

thankyou

FOR MAKING IT POSSIBLE





# JEFF

a real Salvos worker

**My name is Jeff but a lot of people know me as Joffa. I've been working with The Salvation Army for around 16 years and I have to say I've loved every minute.**

I am an after-hours worker at a men's homelessness centre and it's part of my job to make sure everyone here is safe and that breakfast is ready for the next day. A really important part of my role is listening. I make sure I have time for coffee and a chat with the guys living here because being someone they can talk to without fear of judgement is critical.

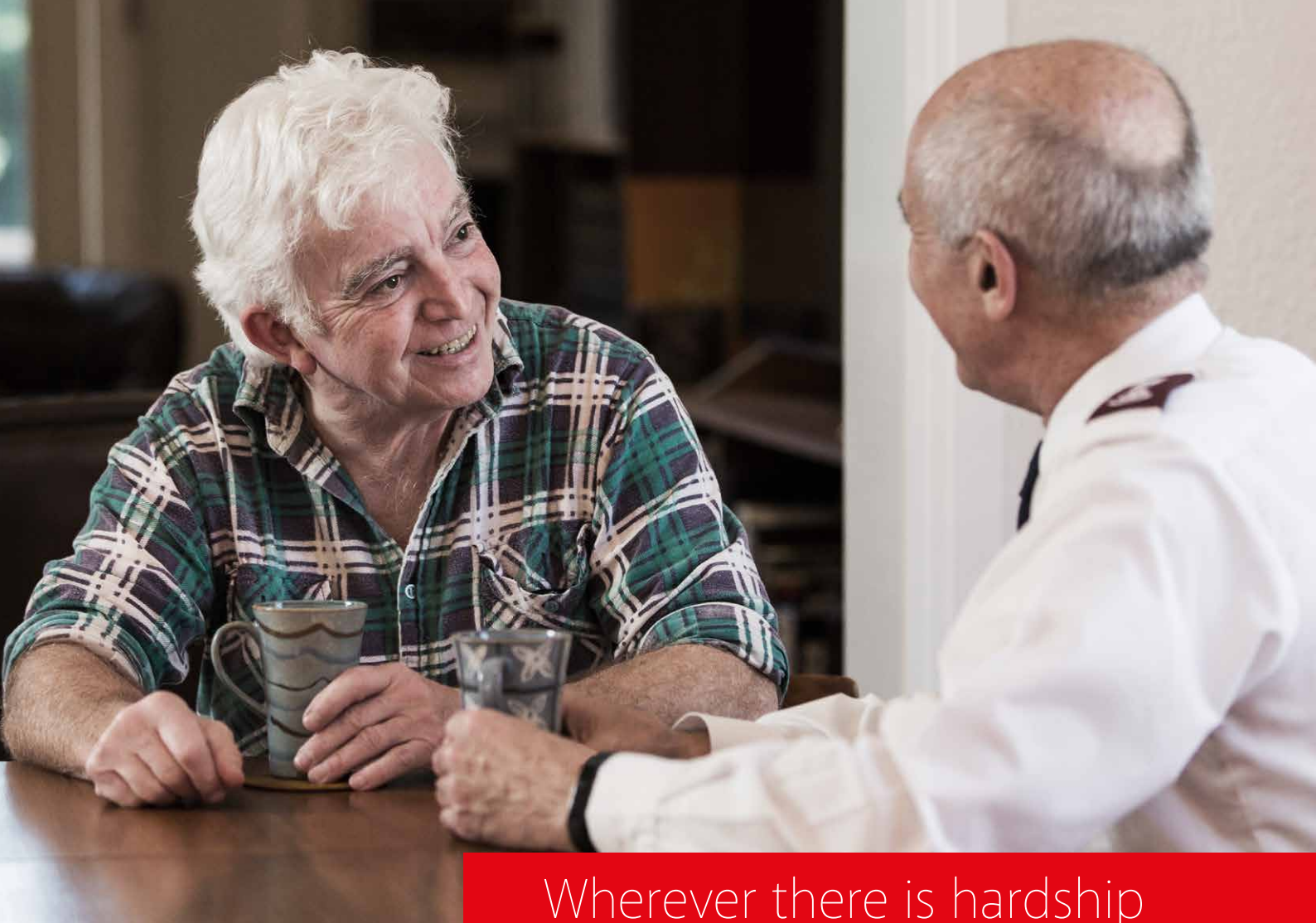
This is absolutely the right job for me. When I was around 14, I was homeless for a while and so I know what it's like to feel like you have nowhere to go.

I'd like to thank everyone who supports the Salvos and makes it possible for centres like this to operate across Australia.

This place means more than providing somewhere safe to stay. It means people who are often isolated have somewhere to belong and people around them who care.

thankyou





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, an international movement, is an evangelical part of the universal Christian Church. Its message is based on the Bible. Its ministry is motivated by love for God. Its mission is to preach the gospel of Jesus Christ and meet human needs in his name without discrimination.

## Mission

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

- Caring for people
- Creating faith pathways
- Building healthy communities
- Working for justice

## Values

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

- Integrity
- Compassion
- Respect
- Diversity
- Collaboration

# Who We Are

**The Salvation Army is one of the world's largest Christian social welfare organisations. Each year we extend care to more than one million Australians facing crisis.**

We are committed to supporting the most marginalised and disadvantaged members of the community.

In Australia, The Salvation Army currently operates in two separate territories—the Australia Southern Territory and the Australia Eastern Territory.

The Salvation Army Australia Southern Territory provides more than 700 social programmes, activities and centres and is dedicated to alleviating the suffering of people living in Victoria, South Australia, Tasmania, Western Australia and the Northern Territory.

We seek to be there for people during their times of need. We help people affected by homelessness, crisis, family violence, emergencies, natural disasters, drug, alcohol and gambling addictions and a range of other issues.

On 1 March 2016 it was announced The Salvation Army in Australia would streamline its administrative structure into one national organisation, through the amalgamation of the Australia Southern and Australia Eastern Territories. Commissioner Floyd Tidd was appointed inaugural National Commander in Australia and is now responsible for the operations of The Salvation Army in both territories. The goal is that the Australia Territory will be fully operational by January 2019.

Commissioner Tidd's role will provide focused leadership to the amalgamation project and replaces the Territorial Commander roles in each territory. Colonel Graeme Rigley was appointed Territorial Chief Secretary in the Australia Southern Territory reporting to the National Commander. The Territorial Chief Secretary has increased responsibility overseeing the day-to-day operations of the Australia Southern Territory throughout the transition process. Further national appointments have also been made and they will work under the direction of the National Commander.

The National Commander, the leadership executive and the Cabinet are responsible for the policy, strategy and stewardship of The Salvation Army.

The National Commander reports to the General of The Salvation Army at International Headquarters, General André Cox. The Salvation Army operates in 128 countries, with International Headquarters located in London. The General oversees the operation of The Salvation Army across the globe, and directs the International (Zonal) Secretaries responsible for the administrative and strategic function of the region (broken up into South Asia, Africa, Americas and Caribbean, Europe, and South Pacific and East Asia). International Headquarters is responsible for crafting the strategic direction, ideas and policies, as well as helping to allocate resources.







## A message from the National Commanders

**Since June 2016, The Salvation Army in Australia has been on a journey to unite as one Army.**

For a large part of the 135 years that the Army has operated in Australia, the movement has been administered by two territories. Coming together as one is a milestone moment and an unprecedented opportunity to deliver an aligned vision, a united voice, increased innovation, stronger partnerships, better stewardship and greater impact for The Salvation Army throughout the nation.

We are pleased to report substantial and positive progress on the activities of the *Australia One* project—the project specially devised to align and unite the two existing territories. Right now we stand at an exciting juncture in the journey of *Australia One* as we mobilise our national vision, implement a fresh strategy and embed new governance frameworks so that ultimately we are transforming even more Australian lives through the Army's work in the future.

We recognise and celebrate the unique, immense and passionate expression of service from officers, employees and volunteers as they continue to contribute to transforming Australia one life at a time. The Salvation Army is blessed to have such gifted leaders and employees to walk alongside others. We also pay tribute to the faithful and loyal supporters of the Army and our partners in ministry and mission. Without you it would be impossible to achieve the impact we have on hundreds of thousands of Australian lives, and for that we thank you.

As you will read in the following pages of this report, the stories of transformation, the stories of hope, the stories of 'loving thy neighbour' are interlinked by one common theme: walking alongside others. This is central to our national vision for Australia and being a Christian movement: to live, love and fight alongside others to transform Australia one life at a time with the love of Jesus. Throughout The Salvation Army over the past year, this national vision has been articulated and mobilised so that every Salvo captures the vision and future direction as one Army in Australia. As we seek to live out this national vision, we are reminded of our mission and values to be a Christian movement dedicated to sharing the love of Jesus by caring for people, creating faith pathways, building healthy communities, and working for justice.



With both internal and external support, we have made significant progress to align the operations and strategy of each existing territory by 1 January 2019. The infographic on pages 6–7 outlines the achievements of the *Australia One* project throughout this financial year. In addition, we have established a clear, long-term strategy of key directions we will pursue and how we will measure our success. Our national strategy outlines a high-level plan to bring transformation, focus, innovation and accountability, which will be used to inform and direct our social programmes and spiritual life development for Australians. We have also made significant strides to recruit the best and brightest talent from throughout Australia to lead our key business units, alongside our highly skilled and committed officer leaders.

As we move to a more centralised administration model to support local mission delivery, we are excited about how these changes will make our work with vulnerable and disadvantaged Australians more innovative, missional, equitable and forward thinking.

We look forward to partnering and walking alongside you on this new and exciting national endeavour for The Salvation Army in Australia.

May God bless each one of you.

**Commissioners Floyd and Tracey Tidd**  
National Commanders—The Salvation Army Australia



“We are delighted yet humbled by our appointment and are ready to meet the challenge to ensure The Salvation Army strengthens its ability to provide social and spiritual services around the country.”

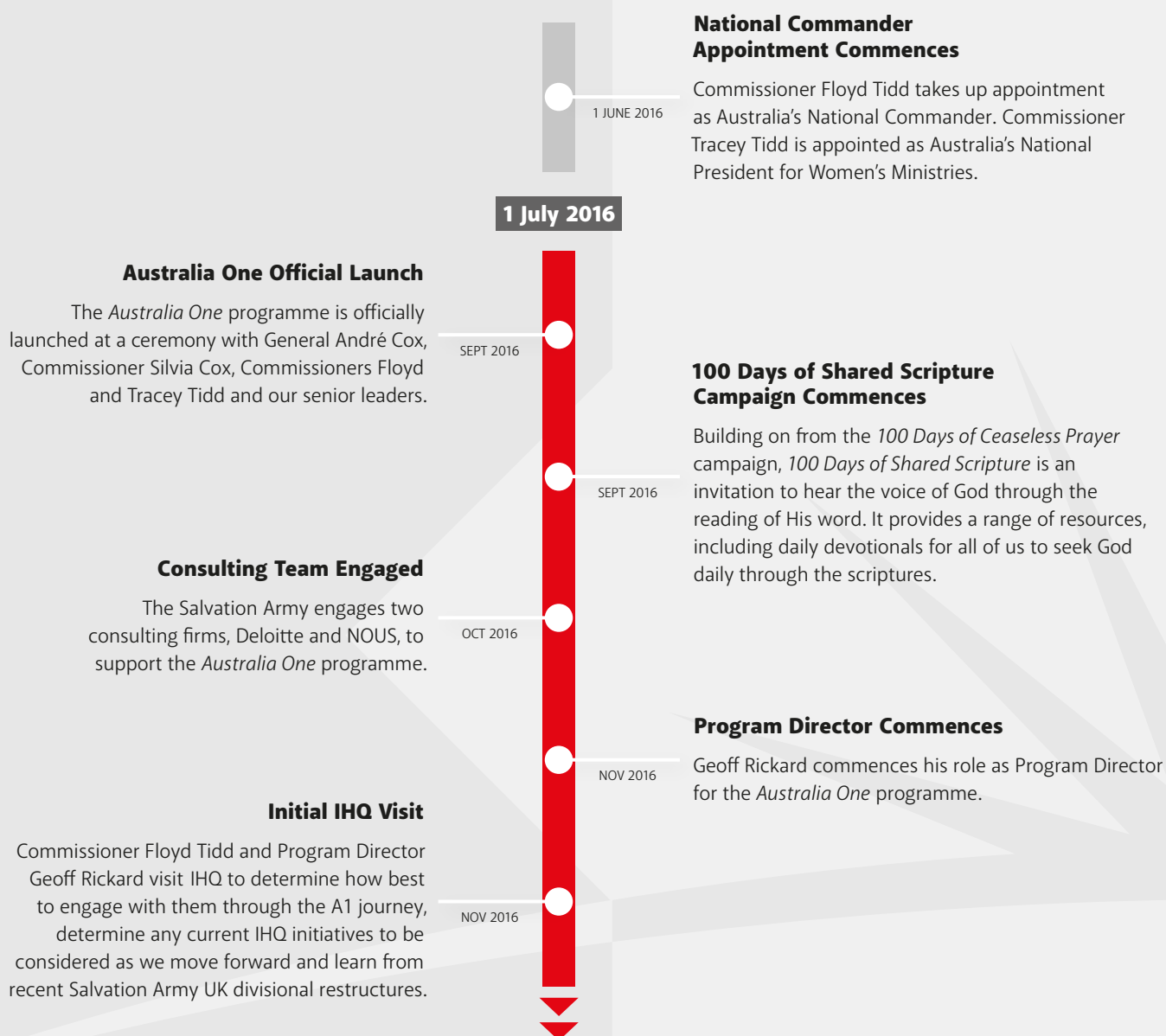
—COMMISSIONERS FLOYD AND TRACEY TIDD



# AUSTRALIA *one*



## A Year in Review





### **Australia Territory Mission and Values Launches**

The Mission and Values for the Australia Territory are launched (*see page 2*). The fundamental mission hasn't changed, rather it's described with words jointly developed by both territories.

### **Others Magazine Launches**

The first issue of *Others* magazine is published, launching a new national publication for The Salvation Army Australia Territory and 'connecting Salvos in Mission'. It replaces the two territorial publications *OnFire* and *Pipeline*, which previously served each territory well.

### **IHQ Presentation**

A presentation is made to IHQ with proposals for vision, governance, operating model, THQ location, Gender Equity Plan and transitional leadership approach. Approval is also given by IHQ to implement a divisional structure comprising six divisions for the Australia Territory.

### **Mission Expression Working Group Established**

The Mission Expression Working Group is established to look at existing Mission Expression (Social) activity types across both territories, find a common language between the territories, and make recommendations for areas of focus moving forward.

### **Mission Delivery Operating Model Implementation Timeline Announced**

The implementation timeline for the Mission Delivery Operating Model is announced. This includes an announcement of the Mission Delivery Working Group.

### **National School for Officer Training Announced**

General André Cox announces Catherine Booth College (renamed Eva Burrows College in September 2017) as the national residential and administrative campus for officer training in Australia.

### **National Leadership Team Expands**

Colonels Mark and Julie Campbell are installed as the National Chief Secretary and National Secretary for Women's Ministries at a ceremony led by Commissioners Floyd and Tracey Tidd.

### **Initial Current State Assessment Completed**

The initial Current State Assessment of the Australia Southern and Australia Eastern Territories is completed, providing important insights and focus for the next steps in the *Australia One* journey.

### **1 May Announcement**

Following approval from IHQ, an announcement is made to the Australia Territory outlining the vision, governance, operating model, THQ location, Gender Equity Plan and transitional leadership approach. This marks a major achievement in the *Australia One* journey as it allows us to move forward to the design phase of the *Australia One* programme.

### **Australia Territory Divisional Reconfiguration Announced**

Following approval from IHQ, the reconfiguration of divisions for The Salvation Army Australia Territory is announced.

### **Mission Delivery Working Group Established**

The Mission Delivery Working Group, chaired by Colonels Mark and Julie Campbell, is established.

**30 June 2017**

## Australia Southern Territory Executive Leadership and Trustees



**Commissioner Floyd J Tidd (T)**  
Length of service: 31 years



**Commissioner Tracey Tidd**  
Length of service: 31 years



**Colonel Graeme L Rigley (T)**  
Length of service: 30 years



**Colonel Karyn Rigley**  
Length of service: 30 years



**Lieut-Colonel Ian Callander (T)**  
Length of service: 40 years



**Lieut-Colonel Vivien Callander (T)**  
Length of service: 40 years



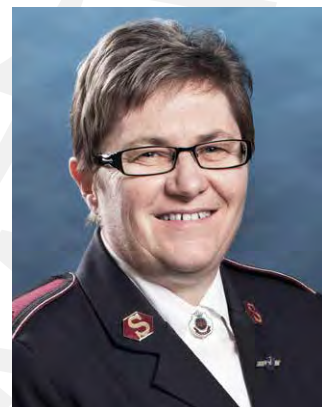
**Lieut-Colonel Kelvin Merrett (T)**  
Length of service: 35 years



**Lieut-Colonel Winsome Merrett (T)**  
Length of service: 31 years



**Lieut-Colonel Bruce Stevens (T)**  
Length of service: 25 years



**Lieut-Colonel Debra Stevens**  
Length of service: 25 years



**Mr Gregory Stowe (T)**  
Length of service: 24 years



**Mr Malcolm Roberts (T)**  
Length of service: 18 years

(T) denotes legal Trustee of  
The Salvation Army Australia  
Southern Territory during  
the financial year 2016/17.

The Cabinet of The Salvation Army Australia Southern Territory comprises senior Salvation Army officers who have been appointed to leadership roles within the organisation. The structure of our Cabinet resembles a board of directors found within other organisations.

Members of the Cabinet are appointed with approval from the General. The Salvation Army uses military-style ranks for officers, who are ordained ministers of The Salvation Army and are appointed across a wide variety of roles within the organisation.

### **National Commander**

#### **Commissioner Floyd J Tidd**

The National Commander is responsible for all aspects of The Salvation Army in the Australia Southern and Eastern Territories and provides spiritual leadership for both territories.

### **National President of Women's Ministries**

#### **Commissioner Tracey Tidd**

The National President of Women's Ministries gives leadership to all aspects of women's ministries; promoting the empowerment and welfare of women within both territories, relating to both church and secular women's groups.

### **Territorial Chief Secretary—AUS**

#### **Colonel Graeme L Rigley**

The Territorial Chief Secretary is delegated executive leadership responsibility by the National Commander and is responsible for the operations of the Southern Territory. The Territorial Chief Secretary is responsible for operational oversight of the Territory, including Territorial Headquarters and line management of divisional and regional headquarters. The Territorial Chief Secretary is the Chairman of the Policy Council, Finance Council and Property Board.

### **Territorial Secretary of Women's Ministries**

#### **Colonel Karyn Rigley**

The Territorial Secretary of Women's Ministries is responsible for leadership to women within divisions, including pastoral support, training and resources and missionary project management.

### **Assistant Chief Secretary (Operations)**

#### **Lieut-Colonel Ian Callander**

### **Assistant Chief Secretary (Administration) and Assistant Territorial Secretary of Women's Ministries**

#### **Lieut-Colonel Vivien Callander**

### **Secretary for Personnel**

#### **Lieut-Colonel Kelvin Merrett**

The Secretary for Personnel is responsible for all aspects of personnel—officers and employees, and oversees the Personnel Department, Human Resources and Leader Development.

### **Secretary for Programme**

#### **Lieut-Colonel Winsome Merrett**

The Secretary for Programme is responsible for corps programme, social programme, Staff Band and Staff Songsters. The Secretary for Programme is also responsible for programme matters relating to The Salvation Army Employment Plus.

### **Secretary for Business Administration**

#### **Lieut-Colonel Bruce Stevens** (until 11 November 2016)

#### **Major Winsome Mason** (M) (*not pictured*) (11 January – 31 July 2017)

The Secretary for Business Administration is responsible for all business matters, including finance, property, audit, information technology services, Salvos Stores, the Geelong Conference Centre, Salvation Army Supplies and business matters relating to The Salvation Army Employment Plus.

### **Territorial Candidates Secretary**

#### **Lieut-Colonel Debra Stevens** (until 11 January 2017)

The Territorial Candidates Secretary is responsible for recruitment of officers across the Territory, including identification, development and assessment.

### **Chief Financial Officer**

#### **Mr Gregory Stowe**

The Chief Financial Officer is responsible for the management of all accounting, finance, budgetary, taxation and investment matters for the Australia Southern Territory.

### **General Counsel**

#### **Mr Malcolm Roberts**

The General Counsel assists in the management of business activities, acts as in-house legal counsel and liaises with external legal advisers.



## Message from the Territorial Chief Secretary

In 2017 The Salvation Army has continued to serve local communities all across Australia and has positively affected the lives of more than a million people.



**Colonel Graeme L Rigley**  
Territorial Chief Secretary

The Salvation Army's visionary co-founder, Catherine Booth, was once quoted as saying, "There is no improving the future without disturbing the present."

Since its beginnings in poverty-stricken East London in the mid 1860s, The Salvation Army has done just that. We see it as our role to 'disturb the present'. We continually innovate in our social programme delivery, tailoring our programmes—even adding more—to address the need that exists and arises in communities. We provide care to people without discrimination and to those society might deem beyond help. We don't shy away from places where others fear to tread. We don't fall into the trap of doing things because 'that's how it's always been done.'

Throughout its history The Salvation Army has aimed to live out Catherine Booth's words. Back then in London, it was looking after the 'least, the last and the lost' who were treated with contempt by society. In Australia, The Salvation Army's early days were spent assisting released prisoners find accommodation and work. Today, The Salvation Army exists to assist all manner of people who are forgotten or marginalised in society whether they be rough sleepers, those suffering addiction or struggling as single parents. We stand by everyone and advocate loudly for anyone experiencing hardship or injustice.

We never forget, however, that it's the time, talents and financial resources given by our generous individual and corporate supporters, volunteers, staff and members that makes The Salvation Army's work possible.

Your time, talents and donations are precious resources and The Salvation Army is committed to being good stewards of all you give us, as seen in the following pages of this report.

In the area of community support services where we provide emergency relief and material aid, The Salvation Army across Australia invested more than \$20 million of internally generated funds to provide more than 486,000 episodes of support. More than \$28 million was invested into homelessness service delivery through a network of 183 Salvation Army homelessness services and more than 26,000 people were beneficiaries of this in the last year.

The *Australia One* project (see information on pages 5–7) will further strengthen our ability to tackle issues affecting vulnerable Australians and make a greater difference in the lives of people in need.

In the year ahead we will continue to be innovative and adapt to local community needs so more people are given the opportunity to transform their lives.

We hope as you read through this report you will gain an understanding of how vital your support is to this transformative work.

Thank you for making it possible.

A handwritten signature in blue ink that reads "Graeme Rigley".

**Colonel Graeme L Rigley**  
Territorial Chief Secretary  
The Salvation Army Australia Southern Territory

## Snapshot of Australia

Despite seemingly prosperous times, Australia's poverty rate remains above the Organisation for Economic Co-operation and Development (OECD) average, according to an Australian Council of Social Service (ACOSS) report released in 2016.<sup>1</sup> The report shows that not only has Australia failed to reduce overall levels of poverty in the last ten years, but that this level is increasing, with more than 2.99 million people currently living below the poverty line.<sup>2</sup>

Sadly, 731,000 children are included in this number. In fact, child poverty in Australia has increased by 2% over the decade since 2004. Of particular concern are children in single parent families—for them, poverty increased from 36.8% to 40.6% in the last two years.

The 2016 ACOSS report also showed that more than 30% of people receiving income support payments live below the poverty line.

The Salvation Army's experience confirms this research. Our annual *National Economic & Social Impact Survey* (ESIS) shows that more than 85% of our clients receive income support payments and still aren't able to maintain an adequate standard of living. Single parents are worst affected when it comes to the cost of living—surviving off just \$14.35 a day.<sup>3</sup>

Affordable housing also remains a serious issue among many of our clients, with 66% of respondents to ESIS indicating that they suffer extreme housing stress and use more than half their income on accommodation. As house prices continue to climb in Australia, The Salvation Army sees the flow-on effect—rent increases are pushing low-income individuals and families into homelessness.

The Salvation Army is the largest provider of homelessness services in Australia. In the past year, more than 26,500 people were assisted through our network of 183 housing and homelessness services.

Sadly, however, more than 105,000 Australians are homeless every night. A 2016 Australian Institute of Health and Welfare (AIHW) report found that women account for 60% of all people seeking assistance through homelessness services in Australia.

Family violence is the main reason women experience homelessness. Over a third of adults and children using homelessness services did so because of violence in the home. The 2016 ESIS found that 37% of women had moved in the last 12 months due to family violence. It is the biggest contributor to ill health and premature death in Australian women aged 15 to 44, and there is also an alarming increase in the number of homeless older women seeking support.

Systemic and ongoing disadvantage diminishes the well-being and hope of individuals and communities. Disadvantage and poverty leads to deprivation, limited capabilities and a lack of opportunities, causing marginalisation for individuals within the community.

The Salvation Army is at the frontline, responding to disadvantage and poverty on a daily basis. We see first-hand their devastating and long-lasting effects. We advocate for a fair and equitable approach to meeting the needs of vulnerable and marginalised Australians and remain committed to responding to human need without discrimination in the year to come.

<sup>1</sup> The OECD defines the poverty rate as the ratio of the number of people (in a given age group) whose income falls below the poverty line; taken as half the median household income of the total population.

<sup>2</sup> Poverty in Australia 2016 report available at <http://www.acoss.org.au/wp-content/uploads/2016/10/Poverty-in-Australia-2016.pdf>

<sup>3</sup> Report available at [salvationarmy.org.au/esis](http://salvationarmy.org.au/esis)

### Victoria



Officers	312
Employees	2,803
Social Centres/Programmes	481
Corps	88
Employment Plus Offices	13
Salvos Stores	107

### South Australia



Officers	60
Employees	645
Social Centres/Programmes	94
Corps	28
Employment Plus (Admin)	1
Salvos Stores	41

### Northern Territory



Officers	12
Employees	195
Social Centres/Programmes	23
Corps	4
Employment Plus Offices	4
Salvos Stores	6

### Western Australia



Officers	60
Employees	724
Social Centres/Programmes	80
Corps	27
Employment Plus Offices	18
Salvos Stores	48

### Tasmania



Officers	27
Employees	350
Social Centres/Programmes	71
Corps	14
Employment Plus Offices	14
Salvos Stores	14



## 2017 Service Highlights

- 749 social programmes/activities.
- 671,382 episodes\* of care across all our social programmes.
- 132,358 episodes of support for people experiencing immediate financial difficulty.
- 260,575 vouchers distributed to people in need.
- 189,851 episodes of emergency and material aid support (including case management).
- 37,892 episodes of specialised financial counselling to assist people in financial crisis.
- 32,961 episodes of care to people experiencing family violence.
- 12,009 people seeking assistance identified as Aboriginal or Torres Strait Islander.
- 61,587 people supported who were homeless or at risk of homelessness (including 10,946 children).

\*An episode refers to a contact on a single day of support

## Our Mission

**The Salvation Army is committed to helping people who lack access to a fair and minimum standard of living by giving them the opportunity to fully participate in society.**

We do this by meeting the initial crisis needs of people, like finding someone a place to sleep, distributing food and necessities, or assisting with payment of a utility bill. Our desire is also to see long-term transformation in people's lives, so we work with them to create changes in circumstances, opportunities and choices that can last a lifetime. We also engage in research, advocate to politicians and articulate the needs of marginalised people often rendered voiceless, so that government policies can be amended or changed.

In Australia we work across a diverse range of social issues, including homelessness, family violence, addiction and recovery, youth services and support for individuals and families in crisis.

As a worldwide evangelical movement, The Salvation Army's work is motivated by our faith and values. As a Christian organisation, our love of Jesus Christ inspires us to care for those in need and we never discriminate based on race, religion, gender or any other personal characteristic. Our values of integrity, compassion, respect, diversity and collaboration are echoed through every expression of our work.



# Our Work

## What We Face

Across the Australia Southern Territory, through the 2016/17 financial year, The Salvation Army provided more than 670,000 episodes of care. That is an increase of 60,000 recorded episodes compared to the previous financial year.

These are sobering figures.

The Salvation Army's assistance encompasses all manner of practical, emotional, spiritual and societal support. Salvation Army services are offered with no judgment or discrimination, and are provided professionally, kindly and warmly.

That interaction with fellow human beings is rendered through numerous programmes, by thousands of employees and hundreds of Salvation Army officers and volunteers.

The Salvation Army's sixth *National Economic & Social Impact Survey* of Salvation Army clients revealed the deteriorating plight of 1,380 Australians and, by association, the lives of 1,495 children and young people. The daily amount of money for those 86% of clients existing solely on government support is \$17 per day. That sum is reduced to \$14.35 per day for single parents—an amount that is markedly, demonstrably, insufficient to meet their daily needs.

Almost half of the clients surveyed (45%) go without meals, and 23% are unable to afford a substantial meal once a day.

Two of every five respondents cannot afford to provide fresh fruit and vegetables for their children on a daily basis, and one in four cannot provide three meals a day for their children.

Dollars and cents, distinct clients and dependants, numbers of visits and measures of assistance rendered, percentages and projections—this kind of information helps The Salvation Army know where best to allocate resources.

Of course, statistics don't tell the whole story; tales abound of human woe, but also of lives salvaged and transformed. These stories are aided by the inspiring support that governments, businesses and donors can and do give to boost The Salvation Army's efforts.



**Netty Horton**  
Territorial Social  
Programme  
Director

The Salvation Army believes in a fair go for all Australians, and does its level best to try to see that come to pass.

Our provision of care is accompanied by The Salvation Army's advocacy on behalf of marginalised Australians, such as opposition to the removal of carbon tax compensation for our clients and resistance to mandatory drug testing of our clients.

As an apolitical organisation, The Salvation Army has numerous personnel engaging with all levels of government. We write submissions and position papers and provide statistical data to governments that highlight the needs of the communities and the people we serve. Salvation Army officers and staff make regular visits to government departments and ministers, and sit on representative advisory bodies and peak bodies.

I invite you to join us in our efforts, through your awareness and support.

# RALPH

a real Salvos worker

**My name is Ralph and for the last ten years I have been involved in a Salvation Army programme that provides support for at-risk young people.**

These young people are aged between 16 and 25 years old and, for a variety of reasons, need a stable place to live, someone to encourage them, to reconnect them with education and also equip them with the skills they need to live a full and independent life.

I also look after a project called *Creating Dreams*, which is an acknowledgement programme for young people to celebrate their achievements. Through this we hope young people will believe themselves capable of producing outstanding results in their lives—often despite tough circumstances.

I'd like to thank all the people who support the Salvos and make it possible for people like me to be a positive influence in the lives of young people.

In the last year, my team and I supported 141 young people experiencing or at risk of homelessness.

I'm inspired each day by the young people we support and the staff I'm surrounded by. It's an amazing feeling to work with like-minded people who strive to offer young people the support they deserve. I want to make a difference in the world, and as a youth worker I have that opportunity.

thankyou





## MISSION IMPERATIVE

### Caring for People

The Salvation Army believes that caring for people is a clear expression of God's love. We're dedicated to being there when people need us most by providing physical, emotional and spiritual support. The Salvation Army extends care to everyone without discrimination and believes even the smallest act of kindness can help transform a life.



### Breakfast Programme, Darwin

A year ago The Salvation Army Darwin started hosting an occasional free breakfast on its patio. As word spread, the crowds grew, and soon they found there was a need to serve breakfast six days a week. Today, up to thirty people attend each day.

Rough sleepers, vulnerable young families and people fleeing family violence are just some of the people who attend. Occasionally it's people who find themselves in a situation where they need some emergency help—like one family whose power had been unexpectedly disconnected for a couple of days.

The breakfast is more than just a hot meal now...it's also a welfare hub. A trained nurse volunteers each morning to attend to any first aid or healthcare issues after it was identified many breakfast-goers had unaddressed health problems.

Lieutenant Kris Halliday from The Salvation Army in Darwin says the breakfast allows them the opportunity to help vulnerable people in more ways than just giving them a hearty meal. "It means we can get more involved in their lives...some people come for food and end up getting help through our addiction, transport and housing services."

### Night Time Safe Space, Melbourne

This year The Salvation Army Project 614 in Melbourne opened *Night Time Safe Space*, operating from their Bourke Street centre. Located in the heart of the CBD, the space is open from 11pm–7am each day. It's one

of the only safe, indoor locations in the CBD for rough sleepers and those without accommodation to go to at night.

Bedding is in the form of donated yoga mats and blankets, and there is access to food, movies, board games, showers and other support services.

At 7am the space closes for cleaning. It is reopened as the *Hamodava Café* at 9am, which provides more than 2,000 meals each week for the vulnerable and homeless. Many of the people who have slept the night stay for the café service to begin.

Major Brendan Nottle from The Salvation Army Project 614 (*pictured above with Night Time Safe Space manager, Trevor*), says first and foremost the space will help keep people alive. "Sadly, last year we had some deaths in the city of people sleeping rough, and this space will get people in from the cold and it's actually safe."

More than that, the space enables the Salvos to help people break the cycle of homelessness.

"We're always looking for opportunities to create housing outcomes for people, so when they're here we chat with them about our housing programmes and also look at other suitable accommodation," says Brendan.

Brendan hopes the space will see a decrease in rough sleepers in the CBD and be somewhere where people can escape the isolation of living on the streets and become part of a community.

For more information visit [salvationarmy.org.au/melbourne614](http://salvationarmy.org.au/melbourne614) or [facebook.com/melbourne614](https://facebook.com/melbourne614)



Clients participate in the *Restorative Lifestyle* programme at *The Beacon* in Perth.



### Martin's Story

After moving to Australia when he was 13, Martin struggled to fit in because of the language barrier.

He eventually found something that made him feel like he belonged—smoking marijuana and drinking alcohol.

Fast-forward a decade and Martin was \$12,000 in debt and stealing from his family to support his ice addiction.

Separate to the drug use, Martin developed arthritis, which made it impossible for him to continue working. Eventually he had to tell his family about his problem. "That was probably the hardest thing I had to do," he says.

He found his way to The Salvation Army's *Bridge House* and then the *Harry Hunter Rehabilitation Centre*. He says the staff at these places were "...some of the most beautiful, forgiving and giving people. I was never judged."

Since graduating from both programmes, Martin has completed a Certificate IV in Community Services and is now enrolled in a diploma.

Today, Martin is a support worker at *The Beacon* and is exactly where he feels he should be.

"I want to change the stigma and humiliation of rehab that once an addict, you're always an addict. Addiction doesn't care who you are or where you come from. No addict should die without a chance at rehab—and a better life.

"The Salvos gave me my life back...and a better one at that."

## The Beacon, Perth

Every day more than 9,595 people in Western Australia are without a place to call home. Our contemporary, state-of-the-art, 102 bed facility in Perth exists to address the serious social issue of homelessness by supporting people affected by it.

*The Beacon* provides shelter, food and safety for homeless individuals and couples. As the name suggests, it also aims to be a beacon of light to each resident's path to lead them out of homelessness and break its vicious cycle.

A multitude of services are available at *The Beacon*, including case management, *Restorative Lifestyle* and *Positive Lifestyle* programmes, on-site health services, clinical psychologists, spiritual support and, of course, housing support.

2017 was a year of major achievements for *The Beacon*, including:

- more than 289 clients assisted over a six month period;
- funding received to open an additional 25 beds for people experiencing homelessness;
- more than 200 clients participated in a new eight week *Restorative Lifestyle* programme, covering topics such as physical, psychological and spiritual wellbeing; and
- each month more than 10 clients exited *The Beacon* with a positive outcome, including no debt, being reunited with family or securing long-term sustainable accommodation.





THE  
SALVATION  
ARMY

61 THE SALVATION ARMY 4  
Plans Hope Future  
PROJECT 614 MELBOURNE



# MATT

a real Salvos worker

**My name is Matt and I've worked for the Salvos for six years coordinating a café that serves around 300 meals a day to people experiencing homelessness and hardship.**

The café is a safe place for people to have a meal or a hot coffee. It's somewhere to find community or just a listening ear, which is sometimes all people want.

I make sure all the meals go out and coordinate all the volunteers who help us. I also look after our customers who sometimes need assistance with clothing, bedding, groceries or housing.

My faith is a strong reason I chose to work for the Salvos. I wanted to live out my faith in action and help those in need.

Thanks to you and our wonderful volunteers we can provide meals and support to people with dignity and respect.

Seeing people's lives transformed and watching people's faces light up over the simplest thing like smiling at them or giving them a cup of coffee is life-changing for me.

thankyou

## MISSION IMPERATIVE

### Creating Faith Pathways

The Salvation Army takes a holistic approach to support and care. Our services and centres are places where people can get answers to spiritual questions or needs they have. All our churches and services are open to anyone and faith is never a factor in providing care and support. However, in everything we do the opportunity to explore faith is always present.



#### Fatemah's Story

Fatemah, her husband Mehdi, and their three children fled Iran in 2010 hoping for a better life. The family boarded a refugee boat that promised to be their passage to a new start. Their boat was intercepted off Christmas Island and they were taken to a refugee detention camp.

Fatemah and Mehdi both developed medical problems and were sent to Darwin for treatment. From Darwin, they were sent to Adelaide, then Perth, then back to Adelaide, where they were eventually able to find their own accommodation and permanent residency.

Their eldest daughter came in contact with The Salvation Army when a *Just Brass* group visited her school to offer music lessons. As a result of the lessons, Fatemah wanted to do something for The Salvation Army. Just over two years ago she became a volunteer at one of the thrift shops, and today she is volunteer manager of *Café Salvo* at a Salvation Army service in Adelaide.

Fatemah, Mehdi and their three children are now regular attenders at the Sunday services.

#### Just Brass

The *Just Brass* programme was started by two Salvation Army attendees who wanted a way to reach out to their local community using the skills they had in common—playing brass instruments.

Five years on, *Just Brass* is now running in 16 different locations and 35 schools across Australia, New Zealand and the UK. Each week the programme provides primary school students with the opportunity to receive individual and group tuition on a brass instrument. Each participant is loaned an instrument, music bag and tuition book, and is given a free weekly individual music lesson.

The programme operates in mainly low socio-economic areas with many of the students involved from difficult family backgrounds.

"It's more than just about music," says *Just Brass* Director John Collinson (pictured below taking a *Just Brass* lesson). "We want to help transform the lives of children, and music is the tool we use to do that."

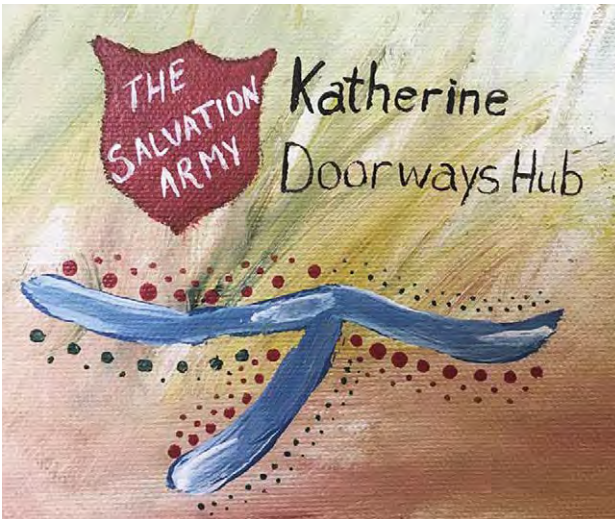
There is an increasing body of research highlighting the value of learning a musical instrument and participating in a music group. Music can improve academic outcomes and contribute to the personal, social and spiritual development of young people.

Parents and teachers report that the self-confidence and self-esteem of the students has soared since joining *Just Brass*.

Each week The Salvation Army transports *Just Brass* students from their schools to Salvation Army buildings for rehearsals, where a nutritious afternoon tea is also provided.

Through *Just Brass*, many children and their families have become involved in the broader range of activities available in most Salvation Army centres such as youth groups, bands, Sunday services and Bible studies.





The Salvation Army in Katherine in the Northern Territory currently operates a morning drop-in centre. Through a recent funding grant, a new service hub has been added to the centre to provide additional facilities and resources like showers, washing machines and access to legal, health and family services.

Katherine's homeless population is more than twice the Northern Territory average. People accessing the drop-in centre are largely homeless and indigenous (about 98%).

Captain Julie Howard from The Salvation Army in Katherine says the new funding will mean better outcomes for people visiting the centre. "For instance, there's currently nowhere for women experiencing homelessness to have a hot shower anywhere in Katherine—it's especially hard when it gets cold here," she says.

When the hub is fully operational, services like Centrelink as well as external family violence and addiction programmes will be able to operate in-house. The Salvation Army has employed a

full-time caseworker and part-time support worker to engage with visitors, take on case management and support people experiencing homelessness to find housing.

Julie estimates around 30 community members from the centre come along to the church services, some more regularly than others. The Salvation Army Katherine also provides Christian resources in the Kriol language for any indigenous visitors.

"Our philosophy is that no matter who comes in to our centre and our church, we care for them," says Julie. She hopes that by giving some dignity to people experiencing homelessness through the services offered, people will be more likely and more confident to attend other church activities.

Since 2014, Julie and her team have had contact with close to 800 people at the centre.

## Hope for All

### Ingle Farm, Adelaide

*Hope for All* are words written large on a sign inside The Salvation Army's Ingle Farm building.

"That's what we provide here," says Salvation Army officer, Captain David Collinson. David and his wife Kylie lead 90 employees and a worshipping congregation of 350 at Ingle Farm.

"People come here because they see what we do through our mission. They're attracted to Jesus when they see that we really do care."

The Ingle Farm building has a main worship centre, meeting rooms, playgroup rooms, a café, counselling offices and a large pantry and store room for emergency relief food supplies. Also connected to the corps is a thrift shop, men's work shed and emergency services vehicles.

Ingle Farm Salvos operates a range of programmes that reach out to the local community, which is one of the lowest socio-economic areas in Adelaide.

A daily café is open to the public, a substantial emergency relief programme provides material aid, financial counselling services are provided on-site and playgroups involving 100 families operate each week alongside a *Just Brass* programme. Ingle Farm also operates shelters for homeless youths. Each shelter houses young people under government guardianship who have been removed from home mostly due to abuse issues.

David is fond of a quote from Salvation Army founder William Booth that underpins what they exist to do. Booth likened The Salvation Army to a bird with two wings. With one wing, The Salvation Army preaches the gospel of Jesus Christ. With the other wing, it meets human need without discrimination. Unless both wings operate at the same time, William Booth said, The Salvation Army bird cannot fly.



### Ingrid's Story

The first time Ingrid walked into Ingle Farm Salvos she was drunk. "I had a bottle of beer in one hand and I was yelling abuse," she says. "The people here would often find me asleep on the front steps on a Sunday morning after

a big night of drinking. But they just accepted me. Some lovely people here took me under their wing."

Ingrid had a difficult childhood. Her father was an alcoholic who died when she was five. Her stepfather was abusive towards Ingrid, and her mother put her into a foster home. In high school she developed behavioural problems and was placed in various institutions. She left school in Year 8 to start work.

After two failed marriages, she developed into a heavy drinker and her children were taken from her. "I came to Ingle Farm Salvos because people here actually tried to help me and they cared about me," says Ingrid.

Ingrid started doing odd jobs for the Salvos and today, she is the food storeroom manager, working at least two days a week. "If it wasn't for this place, I would be dead," she says.



# NORMAN

a real Salvos worker

**My name is Norman and I'm the director of a local Salvation Army community support service.**

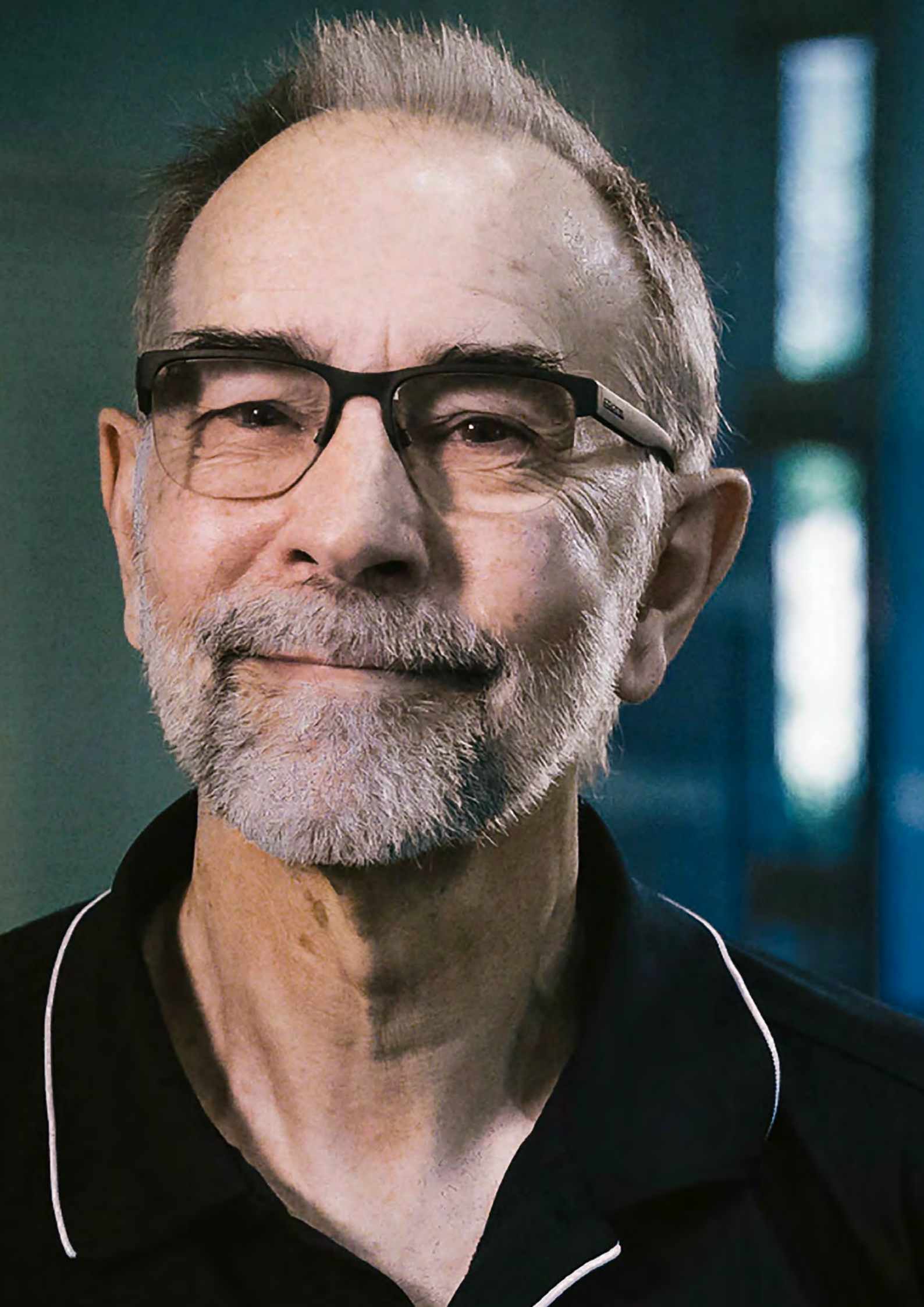
My role is to provide oversight for all the community outreach activities and programmes. I look at how to best respond to community needs and work with other agencies as well to provide tailored services to people in need.

People of all ages, backgrounds and experiences come to us. Our programme covers a wide area of work, such as financial counselling, a positive lifestyle programme for addictions and a *Doorways* programme that provides case management for people with complex needs.

Thanks to you our team can be there for those who are in need of strength and support.

The most rewarding part of my work is seeing the way lives and communities are changed in a positive way as people are able to lead more productive and fulfilling lives.

thankyou

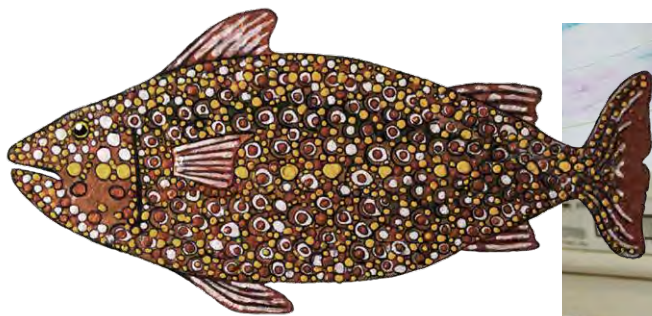




## MISSION IMPERATIVE

### Building Healthy Communities

All Salvation Army social services, churches and programmes are inclusive, welcoming communities where people can feel valued, comfortable and accepted. Many in our country are deeply impacted by isolation and disconnection and an effective early intervention is building a healthy community of belonging. All our services aim to help people become thriving members of their community.



Above: 'Spotted Mud Cod' (detail) artwork by a *Common Ground* client; right: another *Common Ground* client at work in the art studio.



#### Jo's Story

For Jo, the isolation of homelessness was the worst part.

After running away from home at 13, Jo spent years living on and off the street and battling addictions. 35 years in fact, before she found *Common Ground*.

"In retrospect, it was a really sad way to live," says Jo.

At age 46, Jo found herself sharing a room with a friend who also had nowhere to call home. They tried to find housing but found they were overlooked because they had no dependents.

"We even contemplated how we could go to jail because we had a better chance of being housed when released."

Finally, Jo was placed in housing at *Common Ground*. It was there she found an answer to the isolation and was surrounded by a secure, welcoming and stable community.

"You learn a lot from everyone here and you have a community that really cares about you so you can become a positive and constructive person in society.

"If it wasn't for this place, I believe my life would have stayed how it was or I would have just ended up going back to what I knew."



#### Common Ground Social Housing, Hobart

*Delivering secure and supportive housing in a socially mixed environment to end homelessness.*

This is the mission of *Common Ground* social housing service in Hobart run by The Salvation Army. It's here that people experiencing homelessness can gain the stability and skills to lead healthy, positive and independent lives.

Tenants are usually homeless for six months before entering *Common Ground*. As well as providing supportive and affordable housing for people, services that address the tenants' physical, mental and emotional wellbeing are provided like counselling, an art studio, meals and a community garden.

The staff at *Common Ground* support tenants with the aim of helping them achieve their own goals and ultimately independence, so they're ready to work, or reconnect with their family again.

In August this year *Common Ground* was awarded the *Excellence in Social Housing 2017 Award* at the Australasian Housing Institute's Tasmanian awards night.



## LARF Mentoring Programme, Ballarat

A Salvation Army programme in the Victorian country town of Ballarat is helping young people experiencing disadvantage, social isolation and family crisis to remain connected to their community and avoid falling between the gaps.

*LARF*—Life skills, Activities, Relationships, Friendship and Fun—has two groups, one for eight to 12-year-olds, and the other for those aged 12 to 16. Trained volunteer mentors work with each group and are assigned a 'mentee'.

*LARF* groups meet fortnightly on Friday nights to enjoy fun activities, which always includes having a meal together, giving the young people experience in simple food preparation and healthy food choices. Other activities include experiences such as bowling, arts and music or drama nights, sports, games, rock climbing and nights exploring different cultures.

Amber Byvoet coordinates the *LARF* programme and is a passionate believer in its effectiveness to change the lives of young people and communities. "Youth mentoring has been shown to help young people learn more, earn more, have healthier and longer lives, and be more likely to avoid negative influences, which affects whole communities," says Amber.

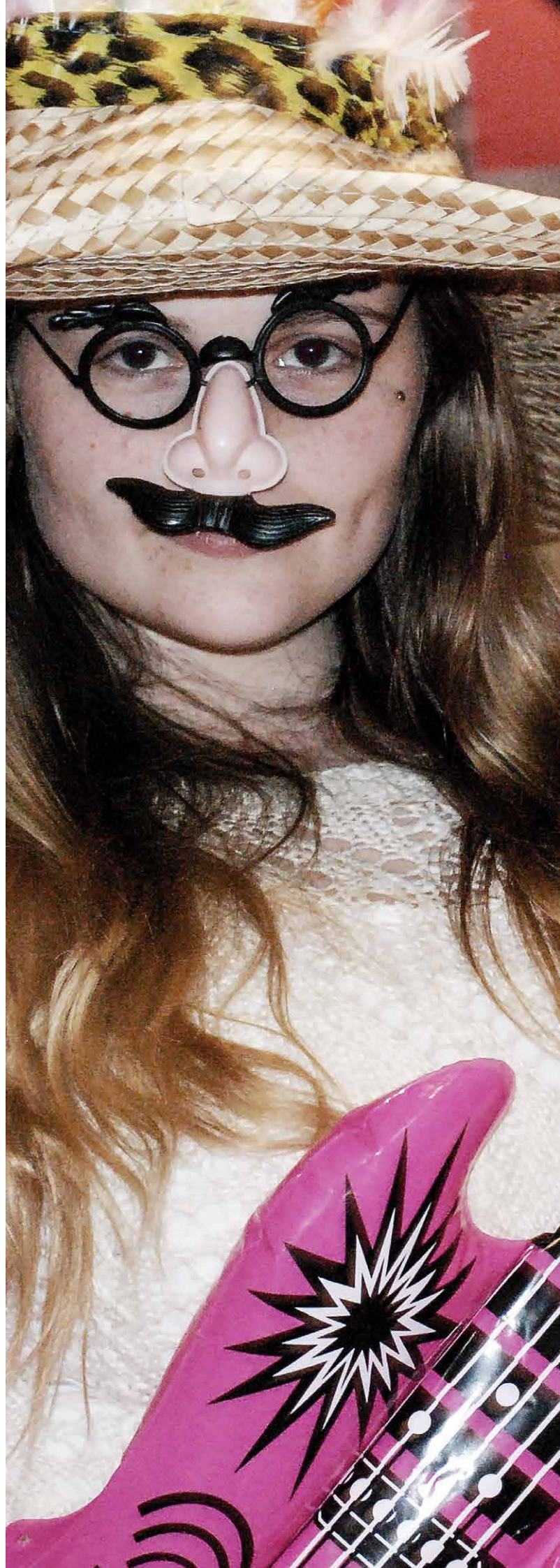
2017 saw a focus on activities to build self-esteem. Activities included an outing to the theatre where mentors and staff modelled appropriate behaviour and sessions of *Parkour* (a training discipline using movement based on military obstacle course training), giving young people a chance to become confident in engaging with their community, rather than feeling isolated from it.

Over time *LARF* has proved itself a major success. It has received continued referrals from local welfare agencies and schools. It has also been the recipient of the City of Ballarat Youth Group Work awards numerous times.

### Jack's Story

Jack has been exposed to family violence and worries that he might use violence to deal with anger. He has had to care for his mother and siblings after violence in their home. He came to the *LARF* programme not wanting to trust the mentors, but gradually came to confide in them and admit that he often didn't feel safe at school. As he began to feel supported by trusted adults, he engaged with the *LARF* activities and accessed support to deal with his feelings. He discovered a natural affinity for the *Parkour* programme, and funding was found to allow him to participate in *Parkour* on a weekly basis, and meet a whole new group of like-minded people. Jack has learned to manage his feelings of anger, sadness and loneliness, and has had a chance to simply be a kid rather than a protector.

(Reproduced with the permission of *Warcry* magazine.)







Stock photo—  
models are not  
associated with  
any case study.



# Employment Plus

The Salvation Army Employment Plus (EPlus) is one of Australia's largest government-funded employment services providing job seekers access to specialised training, work experience and a range of support services.

This year EPlus placed more than 20,000 people into jobs and assisted more than 70,000 people seeking employment.

Of these 70,000 jobseekers:

- 11% were Aboriginal or Torres Strait Islander peoples;
- 21% were young people aged 15–24;
- 15% were mature workers aged over 50;
- 20% of job seekers experience some form of disability; and
- 5% were refugees and/or people seeking asylum.

Some of the main programmes EPlus operates are:

## **jobactive**

Quality employment services are provided to both job seekers and employers free of charge under the Australian Government's *jobactive* programme. EPlus acts as a single point of contact for employers and job seekers to match appropriately trained and skilled job seekers to job vacancies.

## **Transition to Work**

*Transition to Work* (TtW) is a Federal Government initiative assisting young people aged 15–21 to gain ongoing employment or education. Participants include early school leavers or disengaged youths. Training, support and mentoring is provided to them.

EPlus also works closely with other areas of The Salvation Army. Over the past year, this included:

- 2,000 job seekers completing work experience placements with Salvos Stores or Salvation Army thrift shops;
- co-location with selected Salvation Army corps to deliver our TtW youth employment services;
- facilitation of the delivery of accredited training in case management, emergency relief, administering medication, community services and chaplaincy to Salvation Army officers, staff and volunteers through our registered training organisation, *Training Plus*; and
- establishment of a staff volunteer programme enabling EPlus staff around the country to support the work of their local Salvation Army.

## **How a Humble Caravan Builds Skills and Saves Lives**

The handiwork and collective vision of a group of determined EPlus candidates has culminated in a sparkling new mobile home for men's health services.

Under the direction of Envision Employment Services, the *Work for the Dole* participants worked over a period of six months to refurbish an old caravan on behalf of the Men's Shed Association of Victoria.

The team worked tirelessly together to remove all the interior fittings, stripping it down to the sub-frame, reconditioning the frame, rebuilding the inside and finishing off the exterior.

From the 26 candidates that took part in the programme, seven quickly gained full-time employment as a result of the work experience and boost to their résumés.

The primary purpose of the mobile site is to be a home to vital men's health checks and encourage conversations about men's health and wellbeing. The caravan will play a crucial temporary home for Men's Shed sites that are in their establishment phase and waiting for a permanent base for members to meet.





# MELANIE

a real Salvos worker

**My name is Melanie and I've been working for the Salvos for the last ten years as a Family Violence Intensive Case Manager.**

My role is challenging—that's what I love about it—and no two days are ever the same. The women I have worked with are courageous, innovative, warm and usually resourceful. They inspire me. I am dedicated to making even a small difference in their lives.

Like Jen, who opened my eyes to how much strength one woman can have when facing insurmountable odds. At 35, and with two children, Jen had had enough of the abuse and put-downs. In the middle of the night, she snuck out with her children and with only the clothes on her back.

I worked closely with Jen for eight months, supporting her as she eventually moved in to her very own home with her two children. "I do not deserve this support," Jen once said. I replied, "You deserve this and so much more." Together we went on to furnish her new home. Her boys are now happy at a great school and Jen has signed up to do an aged care course.

Thank you for helping  
The Salvation Army support  
women escaping family  
violence, just like Jen.

I have a vision that one day women and men will be equal and there will be no more violence against women.

thankyou



## MISSION IMPERATIVE

### Working for Justice

The Salvation Army has always existed to care for the most marginalised and disempowered people in society. Today we seek to bring about justice for people affected by a wide range of issues. We're not afraid to speak out and highlight the needs of marginalised Australians to government, businesses or the general public. The Salvation Army's calling is to seek a world of justice and equity where every person can lead a life of worth and dignity, and where all can thrive.



### Brendan Walks the Walk

For over a decade The Salvation Army's Major Brendan Nottle has worked with society's most vulnerable people experiencing homelessness for a wide range of reasons from his base at The Salvation Army Project 614 on Bourke St in Melbourne.

He's a man known for going the extra mile—and this year he went a few further.

On 8 September 2017, Brendan commenced a forty-day, 703km walk from Melbourne to Canberra to call for a national and non-partisan plan to end homelessness.

The *Walk the Walk for the Homeless* was born out of Brendan's experience working with people affected by homelessness and a sense of frustration at the increasing number of people sleeping rough. In speaking to others, he realised the increase in homelessness is not unique to Melbourne—but a national crisis that often starts in regional areas and needs to be addressed.

"When people become homeless in the city of Melbourne, their homelessness journey really starts in the suburbs and regional and rural areas," said Brendan.

"I think it is an absolute blight on Australian society that we have not just so many people who are homeless and who are affected by homelessness, but that the numbers are increasing right across the country."

On his walk, Brendan met with local people and groups, heard their stories and raised funds for the Salvo's Bourke Street centre. By the time he reached Canberra, \$120,000 had been raised for The Salvation Army and more than 9,000 signatures collected on a petition to government mirroring his cause.

On Monday 16 October, Brendan finally reached Canberra. He walked the final leg of his journey accompanied by busloads of Melbourne's homeless as well as key federal representatives, including the Hon Bill Shorten MP, Leader of the Opposition, the Hon Alan Tudge MP, Minister for Human Services, the Hon Michael Sukkar, Assistant Minister to the Treasurer, Senator Doug Cameron, Shadow Minister for Housing and Homelessness, and Adam Bandt MP, Federal Member for Melbourne.

National Commander for The Salvation Army Australia, Commissioner Floyd Tidd, addressed the crowd in Canberra and commended Brendan's commitment.

"Brendan, you're an inspiration to The Salvation Army and all Australians. You've challenged us and reminded us that there are steps that can and must be taken by all of us to tackle issues in society," said Commissioner Tidd.

Mr Shorten also spoke, promising Labor would take a national homelessness strategy to the next election.

"I'm really proud of Brendan. This is an amazing thing he is doing. Homelessness is a national crisis that's too often hidden from view and we've got to do more. For your walk to have meaning, it's now on us," said Mr Shorten.

Even though the walk is complete, Brendan is adamant there is still work to be done to put an end to homelessness.

"The walk had to happen because I think that helped draw attention to the issue," he said.

"But I think the really critical work is happening at the moment, and will continue on because most politicians are making some real positive sounds about their willingness to support the idea of a national plan."

Brendan has since met with more than 20 politicians in one-on-one meetings, including Prime Minister Malcolm Turnbull and Mr Shorten.

More than 680 media hits were received over the forty days, with an estimated editorial value of more than \$2.2 million and a reach of 26 million people.



# THE HARD ROAD

## NATIONAL ECONOMIC & SOCIAL IMPACT SURVEY 2017

Each year we survey our clients to understand their daily life experiences and struggles. The results provide us with accurate and first-hand information we can present to government to speak on our clients' behalf and also help to tailor programmes to needs that exist.

This year 1,380 of our clients were surveyed (representing 1,495 children), painting a very bleak picture of what life is like for a huge number of Australians living on the margins.

One of the key findings from ESIS is that single parents are the hardest hit amongst our clients—many are living off just \$14.35 a day.

Other key findings reveal:

- 69% admit getting enough food to eat is a daily challenge;
- 45% regularly go without meals;
- almost half are unable to pay bills, or regularly delay them; and
- 66% live under extreme housing stress (using more than half their income on accommodation expenses).

For households with children aged 17 and under, almost one in five can't afford medical treatments and half can't afford up-to-date school items or pay for children to attend school activities. Two in five Salvation Army clients surveyed said they can't afford fresh fruit and vegetables every day.

Too many Australians are under enormous financial pressure and having to make daily decisions about which basic necessity they will go without... "Should I pay the rent or buy food for my family?" That's not a choice any Australian should be faced with, but that's reality for many of our clients.

Read the full report at [salvationarmy.org.au/esis](http://salvationarmy.org.au/esis)

### Top three challenges

Being able to afford enough <b>food</b> to eat	<b>69%</b>
Managing their <b>mental health</b> and <b>emotional wellbeing</b>	<b>43%</b>
Managing <b>financial stress</b> /difficulties	<b>36%</b>

### Housing and homelessness

**\$200** per week on accommodation—more than half disposable income

**\$17.14** per day\* for income support recipients to live on

**\$14.35** per day\* for single parent income support recipients to live on

\*Equivalised disposable income

### Financial hardship

Cut down on <b>basic necessities</b>	<b>56%</b>
<b>Borrowed money</b> from family/friends	<b>54%</b>
<b>Sold goods</b> to pawn brokers	<b>31%</b>

### Insecure housing

**44%** of respondents moved, on average, at least three times in 12 months

**23%** moved house mainly due to family violence



# International Focus

It's a sad reality that human need and suffering continue to blight our world today.

There can be no stronger need for The Salvation Army to be totally mobilised in its commitment and response to suffering people and communities as there is now.



In June 2017 Lieutenants Darina and Roman Farkašovi were commissioned as the first ever Slovakian Salvation Army officers, marking an exciting venture in spreading The Salvation Army's work across the world.

We are committed to upholding justice and serving the poor and marginalised and sharing God's love in practical ways. The Salvation Army continues to be one of the largest and furthest-reaching Christian welfare organisations in the world that does this. Our presence and impact is as wide and diverse (Finland to Korea to Tanzania) as our service delivery (homeless shelters to refugee support to disaster and emergency relief).

This year The Salvation Army worldwide responded to emergencies in places like Texas, Sri Lanka, New Zealand, Nepal, Kenya, Peru, Mozambique, Australia and Bangladesh. Support was also provided to people in the wake of terror attacks in London and Manchester.

In 2017 The Salvation Army worldwide:

- provided assistance in 128 countries;
- reunited 3,000 missing family members through family tracing services;
- administered emergency disaster relief and disaster rehabilitation schemes to 453,490 people;
- visited and assisted 282,315 prisoners in prison and upon discharge;
- operated 1,443 residential homelessness accommodation programmes;
- provided alcohol and drug rehabilitation pathways in 333 locations; and
- ran 440 health services, including hospitals, health education programmes and mobile clinics.



## Hurricane Harvey, Texas

On 26 August 2017, the strongest storm and hurricane to hit the United States in more than 13 years, caused torrential rain, catastrophic flooding and severe damage to Houston and other areas of Texas. Tragically, more than 75 people died as a result of the disaster. Over 100,000 homes were affected and more than 43,000 people displaced from their homes.

The Salvation Army in the USA responded swiftly to Hurricane Harvey providing emotional, physical and spiritual support.

Just over a week after the hurricane made landfall, Salvation Army workers had distributed 200,657 meals, 172,200 drinks, 132,709 snacks and 4,018 food boxes.

Thousands of items of clothing, blankets, cases of drinking water and infant supplies were distributed as necessary, along with clean-up and comfort kits. More than a hundred mobile feeding units were deployed.

For weeks there was no easing in the number of people requiring The Salvation Army's help. Each day around 22,000 people were recipients of The Salvation Army's assistance, which involved delivering food supplies to people whose houses were only accessible by boat.

Staff and volunteers also provided iPads and tablets at feeding units to help residents apply for financial assistance. Recognising the trauma experienced by survivors, emotional and spiritual care has been provided to nearly 8,000 individuals, and this support will continue long-term.





# Our People

Our team of dedicated and specialist human resources and work health and safety personnel have been strengthened in the last year as we seek to continually improve our services. We are currently assisting the organisation to transition into a national entity.

The Human Resources department actively supports The Salvation Army's mission goals by providing strategic and operational advice, assistance and support.

## 2016/17 HR Highlights

### Key highlights for HR in 2016/17 include:

- roll-out of a new reporting programme to assist managers in their day-to-day responsibilities;
- increased emphasis on partnering with business units to ensure HR participates in and informs decision making; and
- continued work on developing and improving our policies, procedures and toolkit in collaboration with our managers to ensure we have the best fit-for-purpose tools available.

### Key highlights for Work Health & Safety include:

- implementation of psychological risk profiling and resilience training;
- development of eLearning modules to enable improved WHS induction, including manual handling;
- focus on minimising manual handling risk in retail areas; and
- continued focus on improving claim management and positive return to work outcomes.

## Our Workforce

The Salvation Army Australia Southern Territory has a workforce consisting of:

	Officers	Employees
Territorial Headquarters*	99	324
State Social Command	48	1,210
Central Victoria Division	52	214
Eastern Victoria Division	67	118
Western Victoria Division	46	124
South Australia Division	59	417
Western Australia Division	59	382
Tasmania Division	27	244
Northern Territory Region	12	86
Salvos Stores	1	1,161
Employment Plus	1	381
Salvation Army Housing	–	56
<b>Total</b>	<b>471</b>	<b>4,717</b>

\*Includes personnel at Geelong Conference Centre and Eva Burrows College.

The Salvation Army is an equal opportunity employer, fully compliant with Workplace Gender Equality Agency (WGEA) legislative requirements. Our employee workforce is made up of:

Status	Women		Men		Total
	#	%	#	%	
Full-Time*	1,643	32	959	18	<b>2,602</b>
Part-Time	1,230	24	371	7	<b>1,601</b>
Casual	685	13	300	6	<b>985</b>
<b>Total</b>	<b>3,558</b>	<b>69</b>	<b>1,630</b>	<b>31</b>	<b>5,188</b>

\*Includes officer numbers and short-term contractors.



# CAITLIN

a real Salvos volunteer

**My name is Caitlin and I've been a volunteer with  
The Salvation Army for as long as I can remember.**

It's a pretty amazing opportunity to witness the generosity of others.

My favourite part of volunteering is hearing the stories of people from all walks of life who have at one point needed the help of the Salvos but are now in a position to support either through making a donation or helping out as a volunteer.

Supporting The Salvation Army is important to me because their services and programmes meet people at their point of need and care for them.

Volunteering is also a meaningful way that I can support my local community and contribute to the running of programmes and services.

Thank you for helping to  
support people in need.

It's so rewarding to be part of something that  
supports people when they really need it.

thankyou





The Salvation Army Red Shield Appeal



Volunteer

The Salvation Army Red Shield Appeal Volunteer

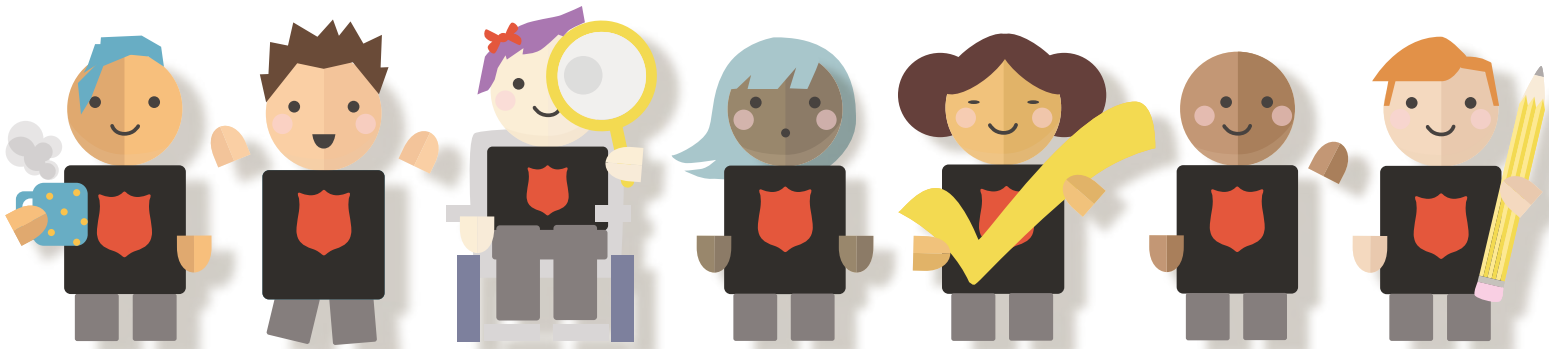
Volunteer



# ARMY OF VOLUNTEERS

If 'it takes a village to raise a child', then consider how many people are needed to nurture the thousands of Australians doing it tough every day.

This is why we are thankful for the more than 15,000 ongoing Salvation Army volunteers across the Southern Territory.



## Volunteer Diversity

Our volunteers truly reflect the diversity of the local community in which they assist, from inner city multicultural centres to remote indigenous communities. We have volunteers across all age groups and personal circumstances, donating their time and skills every day. Many are working, others are retired, studying or looking for work, and all are generously sharing their skills and experience for the greater good.

## Extending our Services through Volunteering

Most of our services would not exist without the loyal dedication of our volunteers. They are at the front line of our community and social services and they extend expertise to all areas of our organisation—from Territorial Headquarters to our warehouses. Because of them, garden and building projects are undertaken, funds are raised, and our thrift shops keep running reliably.

## Volunteer Resources

A prime focus for this year has been to increase the capability of our hundreds of volunteer managers in volunteer involvement best practice. In the last year, this has resulted in a 10% increase in volunteer numbers, in a climate where overall volunteer numbers are decreasing in Australia.

## Highlights for 2016/17

- Collaboration with the Australia Eastern Territory Volunteer Resources team on new initiatives and resources to ensure currency and alignment.
- Volunteer Resources Coordinators recruited in each state to provide support and expertise on volunteer involvement.
- Release of a Volunteer Policy to bring organisational clarity on the term 'volunteer' and related compliance.
- Launch of a dedicated Volunteer Resources website providing resources and information.
- Development and publishing of The Salvation Army Student Placement guidelines.
- Continued delivery of our highly-regarded Volunteer Management Training modules.





## Meet some of our Volunteers

### **Amanda, Emergency Relief Interviewer, Mooroolbark Community Support Service, Victoria**

Alongside her studies in Community Services, Amanda knows the value a lived experience brings to her volunteer role of Emergency Relief Interviewer.

“Nine years ago, I had a really bad car accident that landed me in trouble. It was The Salvation Army who got me through. It’s good to return the favour.”

Remembering the courage it took her to ask for help, Amanda knows how to put those seeking assistance at ease, particularly when it’s the first time they have ever stepped into a Salvation Army centre. Amanda believes clients can sense this about her, which helps with building rapport quickly.

“My end goal is to be a drug and alcohol counsellor. Volunteering is a good pathway.”

“Monday is my favourite day of the week! I go home knowing that I made someone’s day better.”

### **Tey, Assistant Coach, Salvos Hawks Aussie Rules Football Team**

Tey was 10 years old when he took up football. Five years ago, Tey’s depression and anxiety led him to drug abuse. He lost touch with the game and never thought he’d play again.

“The drug abuse really isolated me. I felt very alone. I didn’t have any confidence or self worth.”

But a chance introduction to a Salvos Hawks player led to a significant step in Tey’s recovery. The Salvos Hawks team is managed through a Salvation Army homelessness support service in Victoria and it relies on the support of volunteers who help with umpiring, first aid and other roles.

The benefits of this initiative are invaluable. Tey has undertaken more and more responsibility with the team by volunteering to coach and support the other players. “It’s important for me to pay it forward and support the younger guys coming through—keeps the flames burning.”

Tey is now the Salvos Hawks Assistant Coach and Administrator, training the players and working on tactics.

“I don’t think I could have pictured myself this way five years ago. I would not have thought this was possible. It’s a part of my life, I really enjoy it. No plans to stop!”





# Our Partners

**Partnerships are critical to the delivery of Salvation Army services and fulfilment of the mission intentions of the organisation.**

All levels of government, corporate entities that provide professional services and financial support, and individuals and groups that provide funding are considered to be partners of The Salvation Army.

Together these various groups enable The Salvation Army to extend its work into all areas of the Australian community.

## Government Funding

Funding from federal and state governments is critical to the operation of Salvation Army services and programmes across the Australia Southern Territory. The Salvation Army will continue to seek funding support from all levels of government in order to continue to deliver services and provide positive outcomes for those who seek support.

In all cases The Salvation Army follows a funding process as required by the specific government department, generally taking the form of a standard tender for a specific service, centre or programme. In many cases funding coming from government is renewed from the previous year for ongoing work. Funding from governmental bodies is granted for the rendering of services and for capital work. The following table provides an indication as to the level of government funding received for the past five years:

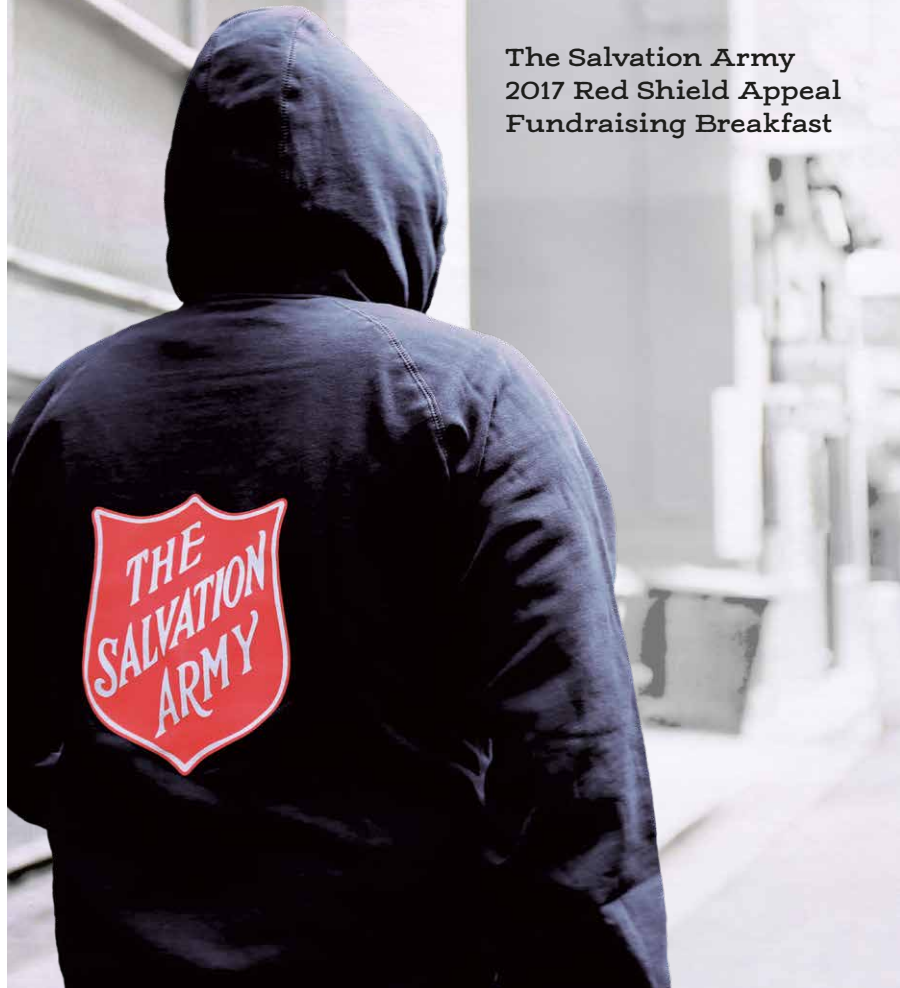
Government Grants	2016/17 \$'000	2015/16 \$'000	2014/15 \$'000	2013/14 \$'000	2012/13 \$'000
Rendering of Services	152,308	148,074	145,985	136,047	128,072
Fee for Service	43,323	33,779	41,262	34,713	34,170
Capital	19,668	121	2,483	5,059	7,255
<b>Total</b>	<b>215,299</b>	<b>181,974</b>	<b>189,730</b>	<b>175,819</b>	<b>169,497</b>

Individually audited accounts are prepared for the centre, service or programme in question and provide the annual report as the central means for reporting to government departments.

# on the street

with the salvos

The Salvation Army  
2017 Red Shield Appeal  
Fundraising Breakfast



*On the Street with the Salvos* was the theme for the Red Shield Appeal Fundraising Breakfast events around the Territory during May 2017.

## Public Fundraising

Donations made to The Salvation Army are generally made to the Red Shield Appeal, which is the main fundraising appeal running throughout the year. The Red Shield Appeal provides the central stream of funding for social programmes and services.

The Christmas Appeal is an extension of the Red Shield Appeal. *Salvos Crisis Partners* is a pledge-giving programme where regular donations are made to the Red Shield Appeal. The Salvation Army also has a Child Sponsorship programme where individuals can support children and communities in need overseas. In response to international disasters like Hurricane Harvey, The Salvation Army has the capacity to conduct international aid appeals. There is also an active bequests programme for supporters who wish to leave a legacy to The Salvation Army in their will.

The Salvation Army Australia Southern Territory aims to communicate in a clear and transparent manner with all donors and members of the general public. Public complaints received are directed to the Territorial Public Relations Department with the objective of being resolved at this level. Regular communication with leadership ensures Cabinet members are aware of issues as they arise.

Donor enquiries and complaints are directed to the Donor Care Services team located at Territorial Headquarters as the first stage of this process. The Territorial Fundraising and Marketing Director is ultimately responsible for the resolution of donor complaints. A dedicated telephone number and email address where complaints and feedback from donors can be directed are also available.

## Operational Partners

Several organisations provide The Salvation Army Australia Southern Territory with professional services that are important to the operations of the organisation. Westpac is the banking partner of The Salvation Army and also supports the Red Shield Appeal by receiving collections from the doorknock. KPMG is the territorial auditing partner and they have audited the Social Fund financial statements that form part of this report. In order to ensure legal obligations are met, the organisation seeks relevant legal advice for the state or territory in question. The following solicitors assist in the relevant state or territory:

### *General Legal Advisors*

Northern Territory—HWL Ebsworth  
Victoria—E P Johnson & Davies  
Western Australia—Herbert Smith Freehills  
South Australia—Minter Ellison  
Tasmania—Murdoch Clarke

### *Specialist Legal Advisors*

Kershaw Legal  
Clayton Utz  
Davies Collison Cave  
Marsh and Maher  
Nevett Ford  
Salvos Legal  
Lynch Meyer  
Minter Ellison  
K&L Gates

# Community

Without the generous support of individual donors, corporate partners, the Australian public and all levels of government, The Salvation Army would not be properly equipped to respond to the needs of more than one million Australians every year.

The Salvation Army enjoys relationships with many businesses who share in our vision, passion and work.

Relationships and engagement with organisations, however, go beyond those mentioned in this section. A list of acknowledgements is included on the last page of this report.

As The Salvation Army is a not-for-profit organisation, it does not have shareholders. This principle necessitates regular and timely disclosure of relevant information about The Salvation Army to its stakeholders through electronic avenues and other means. The annual report is one such mode of communication and is made available for public viewing online. The Salvation Army's territorial homepage ([salvationarmy.org.au](http://salvationarmy.org.au)) is regularly updated, and the weekly national publication *Warcry* and monthly national publication *Others* both seek to expressly inform the organisation's members of events and updates occurring within The Salvation Army Australia Southern Territory.

## Corporate Community

### Kmart

It was a Kmart team member in Adelaide who first raised the idea that Kmart Australia could use its network of stores as gift collection points to help those less fortunate at Christmas. That team member was Eve (pictured right with Lieutenant Sean Mapleback and Major Katrina Potter) who still works for Kmart, more than thirty years later.

"One day I saw a Christmas tree being set up in the local mall for people to donate food. I thought, 'Why can't Kmart do something like that and collect gifts and presents?' It's a simple idea but I think it's one a lot of people can relate to because everyone goes through hard times," says Eve.

2016 was the 29th year of the *Kmart Wishing Tree Appeal* and more than 342,997 gifts were donated, which The Salvation Army then distributed to families in need across the country. Kmart Australia and their customers also generously raised more than \$240,000.

With more than 2.9 million people living in poverty in Australia, gifts given to the *Kmart Wishing Tree Appeal* help to support children, adults, seniors and families who are unable to afford gifts at Christmas and beyond.

2017 marks the 30th year of the *Kmart Wishing Tree Appeal*, which has collected more than 8 million gifts in its history. The Salvation Army is thankful the appeal is well supported in local communities and thanks Kmart, its team members and generous Australians for helping to share hope with thousands of people each Christmas.





Wishing Tree Appeal

30  
years



The Salvation Army's social media presence is another means to communicate and engage with our members and the public. Our audience on social media—which includes Facebook, Twitter, Instagram, YouTube and LinkedIn—is made up of staff and volunteers, Salvation Army church members, our supporters, the wider Australian community and, very importantly, people seeking assistance from our services.



### Salvos Street Teams Vehicle, Adelaide

This year the South Australian business community came together to supply the Adelaide City Salvos with a purpose-built vehicle to better reach marginalised and vulnerable people.

In September, the Salvos received the keys to a brand new Mercedes-Benz Vito 114 presented by CMV Group Managing Director Paul Crawford on behalf of Mercedes-Benz in Unley, South Australia. Willshire Motor Trimmers were instrumental in the fit-out of the van and The Black Addition supplied the state-of-the-art coffee machine inside the vehicle. The Australian Hotels Association (SA) and Built Environs also significantly contributed to the bringing together of this vehicle.

The vehicle will be seen at key locations in Adelaide such as Victoria Square, Adelaide Railway Station and Hindley Street. It will be a safe place for Adelaide's vulnerable, marginalised and homeless to find food, refreshment, conversation and referrals to more support. The vehicle will help The Salvation Army build stronger relationships with community members and meet their needs.

The Salvation Army in South Australia is sincerely grateful for the support given by individuals and businesses to bring hope to the Adelaide community.

### Myer

In the past year Myer has continued its community investment programme focusing on empowering and supporting women affected by family violence.

In August 2016 Myer launched the *Give Registry*, a collection of essential items women need most when they're starting over after escaping family violence. All registry items have been selected by women who have experienced abuse and understand first-hand the most important items needed to rebuild. Items include kitchen and electrical items, dining and cutlery sets, bed linen, pillows, quilts, towels and underwear.

The *Give Registry* enables customers to choose an essential item from any Myer store to donate to women and their families, and Myer match each donation. All items are given to women and children supported by The Salvation Army's women's refuges.

Myer customers have so far donated goods to the value of \$103,000. This has been matched with goods to the same value by Myer. Together with additional products donated by several of Myer's brand partners, \$291,000 worth of products have been donated. This equates to more than 19 pallets of items distributed across Australia to women and children in need. \$32,000 has also been donated to the programme by Myer customers. This has gone towards providing The Salvation Army's vital family violence services.

One recipient of the *Give Registry* in a Salvation Army women's refuge shared this heartfelt response: *"The items enabled me to move into a place and get started on my new journey. Without them I would be really struggling. Such a beautiful start to end a horrible journey."*

Another recipient shared: *"Having nothing to start with is quite overwhelming, especially having to start over again. Being a recipient of such generosity has humbled me greatly and given me encouragement in this next step."*

In November, the *Give Registry* was recognised at the Ethical Corporation Responsible Business Awards in London, winning the *Best Engagement Campaign of the Year* award.

In addition to this support, the Myer *Spirit of Christmas* CD raised a total of \$141,000 in 2016 for Salvation Army programmes. This year's *Spirit of Christmas* CD will be a compilation of some of the best songs from the last 24 years of the CD.

We thank Myer for their continued partnership and for the more than \$575,000 donated to The Salvation Army in the last year through their various initiatives.

A scene from the Myer *Give Registry* television commercial.







Major Brendan Nottle faces the media just prior to beginning his journey to Canberra for *Walk the Walk for the Homeless*.

## Media Engagement

The Salvation Army interacts with the media regularly to raise awareness of social issues or create and respond to discussion about issues like homelessness, poverty, family violence and drug and alcohol use.

We also seek media coverage to generate donations for fundraising appeals or promote programmes run by The Salvation Army.

During the Red Shield Appeal in the month of May, The Salvation Army received more than 1,000 media hits nationally. Some of this coverage focused on the annual *National Economic & Social Impact Survey*, which has great media interest because of the stark reality it reveals about how marginalised people in our community live. Other Red Shield Appeal coverage focused on the introduction of *payWave* technology to The Salvation Army's Neighbourhood Appeal, which has traditionally only seen volunteers knocking on doors or standing at static points taking cash donations.

In September, Major Brendan Nottle's *Walk the Walk for the Homeless* from Melbourne to Canberra attracted significant media coverage, generating more than \$2 million worth of editorial value.

The Salvation Army is grateful for the media support it receives. It's this exposure that partly enables The Salvation Army to generate awareness of and donations for programmes across Australia.

For media information and news visit [salvationarmy.org.au/news-and-media/](http://salvationarmy.org.au/news-and-media/)

Month 2017	Print/Television/Radio	Dollar Value
January	421	4,433,435
February	259	5,369,411
March	234	3,956,420
April	271	4,381,661
May	575	5,237,157
June	203	1,612,130
July	278	7,213,718
August	361	5,532,639
September	398	3,416,275
October	385	3,774,296

This table gives an indication of media coverage over the past year for the Australia Southern Territory.





# JEREMIAH

a real Salvos worker

**My name is Jeremiah and for eight years I've worked at a service that assists asylum seekers and refugees who have recently arrived in Australia.**

The people we meet are often unable to afford even the basic necessities so we provide support through grocery vouchers, clothing and other household items. We also provide English language classes and mentoring support, which makes a real difference to people adjusting to life here.

I know just how important this support is because eleven years ago I arrived in Australia as a refugee from Sierra Leone.

Thanks to you, we can make an enormous difference in the lives of people seeking asylum and newly arrived refugees.

It's a privilege for me to work with people who have also experienced this and to be able to share some of my practical experiences to help them.

thankyou



# Financial Position

**The overall results for The Salvation Army for 2016/17 have been very good, with the Southern Territory recording an operating surplus before allocations of \$27.1Mn. The overall income for the Territory increased from last year to \$420.8Mn, on the back of the aggregation of the operating results for Salvation Army Housing for the year.**



**Gregory Stowe**  
*Chief Financial Officer*

Qualifications: Bachelor of Business (Dist); FCPA.

Length of service: Mr Stowe has worked in The Salvation Army's finance department for 24 years, with the last 12 years spent as Chief Financial Officer. Prior to commencing with The Salvation Army, Mr Stowe worked in management consulting for a major accounting firm, and various finance/accounting roles in both the public and private sectors.

Responsibilities: Mr Stowe is responsible for the management of all accounting, finance, budgetary, taxation and investment matters for the Australia Southern Territory. He is a legal Trustee of the various State Property Trusts of The Salvation Army Australia Southern Territory and is a member of the Territorial Finance Council, Territorial Property Board, Territorial General Maintenance Board and the Information Technology Portfolio Governance Board.

Salvation Army Housing entered into a new master community commencing 30 September 2016, which sets out updated rights and responsibilities for both the South Australian Housing Trust and Salvation Army Housing in respect of 267 properties in South Australia with a market value of \$70.3Mn as determined by the Valuer-General. Net funding of \$19.2Mn, being the difference between the fair value of minimum lease payments and the market value of properties received from the South Australian Housing Trust under the new agreement, has been included under government capital grants.

The Red Shield Appeal continued to experience significant challenges in meeting its original goals for the year, with an income of \$31.4Mn, excluding specified donations, capital appeals and emergency donations, falling below budget target by \$1.1Mn.

Net investment income once again exceeded budget expectations for the year, helping offset the lower than expected Red Shield Appeal result. The investment portfolio managed by JANA Investment Advisers achieved strong returns for the year. However, The Salvation Army continues to review its investment strategies in consultation with its Investment Committee, in terms of both asset allocation and investment opportunities, as this income stream plays a significant part in funding the operations of The Salvation Army.

Salvos Stores' performance during the year was again exceptional, with its overall cash contribution to the Social Fund exceeding \$19.2Mn. Salvos Stores' total income has increased by 3% since 2015/16, with total sales income up by just over 2% on the previous year.

In 2014/15, the Territorial Finance Council established its Future Fund with the objective to invest some significant one-off revenue opportunities to support the Social and General Funds of The Salvation Army, by achieving percentage return above CPI whilst adopting a relatively conservative risk profile. At 30 June 2017, the Future Fund held \$19.6Mn relating to the Social Fund, and it distributed in excess of \$754K to the Social Fund as its portion of income for the year.

Total operational expenditure for the year (\$393.7Mn) represented an increase of 3.5% on the previous year. Employee expenses showed a net increase of 3.87% compared to 2015/16, reflecting the impact of general salary increases and Equal Remuneration Order increases in the social programme centres.

The 2016/17 financial year has been a watershed year for The Salvation Army in Australia, following the decision to merge the two Australian territories into one national territory by 1 January 2019. Significant work has been carried out during the year in reviewing the organisational structure and governance model, and in preparing the platform for the establishment of new national departments in 2017/18. The intention is to achieve cost savings and efficiencies in bringing together the two territorial headquarters into one national headquarters. The savings reserved and retained in an endowment type fund can then generate an income stream to support the mission



and services of The Salvation Army in future years. The project costs in establishing the new territory will also be recovered from these savings in the first few years.

Finally, on behalf of the Trustees, I wish to express our thanks to the external members of the various advisory boards and committees, in particular those who are members of the Audit, Risk and Compliance Committee and the Investment Committee. Their continued service in providing expertise and knowledge on a pro-bono basis to support the leadership of the Territory in managing its business and financial matters is invaluable.

### Sources of Income

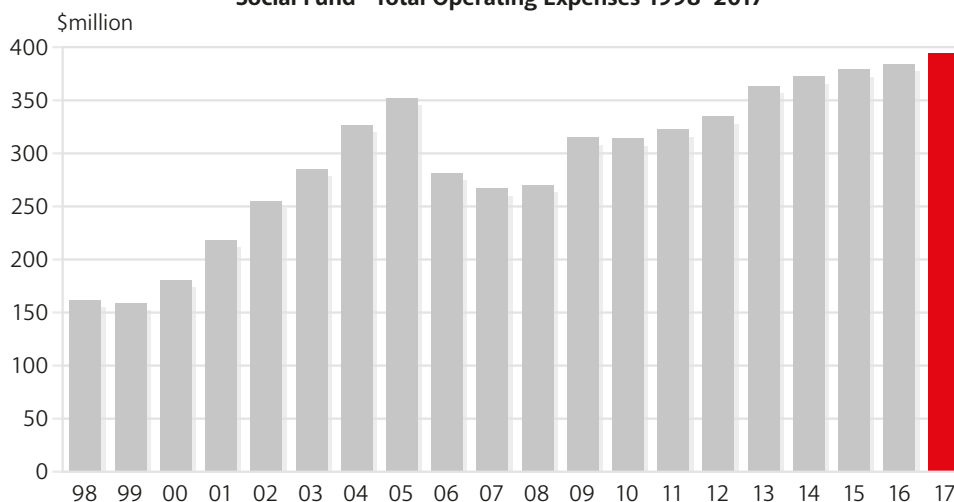
The following table summarises the main sources of income for the social services provided by The Salvation Army in the last financial year:

	2016/17		2015/16	
	\$'000	%	\$'000	%
Government Income	215,299	51.2	181,974	45.7
Trading Revenue	118,975	28.3	116,166	29.2
Residents Contributions	19,232	4.6	19,280	4.8
Red Shield Appeal/ Other Donations	38,877	9.2	39,698	9.9
Investment Income	13,885	3.3	11,502	2.9
Legacies	5,259	1.2	13,501	3.4
Miscellaneous	9,306	2.2	16,707	4.1
<b>Total</b>	<b>420,833</b>	<b>100.0</b>	<b>398,428</b>	<b>100.0</b>

### Expenditure

The Salvation Army recorded an operating expenditure of \$381.0 million on social services delivered by its various social programme centres in 2016/17, compared with \$367.8 million in 2015/16. Net Social Fund expenditure for the 2016/17 financial year reached \$393.7 million (including Red Shield Appeal expenses) after eliminations.

**Social Fund—Total Operating Expenses 1998–2017**



### Capital Investment

There were no major capital development projects commenced or completed in 2016/17.

A number of information technology business projects that commenced in 2015/16 have been placed on hold pending the new national territory. These projects will now be reviewed in light of the operational requirements of the new territory.



## Red Shield Appeal Finance Summary

Just over fifty years ago the Red Shield Appeal was trialled as a way of exploring how The Salvation Army could fund its growing social work in Australia.

Today, our work continues to grow, and the social need of our country is still great...but so is the generosity of the Australian people. The work the Salvos do for the general public is significantly funded by the general public through the Red Shield Appeal.



**David Drysdale**  
Territorial Fundraising and  
Marketing Director

The Salvation Army extends a heartfelt thank you to each and every one of our supporters who contributed towards our work this year and made it possible.

There's no doubt that economic uncertainty is influencing people's capacity to give to charity; this is not an issue unique to The Salvation Army.

The 2017 annual *AustraliaSCAN* survey conducted by Quantum Market Research found that almost one in three Australians had cut back on giving to charity due to uncertain economic times. The survey also found the average Australian's confidence in meeting their own financial needs for the next five years has been on a steady decline since 2012.

Despite this climate, we have a faithful base of supporters who have enabled us to have a transformative impact in the lives of hundreds of thousands of people this year.

We're truly humbled by this support and in our experience we know that many people who have supported the Red Shield Appeal may also be experiencing their own financial stress, yet have still shown generosity to help marginalised people in our community.

The Salvation Army sincerely thanks the individuals, businesses and organisations who gave to the Red Shield Appeal this year.

The move towards a 'cashless society' is also impacting The Salvation Army, especially in the annual Red Shield Neighbourhood Appeal, which sees thousands of volunteers knock on doors or stand at intersections or other static points to collect donations. This year a new national initiative—a first in the charity sector—saw the introduction of 'tap and go' *payWave* technology to provide greater opportunities for the public to make donations. More than 350 terminals were rolled out across Australia as a trial, with 2,343 donations made via this technology. Next year's Red Shield Appeal will likely see the expansion of this initiative.

The funds raised in the Red Shield Appeal this year enabled The Salvation Army to provide 671,382 episodes of care across 700 programmes to help people in need of a helping hand due to challenges like poverty, hunger, addictions, homelessness and family violence.

This is only possible because of you.

Fundraising Results	2017 \$'000	2016 \$'000	Difference %
<b>Red Shield Appeal</b>			
Victoria	20,648	20,920	
South Australia	4,496	4,619	
Western Australia	8,089	8,592	
Tasmania	1,877	2,033	
Northern Territory	487	508	
<b>Total Red Shield Appeal</b>	<b>35,597</b>	<b>36,672</b>	-2.93
<b>Wills and Bequests</b>	<b>22,621</b>	<b>36,789</b>	-38.51
<b>Other miscellaneous donations not through Red Shield Appeal</b>	<b>4,055</b>	<b>4,747</b>	-14.58
<b>Total Fundraising</b>	<b>62,273</b>	<b>78,208</b>	-20.38
<b>Expenses</b>			
Red Shield Appeal	12,080	10,916	
Wills and Bequests	1,048	1,066	
<b>Total Expenses</b>	<b>13,128</b>	<b>11,982</b>	9.56
<b>Fundraising Ratio</b>	<b>21.08%</b>	<b>15.32%</b>	

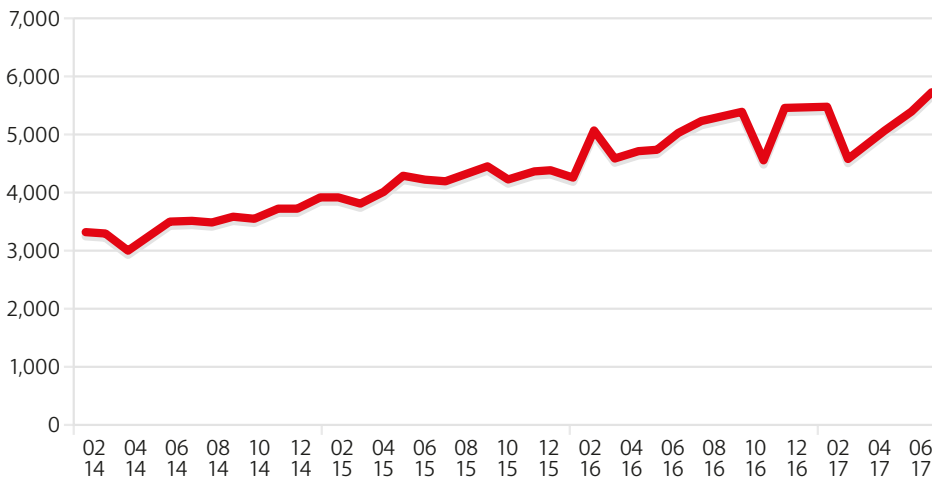


The 2016/17 financial year saw Salvos Stores contribute a record \$23.1 million to directly help the work of The Salvation Army.

This achievement is \$3.4 million ahead of budget for the year. This surplus includes goods to the value of \$2.3 million given away free of charge to people referred to Salvos Stores through Salvation Army community support centres.

The sales growth is attributed to the sustainability of our workforce (including an increasing volunteer base) in addition to the growing number of stores and improving our surplus percentage year on year. Salvos Stores sales grew by 2.9% despite a challenging retail industry year.

Salvos Stores Volunteer Growth Feb 2014 – June 2017



Salvos Stores now operates 216 stores across the Southern Territory plus an active eBay store. Staff numbers remain around 1,150 and we have seen growth in our volunteer numbers to 5,744 during the year, which is an 11% increase on 2016. In addition, 105 volunteers were successfully transitioned into employment with Salvos Stores.







## Investments

The main investment of The Salvation Army Australia Southern Territory is in unlisted units held in managed investment funds, managed by JANA Investment Advisers on behalf of the organisation. Units are held in six different trusts, and the Investment Committee recommends the percentage allocated to each trust, with advice from JANA.

JANA's investment approach is designed to deliver superior long-term returns, and to do so with consistency.

The investment objectives are to:

- have the ability to meet all financial obligations of the Territory when they fall due;
- maintain the purchasing power of the current assets and all future capital contributions by maximising the rate of return on Trust assets;
- achieve and maintain a fully-funded status for all reserves held by the Trust;
- control costs of administering the Trust and managing investments;
- ensure investments are held in securities that can be legally held by churches/charities in Australia and are either quoted on recognised stock exchanges of repute or deposited with financial institutions of high standing; and
- ensure investments are ethically acceptable while remaining economically sound.

Further information regarding the investment policy can be found in the Financial Statements—note 1(e).

Money may be invested—if it is recommended on investment grounds—in enterprises designed to improve the economy of the country concerned or of underdeveloped countries.

Funds are not to be invested in companies that are known to:

- disregard the pollution of the environment;
- produce or sell alcoholic drinks or tobacco products;
- promote gambling in any form;
- manufacture armaments;
- produce or distribute films; or
- promote industry or commerce in a country where participation would be generally unacceptable in the investing country.

Money may be invested in investment trusts, with preference being given (subject to normal commercial prudence) to trusts where the portfolio contains no stocks of companies prohibited under the above list. But in any case, no money shall be invested in trusts where 10% or more of the total portfolio is held in stocks of such prohibited companies.

## Management of Investments

The Salvation Army Australia Southern Territory administers its investments through The Salvation Army (Victoria) Property Trust ('the Trust'), which acts as the legal entity representing each of the individual state/territory property trusts that comprise the Territory.

### Trustees' Responsibilities

- Establish the strategic investment policy for the Trust (asset allocation) and periodically review policy, taking into account any changes in operational and capital requirements and market conditions.
- Select qualified advisory persons and investment managers to advise on and manage the Trust's assets.
- Monitor and review the performance of selected managers to determine the achievement of goals and compliance with policy guidelines.
- Monitor the costs of the investment operations on a quarterly basis.

### Investment Managers' Responsibilities

- Manage the Trust assets under its care, custody and/or control in accordance with objectives and guidelines.
- Exercise proper investment discretion over the assets in their care within guidelines.
- Promptly inform the Trustees and finance staff in writing regarding all changes of a material nature pertaining to the firm's organisation and professional staff.
- If directed, promptly vote all proxies and related actions in a manner consistent with the long-term interests and objectives of the Trust. Each manager designated to vote will keep detailed records of said votes of proxies and related actions, and will comply with all regulatory obligations related thereto.
- Report to the Trustees monthly regarding the status of the portfolio and its performance for various time periods.
- Meet with the Investment Committee and/or finance staff at least annually to report on their performance and compliance with goals and objectives.
- Acknowledge and agree in writing to their fiduciary responsibility to fully comply with the entire investment policy, and as modified in the future.

### Finance Staff Responsibilities

- Manage the overall Trust assets under its care, custody and/or control in accordance with objectives and guidelines.
- Manage the Trust assets that form part of the working capital fund under its care, custody and/or control in accordance with objectives and guidelines.
- Monitor both internally and externally managed assets to ensure compliance with the guidelines.
- Monitor the performance of the Trust's investment portfolio against defined benchmarks, including asset class indices and ethically screened indices.
- Maintain proper detailed records of investment transactions and assets of the Trust in accordance with accepted accounting standards and audit requirements.
- Report to the Trustees monthly regarding the status of the portfolio and its performance for various time periods against goals and objectives.
- Meet with the Investment Committee and Trustees at least annually to report on the performance and compliance with goals and objectives.

### Investment Committee Responsibilities

- Provide independent and unbiased information.
- Assist in the development of the investment policy.
- Monitor compliance with the investment policy.
- Assist in the development of strategic asset allocation targets.
- Assist in the development of performance measurement standards.
- Monitor and evaluate investment manager performance on an ongoing basis.



The implementation of an investment portfolio designed to achieve the goals and objectives of the Trust must be consistent with legislative and common law requirements. The Investment Committee will be responsible for working closely with the Trustees and will make recommendations to the Trustees on investment management.

The Investment Committee will establish specific search procedures, including the specification of minimum criteria for the selection of new qualified investment managers, to implement the strategic asset allocation plan. Among the criteria that will be used for screening purposes will be: assets managed, manager style, track record of staff, communication, fees, risk/reward statistics, etc. All managers must meet the criteria established by the Investment Committee.

The Investment Committee will give equal consideration to minority owned and controlled firms, and firms owned and controlled by women that otherwise meet the criteria established by the Investment Committee.

## Long-Term Financial Performance

The performance of The Salvation Army's investment portfolio in 2016/17 remained solid, resulting in net investment income of \$13.9 million.

	2016/17 \$'000	2015/16 \$'000	2014/15 \$'000	2013/14 \$'000	2012/13 \$'000
Hybrids and Fixed Interest Securities	86,249	66,722	63,115	40,985	44,760
Unlisted Units in Managed Investment Funds	155,637	142,421	140,678	135,049	143,644
Other	495	470	654	857	692
<b>Total Financial Assets</b>	<b>242,381</b>	<b>209,613</b>	<b>204,447</b>	<b>176,891</b>	<b>189,096</b>
<b>Total Investment Income</b>	<b>13,885</b>	<b>11,502</b>	<b>13,480</b>	<b>8,429</b>	<b>8,693</b>
<b>Impairment Expense</b>	<b>-</b>	<b>-</b>	<b>113</b>	<b>-</b>	<b>186</b>

### Five Year Trend—Revenue and Expenses

	2016/17 \$'000	2015/16 \$'000	2014/15 \$'000	2013/14 \$'000	2012/13 \$'000
Total Operating and Other Non-Capital Revenue	400,441	396,208	398,231	359,115	344,676
Total Capital Revenue	20,392	2,220	3,633	7,396	7,499
Total Operating Expenses	(393,749)	(380,432)	(379,053)	(372,288)	(362,350)
Total Allocations to/(from) Capital Funds	(25,980)	(16,287)	(22,187)	160	10,730
Net Surplus/(Deficit) after Allocations (before Net Change in Fair Value of Financial Assets)	1,104	1,709	624	(5,617)	555
Net Change in Fair Value of Financial Assets	2,944	(6,393)	1,165	10,424	11,505
<b>Total Comprehensive Income/(Loss) after Allocations</b>	<b>4,048</b>	<b>(4,684)</b>	<b>1,789</b>	<b>4,807</b>	<b>12,060</b>

The detailed financial statements included as part of this report provides further detail and explanation as to the accounts for the Social Fund.

# Governance

## Governance and Oversight

The Salvation Army endorses the *Principles of Good Corporate Governance and Best Practice Recommendations* developed by the Australian Securities Exchange (ASX) in 2003 and revised in 2007. The Salvation Army—being a not-for-profit organisation—is not required to include a statement of the main corporate governance practices, which is required of listed corporations. However, it is considered appropriate to ensure best practice in reporting by including corporate governance practices in this Trustees' report.

The Salvation Army has its international headquarters in London. At the head of the international Salvation Army is the General of The Salvation Army, who is elected at the High Council.

The Salvation Army has been operating in Australia since 1880. For the business purposes of its Australia Southern Territory, it is incorporated by the following Acts of Parliament:

- *The Salvation Army (Victoria) Property Trust Act 1930;*
- *The Salvation Army (South Australia) Property Trust Act 1931;*
- *The Salvation Army (Western Australia) Property Trust Act 1931;*
- *The Salvation Army (Tasmania) Property Trust Act 1930;* and
- *The Salvation Army (Northern Territory) Property Trust Act 2002.*

The National Commander acts as the representative of the General in The Salvation Army Australia Southern Territory. The National Commander receives a Commission and acknowledges this by signing a bond under legal seal. This document is legally binding upon the parties concerned, and creates a legal relationship between the National Commander and the General of The Salvation Army. From time to time, further particulars affecting that relationship may be set down in a power of attorney issued from the General to the National Commander.



## Trustees

The Salvation Army acts as a trustee of the gifts, grants and contributions received from individuals and bodies (private and governmental). As a result, after meeting its legal obligations, its internal and international financial reports are prepared to meet the needs of donors, contributors, grantors and managements.

It is essential that The Salvation Army meets its obligations to each donor who specifies any particular use to which a gift is to be put. It is a clearly stated principle that the National Commander—on behalf of the General—has control of funds entrusted to him, and is authorised to expend them for the purpose for which they are obtained and no other. This standard of scrupulous stewardship is maintained through the structure of accounting systems and records, and the manner of presentation of accounts.

The Trustees of the respective Property Trusts are required to ensure the assets owned by the Trusts are properly released for the use of The Salvation Army Australia Southern Territory. There is a board meeting of Trustees who authorise these assets to be so used. The Territorial Finance Council and Territorial Property Board make the decisions of The Salvation Army in relation to finance and property matters respectively.

The following persons were Trustees of the various Property Trusts comprising The Salvation Army Australia Southern Territory during the whole of the financial year and to the date of this report:

- Commissioner F J Tidd
- Mr M J Roberts
- Colonel G L Rigley
- Mr G F Stowe

Lieut-Colonel B A Stevens resigned as a Trustee as of 11 January 2017.  
 Lieut-Colonel V E Callander resigned as a Trustee as of 11 January 2017.  
 Lieut-Colonel K L Merrett resigned as a Trustee as of 11 January 2017.  
 Lieut-Colonel I B Callander was appointed as a Trustee on 11 January 2017.  
 Lieut-Colonel W J Merrett was appointed as a Trustee on 11 January 2017.  
 Major W M Mason was appointed as a Trustee on 11 January 2017 and resigned as a Trustee as of 1 August 2017.  
 Colonel M T S Campbell was appointed as a Trustee on 1 August 2017.

The number of Trustees' meetings and number of meetings attended by each of the Trustees during the financial year are listed in the table below.

Trustee	Number of Meetings Eligible to Attend	Number of Meetings Attended
Commissioner F J Tidd*	10	0
Colonel G L Rigley	10	10
Lieut-Colonel V E Callander	5	5
Lieut-Colonel B A Stevens	5	3
Lieut-Colonel K L Merrett	5	5
Lieut-Colonel I B Callander	5	5
Lieut-Colonel M J Merrett	5	5
Major W M Mason	5	5
Mr M J Roberts	10	10
Mr G F Stowe	10	9

\*Whilst remaining a Trustee, due to his appointment as the National Commander and the consequent withdrawal from operational matters within the Australia Southern Territory, Commissioner Tidd did not attend the meetings of the Property Trusts during the year.

## Board Processes

The Territorial Finance Council and other boards, while not relieving the National Commander or any other Salvation Army officer of personal responsibility for the success of the work of The Salvation Army, are established to:

- give strength to decisions taken;
- guard against ill-considered action;
- provide information first-hand from people who are constantly in close personal touch with all aspects of the work; and
- secure counsel and advice on all matters involving the expenditure of The Salvation Army's funds.

The National Commander or Chief Secretary determines the membership of the various boards, with certain board memberships required to be endorsed by International Headquarters. Board members are required to attend meetings regularly and to acquire a broad knowledge and understanding of The Salvation Army's operations and functions. They must be aware of, and conversant with, the statutory, regulatory and policy requirements affecting the operations of The Salvation Army.



## Territorial Finance Council

The Territorial Finance Council (TFC) is the Territory's supreme policy- and decision-making body for the control and management of territorial financial and property resources. The TFC is responsible for approving:

- the territorial budget and any subsequent revisions;
- non-budgeted expenditures;
- capital spending;
- the price at which property is bought and sold;
- grants to divisions and other centres;
- allowances of officers and employees;
- investment of funds;
- transfers to and from reserves and trust funds;
- furniture requisitions for leading officers;
- grants to officers; and
- annual statements of accounts.

The TFC also monitors the performance of the territorial budget, plans future financial strategy (including the raising of money), deals with serious matters arising out of audit reports, considers matters of a confidential nature, and supervises the work of expenditure boards. The TFC meets on a weekly basis.

Membership of the TFC is currently 16, reviewed and approved annually by International Headquarters, one of whom must be the Financial Secretary. (The function of the Financial Secretary is carried out by the Chief Financial Officer in the Australia Southern Territory.) The National Commander presides *ex officio*. In the absence of the National Commander, the Chief Secretary presides. No meeting can be held without one or the other present. Four members form a quorum, which must include the Financial Secretary or his proxy.

The number of TFC meetings held during the year ended 30 June 2017 and the number of meetings attended by each member were as follows:

Member	Meetings Eligible to Attend	Meetings Attended
Commissioner F J Tidd	38	28
Commissioner T L Tidd	38	29
Colonel P R Walker	2	2
Colonel J K Walker	2	0
Colonel G L Rigley	41	28
Colonel K J Rigley	38	26
Lieutenant-Colonel V E Callander	41	31
Lieutenant-Colonel I B Callander	41	28
Lieutenant-Colonel B A Stevens	41	36
Lieutenant-Colonel K L Merrett	38	35
Lieutenant-Colonel W J Merrett	3	3
Major B M Casey	16	14
Major N R Venables	22	15
Major P S Hateley	41	31
Major G Main	41	34
Mr M J Roberts	41	31
Mr D A Sinden	41	37
Mr G F Stowe	41	36
Mr S J Webb	41	35
Mr C Tucker	41	38

## Territorial Policy Council

The Territorial Policy Council (TPC) is the policy-making body for the strategic and mission direction of The Salvation Army. The TPC tables its recommendations on policy matters to the Territorial Finance Council or other appropriate board for approval. It meets on a weekly basis.

Membership comprises the executive leadership of the Territory, with the National Commander presiding. In the absence of the National Commander, the Chief Secretary presides. No meeting can be held without one or the other present.

## Territorial Property Board

The Territorial Property Board (TPB) is the official body authorised to conduct property business, and meets fortnightly. It gives direction regarding property purchases, sales, construction, land acquisition, extensions, renovations, replacements, financing, and also recommends to the Territorial Finance Council any payment of accounts relating to property expenditure above the limit to which divisional and regional expenditure boards may approve.

The TPB's authority must be obtained before alterations, renovations, purchase, sale or lease of property, or other expenditure may take place.

The TPB is chaired by the National Commander, and its membership comprises all seven Trustees of the Australia Southern Territory, and a further eight representatives from various Territorial Headquarters departments.

## General Maintenance Board

The General Maintenance Board (GMB) is responsible for monitoring, recommending and approving in a consistent and efficient manner all expenditure according to the approved budget in the following areas:

- requisitions (including motor vehicles);
- cash requirements for payment of accounts;
- officer health assistance scheme payments; and
- general business matters, including insurance claims.

The chairperson of the GMB is the Secretary for Business Administration, and membership includes the Chief Financial Officer and eight other senior staff members from Territorial Headquarters. The GMB meets weekly, and all minutes of the GMB are tabled at the Territorial Finance Council for ratification.

Similar expenditure boards operate in each of the divisional headquarters within the Territory to monitor, recommend and approve all expenditure within the division in accordance with approved budgets, and within the authority levels prescribed and approved by the Territorial Policy Council.

## Investment Committee

The Salvation Army has established an Investment Committee to provide independent and unbiased advice to territorial leadership on matters relating to the management of investment assets for the Territory. The Committee is comprised of the Trustees and two senior finance department staff members, plus three external advisors who are drawn from relevant professional and commercial sectors of the community, and are responsible for working closely with the Trustees and making recommendations on investment management. The National Commander appoints one of the external advisors as chairperson of the Committee.

The Investment Committee's responsibilities include:

- provision of independent and unbiased information;
- assistance in the development of investment policy and guidelines;
- monitoring compliance with investment policy and guidelines;
- assistance in the development of strategic asset allocation targets;
- assistance in the development of performance measurement standards; and
- monitoring and evaluation of investment manager performance on an ongoing basis.

The Committee currently meets on a quarterly basis during the year.

Current members of the Investment Committee are:

- Mr John Paterson—Independent Non-Executive Director, Australian Foundation Investment Company
- Mr Paul Laband—retired; Independent Director, JCP Investment Partners
- Mr Paul Costello—former CEO, Australian Future Fund
- Mr Greg Stowe—Chief Financial Officer, Australia Southern Territory (Trustee)
- Mr Chris O'Neill—Financial Controller, Australia Southern Territory
- Mr Colin Solomon—Finance Manager, Australia Southern Territory

*In addition, the following persons may attend meetings when available:*

- Commissioner Floyd Tidd—National Commander, Australia (Trustee)
- Colonel Mark Campbell—National Chief Secretary, Australia (Trustee)
- Colonel Graeme Rigley—Territorial Chief Secretary, Australia Southern Territory (Trustee)
- Lieut-Colonel Winsome Merrett—National Assistant Chief Secretary, Australia (Trustee)
- Lieut-Colonel Ian Callander—Assistant Chief Secretary—Operations, Australia Southern Territory (Trustee)
- Mr Malcolm Roberts—General Counsel, Australia Southern Territory (Trustee)

## Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee was established in April 2006. The Committee assists The Salvation Army executive in fulfilling its governance responsibilities, and is responsible for the oversight of:

- financial performance and the financial reporting process, including the annual financial statements;
- the scope of work, performance and independence of internal audit;
- providing advice to management in relation to the engagement of the external auditor;
- the scope of work, performance and independence of the external auditor;
- the operation and implementation of the risk management framework;
- matters of accountability and internal control affecting the operations of The Salvation Army;
- the effectiveness of management information systems and other systems of internal control;
- the acceptability of and correct accounting treatment for and disclosure of significant transactions that are not part of The Salvation Army's normal course of business;
- the sign-off of accounting policies; and
- The Salvation Army's process for monitoring compliance with laws and regulations and its own Code of Conduct and Code of Financial Practice.

In performing its duties, the Committee maintains effective working relationships with the Territorial Finance Council, territorial leadership, relevant heads of departments, and the internal and external auditors.

Membership of the Committee comprises the Secretary for Business Administration and members recruited from outside The Salvation Army. The National Commander, Australia and Territorial Chief Secretary—Australia Southern Territory are *ex officio* members. The Chief Financial Officer and Territorial Auditor attend meetings of the Committee, but are not members of the Committee. The period of service for the external members will be three years with an option to extend for up to a further three years, at the discretion of the National Commander. The chairperson is selected and appointed by the National Commander. The Committee currently meets at least four times during the year.

Current members of the Audit, Risk and Compliance Committee are:

- Ms Jay Bonnington (Chairperson)—Non-Executive Company Director
- Mr Richard Moore—Retired Partner, PricewaterhouseCoopers
- Mr Craig Burke—former Assistant Auditor-General, Financial Audit—Victorian Auditor-General's Office
- Ms Karen Jones—Senior Managing Consultant, Bevington Group
- Ms Jane Bell—Non-Executive Director
- Lieut-Colonel Stuart Evans—National Secretary for Business Support

## Territorial Audit Council

The Territorial Audit Council meets, on average, every two months and considers internal audit reports and associated responses to internal audit reports. The Council consists of Salvation Army officers and senior staff appointed annually by the Chief Secretary. The chairman of the Council is always the Secretary for Business Administration. Three members constitute a quorum and no proxies are permitted.

## Red Shield Appeal Development Council

In 2017, The Salvation Army's annual Red Shield Appeal raised a significant \$35,597,000 in the Australia Southern Territory. This invaluable financial injection into the work of The Salvation Army would be impossible without the significant effort of so many. Thank you to the following members of the Red Shield Appeal Development Council who give their time, influence and expertise to help us raise financial resources:

- Alistair Hill (Chair)
- Margie Reid
- David Williamson
- Wilkin Fon
- Gideon Perrott
- David Drysdale
- Brian Hallett
- Amity Cartwright





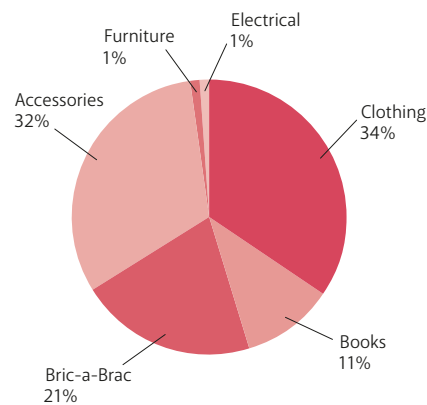
# Sustainability & Environment

## Salvos Stores Sustainability Report 2016/17

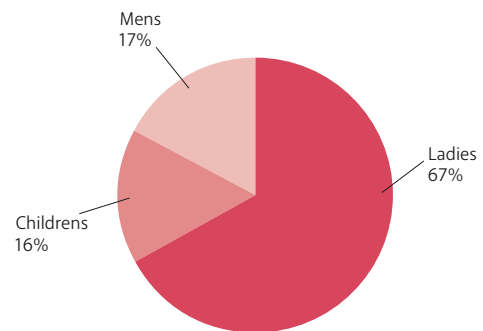
### Salvos Stores—Reuse Philosophy

During the last financial year Salvos Stores reused over 21 million individual items, diverting nearly 20,000 tonnes from landfill. The graphs below highlight the typical mix of items that receive a second chance.

2016/17 Reuse Mix—All Products



2016/17 Reuse Mix—Clothing



### Greenhouse Emissions Remain Stable

Emissions have fallen by 14% year on year despite a dynamic year of growth, including the opening of some new stores and the relocation to larger showrooms for others. Our LED refit programme, which has been running for two years, is displaying signs of success with electricity emissions decreasing by 34%. Similarly, stationery usage reduced by 39% as staff limited their need to print. And finally, continued recycling efforts have resulted in a waste emission decrease of 4%. The following table displays our emission factors for the last four years, which have decreased by 5% since inception.

	2013/14 CO <sub>2</sub> Emissions	2014/15 CO <sub>2</sub> Emissions	2015/16 CO <sub>2</sub> Emissions	2016/17 CO <sub>2</sub> Emissions	CO <sub>2</sub> Emissions Variance 2016/17 and 2015/16	% CO <sub>2</sub> Emissions Variance 2016/17 and 2015/16
Air Travel	97	128	64	92	28.2	44
Electricity	6,902	7,493	7,704	6,629	-1,075	-34
Fleet Travel	1,051	1,054	1,087	1,005	-82	-1
Natural Gas	64	30	6.5	7.4	0.9	13
Stationery Energy	13	14	16	9.7	-6.2	-39
Paper	14	15	16	13.6	-2.8	-17
Synthetic Gases	1	1	1	1	0	0
Taxi Travel	6	0	9	9	-0.1	-1
Waste	11,518	13,151	13,338	12,755	-583	-4
<b>Total</b>	<b>19,665</b>	<b>21,888</b>	<b>22,241</b>	<b>19,029</b>	<b>-3,211</b>	<b>-14</b>

For more information visit [salvosstores.com.au](http://salvosstores.com.au)

# CARMEL

a real Salvos worker

**My name is Carmel and I've worked for the Salvos for five years coordinating a housing programme for people experiencing a wide range of issues.**

Some of the issues our clients present with are homelessness, severe mental health issues, addiction or violence in the home.

I help them access—and sustain—safe and affordable accommodation as well as support them to access rehabilitation programmes, legal assistance or volunteer and training opportunities.

We work with people through their ups and downs, and journey with them for as long as it takes them to get back on their feet.

Thanks to you, my team and I can help transform lives and stop the cycle of homelessness one life at a time.

Working with people with complex homelessness, mental health and addiction issues can be challenging—but I can't imagine how much harder it is for someone to go through that alone.

It's only together we can make a difference.

thankyou





# The Salvation Army Australia Southern Territory Social Fund

## Trustees' Report

### AGGREGATED

# Financial Report

### FOR THE YEAR ENDED 30 JUNE 2017

#### Contents

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#### The Salvation Army Australia Southern Territory

*William Booth*—Founder  
*André Cox*—General  
*Floyd J Tidd*—National Commander

#### International Headquarters

101 Queen Victoria Street, London, EC4V 4EH

#### Australia Southern Territory Headquarters

95–99 Railway Road, Blackburn 3130  
PO Box 479, Blackburn 3130  
Telephone 03 8878 4500  
Fax 03 8878 4819  
salvationarmy.org.au

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 2017, 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 violence programmes;
- community support services;
- chaplaincy programmes;
- addiction, alcohol and other drugs programmes; and
- Salvos Stores.

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

#### Review of Operations

In 2017, the Social Fund's operating result was a surplus after allocations and before net change in fair value of financial assets of \$1,431,000 (2016: surplus of \$1,709,000). Total revenues were \$420,833,000 (2016: \$398,428,000), whilst total operating expenses were \$393,749,000 (2016: \$380,432,000).

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 \$25,653,000 were made to various reserves for specific purposes (2016: \$16,287,000 of net transfers were made to capital projects or set aside in various reserves for future specific purposes).

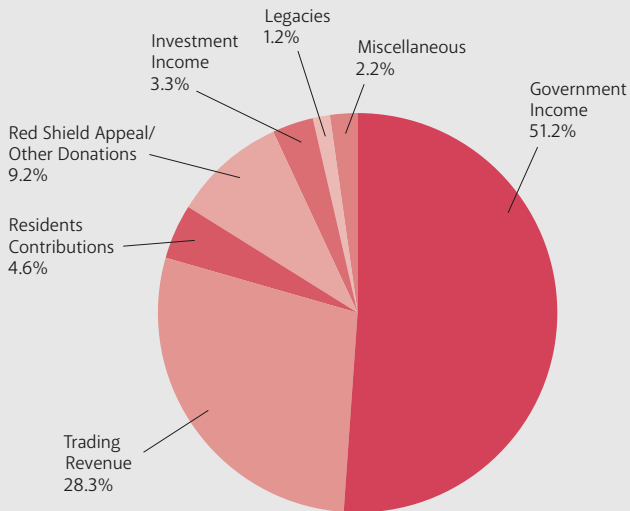
	2017 \$'000	2016 \$'000
Revenue	420,833	398,428
Expenditure	(393,749)	(380,432)
Surplus/(Deficit) before Allocations (before net change in fair value of financial assets)	27,084	17,996
Allocations (to)/from Reserves	(25,980)	(16,287)
Surplus/(Deficit) after Allocations (before net change in fair value of financial assets)	1,104	1,709
Net Change in Fair Value of Financial Assets	2,944	(6,393)
Total Comprehensive Income/(Loss) after Allocations	4,048	(4,684)

# The Salvation Army Australia Southern Territory Social Fund Trustees' Report

The following is a summary of the main sources of income for the Social Fund in 2017.

Sources of Income	2017 \$'000	2016 \$'000
Government Income	215,299	181,974
Trading Revenue (including Salvos Stores income)	118,975	116,166
Residents Contributions	19,232	19,280
Red Shield Appeal/Other Donations	38,877	39,298
Investment Income	13,885	11,502
Legacies	5,259	13,501
Miscellaneous	9,306	16,707
<b>Total Income</b>	<b>420,833</b>	<b>398,428</b>

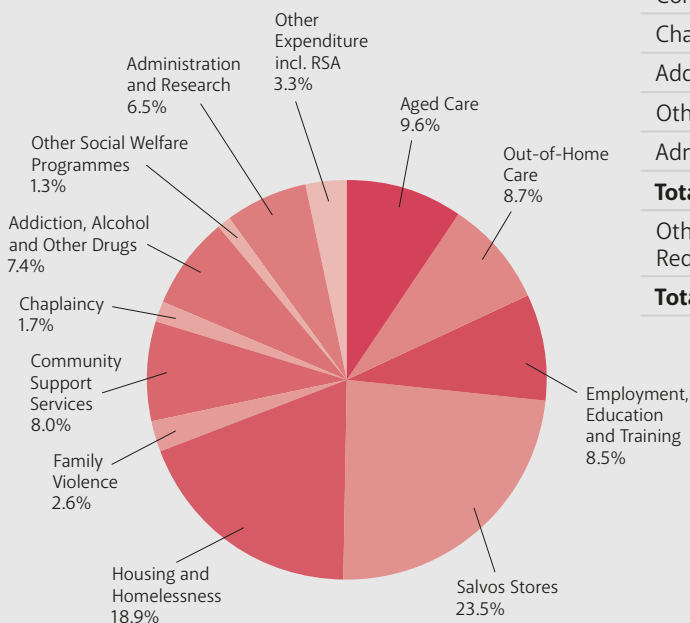
2017 Sources of Income



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 2017.

Social Programme Expenditure	2017 \$'000	2016 \$'000
Aged Care	37,751	36,487
Out-of-Home Care	34,449	31,945
Employment, Education and Training	33,566	37,291
Salvos Stores	92,615	91,419
Housing and Homelessness	74,369	69,164
Family Violence	10,190	7,569
Community Support Services	31,379	32,769
Chaplaincy	6,754	6,972
Addiction, Alcohol and Other Drugs	29,014	26,147
Other Social Welfare Programmes	5,293	4,667
Administration and Research	25,572	23,369
<b>Total Social Programme Expenditure</b>	<b>380,952</b>	<b>367,799</b>
Other Expenditure including Red Shield Appeal	12,797	12,633
<b>Total Expenditure</b>	<b>393,749</b>	<b>380,432</b>

2017 Social Programme Expenditure





# The Salvation Army Australia Southern Territory Social Fund

## Trustees' Report

The 2017 result included the following:

- The Red Shield Appeal recorded income of \$35.6Mn before expenses for the year ended 30 June 2017. Excluding donor designated gifts and capital appeal donations, donation income fell short of budget expectations, being \$1.1Mn below target for the year.
- Legacy income (\$5.3Mn) was received during the year. Legacy income received from one year to the next can fluctuate considerably, given the uncertain nature of this type of income. Apart from those bequests that specified particular programmes or activities for which the funds have been set aside in reserves until able to be used, additional funding was able to be allocated towards the operational costs of the Social Fund, as well as further funds being set aside for future capital expenditure requirements.
- Investment income of \$13.9Mn was received in 2016/17. Investment income for the portfolio managed by JANA Investment Advisers can fluctuate from year to year depending upon realised gains or losses achieved by fund managers within the portfolio.
- Total government funding increased by \$33.3Mn in 2016/17, a net increase of 18.3%. Government grants for social service programmes increased by \$4.2Mn from 2015/16 mainly due to indexation, and fee for service income increased by \$9.5Mn, mainly relating to the *jobactive* and *Transition to Work* programmes for The Salvation Army Employment Plus. Additional capital grants of \$19.5Mn were received in 2016/17, principally due to the recording of net funding of \$19.2Mn relating to Salvation Army Housing (refer below). Total government funding still remains the most significant source of income for The Salvation Army Australia Southern Territory's social programmes, representing 51% of the overall income for the year (2016: 46%).
- Salvation Army Housing entered into a master community agreement—Community Housing Agreement (CHA) commencing 30 September 2016. This new agreement sets out updated rights and responsibilities for both the South Australian Housing Trust and Salvation Army Housing in respect of 267 properties in South Australia with a market value of \$70.3Mn as determined by the Valuer-General. Following review of the intrinsic arrangements under the CHA, Salvation Army Housing is required to recognise both the lease asset (investment properties) and corresponding lease liability in its balance sheet. Net funding of \$19.2Mn, being the difference between the fair value of minimum lease payments of \$51.1Mn (recorded as a liability) and the market value of properties received from the South Australian Housing Trust under the CHA, has been included under government capital grants and subsequently allocated to special purpose reserves in the balance sheet, designated for Salvation Army Housing.
- 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 2017, 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.

### Events Subsequent to Reporting Date

In the opinion of the Trustees, since 30 June 2017, 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.

## 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.

## 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.

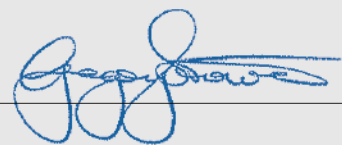
## Auditor

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

Signed in accordance with a resolution of the Trustees:



Mark T S Campbell, Colonel  
National Chief Secretary  
TRUSTEE



Gregory F Stowe  
Chief Financial Officer  
TRUSTEE

Dated at Melbourne this 31st day of October 2017.

## Aggregated Statement of Profit or Loss and Other Comprehensive Income for year ended 30 June 2017

	NOTE	2017 \$'000	2016 \$'000
<b>Revenues and other income</b>			
Revenue from rendering of services	2	<b>214,863</b>	201,133
Other revenues from ordinary activities	2	<b>122,255</b>	118,792
Financing income		<b>13,885</b>	11,502
Legacies income		<b>5,259</b>	13,501
Red Shield Appeal donations	5	<b>35,597</b>	36,672
<b>Total operating revenue</b>		<b>391,859</b>	381,600
Capital revenue:			
Government grants		<b>487</b>	121
Community Housing capital contribution	18(d)	<b>19,181</b>	-
Other income		<b>724</b>	2,099
<b>Total capital revenue</b>		<b>20,392</b>	2,220
Other income		<b>8,582</b>	14,608
<b>Total revenue and other income</b>		<b>420,833</b>	398,428
Employee expenses		<b>(222,721)</b>	(214,420)
Depreciation expenses	10	<b>(11,085)</b>	(10,784)
Computer expenses		<b>(2,722)</b>	(2,534)
Welfare/Jobseeker expenses		<b>(22,307)</b>	(23,077)
Building/Occupancy expenses		<b>(54,516)</b>	(53,233)
Motor Vehicle expenses		<b>(8,007)</b>	(7,957)
Contribution—General/Property Funds	1(n)	<b>(22,297)</b>	(23,750)
Rollover accommodation bond credits	1(h)(i)	<b>(157)</b>	203
Amenities and supplies		<b>(15,030)</b>	(14,827)
Professional fees expenses		<b>(13,705)</b>	(11,742)
Financing expenses	1(t)	<b>(1,811)</b>	-
Other expenses from ordinary activities		<b>(19,391)</b>	(18,311)
<b>Total operating expenses</b>		<b>(393,749)</b>	(380,432)
<b>Operating surplus</b>	18	<b>27,084</b>	17,996
<b>Other comprehensive income</b>			
Net change in fair value of financial assets		<b>2,944</b>	(6,393)
<b>Total comprehensive income for the year</b>		<b>30,028</b>	11,603
Allocations to capital funds	3	<b>(25,980)</b>	(16,287)
<b>Total comprehensive income/(loss) for the year after allocations</b>		<b>4,048</b>	(4,684)

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 72 to 95.



The Salvation Army Australia  
Southern Territory Social Fund

## Aggregated Statement of Financial Position as at 30 June 2017

	NOTE	2017 \$'000	2016 \$'000
<b>CURRENT ASSETS</b>			
Cash	6	12,350	6,863
Receivables and other assets	7	12,194	16,597
Other financial assets	8	54,548	36,332
Inventories	9	1,381	1,315
Land and buildings held for sale		421	215
<b>TOTAL CURRENT ASSETS</b>		<b>80,894</b>	61,322
<b>NON-CURRENT ASSETS</b>			
Receivables and other assets	7	22,194	21,617
Other financial assets	8	187,833	173,281
Property, plant and equipment	10	231,231	239,207
Community Housing property	11	75,276	–
<b>TOTAL NON-CURRENT ASSETS</b>		<b>516,534</b>	434,105
<b>TOTAL ASSETS</b>		<b>597,428</b>	495,427
<b>CURRENT LIABILITIES</b>			
Payables	12	40,542	29,303
Employee benefits	13	23,148	21,495
Provisions	14	4,088	3,965
Finance lease liability	15	882	–
Interest-free loans	16	4,370	2,550
<b>TOTAL CURRENT LIABILITIES</b>		<b>73,030</b>	57,313
<b>NON-CURRENT LIABILITIES</b>			
Employee benefits	13	3,124	2,868
Provisions	14	13,204	12,471
Finance lease liability	15	51,401	–
Interest-free loans	16	16,615	12,750
Special purpose funds	17	110	109
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>84,454</b>	28,198
<b>TOTAL LIABILITIES</b>		<b>157,484</b>	85,511
<b>NET ASSETS</b>		<b>439,944</b>	409,916
<b>CAPITAL FUNDS</b>			
Working capital fund	18(a)	6,193	4,762
Property contributions fund	18(a)	217,330	218,805
Reserves	18(a)	155,610	146,504
Trusts and special purpose funds	18(a)	28,080	9,906
Legacies	18(a)	32,731	29,939
<b>TOTAL CAPITAL FUNDS</b>		<b>439,944</b>	409,916

The Aggregated Statement of Financial Position is to be read in conjunction with the notes to the financial statements set out on pages 72 to 95.

## Aggregated Statement of Cash Flows for the year ended 30 June 2017

	NOTE	2017 \$'000	2016 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts in the course of operations		<b>390,019</b>	373,872
Cash payments in the course of operations		<b>(366,689)</b>	(368,859)
Investment revenue received		<b>13,124</b>	10,939
Capital revenue received		<b>4,582</b>	2,220
<b>Net cash provided by operating activities</b>		<b>41,036</b>	18,172
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Receipts from redemption of investments		<b>8,684</b>	54,400
Payments for investments		<b>(38,835)</b>	(65,958)
Payments for property, plant and equipment		<b>(9,581)</b>	(16,019)
Proceeds from sale of property, plant and equipment		<b>2,478</b>	10,373
<b>Net cash used in investing activities</b>		<b>(37,254)</b>	(15,204)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of borrowings		<b>(200)</b>	(200)
Repayment of finance lease liability		<b>(649)</b>	-
Proceeds from residents' accommodation bonds		<b>5,458</b>	4,818
Repayment of residents' accommodation bonds		<b>(2,904)</b>	(2,038)
<b>Net cash provided by financing activities</b>		<b>1,705</b>	2,580
Net increase in cash held		<b>5,487</b>	3,548
Cash at the beginning of the financial year		<b>6,863</b>	3,315
Cash at the end of the financial year	20	<b>12,350</b>	6,863

The Aggregated Statement of Cash Flows is to be read in conjunction with the notes to the financial statements set out on pages 72 to 95.

## Aggregated Statement of Changes in Capital Funds year ended 30 June 2017

	Working Capital Fund	Property Contribution Fund	Reserves	Trusts and Special Purpose Funds	Legacies	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2015	3,053	219,695	138,102	5,864	31,599	398,313
Operating Surplus before allocations	17,996	–	–	–	–	17,996
Other comprehensive income	–	–	(6,393)	–	–	(6,393)
	21,049	219,695	131,709	5,864	31,599	409,916
Allocations within other capital funds	(16,287)	(890)	14,795	4,042	(1,660)	–
At 30 June 2016	4,762	218,805	146,504	9,906	29,939	409,916
At 1 July 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

The Aggregated Statement of Changes in Capital Funds is to be read in conjunction with the notes to the financial statements set out on pages 72 to 95.



# The Salvation Army Australia Southern Territory Social Fund

## 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 31 October 2017.

#### (a) Statement of compliance

The financial statements are Tier 2 general purpose financial statements that have been prepared in accordance with *Australian Accounting Standards—Reduced Disclosure Requirements* adopted by the Australian Accounting Standards Board (AASB), the *Australian Charities and Not-for-Profit Commission Act (ACNC) 2012* 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 2017 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 consolidated 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.

# The Salvation Army Australia Southern Territory Social Fund

## Notes to the Financial Statements

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

#### (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 works, 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 Aggregated Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. Depreciation commences from the date of acquisition or, in respect of constructed assets, from the time an asset is completed and ready for use. The estimated useful lives in the current and comparative periods are as follows:

▪ Buildings	50 years
▪ Plant and Equipment (excluding motor vehicles)	3 years
▪ Motor Vehicles/Trucks	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

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 and liabilities as subsequently measured at either amortised cost or fair value, depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Investments in equity instruments are classified as equity and hybrid instruments and are subsequently measured at fair value through other comprehensive income.

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 Group becomes a party to the contractual provisions of the instrument.

# The Salvation Army Australia Southern Territory Social Fund

## Notes to the Financial Statements

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

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 Aggregated Statement of Financial Position when, and only when, the Social Fund has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### (ii) Non-derivative financial assets—measurement

##### *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 and accumulated in the fair market investment reserve. The cumulative gain or loss will never be reclassified to profit or loss.

The Social Fund has designated all investments as equity instruments.

There is also no requirement to test equity instruments for impairment with the result that there is no transfer of unrealised impairment losses from the asset revaluation reserve to profit or loss. Dividends earned from such investments are recognised in profit or loss unless the dividends clearly represent a part repayment of the cost of the investment.

Assets classified as fair value through other comprehensive income include unlisted units in managed investment funds and hybrid and fixed interest securities.

##### *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. Assets classified as financial assets measured at amortised cost include cash and cash equivalents, trade and sundry receivables and short-term deposits.

#### (iii) Non-derivative financial liabilities—measurement

##### *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.

#### (f) Measurement of fair values

In preparing these consolidated 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 Salvation Army Australia Southern Territory Social Fund

## Notes to the Financial Statements

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

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 Territorial Finance Council.

#### *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 three-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 three 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 Aggregated Statement of Profit or Loss and Other Comprehensive Income.

Various assumptions have been included in the calculation of the present value of these estimated receivable and payable balances, including 10 year government bond rate of 2.60%pa (2016: 1.98%), decrement rate assumption of 25%pa (2016: 25%), refundable accommodation deposit percentage increase rate of 5%pa (2016: 2.5%), 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.

# The Salvation Army Australia Southern Territory Social Fund

## Notes to the Financial Statements

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

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

Inventory is assessed on a regular basis; 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 investments (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 (ie. 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 Aggregated Statement of Profit or Loss and Other Comprehensive Income as incurred.

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

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

##### *(iii) Long-term service benefits*

The Social Fund's net obligation in respect of long-term service benefits, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to high quality corporate bonds at the reporting date that have maturity dates approximating to the terms of the Social Fund's obligations.

#### (l) Provisions

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

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

#### (m) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST excluded.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Aggregated Statement of Financial Position.

# The Salvation Army Australia Southern Territory Social Fund

## Notes to the Financial Statements

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

Cash flows are included in the Aggregated Statement of Cash Flows on a net 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 'arm's 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 and dividends. Interest income is recognised as it accrues, using the effective interest method.



# The Salvation Army Australia Southern Territory Social Fund

## Notes to the Financial Statements

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

#### *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 that is designated for capital purposes rather than operating activities. This designation is determined either directly by the donor or by the Trustees of the Social Fund. This revenue is fully allocated to reserves and special purpose funds to be used to provide and maintain the infrastructure used by the social programmes of the Social Fund.

#### **(r) Accounting estimates and judgements**

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

#### *Key sources of estimation uncertainty*

Note 24(b) contains information about the provision for care leavers claims, 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 Aggregated Statement of Financial Position.

# The Salvation Army Australia Southern Territory Social Fund

## Notes to the Financial Statements

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

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 Aggregated 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 are 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 2019 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 the extent of their 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.

# The Salvation Army Australia Southern Territory Social Fund

## Notes to the Financial Statements

	NOTE	2017 \$'000	2016 \$'000
<b>2. REVENUE FROM ORDINARY ACTIVITIES</b>			
Revenue from rendering of services:			
Government grants		<b>152,308</b>	148,074
Fee for service—Government Funding		<b>43,323</b>	33,779
Resident contributions and patient fees		<b>19,232</b>	19,280
		<b>214,863</b>	201,133
Other revenue from ordinary activities:			
Revenue from trading and rent		<b>118,975</b>	116,166
Other donations received—other than from the Red Shield Appeal		<b>3,280</b>	2,626
		<b>122,255</b>	118,792
Total revenue from ordinary activities		<b>337,118</b>	319,925
<b>3. ALLOCATIONS TO CAPITAL FUNDS</b>			
Allocations have been made (to)/from the following capital funds, excluding working capital:			
Property contributions fund	18(a)	<b>3,958</b>	4,129
Reserves	18(a)	<b>(7,534)</b>	(5,205)
Trusts and special purpose funds	18(a)	<b>(18,321)</b>	(4,200)
Legacies	18(a)	<b>(4,083)</b>	(11,011)
		<b>(25,980)</b>	(16,287)
		\$	\$
<b>4. AUDITORS' REMUNERATION</b>			
<i>Audit Services</i>			
Auditors of the Social Fund			
KPMG Australia		<b>317,720</b>	300,700
<i>Other Services</i>			
Auditors of the Social Fund			
KPMG Australia		—	—



# The Salvation Army Australia Southern Territory Social Fund

## Notes to the Financial Statements

	NOTE	2017 \$'000	2016 \$'000
<b>5. RED SHIELD APPEAL DONATIONS</b>			
<b>Donations</b>			
Victoria		20,648	20,920
South Australia		4,496	4,619
Western Australia		8,089	8,592
Tasmania		1,877	2,033
Northern Territory		487	508
		<b>35,597</b>	36,672
Less: Expenses		<b>(12,080)</b>	(10,916)
<b>Net Revenue Available for Distribution/Allocations</b>		<b>23,517</b>	25,756
<b>Distribution/Allocations</b>			
Social programme deficits:			
Out-of-home care		802	1,279
Addictions, alcohol and other drugs		3,911	3,549
Family violence		1,354	1,119
Housing and homelessness		6,712	6,144
Community support services		11,025	11,607
Chaplaincy		5,210	5,433
Emergency services		819	786
Other		3,630	2,444
Social services and community programmes total		<b>33,463</b>	32,361
Less: Funding provided outside of Red Shield Appeal—Note 1.		<b>(14,142)</b>	(11,288)
		<b>19,321</b>	21,073
Capital Appeals		100	102
Other Emergency Appeals		105	794
Donor designated gifts		3,991	3,787
<b>Total Distribution/Allocations</b>		<b>23,517</b>	25,756
Note 1. 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. No Red Shield Appeal funds are used to cover care leavers claims.			
<b>6. CASH</b>			
Cash on hand		176	176
Cash at bank		12,174	6,687
	20	<b>12,350</b>	6,863

# The Salvation Army Australia Southern Territory Social Fund

## Notes to the Financial Statements

	NOTE	2017 \$'000	2016 \$'000
<b>7. RECEIVABLES AND OTHER ASSETS</b>			
<b>Current</b>			
Prepayments		996	907
Accommodation Bond Rollovers	1(h)	2,918	3,120
Sundry debtors (including deferred consideration)		8,280	12,570
		<b>12,194</b>	<b>16,597</b>
<b>Non-current</b>			
Accommodation Bond Rollovers	1(h)	17,928	17,506
Sundry debtors (including deferred consideration)		4,266	4,111
		<b>22,194</b>	<b>21,617</b>
<p>The deferred consideration balance relates to the sale of aged care facilities in prior years. As part of the sale agreements, other contingent liabilities exist (refer note 24(a)). The embedded provision for bad debts for both specific losses and collective losses amounts to \$8,000 (2016: \$8,000).</p>			
<b>8. OTHER FINANCIAL ASSETS</b>			
<b>Current</b>			
Short-term deposits		54,548	36,332
<b>Non-current</b>			
Unlisted units in managed investment funds		155,637	142,421
Hybrid and fixed interest securities		31,701	30,390
Other		495	470
		<b>187,833</b>	<b>173,281</b>
		<b>242,381</b>	<b>209,613</b>
<b>9. INVENTORIES</b>			
Raw materials and stores		480	408
Work in progress		9	9
Finished goods		892	898
		<b>1,381</b>	<b>1,315</b>
<b>10. PROPERTY, PLANT AND EQUIPMENT</b>			
<b>Freehold Land and Buildings</b>			
Freehold land at cost		37,810	38,029
Buildings at cost		239,714	239,308
Accumulated depreciation		(60,936)	(56,449)
		<b>178,778</b>	<b>182,859</b>
<b>Total Freehold Land and Buildings</b>		<b>216,588</b>	<b>220,888</b>

# The Salvation Army Australia Southern Territory Social Fund

## Notes to the Financial Statements

	2017 \$'000	2016 \$'000
<b>10. PROPERTY, PLANT AND EQUIPMENT (continued)</b>		
<b>Leasehold Improvements</b>		
At cost	15,372	14,950
Accumulated depreciation	(12,446)	(9,773)
<b>Total Leasehold Improvements</b>	<b>2,926</b>	5,177
<b>Building Schemes in Progress—at cost</b>	<b>1,169</b>	268
<b>Motor Vehicles</b>		
At cost	5,397	5,520
Accumulated depreciation	(3,800)	(4,020)
<b>Total Motor Vehicles</b>	<b>1,597</b>	1,500
<b>Plant and Equipment</b>		
At cost	30,632	30,527
Accumulated depreciation	(21,681)	(19,153)
<b>Total Plant and Equipment</b>	<b>8,951</b>	11,374
<b>Total Property, Plant and Equipment Net Book Value</b>	<b>231,231</b>	239,207
Social Fund freehold land and buildings and leasehold improvements of \$219,514,000 (2016: \$226,065,000) are funded through the Property Contributions Fund (excluding building schemes in progress funding) of \$213,586,000 as at 30 June 2017 (2016: \$217,253,000). The remaining balance is funded from the following sources:		
Interest-free loans	5,700	5,900
Social Fund freehold properties—unfunded	228	2,912
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:		
<b>Freehold Land and Buildings</b>		
Carrying amount at beginning of year	220,888	222,789
Additions (transfers from Building Schemes in Progress—Cost)	1,986	5,835
Transfer to Land and Buildings held for sale	(421)	(215)
Disposals	(1,068)	(2,710)
Depreciation	(4,797)	(4,811)
Carrying amount at end of year	<b>216,588</b>	220,888
<b>Leasehold Improvements</b>		
Carrying amount at beginning of year	5,177	3,166
Additions (transfers from Building Schemes in Progress—Cost)	–	201
Other Additions	380	4,546
Depreciation	(2,631)	(2,736)
Carrying amount at end of year	<b>2,926</b>	5,177



## Notes to the Financial Statements

	2017 \$'000	2016 \$'000
<b>10. PROPERTY, PLANT AND EQUIPMENT (continued)</b>		
<b>Building Schemes in Progress—Cost</b>		
Carrying amount at beginning of year	268	551
Additions	7,959	6,076
Transfers to Investment Property	(4,974)	–
Transfers to Freehold Land and Buildings/Leasehold Property	(1,986)	(6,036)
Transfers to Plant and Equipment	(98)	(323)
	<b>1,169</b>	<b>268</b>
<b>Motor Vehicles</b>		
Carrying amount at beginning of year	1,500	969
Additions	469	820
Disposals	(9)	–
Depreciation	(363)	(289)
	<b>1,597</b>	<b>1,500</b>
<b>Plant and Equipment</b>		
Carrying amount at beginning of year	11,374	9,980
Additions	869	4,342
Depreciation	(3,292)	(2,948)
	<b>8,951</b>	<b>11,374</b>
<b>11. COMMUNITY HOUSING PROPERTY</b>		
Community Housing property	75,276	–
	<b>75,276</b>	<b>–</b>
<b>(a) Reconciliation of carrying amount</b>		
Opening	–	–
Acquisitions	75,276	–
Change in fair value	–	–
Closing balance	<b>75,276</b>	<b>–</b>

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 2017, Community Housing property rentals of \$4.8M were included in other revenues from ordinary activities.

# The Salvation Army Australia Southern Territory Social Fund

## Notes to the Financial Statements

	NOTE	2017 \$'000	2016 \$'000
<b>12. PAYABLES</b>			
<b>Current</b>			
Sundry creditors and accruals		25,849	20,564
Prepaid government funding		14,693	8,739
		<b>40,542</b>	29,303
<b>13. EMPLOYEE BENEFITS</b>			
<b>Current</b>			
Employee entitlements		23,148	21,495
<b>Non-current</b>			
Employee entitlements		3,124	2,868
<p>The Social Fund contributed \$17,213,000 (2016: \$16,570,000) on behalf of employees to the superannuation plans of their choice, in accordance with superannuation guarantee legislation.</p>			
<b>Amounts not expected to be settled within the next 12 months</b>			
<p>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.</p>			
<p>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 that is not expected to be taken or paid within the next 12 months.</p>			
Long service leave obligation not expected to be settled after 12 months		7,677	6,593
<b>14. PROVISIONS</b>			
<b>Current</b>			
Accommodation bond rollovers	1(h)	1,488	1,465
Care Leavers claims	24(b)	2,600	2,500
		<b>4,088</b>	3,965
<b>Non-current</b>			
Accommodation bond rollovers	1(h)	10,560	9,103
Care Leavers claims	24(b)	2,000	3,000
Make good of leased premises	1(l)	644	368
		<b>13,204</b>	12,471
<b>15. LOANS AND BORROWINGS</b>			
<b>Current</b>			
Finance lease liabilities		882	–
<b>Non-current</b>			
Finance lease liabilities		51,401	–

# The Salvation Army Australia Southern Territory Social Fund

## Notes to the Financial Statements

	2017 \$'000	2016 \$'000
<b>15. LOANS AND BORROWINGS (continued)</b>		
<b>(a) Finance lease liabilities</b>		
Finance lease liabilities are payable as follows:		
Less than one year	882	–
Between one and five years	3,754	–
More than five years	47,647	–
	<b>52,283</b>	<b>–</b>
<b>Lease of investment property not in the legal form of a lease</b>		
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 2017, properties with a carrying amount of \$70.3M were subject to a deed of statutory charge which forms security for the finance lease.		
<b>16. INTEREST-FREE LOANS</b>		
<b>Current</b>		
Accommodation Bonds—amortisable	16	35
Accommodation Bonds—refundable	4,154	2,315
Unsecured Loans	200	200
	<b>4,370</b>	<b>2,550</b>
<b>Non-Current</b>		
Accommodation Bonds—amortisable	29	105
Accommodation Bonds—refundable	7,714	6,945
Secured Loans	7,672	4,300
Unsecured Loans	1,200	1,400
	<b>16,615</b>	<b>12,750</b>

### Refundable/Amortisable 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.



# The Salvation Army Australia Southern Territory Social Fund

## Notes to the Financial Statements

### 16. INTEREST-FREE LOANS (continued)

#### 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 \$110,000 (2016: \$109,000) held by the Social Fund on behalf of residents of various social centres.

	NOTE	2017 \$'000	2016 \$'000
<b>18. CAPITAL FUNDS</b>			
<b>(a) Movements in Capital Funds</b>			
<b>Property Contributions Fund</b>			
Opening Balance		218,805	219,695
Net Transfers		2,483	3,239
Allocations from working capital fund	3	(3,958)	(4,129)
Closing balance		217,330	218,805
<b>Reserves</b>			
Opening Balance		146,504	138,102
Net Transfers		(1,045)	9,590
Transfer (from)/to Fair Market Reserve		2,617	(6,393)
Allocations to working capital fund	3	7,534	5,205
Closing balance	18(c)	155,610	146,504
<b>Trusts and Special Purpose Funds</b>			
Opening Balance		9,906	5,864
Net Transfers		(147)	(158)
Allocations from working capital fund	3	18,321	4,200
Closing balance	18(d)	28,080	9,906
<b>Legacies</b>			
Opening Balance		29,939	31,599
Net Transfers		(1,291)	(12,671)
Allocations from working capital fund	3	4,083	11,011
Closing balance		32,731	29,939
<b>Working Capital Fund</b>			
Opening Balance		4,762	3,053
Operating surplus/(deficit) before allocations		27,084	17,996
Other comprehensive income		327	–
Allocations from other capital funds	3	(25,980)	(16,287)
Closing balance		6,193	4,762

# The Salvation Army Australia Southern Territory Social Fund

## Notes to the Financial Statements

### 18. CAPITAL FUNDS (continued)

#### (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.

#### (c) Reserve Balances

##### Board Designated Funds

	2017 \$'000	2016 \$'000
Property development	26,240	25,322
Training	2,372	2,072
Social programme enhancement and development	30,332	25,871
Capital asset contribution	5,077	5,620
Planned maintenance	10,813	10,063
Asset replacement	6,030	8,378
Aged care reserves	20,450	23,376
Capital projects funding	2,568	4,426
Future Fund	19,600	19,099
Employment and training	(1,600)	(3,885)
Fair Market Investment Reserve	19,241	18,097
Other	14,487	8,065
	<b>155,610</b>	<b>146,504</b>

These balances are amounts set aside by the Territorial Finance Council 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 Territorial Finance Council. 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.

# The Salvation Army Australia Southern Territory Social Fund

## Notes to the Financial Statements

### 18. CAPITAL FUNDS (continued)

#### 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 Territorial Finance Council 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 that 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 incurred a loss for the year ended 30 June 2017. Financial modelling, based on expected caseloads and outcome fees in accordance with the *jobactive* contract, indicates that first year losses will be recouped during the term of the five year contract.

#### Fair Market Investment Reserve

This balance represents the unrealised gains and losses on unlisted units held in managed investment funds as at 30 June 2017.

#### Other

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

### (d) Trust and Special Purpose Fund Balances

#### Restricted Funds

Special purpose trusts	2,664	2,619
Salvation Army Housing	22,406	3,669
Emergency appeals	753	747
General deposits	1,965	2,582
Building deposits	292	289
	<b>28,080</b>	<b>9,906</b>

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.



# The Salvation Army Australia Southern Territory Social Fund

## Notes to the Financial Statements

### 18. CAPITAL FUNDS (continued)

#### 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.

#### 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. This includes \$19.2M of capital contribution which represents the difference between the market value of assets provided by the South Australia Government and the minimum lease payments under the arrangement (refer note 15).

#### Emergency Appeals

The Social Fund has received funds from donors for specific emergency appeals. These relief efforts will continue well beyond 30 June 2017 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.

### 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. However, the maximum values are:

	2017 \$'000	2016 \$'000
Cost to complete property schemes in progress	1,629	1,441
Property schemes approved but not commenced as at 30 June 2017	1,607	221
	<b>3,236</b>	1,662
<b>(b) Operating Lease Commitments</b>		
Future operating lease rentals (including properties) not provided for in the financial statements and payable:		
Not later than one year	23,687	25,125
Later than one year but not later than five years	42,949	43,737
Later than five years	799	356
	<b>67,435</b>	69,218

The Social Fund leases a number of properties under operating leases. During the year, \$21,016,000 (2016: \$19,755,000) was recognised as an expense in the Aggregated Statement of Profit or Loss and Other Comprehensive Income as operating property leases. The leases typically run for a period of 3 to 5 years and usually include an option to renew the lease after that period. Lease payments are increased at the end of the lease period to reflect market rentals.

# The Salvation Army Australia Southern Territory Social Fund

## Notes to the Financial Statements

### 20. NOTES TO THE AGGREGATED STATEMENT OF CASH FLOWS

For the purposes of the Aggregated 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 Aggregated Statement of Cash Flows is reconciled to the related items in the Aggregated Statement of Financial Position as follows:

	NOTE	2017 \$'000	2016 \$'000
Cash	6	12,350	6,863

### 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 2017 were:

Commissioner Floyd Tidd*	Lieut-Colonel Bruce Stevens	Mr Malcolm Roberts*
Colonel Graeme Rigley*	Lieut-Colonel Kelvin Merrett	Mr Gregory Stowe*
Lieut-Colonel Vivien Callander	Lieut-Colonel Winsome Joy Merrett	
Lieut-Colonel Ian Barry Callander	Major Winsome May Mason	*Trustees who held office for the full financial year.

#### Trustees' Remuneration

The Trustees are officers or staff of the Social Fund, and receive remuneration in accordance with established Salvation Army guidelines as below. In addition, officer trustees 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.

	2017 \$'000	2016 \$'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	575	579

### 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)	Salvation Army Housing Limited (ABN 59 608 346 934)
The Salvation Army (Tasmania) Property Trust (ABN 94 917 169 560)	Salvation Army Housing (Victoria) (ABN 85 133 724 651)
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)	

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

- 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); and
- 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.

# The Salvation Army Australia Southern Territory Social Fund

## Notes to the Financial Statements

### 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, both territories 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.

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 2017, the maximum capital grant funding which would have been repayable to the Department of Health and Ageing was \$699,000 (2016: \$892,000).

At 30 June 2017, 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) Care Leavers claims

The Salvation Army Australia Southern Territory has publicly expressed it is deeply regretful of any incident of abuse perpetrated between the 1940s and 1980s towards children who had been in its care. The provision for care leavers claims is to cover claims currently being processed, including costs for access to professional counselling services, pastoral care, medical expense reimbursements and legal costs.

On 13 October 2015, at the Royal Commission into Institutional Responses to Child Sexual Abuse, The Salvation Army Australia Southern Territory advised that all care leavers claims settled to date will be reviewed to identify whether compensation payments made in respect of settled claims were assessed fairly and consistently. Priority will be given to two categories of cases—firstly, cases where survivors reached settlements with The Salvation Army Australia Southern Territory without the benefit of their own legal advice, and secondly, cases where new factual material has come to light after a claim was settled. The review also considered whether any survivors were disadvantaged relative to other survivors who settled because of matters including The Salvation Army Australia Southern Territory's reliance on technical legal defences. If, as a result of the review, any claims are identified that were not assessed fairly and consistently relative to the bulk of other settled claims, The Salvation Army Australia Southern Territory will reopen those claims, and make a further payment assessed according to the principles identified by the Royal Commission in respect of payments made in the interim period between now and when a national redress scheme commences operation.

The provision for care leavers claims has been based on the assessment by The Salvation Army Australia Southern Territory's legal representatives. Where a file is opened but has not advanced beyond an initial request for records, a standard provision including legal costs is allocated. Where claims have progressed beyond initial enquiries, the provisions have been based on a reasonable estimation of the settlement outcomes of each individual claim taking into account the abuse alleged, the impact of that abuse and any other factors put forward.

In addition to the provision for care leavers claims of \$4,600,000 (2016: \$5,500,000—refer note 14), there may be further claims lodged, for which The Salvation Army Australia Southern Territory is unable to quantify the estimated future costs of such claims. The Social Fund is unable to quantify the cost of claims incurred but not reported, or the costs of any national redress scheme that may be commenced.



# The Salvation Army Australia Southern Territory Social Fund

## Notes to the Financial Statements

### 24. CONTINGENT LIABILITIES (continued)

#### c) 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% upon the anniversary of the date of the project commissioning. As at 30 June 2017, the amount repayable would have been \$14,590,000 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 monitors 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.

#### *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 Australian governments, 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 2017 receivables 30 days past due are immaterial balance.

# The Salvation Army Australia Southern Territory Social Fund

## Notes to the Financial Statements

### Exposure to credit risk

The carrying amount of the Social Fund's financial assets represents the maximum credit exposure. The Social Fund's maximum exposure to credit risk at balance date was as follows:

	Carrying Amount	
	2017 \$'000	2016 \$'000
Cash and cash equivalents	12,350	6,863
Trade receivables	12,546	16,681
	<b>24,896</b>	<b>23,544</b>

### Trade and other receivables

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

	Gross 2017 \$'000	Impairment 2017 \$'000	Gross 2016 \$'000	Impairment 2016 \$'000
Not past due	12,546	-	16,681	-
Past due 0-30 days	-	-	-	-
Past due 31-120 days	-	-	-	-
	<b>12,546</b>	<b>-</b>	<b>16,681</b>	<b>-</b>

### Market risk

#### Interest rate risk—

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

#### Other market price risk—

The Social Fund is exposed to equity price risk, which arises from equity and hybrid securities. Management monitors the proportion of equity 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 and hybrid instruments

The equity financial asset represents managed funds, Australian shares and hybrid interest rate securities. There is no material fair value impact on profit or loss, as such instruments are held through FVOCI.

#### Sensitivity analysis

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

# The Salvation Army Australia Southern Territory Social Fund

## Notes to the Financial Statements

	Other comprehensive income/equity	
	1% Increase \$'000	1% Decrease \$'000
2017		
Equity rate instruments	1,878	(1,878)
	<u>1,878</u>	<u>(1,878)</u>
2016		
Equity rate instruments	1,733	(1,733)
	<u>1,733</u>	<u>(1,733)</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 \$
<b>30 June 2017</b>					
<b>Non-derivative financial liabilities</b>					
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>
<b>30 June 2016</b>					
<b>Non-derivative financial liabilities</b>					
Trade and other payables	(20,564)	(20,564)	(20,546)	–	–
Interest free loans	(15,300)	(15,300)	(2,550)	(7,250)	(5,500)
Finance lease liability	–	–	–	–	–
	<u>(35,894)</u>	<u>(35,894)</u>	<u>(23,096)</u>	<u>(7,250)</u>	<u>(5,500)</u>

### 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 68 to 95 are drawn up so as to present a true and fair view of the financial position of the Social Fund as at 30 June 2017 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:



Mark T S Campbell, Colonel  
National Chief Secretary  
TRUSTEE



Gregory F Stowe  
Chief Financial Officer  
TRUSTEE

Dated at Melbourne this 31st day of October 2017.



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

To the Trustees of the Salvation Army Australia 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 2017 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Darren Scammell  
Partner

Melbourne

31 October 2017



# Independent Auditor's Report

To the Trustees of The Salvation Army Australia Southern Territory Social Fund

## Opinion

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

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

- i. giving a true and fair view of the Entity's financial position as at 30 June 2017, 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 **Financial Report** comprises the:

- i. Aggregated statement of financial position as at 30 June 2017.
- ii. Aggregated statement of profit or loss and other comprehensive income, Aggregated statement of changes in capital funds, and Aggregated statement of cash flows for the year then ended.
- iii. Notes including a summary of significant accounting policies.
- iv. Declaration by Trustees of the Entity.

## 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 Financial Report* section of our report.

We are independent of the Entity in accordance with the ethical requirements of the *ACNC Act 2012* and 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 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 Entity's annual reporting, which is provided in addition to the 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 Financial Report does not cover the Other Information and, accordingly, the auditor does not and will not express an audit opinion or any form of assurance conclusion thereon.





In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the 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 Trustees for the Financial Report

The Trustees are responsible for:

- i. Preparing the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosures Requirements and the ACNC and the ACNC
- ii. Implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.
- iii. Assessing the Entity's 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 Entity or to cease operations, or have no realistic alternative but to do so.

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

Our objective is:

- i. to obtain reasonable assurance about whether the 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.

Our responsibilities include:

- i. Identifying and assessing the risks of material misstatement of the Financial Report, whether due to fraud or error.
- ii. Designing and performing audit procedures responsive to those risks, and obtaining 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. This is because fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- iii. Obtaining an understanding of internal control relevant to the Audit in order to design audit procedures that are appropriate in the circumstances. This is not for the purpose of expressing an opinion on its effectiveness.



- iv. Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- v. Concluding 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 Entity's 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 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 Entity to cease to continue as a going concern.
- vi. Evaluating the overall presentation, structure and content of the Financial Report, including the disclosures, and whether the Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Trustees' of the Entity 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



Darren Scammell

Partner

Melbourne

31 October 2017

## Corporate Partners

### South Australia

Adelaide Crows Children's Foundation  
Adelaide Hatters  
Apex Communications  
Armas Investments Pty Ltd  
Australian Executor Trustees  
Electel Resources Pty Ltd  
Flexichem Pty Ltd  
GJ & JA Smith Investments Pty Ltd  
Hackett Foundation  
JLL  
Southern Star Windows  
State Government of South Australia  
Westpac Banking Corporation

### Tasmania

ABC Giving Tree  
Bruce Wall Charitable Trust  
Colin Bisdee Trust  
Examiner Newspaper  
Jessica Lord Foundation  
MRA Toy Run  
R.F. & R.E. Cane Charitable Trust  
Rural Press Ltd  
State Government of Tasmania  
Tasmanian Community Fund

### Victoria

AMP Foundation Charitable Trust  
Annie & John Paterson Foundation  
CAF Community Fund (Workplace Giving)  
CAF UK (Charities Aid Foundation UK)  
The Cameron Family Foundation  
The Cassidy Bequest Endowment  
Collier Charitable Fund  
Collingwood Football Club  
Community Foundation  
Coull Foundation  
Dibbs & Massie Foundation  
Geelong Community Foundation  
Genesis Charitable Foundation  
George W Vowell Foundation Ltd  
Grenet Foundation Ltd  
Hugh D.T. Williamson Foundation  
JLL  
John & Betty Laidlaw  
Kmart Australia Ltd  
Lionel RV Spencer Trust  
Lord Mayor's Charitable Foundation  
The Lorine Estelle & Hugh Eardley Demmer  
Charitable Trust

The Marian & E H Flack Trust  
Melbourne Airport  
The Miller Foundation  
Myer Community Fund  
Myer Pty Ltd  
The Orloff Family Charitable Trust  
The R E Ross Trust  
The Scobie & Claire MacKinnon Trust  
Sidney Myer Fund  
State Government of Victoria  
The Stuart Leslie Foundation  
The Sun Foundation  
Teele Family Foundation  
William Angliss (Victoria) Charitable Fund  
The William Buckland Foundation  
Wood Family Foundation

### Western Australia

Advertising Federation of Australia  
Alcock Brown-Neaves Foundation  
Bendigo Bank  
BHP Billiton Iron Ore Pty Ltd  
Channel Nine Perth  
Community Enterprise Foundation  
Community Newspaper Group  
Crown Perth  
CRS Pty Ltd  
The Dagda Trust  
Dale Alcock Homes  
Galvin Properties Pty Ltd  
Infinite Wealth  
Karrinyup Shopping Centre  
JLL  
Kalgoorlie Consolidated Goldmines  
The McVay Foundation  
Oasis Ball Committee  
Occumed  
Path of Hope Foundation  
Perth Arena  
Printforce  
The Ragdoll Foundation Pty Ltd  
Real Estate Institute of WA  
Southern Cross Austereo  
The Stan Perron Charitable Trust  
State Government of Western Australia  
The Theodore & Isabella Wearne  
Charitable Trust  
Wythenshawe Foundation

### Northern Territory

Northern Territory Government



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Australia Southern Territory

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