		
Carrying amount at beginning of year	1,169	268
Additions	6,035	7,959
Transfers from Investment Property	70	(4,974)
Transfers to Freehold Land and Buildings/Leasehold Property	(6,448)	(1,986)
Transfers to Plant and Equipment	(337)	(98)
Carrying amount at end of year	<u>489</u>	<u>1,169</u>
MOTOR VEHICLES		
Carrying amount at beginning of year	1,597	1,500
Additions	860	469
Disposals	(12)	(9)
Depreciation	(441)	(363)
Carrying amount at end of year	<u>2,004</u>	<u>1,597</u>
PLANT AND EQUIPMENT		
Carrying amount at beginning of year	8,951	11,374
Additions (including transfers from building schemes in progress - cost)	3,352	869
Disposals	(16)	-
Depreciation	(3,102)	(3,292)
Carrying amount at end of year	<u>9,185</u>	<u>8,951</u>

	2018 \$'000	2017 \$'000
11. COMMUNITY HOUSING PROPERTY		
Community Housing property	77,001	75,276
(A) RECONCILIATION OF CARRYING AMOUNT		
Opening	75,276	-
Acquisitions	983	75,276
Disposal	(574)	-
Change in fair value	1,316	-
Closing balance	77,001	75,276

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

(B) MEASUREMENT OF FAIR VALUES

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

(C) LEASES AS LESSOR

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

During 2018 Community Housing property rentals of \$5.5M were included in other revenues from ordinary activities.

	2018 \$'000	2017 \$'000
12. PAYABLES		
CURRENT		
Sundry creditors and accruals	26,667	25,849
Prepaid government funding	15,041	14,693
	41,708	40,542

Notes to the financial statements

	2018 \$'000	2017 \$'000
13. EMPLOYEE BENEFITS		
CURRENT		
Employee entitlements	24,908	23,148
NON-CURRENT		
Employee entitlements	3,119	3,124

The Social Fund contributed \$18,429,470 (2017: \$17,213,410) on behalf of employees to the superannuation plans of their choice, in accordance with superannuation guarantee.

AMOUNTS NOT EXPECTED TO BE SETTLED WITHIN THE NEXT 12 MONTHS

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

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

	NOTE	2018 \$'000	2017 \$'000
Long service leave obligation not expected to be settled within 12 months		8,177	7,677
14. PROVISIONS			
CURRENT			
Accommodation bond rollovers	1(h)	1,253	1,488
National Redress		6,183	-
Care Leavers Claims		-	2,600
		7,436	4,088
NON-CURRENT			
Accommodation bond rollovers	1(h)	7,649	10,560
National Redress		17,335	-
Care Leavers Claims		-	2,000
Make good of leased premises	1(l)	688	644
		25,672	13,204

14. PROVISIONS (CONTINUED)

The Salvation Army Australia Southern Territory has publicly expressed it is deeply regretful of any incident of abuse perpetuated between the 1940's and 1980's towards children who had been in its care.

The National Redress Scheme for Institutional Child Sexual Abuse Act 2018 (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. The Social Fund intended to apply to join the National Redress Scheme once enacted. 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.

Redress under the scheme is for abuse that is within the scope of the scheme. Abuse of a person is within the scope of the scheme if:

- (a) it occurred when the person was a child; and
- (b) it occurred before the scheme start day; and
- (c) it occurred inside a participating State, inside a Territory, or outside Australia (that is, it did not occur inside a State that is not participating in the scheme).

Redress consists of 3 components:

- (a) a redress payment (of up to \$150,000); and
- (b) a counselling and psychological component which, depending on where the person lives, consists of access to counselling and psychological services or a counselling and psychological services payment (of up to \$5,000); and
- (c) a direct personal response from each participating institution responsible for the 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 Southern Territory's legal representatives, historical experiences and information made available as part of the Royal Commission into Institutional Responses to Child Sexual Abuse and consists of three components:

1. Claims settled previously where the historical payment made to the claimant may be reassessed by the National Redress Scheme and an additional payment is made;
2. Claims known but yet to be settled which will be assessed by the National Redress Scheme and a payment is made; and
3. Unknown claims yet to be received, which may be lodged by claimants to the National Redress Scheme and a payment is made.

The Social Fund historically has provided for known claims at reporting date, as there was insufficient information available to assess unknown claims. The uncertainty around unknown claims has reduced as part of the enactment of The National Redress Scheme for Institutional Child Sexual Abuse Act 2018, and finalisation of the Royal Commission into Institutional Responses to Child Sexual Abuse.

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

Claims paid have not and will not be funded from Red Shield Appeal or legacy funds.

Notes to the financial statements

	2018 \$'000	2017 \$'000
15. LOANS AND BORROWINGS		
CURRENT		
Finance lease liabilities	888	882
NON-CURRENT		
Finance lease liabilities	52,857	51,401
(A) FINANCE LEASE LIABILITIES		
Finance lease liabilities are payable as follows		
Less than one year	888	882
Between one and five years	3,779	3,754
More than five years	49,078	47,647
	<u>53,745</u>	<u>52,283</u>

LEASE OF INVESTMENT PROPERTY NOT IN THE LEGAL FORM OF A LEASE

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

At inception of the arrangement, payments are split into lease payments and payments related to the other elements based on their relative fair values. The imputed finance costs on the liability were determined based on the Social Fund's incremental borrowing rate (4.72%). At 30 June 2018, properties with a carrying amount of \$71,044,000 (2017: \$70,302,000) were subject to a deed of statutory charge which forms security for the finance lease.

	2018 \$'000	2017 \$'000
16. INTEREST FREE LOANS		
CURRENT		
Accommodation Bonds	5,352	4,170
Unsecured Loans	200	200
	<u>5,552</u>	<u>4,370</u>
NON-CURRENT		
Accommodation Bonds	9,939	7,743
Secured Loans	7,672	7,672
Unsecured Loans	1,000	1,200
	<u>18,611</u>	<u>16,615</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. The amortisation amount is transferred to reserves held for aged care redevelopments.

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

SECURED LOAN

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

UNSECURED LOANS

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

17. SPECIAL PURPOSE FUNDS - NON-CURRENT LIABILITY

This amount relates to trust funds of \$118,000 (2017: \$110,000) held by the Social Fund on behalf of residents of various social centres.

	NOTE	2018 \$'000	2017 \$'000
18. CAPITAL FUNDS			
(A) MOVEMENTS IN CAPITAL FUNDS			
PROPERTY CONTRIBUTIONS FUND			
Opening Balance		217,330	218,805
Net Transfers		1,644	2,483
Allocations to working capital fund	3	(2,344)	(3,958)
Closing balance		<u>216,630</u>	<u>217,330</u>
RESERVES			
Opening Balance		155,610	146,504
Net Transfers		810	(1,045)
Transfer to Fair Market Reserve		-	2,617
Allocations to working capital fund	3	3,157	7,534
Closing balance	18(c)	<u>159,577</u>	<u>155,610</u>
TRUSTS AND SPECIAL PURPOSE FUNDS			
Opening Balance		28,080	9,906
Net Transfers		(577)	(147)
Allocations to working capital fund	3	3,116	18,321
Closing balance	18(d)	<u>30,619</u>	<u>28,080</u>

Notes to the financial statements

	NOTE	2018 \$'000	2017 \$'000
18. CAPITAL FUNDS (CONTINUED)			
LEGACIES			
Opening Balance		32,731	29,939
Net Transfers		(1,877)	(1,291)
Allocations to working capital fund	3	3,307	4,083
Closing balance		<u>34,161</u>	<u>32,731</u>
WORKING CAPITAL FUND			
Opening Balance		6,193	4,762
Operating surplus before allocations		7,937	27,084
Other comprehensive income		-	327
Allocations from other capital funds	3	(7,236)	(25,980)
Closing balance		<u>6,894</u>	<u>6,193</u>

(B) PROPERTY CONTRIBUTIONS FUND

Under International Salvation Army accounting policies and procedures, all contributions, grants, donations and other revenue that will finance property projects must be specifically accounted for in the books of the Social Fund. Upon completion of each project, the respective contributions are transferred to the Property Contributions Fund.

This balance represents the commitments that were fulfilled in acquiring the land and buildings shown as assets held by the Social Fund.

	2018 \$'000	2017 \$'000
(C) RESERVE BALANCES		
Board Designated Funds		
Property Development	27,200	26,240
Training	2,074	2,372
Social Programme Enhancement & Development	27,470	30,332
Capital Asset Contribution	5,941	5,077
Planned Maintenance	10,842	10,813
Asset Replacement	5,704	6,030
Aged Care Reserves	21,220	20,450
Capital Projects Funding	2,056	2,568
Future Fund	19,600	19,600
Employment and Training	2,548	(1,600)
Fair Market Reserve	18,703	19,241
Other	16,219	14,487
	<u>159,577</u>	<u>155,610</u>

18. CAPITAL FUNDS (CONTINUED)

The reserve balances are amounts set aside by the Trustees to meet realistic, planned or anticipated needs for the Social Fund, thereby relieving the working capital fund from the future cost of these needs. An explanation of the purpose of each reserve is provided below.

Property Development

This balance represents funds set aside for future property development within the Social Fund.

It also represents the net proceeds on sold properties, which are set aside until allocated to new capital schemes. In most cases, the net proceeds on a particular sold property are utilised as part funding for a specific new capital scheme. However, in some cases, excess property is sold and the net proceeds are available more generally for a number of capital schemes, or other purposes as determined by the Trustees. It also includes a specific allocation for property development purposes in relation to retired officers' quarters.

Training

This balance represents funds set aside to be used towards the cost of officer and employee training, and to further enhance future service provision and delivery.

Social Programme Enhancement and Development

This balance represents funds retained by specific social centres to be utilised, in conjunction with the funding bodies supporting these programmes, for the enhancement and development of these programmes, as well as unused quota funding available at the reporting date by division for future social programme development, within their social centres.

Capital Asset Contribution

This balance represents funds utilised to purchase capital assets (excluding land and buildings). These funds will be used to offset the future expensing of such assets through depreciation charges in subsequent financial periods.

Planned Maintenance

This balance represents funds set aside for the future maintenance and repair of property assets held by the Social Fund.

Asset Replacement

This balance represents funds set aside for the future replacement of various fixed assets, including computers, across various social centres and territorial headquarters social departments.

Aged Care Reserves

This balance includes funds set aside for contingency (refer Note 24(a)) issues resulting from the sale of 15 aged care centres on 1 July 2005, forthcoming major property developments at aged care centres retained by The Salvation Army, Australia Southern Territory and a perpetual reserve, from which its interest will be used to assist with funding the ongoing operational costs within our remaining aged care centres.

Capital Projects Funding

This balance represents funds set aside by the Trustees to cover various project costs included within non-current assets.

Future Fund

The Social Fund has established a 'Future Fund', to which a significant legacy received in 2015 and some capital funds have been allocated. The purpose of the Future Fund is to adopt a long-term investment strategy which will enable some capital growth, as well as a reliable income stream, to assist with the operating expenditure commitments of the Social Fund.

Employment and Training

This balance represents funds set aside for future initiatives across the territory, including the potential future obligations of The Salvation Army Employment Plus beyond the current job network contract period. The Salvation Army Employment Plus generated a surplus for the year ended 30 June 2018.

Fair Market Investment Reserve

This balance represents the unrealised gains and losses on investment funds as at 30 June 2018.

Other

This is the balance of a number of minor reserves that have been set aside at the direction of the Trustees.

Notes to the financial statements

	2018 \$'000	2017 \$'000
18. CAPITAL FUNDS (CONTINUED)		
RESTRICTED FUNDS		
Special Purpose Trusts	2,698	2,664
Salvation Army Housing	23,819	22,406
Emergency Appeals	773	753
General Deposits	3,034	1,965
Building Deposits	295	292
	30,619	28,080

(D) TRUST AND SPECIAL PURPOSE FUND BALANCES

The Social Fund is called upon to utilise large amounts of specified donations and other restricted revenue, which must be accounted for meticulously in accordance with the donor's wishes. It is therefore common for large balances to be unavoidably carried forward from one year to another, until such time as the funds can be used for the specific purposes for which they have been given.

On this basis, the trusts and special purpose fund balances are not actually revenue available to the Social Fund until they are expended on the purpose specified by the donors. There can be no change of purpose of any amount donated without reference to the person or organisation that set the conditions. An explanation of the purpose of each special purpose reserve is provided below.

Special Purpose Trusts

The Social Fund holds a number of balances, where the donor has stipulated that the capital is invested, and interest generated on such capital funds be used in a particular way. This reserve identifies the balance of such capital funds.

19 COMMITMENTS

(a) Capital Commitments

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

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

Salvation Army Housing

This balance represents surplus funds held within Salvation Army Housing for future use within this entity as determined by its Board of Directors.

Emergency Appeals

The Social Fund has received funds from donors for specific emergency appeals. These relief efforts will continue well beyond 30 June 2018 so this balance represents the unexpended portion of funds donated for this purpose.

Building and General Deposits

This balance represents funds held on behalf of specific social centres, set aside for specific purposes until used. For example, if a centre receives a specified donation from the Red Shield Appeal, but has not utilised the funds at the end of the year, then the funds are carried forward to the next year as part of this reserve.

	NOTE	2018 \$'000	2017 \$'000
Cost to complete property schemes in progress		5,022	1,629
Property schemes approved but not commenced as at 30 June 2018		142	1,607
		<u>5,164</u>	<u>3,236</u>
(b) Operating Lease Commitments			
Future operating lease rentals for (including properties) not provided for in the financial statements and payable:			
Not later than one year		26,443	23,687
Later than one year but not later than five years		48,450	42,949
Later than five years		6,103	799
		<u>80,996</u>	<u>67,435</u>

The Social Fund leases a number of properties under operating leases. During the year, \$22,644,000 (2017: \$21,016,000) was recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income as operating property leases. The leases typically run for a period of 3 to 5 years and usually include an option to renew the lease after that period. Lease payments are increased at the end of the lease period to reflect market rentals.

20. NOTES TO THE STATEMENT OF CASH FLOWS

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

	NOTE	2018 \$'000	2017 \$'000
Cash	6	<u>13,093</u>	<u>12,350</u>

21. RELATED PARTY DISCLOSURES

Key Management Personnel Disclosures

The Trustees of the Social Fund are deemed to be the key management personnel of the Social Fund. The names of the Trustees who held office during the year ended 30 June 2018 were:

Commissioner Floyd Tidd *

Colonel Graeme Rigley *

Colonel Mark Thomas Stuart Campbell

Lieutenant-Colonel Ian Barry Callander

Lieutenant-Colonel Winsome Joy Merrett*

Major Winsome May Mason

Mr Malcolm Roberts *

Mr Gregory Stowe *

Lieutenant-Colonel Stuart Evans

* Trustees who held office for the full financial year

Notes to the financial statements

21. RELATED PARTY DISCLOSURE (CONTINUED)

Trustees' Remuneration

The Trustees are officers or staff of the Social Fund, and receive remuneration in accordance with established Salvation Army guidelines as below. In addition, officer trustees also receive accommodation and use of a motor vehicle at no cost as part of their officership, in accordance with established Salvation Army guidelines. No additional remuneration is received by these officers for acting in their capacity as Trustees of the Social Fund. Staff trustees receive the use of a motor vehicle at no cost as part of their employment contract. There are no other transactions with key management personnel.

	2018 \$'000	2017 \$'000
Total income paid or payable, or otherwise made available to all Trustees of the Social Fund from the Social Fund or any related party	596	575

22. INCOME TAX

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

- The Salvation Army (Victoria) Property Trust (ABN 64 472 238 844);
- The Salvation Army (Tasmania) Property Trust (ABN 94 917 169 560);
- The Salvation Army (South Australia) Property Trust (ABN 13 320 346 330);
- The Salvation Army (Western Australia) Property Trust (ABN 25 878 329 270);
- The Salvation Army (Northern Territory) Property Trust (ABN 65 906 613 779);
- Salvation Army Housing (ABN 59 608 346 934); and
- Salvation Army Housing (Victoria) (ABN 85 133 724 651)

Donations of two dollars (\$2) or more given to the following funds, which are Deductible Gift Recipient (DGR) endorsed, attract income tax deductibility:

- (i) The Salvation Army (Victoria) Property Trust atf The Salvation Army (VIC) Social Work (ABN 18 730 899 453);
- (ii) The Salvation Army (Tasmania) Property Trust atf The Salvation Army (TAS) Social Work (ABN 23 860 168 024);
- (iii) The Salvation Army (South Australia) Property Trust atf The Salvation Army (SA) Social Work (ABN 45 781 882 681);"

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

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

The Salvation Army Red Shield Appeal is operated under the above State-based DGR entities.

23. THE SALVATION ARMY ENDOWMENT FUND

The Salvation Army Endowment Fund was founded on 7 February 2013 as a joint initiative between The Salvation Army Australia Southern Territory and The Salvation Army Australia Eastern Territory. It is a public ancillary fund administered by Equity Trustees Limited as the sole trustee. During 2014/15, each territory provided seeding funds of \$2Mn each.

24. 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.

24. CONTINGENT LIABILITIES (CONTINUED)

In addition, at the time of divesting some of its aged care centres, the Department of Health and Ageing had provided the Social Fund with capital grant funding towards the construction of Gilgunya Village, Weeroona Hostel, Inala

Village Nursing Home, Edenfield Hostel, Warrina Hostel and Darwin Nursing Home. Under certain conditions, a portion of these capital grants may need to be repaid by the Social Fund to the Department of Health and Ageing. The amount repayable to the Department of Health and Ageing reduces over time, with 2021 being the last expiration date for the capital grant funding provided for Gilgunya Village. As at 30 June 2018, the maximum capital grant funding which would have been repayable to the Department of Health and Ageing was \$506,000 (2017: \$699,000).

At 30 June 2018, 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 Salvation Army Australia Southern Territory received \$16,209,000 from the Housing Authority in Western Australia between 2012-2015 as part capital funding towards the provision of a homeless accommodation and support facility in Northbridge, Perth, Western Australia.

Under the project agreement, under certain default or closure circumstances, The Salvation Army Australia Southern Territory would be required to repay these capital funds to the Housing Authority over a 30-year term, with the amount repayable reducing by 3.33% per annum upon the anniversary of the date of the project commissioning. As at 30 June 2018, the amount repayable would have been \$14,050,000 and there were no events that required any repayment.

25. FINANCIAL RISK MANAGEMENT

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

- Credit risk
- Market risk
- Liquidity risk

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

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

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

Credit risk

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

Financial Assets

The Social Funds financial assets are held with major financial institutions that have a high credit rating.

Trade receivables

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

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

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

Refer to Note 6 "Cash", Note 7 "Receivables and Other Assets" and Note 8 "Other Financial Assets" for the carrying amount of the Social Fund's financial assets representing the maximum credit exposure. As at 30 June 2018 receivables 30 days past due are immaterial balance.

Notes to the financial statements

25. 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:

	2018 \$'000	2017 \$'000
Cash and cash equivalents	13,093	12,350
Trade receivables	12,462	12,546
	<u>25,555</u>	<u>24,896</u>

Trade and other receivables

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

	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
	GROSS	IMPAIRMENT	GROSS	IMPAIRMENT
Not past due	12,462	-	12,546	-
Past due 0-30 days	-	-	-	-
Past due 31-120 days	-	-	-	-
	<u>12,462</u>	<u>-</u>	<u>12,546</u>	<u>-</u>

MARKET RISK

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

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

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

EXPOSURE TO MARKET RISK

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

Profile

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

Fair value sensitivity analysis for equity managed funds and hybrid instruments

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

Sensitivity analysis

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

25. FINANCIAL RISK MANAGEMENT (CONTINUED)**PROFIT OR LOSS / EQUITY**

1% Increase 1% Decrease

	\$'000	\$'000
2018		
Equity rate instruments	2,049	(2,049)
	<u>2,049</u>	<u>(2,049)</u>
2017		
Equity rate instruments	1,878	(1,878)
	<u>1,878</u>	<u>(1,878)</u>

Liquidity risk

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

Management of the Social Fund aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities (other than trade payables) over the succeeding 60 days. The Social Fund's investments in unlisted unit trusts are readily convertible to cash at acceptable notice periods.

Exposure to liquidity risk

Liquidity risk is the risk that the Social Fund will not be able to meet its financial obligations as they fall due. The Social

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

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

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

	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	12 MONTHS OR LESS	1-2 YEARS	MORE THAN 2 YEARS
	\$'000	\$'000	\$'000	\$'000	\$'000
30 JUNE 2018					
Non-derivative financial liabilities					
Trade and other payables	(26,667)	(26,667)	(26,667)	-	-
Interest free loans	(24,163)	(24,163)	(5,552)	(9,939)	(8,672)
Finance lease liability	(53,745)	(53,745)	(888)	(3,779)	(49,078)
	<u>(104,575)</u>	<u>(104,575)</u>	<u>(33,107)</u>	<u>(13,718)</u>	<u>(57,750)</u>
30 JUNE 2017					
Non-derivative financial liabilities					
Trade and other payables	(25,849)	(25,849)	(25,849)	-	-
Interest free loans	(20,985)	(20,985)	(4,370)	(7,943)	(8,672)
Finance lease liability	(52,283)	(52,283)	(882)	(3,754)	(47,647)
	<u>(99,117)</u>	<u>(99,117)</u>	<u>(31,101)</u>	<u>(11,697)</u>	<u>(56,319)</u>

Notes to the financial statements

26. EVENTS SUBSEQUENT TO REPORTING DATE

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

THE SALVATION ARMY AUSTRALIA SOUTHERN TERRITORY SOCIAL FUND TRUSTEES' DECLARATION

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

- (i) The accompanying aggregated financial statements and notes set out on pages 61 to 90 are drawn up so as to present a true and fair view of the financial position of the Social Fund as at 30 June 2018 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 - Social Trust Deed of 1920;
- (iii) The aggregated financial statements comply with Australian Accounting Standards - Reduced Disclosure Regime and the Australian Charities and Not-for-profit 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:



Lieutenant-Colonel SR Evans

(B Economics, MBA)

National Secretary for Business Support
TRUSTEE



Colonel MTS Campbell

(BA Leadership (UNE), MA Theological Studies (SCD))

National Chief Secretary
TRUSTEE

Dated at Sydney this 8th day of November 2018



Independent Auditor's Report

To the Trustees of the Registered Entities that comprise The Salvation Army Australia Southern Territory Social Fund (the Trustees)

Opinion

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

In our opinion, the accompanying Aggregated Financial Report of the Aggregated Entity is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012* and the aggregated basis of preparation described in Note 1 to the financial statements, including:

- i. giving a true and fair view of the Aggregated Entity's financial position as at 30 June 2018, and of its financial performance and its cash flows for the year ended on that date; and
- ii. complying with *Australian Accounting Standards – Reduced Disclosure Requirements* 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 2018.
- ii. Aggregated statement of profit or loss and other comprehensive income, Aggregated statement of changes in capital funds, 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 and the entities they controlled at the year end or from time to time during the financial year.

Basis for opinion

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

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

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



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 an audit opinion or 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 the Trustees for the Aggregated Financial Report

The Trustees are responsible for:

- i. Preparing the Aggregated Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards – Reduced Disclosures Requirements*, the aggregated basis of preparation described in Note 1 to the financial statements and the ACNC.
- ii. 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.
- iii. Assessing the Aggregated Entity and Registered Entities ability to continue as a going concern. 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 Registered Entities or to cease operations, or have no realistic alternative but to do so.

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

Our objective is:

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

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

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

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



We also:

- i. Identify and assess the risks of material misstatement of the Aggregated Financial Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ii. Obtain an understanding of internal control relevant to the Audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Aggregated Entity and Registered Entities internal control.
- iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- iv. Conclude on the appropriateness of the Trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Aggregated Entity and 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 Registered Entities to cease to continue as a going concern.
- v. Evaluate the overall presentation, structure and content of the Aggregated Financial Report, including the disclosures, and whether the Aggregated Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.
- vi. Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Aggregated Entity to express an opinion on the Aggregated Financial Report. The auditor is responsible for the direction, supervision and performance of the group audit. The auditor remains solely responsible for the audit opinion.

We communicate with the Trustees 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
8 November 2018



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 Southern Territory Social Fund

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2018 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

A handwritten signature in black ink, appearing to read 'Chris Sargent', written over a light blue grid background.

Chris Sargent
Partner

Melbourne
8 November 2018

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This report was produced with generous
donations from the following companies:

Printing Plates — Kodak Australia
Paper — Ball & Doggett
Printing — immij
Binding — Marvel Bookbinders



The Salvation Army Australia Annual Report 2018

Produced by The Salvation Army Australia Communications Department

95-99 Railway Rd, Blackburn VIC 3130 | 13 SALVOS (13 72 58)

For more information regarding The Salvation Army and its services, visit: salvationarmy.org.au

Words: Barry Gittins and Dean Simpson | Design: Craig Buddle, Emma Clark, Kem Pobjie, Lauren Stevens

Printed: March 2019