

The Salvation Army Australia Southern Territory Social Trust Statement of Financial Performance For the Year Ended 30 June 2002

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The Salvation Army Australia Southern Territory Social Trust Trustees' Report
For the Year Ended 30 June 2002

This past twelve months once again has seen a significant expansion of the social work of The Salvation Army Australia Southern Territory Social Trust in all areas. The attached financial statements show that operating revenue has increased by 13.8%, and total operating expenditure by 14.8% during the year ended 30 June 2002. Ensuring that we have appropriate systems and infrastructure in place to cope with this continual increase is paramount to the trustees, and we do not take a cavalier approach to the cornucopia of policies and procedures we have in place to enable our mission to be fulfilled, and to ensure scrupulous stewardship of funds entrusted to us by various stakeholders.

The Southern Territory is presently undertaking two major IT projects. In January 2003, we will be transferring to the Finance One accounting package, after an extensive review of accounting processes. Concurrently, work continues on the Social Programme Information Management Project to enable relevant and reliable data to be collected and available on our extensive social work. Our continual growth has required that the trustees ensure we have IT infrastructure in place to assist with managing our social work, and maximising the use of our financial resources.

We are very grateful to the Australian community at large for their continued generosity to the Red Shield Appeal, with over \$20 million having been donated during the year ended 30 June 2002. Salvation Army Family Stores have continued their increasing financial contribution to further assist with the financial needs of our work, and we thank them for their efforts. In addition, legacy income increased by 65% during the year. This source of funds is invaluable towards meeting continuing, increasing capital costs for our programmes, and we thank all those in the community who support us by including The Salvation Army in their wills.

The organisation continues to plan in relation to extensive capital works required within our aged care field to meet Commonwealth Government accreditation requirements over the coming years. Approval has been given for the reconstruction of Wilani Nursing Home at Inala Village, and this work will commence in 2003. An extension of Seaforth Gardens Senior Citizens' Residence in Western Australia is also soon to commence. Substantial capital funds will be required over the next five years within aged care, and strategies are presently being developed in this regard.

Thank you for your continued interest and support of The Salvation Army's social work within the Australia Southern Territory.

Signed in accordance with a resolution of the Trustees:



Ross Kendrew, Commissioner
Territorial Commander
Trustee



John Staite
Lieutenant-Colonel
Trustee

Dated at Melbourne this 5th day of December 2002

The Salvation Army Australia Southern Territory Social Trust Statement of Financial Performance
For the Year Ended 30 June 2002

	Note	2002 \$'000	2001 \$'000
Revenue from rendering of services	2(a)	164,439	144,855
Other revenue from ordinary activities	2(a)	63,950	54,337
Red Shield Appeal donations	5	20,622	19,710
Total operating revenue		249,011	218,902
Capital revenue:			
Legacies		7,539	4,571
Government grants		70	916
Transfer from General Fund	1(m)	7,561	-
Other revenue		3,726	1,681
Total capital revenue		18,896	7,168
Total revenue		267,907	226,070
Employee expenses		(138,227)	(116,430)
Depreciation expenses	1(f)	(8,518)	(6,571)
Borrowing costs		(2,016)	(1,861)
Welfare/Jobseeker expenses		(20,007)	(10,671)
Building/Occupancy expenses		(27,142)	(30,618)
Motor Vehicle expenses		(6,656)	(6,077)
Contribution - General Fund	1(l)	(9,970)	(10,194)
Amenities and supplies		(14,406)	(12,135)
Other expenses from ordinary activities		(23,522)	(23,548)
Total operating expenses	2(b)	(250,464)	(218,105)
Operating surplus before allocations		17,443	7,965
Increase in operating surplus arising from a change in accounting policy	1(b)	-	4,670
Allocations	3	(16,662)	(15,632)
Net surplus/(deficit) after allocations	14	781	(2,997)

The statement of financial performance is to be read in conjunction with the notes to the financial statements set out on pages 5 to 23.

The Salvation Army Australia Southern Territory Social Trust Statement of Financial Position
As at 30 June 2002

	Note	2002 \$'000	2001 \$'000
Current Assets			
Cash	6	3,453	2,716
Receivables	7	28,098	23,865
Other financial assets	8	142,909	92,897
Inventories	9	1,335	390
Total Current Assets		175,795	119,868
Non-Current Assets			
Property, plant and equipment	10	195,599	193,232
Other financial assets	8	27,230	59,145
Total Non-Current Assets		222,829	252,377
Total Assets		398,624	372,245
Current Liabilities			
Payables	11	56,097	52,607
Provisions	13	11,085	9,353
Total Current Liabilities		67,182	61,960
Non-Current Liabilities			
Interest-bearing liabilities	12	7,160	7,852
Provisions	13	1,945	1,582
Interest free loans – resident funded housing	17	64,752	60,828
Special purpose funds	18	1,006	887
Total Non-Current Liabilities		74,863	71,149
Total Liabilities		142,045	133,109
Net Assets		256,579	239,136
Capital Funds			
Working capital fund	14	9,816	9,035
Property contributions fund	14	154,529	147,777
Reserves	14	65,721	60,846
Trusts and special purpose funds	14	10,037	9,353
Legacies	14	16,476	12,125
Total Capital Funds		256,579	239,136

The statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 5 to 23.

The Salvation Army Australia Southern Territory Social Trust Statement of Cash Flows
For the Year Ended 30 June 2002

	Note	2002 \$'000	2001 \$'000
Cash Flows from Operating Activities			
Cash receipts in the course of operations		229,778	196,228
Cash payments in the course of operations		(234,227)	(202,342)
Net cash used in operating activities	23(ii)	(4,449)	(6,114)
Cash Flows from Investing Activities			
Interest received		8,434	10,335
Dividends received		2,774	1,693
Proceeds from sale of investments		94,331	78,987
Payments for investments		(112,428)	(75,614)
Capital revenue received		18,896	7,168
Payments for property, plant and equipment		(14,929)	(25,804)
Proceeds from sale of property, plant and equipment		4,836	1,587
Net cash provided by/(used in) Investing Activities		1,914	(1,648)
Cash Flows from Financing Activities			
Interest paid		(2,016)	(1,231)
Repayment of borrowings		(750)	(700)
Proceeds from borrowings		-	150
Proceeds from residents' interest free loans and fixed deposits		14,498	17,169
Repayment of residents' interest free loans and fixed deposits		(8,468)	(8,915)
Loans to external entities		8	-
Net cash provided by financing activities		3,272	6,473
Net increase/(decrease) in cash held		737	(1,289)
Cash at the beginning of the financial year		2,716	4,005
Cash at the end of the financial year	23(i)	3,453	2,716

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 5 to 23.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The Salvation Army - an international movement - is an evangelical branch of the universal Christian Church. Its message is based on the Bible and its ministry motivated by love for God. This mission is both spiritual and practical, encompassing the preaching of the gospel of Jesus Christ and alleviating human suffering and distress without discrimination. 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 and Ordinances 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 Ordinance 1976.

This general purpose financial report of the Social Trust has been prepared in accordance with Accounting Standards and Urgent Issues Group Consensus Views. The financial report has been prepared on the basis of historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Except where stated, accounting policies have been consistently applied.

(b) Change in Accounting Policy

The Social Trust applied IAS 26 *Accounting for Major Cyclical Maintenance* for the first time on 1 July 2000. The change in the accounting policy resulted in a \$4,670,000 transfer from the provision for planned maintenance to a planned maintenance reserve being reflected in the 2001 figures.

(c) Annual Appeals

The Salvation Army Red Shield Appeal is an annual appeal conducted each year. The amount raised and corresponding fundraising expenses are reflected in the financial report in the same year as the appeal.

(d) Revenue Recognition of Government Funding

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST).

Revenue from government grants for rendering services and funding for the Employment Plus Job Network is recognised in the period in which the services are provided, having regard to the stage of completion of the contracts.

Trading revenue from the sale of goods is recognised when control of goods passes to the customer.

Resident contributions and patients' fees are recognised when the service is provided.

Revenue from legacies and donations is recognised when the Social Trust gains control of the contribution. All allocations of bequests are approved by the Territorial Finance Council in accordance with the expressed terms of the Testator.

Interest revenue is recognised as it accrues. Dividends are recognised when they are received.

Proceeds of non-current asset sales are included as revenue when control of the asset passes to the buyer. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset and gross proceeds.

(e) Property

Freehold properties are stated at cost, or if donated, at appraised value at date of gift. Capital gifts are shown as revenue and an allocation is made to the property contributions fund.

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.

The carrying amounts of all non-current assets are reviewed annually to ensure that none are carried in excess of their recoverable amount.

(f) Furnishings and Equipment

From 1 July 2001, The Salvation Army increased its asset capitalisation threshold from \$1,000 to \$5,000 and therefore any assets purchased

The Salvation Army Australia Southern Territory Social Trust

Notes to the Financial Statements

under \$5,000 were expensed in full. The written down value of any assets capitalised in previous financial years with an initial purchase price less than \$5,000 were fully depreciated during the year ended 30 June 2002.

Depreciation of \$2,915,000 relating to social centre plant and equipment is included as part of the cost of maintaining social centres.

The depreciation rates used for each class of asset are as follows:

Buildings	2%
Plant and Equipment (excluding motor vehicles)	33.3%
Motor Vehicles/Trucks	20%

(g) Inventories

Stocks of foodstuffs and consumable stores held at various centres are expensed. Trading stock on hand is valued at the lower of cost and net realisable value. No allocation of overheads has been included in the valuation.

(h) Investments

Investments are carried at the lower of cost and recoverable amount. Permanent diminutions in the value of any investment below cost are charged to the statement of financial performance as they occur.

(i) Rounding Off

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

(j) Trade and Sundry Debtors

The collectibility of trade and sundry debtors is assessed at year end and specific provision is made for any doubtful accounts.

(k) Borrowing Costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings and lease finance charges.

Ancillary costs incurred in connection with the arrangement of borrowings are capitalised and amortised over the life of the borrowings.

(l) Contribution to General Fund

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

(m) Capital Revenue Available for Allocation

The Salvation Army Australia Southern Territory has adopted a policy of separately disclosing revenue received other than from the Red Shield Appeal which is designated for capital purposes rather than operating activities. This designation is determined either directly by the donor or by the trustees of The Salvation Army Australia Southern Territory. This revenue is fully allocated to reserves and special purpose funds to be used to provide and maintain the various service programmes of The Salvation Army Australia Southern Territory.

Capital contributions of \$7,561,000 on social centre motor vehicles transferred from the General Fund to the Social Trust during the year ended 30 June 2001 have been recorded as part of other capital revenue within the Statement of Financial Performance for the year ended 30 June 2002. These funds have been allocated to the Capital Asset Contribution reserve at 30 June 2002.

(n) Goods and Services Tax (GST)

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 statement of financial position.

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

The Salvation Army Australia Southern Territory Social Trust
Notes to the Financial Statements

	Note	2002 \$'000	2001 \$'000
2. REVENUE FROM ORDINARY ACTIVITIES			
Rendering of services revenue from operating activities:			
Government grants		85,794	76,112
Fee for service – government funding		48,319	43,910
Resident contributions and patient fees		30,326	24,833
		164,439	144,855
Other revenue:			
Trading revenue		43,269	37,106
Donations received – other than from the Red Shield Appeal		933	919
Interest revenue		10,029	9,990
Dividend revenue		2,774	1,693
Reserve, special purpose and trust revenue		7	30
Profit from sale of fixed assets		1,263	731
Other		5,675	3,868
		63,950	54,337
Total revenue from ordinary activities		228,389	199,192
3. ALLOCATIONS			
Allocations have been made to/(from) the following capital funds:			
Property contributions fund	14	1,334	(930)
Reserves	14	7,522	12,190
Trusts and special purpose funds	14	757	358
Legacies	14	7,049	4,014
		16,662	15,632
4. AUDITORS' REMUNERATION			
Audit services:			
Auditors of the Trust		380	375
Other services:			
Auditors of the Trust		-	16

	Note	2002 \$'000	2001 \$'000
5. RED SHIELD APPEAL DONATIONS			
Donations			
Victoria		12,754	11,966
South Australia		3,035	3,011
Western Australia		3,601	3,490
Tasmania		952	990
Northern Territory		280	253
		20,622	19,710
Less: Expenses		(3,608)	(3,702)
Net Revenue Available for Distribution		17,014	16,008
Distribution			
Social programme deficits:			
Employment, education and training		111	130
Children and young people at risk		719	693
Addictions and substance abuse		1,127	1,403
Aged care and disability support		505	699
Individual and family support:			
Social centre deficits		6,238	5,815
Christmas cheer		897	789
Homelessness and domestic violence		3,229	3,410
Social trust departments:			
Emergency services		404	392
Social programme		207	-
Red Shield Defence Services		543	548
Family tracing services		93	80
Administration and research		420	425
Social services and community programmes total		14,493	14,384
Social Programme Information Management Project		975	-
Donor designated gifts for social services and community programmes		1,546	1,624
Total Distribution		17,014	16,008

The Salvation Army Australia Southern Territory Social Trust
Notes to the Financial Statements

	Note	2002 \$'000	2001 \$'000
6. CASH			
Cash on hand		938	944
Cash in transit		2,515	1,419
Cash at bank		-	353
		3,453	2,716
7. RECEIVABLES			
Current			
Prepayments		242	165
Sundry debtors		14,385	22,952
Amounts receivable from other Salvation Army entities		13,471	748
		28,098	23,865
8. OTHER FINANCIAL ASSETS			
Current			
Commonwealth and semi-government inscribed stock		30	-
Debentures		52,866	28,034
Shares		48,321	44,024
Short term deposits		41,692	20,839
		142,909	92,897
Non-Current			
Commonwealth and semi-government inscribed stock		17	45
Debentures		9,123	14,790
Long term deposits		18,090	44,310
		27,230	59,145
9. INVENTORIES			
Raw materials and stores		418	332
Work in progress		56	11
Finished goods		861	47
		1,335	390

	Note	2002 \$'000	2001 \$'000
10. PROPERTY, PLANT AND EQUIPMENT			
Freehold Land and Buildings			
Freehold land at cost		16,933	16,464
Buildings at cost		185,915	160,548
Accumulated depreciation		(35,763)	(33,009)
		150,152	127,539
Buildings at cost - Hayville Village		17,084	16,666
Accumulated depreciation		(3,713)	(3,433)
		13,371	13,233
Total Freehold Land and Buildings		180,456	157,236
Leasehold Property			
At cost		330	285
Accumulated depreciation		(104)	(37)
Total Leasehold Land and Buildings		226	248
Schemes in Progress - at cost		2,853	20,436
Motor Vehicles			
At cost		15,566	16,845
Accumulated depreciation		(8,609)	(6,604)
Total Motor Vehicles		6,957	10,241
Plant and Equipment			
At cost		6,716	11,060
Accumulated depreciation		(1,609)	(5,989)
Total Plant and Equipment	1(f)	5,107	5,071
Total Property, Plant and Equipment Net Book Value		195,599	193,232

The Salvation Army Australia Southern Territory Social Trust
Notes to the Financial Statements

	Note	2002 \$'000	2001 \$'000
10. PROPERTY, PLANT AND EQUIPMENT (continued)			
Social Trust freehold land and buildings of \$180,456,000 (2001: \$157,236,000) are funded through the Property Contributions Fund (excluding schemes in progress funding) of \$148,936,000 as at 30 June 2002 (2001: \$125,779,000). The remaining balance is funded from the following sources:			
Bank loans	12	7,160	7,852
Unsecured loans	17	100	150
Resident funded loans (Hayville and Hollywood Villages)	17	16,332	16,097
		23,592	24,099
Social Trust freehold properties – unfunded		7,928	7,358
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:			
Freehold Land and Buildings			
Carrying amount at 1 July 2001		157,236	154,180
Additions		29,226	8,033
Disposals		(2,360)	(1,556)
Depreciation		(3,646)	(3,421)
Carrying amount at 30 June 2002		180,456	157,236
Leasehold Property			
Carrying amount at 1 July 2001		248	131
Additions		45	154
Depreciation		(67)	(37)
Carrying amount at 30 June 2002		226	248
Schemes in Progress – Cost			
Carrying amount at 1 July 2001		20,436	16,331
Additions		11,268	11,753
Transfers to Freehold Land and Buildings/Leasehold Property		(28,851)	(7,648)
Carrying amount at 30 June 2002		2,853	20,436
Motor Vehicles			
Carrying amount at 1 July 2001		10,241	-
Additions		458	-
Disposals		(1,736)	-
Depreciation		(2,006)	10,241
Carrying amount at 30 June 2002		6,957	10,241
Plant and Equipment			
Carrying amount at 1 July 2001		5,071	4,917
Additions		2,835	3,271
Disposals		-	(5)
Depreciation on Plant and Equipment		(2,799)	(3,112)
Carrying amount at 30 June 2002		5,107	5,071

The Salvation Army Australia Southern Territory Social Trust
Notes to the Financial Statements

	Note	2002 \$'000	2001 \$'000
11. PAYABLES			
Sundry creditors and accruals		22,135	17,091
Prepaid fee for service – government funding		12,899	12,991
Deposits invested by other Salvation Army entities		21,063	20,111
Amounts payable to related parties		-	2,414
		56,097	52,607
12. INTEREST-BEARING LIABILITIES			
Non-Current			
Bank loans - secured	16	7,160	7,852
13. PROVISIONS			
Current			
Employee entitlements		11,085	9,353
Non-Current			
Employee entitlements		1,945	1,582
14. CAPITAL FUNDS			
(a) Movements in Capital Funds			
Property Contributions Fund			
Opening Balance		147,777	142,192
Net Transfers		5,418	6,515
Allocations from/(to) working capital fund	3	1,334	(930)
Closing balance	14(b)	154,529	147,777
Reserves			
Opening Balance		60,846	52,553
Net Transfers		(2,647)	(3,897)
Allocations from working capital fund	3	7,522	12,190
Closing balance	14(c)	65,721	60,846
Trusts and Special Purpose Funds			
Opening Balance		9,353	8,426
Net Transfers		(73)	569
Allocations from working capital fund	3	757	358
Closing balance	14(d)	10,037	9,353

The Salvation Army Australia Southern Territory Social Trust
Notes to the Financial Statements

	Note	2002 \$'000	2001 \$'000
14. CAPITAL FUNDS (continued)			
Legacies			
Opening Balance		12,125	11,298
Net Transfers		(2,698)	(3,187)
Allocations from working capital fund	3	7,049	4,014
Closing balance		16,476	12,125
Working Capital Fund			
Opening Balance		9,035	12,032
Operating surplus before allocations		17,443	7,965
Allocations from working capital fund		(16,662)	(15,632)
Increase in operating surplus arising from a change in accounting policy	1(b)	-	4,670
Closing balance		9,816	9,035
(b) Property Contributions Fund			
Under International Salvation Army accounting policies and procedures, all contributions, grants, donations and other revenue which will finance property projects must be specifically accounted for in the books of The Salvation Army Australia Southern Territory. 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 Salvation Army Australia Southern Territory. These contributions remain in the balance sheet to meet the ongoing commitment to depreciate the properties, thus relieving the working capital fund of this charge.			
(c) Reserve Balances			
Board Designated Funds			
Property development		17,973	19,300
Training		2,350	2,378
Social programme enhancement and development		3,183	3,268
Building and general deposits		1,916	2,337
Capital asset contribution		12,375	5,473
Planned maintenance		4,023	4,068
Asset replacement		3,197	2,857
Aged care reserves		6,637	8,694
Hayville management fund/reserve		3,403	3,215
Employment and training		10,178	8,890
Other		486	366
		65,721	60,846

14. CAPITAL FUNDS (continued)

These balances are amounts set aside by the Territorial Finance Council from surplus unrestricted funds to meet realistic, planned or anticipated needs for The Salvation Army Australia Southern Territory, 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 Trust.

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, and for property development purposes in relation to the Bethany SCR manager's quarters.

Training

This balance represents funds set aside from proceeds resulting from the sale of Bethesda Hospital, and will be used to provide funding towards the cost of officer training, 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.

Building and General Deposits

This balance represents funds held on behalf of specific social centres, set aside by the Territorial Finance Council for specific purposes until used.

Capital Asset Contribution

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

Planned Maintenance

This balance represents funds set aside for the future maintenance and repair of property assets held by the Social Trust of The Salvation Army Australia Southern Territory.

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

When a resident enters an aged care centre and pays a refundable and amortisable entry contribution (or accommodation bond), The Salvation Army is entitled to retain a portion of the amortisable balance over time. If a resident remains for five years, then the full amortisable balance will remain with The Salvation Army.

As the amortisable balances reduce, the amortised amount is transferred to that particular centre's development works reserve, and is available to meet any costs incurred in maintaining the units within that centre, especially when there is a change in occupancy and some renovations are required.

14. CAPITAL FUNDS (continued)

This balance also includes cash surpluses generated by the aged care centres. It is territorial policy that such funds be set aside for future capital redevelopment within aged care. In the coming years, substantial capital will be required to increase the standard of our aged care facilities, especially in the light of accreditation.

Hayville Management Fund/Reserve

This reserve mainly results from the amortised portion on resident funded loans at Hayville Village. When a resident moves into Hayville Village, he/she effectively purchases the unit at its market value. Then, 2.5% of the loan can be transferred to this reserve each year, for a maximum period of 15 years. This reserve is effectively a sinking fund which will be used to cover major capital costs of redeveloping Hayville Village, for which The Salvation Army will be liable in the future.

Employment and Training

This balance represents funds set aside for future initiatives across the territory, including the servicing of existing Employment Plus clients during the remainder of the current Job Network contract period and beyond.

Other

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

	2002 \$'000	2001 \$'000
(d) Trust and Special Purpose Fund Balances		
Board Designated Funds		
Disaster relief	123	227
Capital - Hollywood resident funded housing	1,464	1,286
Capital - Hayville resident funded housing	3,616	2,948
Restricted Funds		
Special purpose trusts	1,669	1,659
General deposits	2,064	2,317
Building deposits	1,096	916
Other	5	
	10,037	9,353

The Salvation Army 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 Salvation Army Australia Southern Territory 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 which set the conditions. An explanation of the purpose of each special purpose reserve is provided below.

14. CAPITAL FUNDS (continued)

Disaster Relief

This balance represents the amount of specified funds set aside for the provision of emergency relief in disaster situations, such as bushfires, floods or other incidents.

Resident Funded Housing Sinking Funds

It is recognised that The Salvation Army holds significant loan balances in relation to residents occupying units at both Hayville Village and Hollywood Village (Centennial Close). While The Salvation Army has no requirement to pay interest to residents for such funds, it is territorial policy to credit interest funds generated to a sinking fund for each centre, as The Salvation Army recognises that significant capital funds will be required in future years to redevelop such units.

Special Purpose Trusts

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

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.

15. INCOME TAX

The Salvation Army is exempt from income tax. Donations of two dollars (\$2) or more given to the following funds attract income tax deductibility:

- (i) The Salvation Army Social Trust
- (ii) The Salvation Army Red Shield Appeal

16. SECURED BORROWINGS

Bank facilities are supported by a letter of charge and undertaking over certain freehold land and buildings.

	2002 \$'000	2001 \$'000
17. INTEREST FREE LOANS - RESIDENT FUNDED HOUSING		
Entry contributions/Accommodation Bonds – amortisable	4,383	4,607
Entry contributions/Accommodation Bonds – refundable	43,937	39,974
Resident funded housing loans	16,332	16,097
Other	100	150
	64,752	60,828

(a) Entry Contributions/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 Salvation Army.

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.

(b) Resident Funded Housing Loans

These funds represent interest-free loans made by residents at Hayville Village (Victoria) and Hollywood Village (Western Australia) upon taking up residence in units at these centres. They are repayable upon the residents vacating these units.

18. SPECIAL PURPOSE FUNDS - NON-CURRENT LIABILITY

This amount relates to trust funds held by The Salvation Army on behalf of residents of various social centres.

	2002 \$'000	2001 \$'000
19. SEGMENT REPORTING		
Social Institution Expenditure		
The Salvation Army Australia Southern Territory Social Trust conducts extensive social programmes via its network of Social Centres in Australia. The general nature of this expenditure for social centres operated by the Social Trust is:		
Employment, education and training	54,088	44,151
Children and young people at risk	14,852	12,546
Addictions and substance abuse	13,643	9,198
Salvation Army family stores	31,100	27,011
Aged care and disability support	70,031	64,892
Individual and family support	19,437	15,272
Homelessness and domestic violence	32,390	29,131
Administration and research	2,438	2,031
	237,979	204,232
Less: eliminations	(13,591)	(11,226)
Cost of maintaining institutions	224,388	193,006
Social Department Costs		
Service departments are administered by Territorial Headquarters and provide services to Salvation Army entities as well as the general public. Several social programmes are administered centrally from Territorial Headquarters. The major areas are:		
League of mercy, family welfare and unemployment services	283	258
Red shield defence services	545	548
Emergency services	480	419
Aboriginal ministries	5	6
Information technology services	1,904	1,011
Net service department costs	3,217	2,242

The Salvation Army Australia Southern Territory Social Trust
Notes to the Financial Statements

	2002 \$'000	2001 \$'000
20. COMMITMENTS		
(a) Capital Commitments		
The Salvation Army Australia Southern Territory is constantly engaged in planned and ongoing construction projects requiring the commitment of significant funds.		
Certain 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 financial commitment required of Territorial Headquarters for these projects save as disclosed below.		
Cost to complete property schemes in progress	12,945	13,969
Property schemes approved but not commenced as at 30 June 2002	2,146	2,050
	15,091	16,019
(b) Operating Lease Commitments		
Future operating lease rentals for properties not provided in the financial statements and payable:		
Not later than one year	7,110	754
Later than one year but not later than five years	9,713	656
Later than five years	754	-
	17,577	1,410

21. RELATED PARTY DISCLOSURES

(a) General

The Salvation Army Australia Southern Territory is part of the International Salvation Army and follows operational guidelines issued by the International Headquarters of The Salvation Army in London, United Kingdom. Transactions are conducted on a normal commercial basis.

(b) Trustees

The names of the Trustees who held office during the year ended 30 June 2002 were:

Commissioner Douglas E. Davis
Commissioner Ross Kendrew
Colonel Leslie Strong
Lieutenant-Colonel John Staite
Lieutenant-Colonel Peter Callander
Lieutenant-Colonel John Jeffrey
Lieutenant-Colonel Garth McKenzie
Mr Neil Curnow
Mr David Perry

Commissioner Ross Kendrew became a Trustee on 1 March 2002, in the place of Commissioner Douglas E. Davis

Lieutenant-Colonel John Jeffrey became a Trustee on 1 July 2001, in the place of Lieutenant-Colonel Barbara Perry.

Lieutenant-Colonel Peter Callander became a Trustee on 1 January 2002, in the place of Mr Neil Curnow.

Trustees' Remuneration

The Trustees are officers or staff of The Salvation Army Australia Southern Territory, and receive remuneration in accordance with established Salvation Army guidelines. Officer Trustees also receive accommodation and use of a motor vehicle at no cost as part of their officership in accordance with established Salvation Army guidelines. No additional remuneration is received by these officers for acting in their capacity as Trustees of the Social Trust. A retiring officer also received benefits from The Salvation Army Retirement Fund. Staff Trustees receive the use of a motor vehicle at no cost as part of their employment contract.

	2002	2001
Total income paid or payable, or otherwise made available to all Trustees of the Social Trust from the Social Trust or any related party	<u>\$329,078</u>	<u>\$352,774</u>

22. EVENTS SUBSEQUENT TO BALANCE DATE

Since 30 June 2002, there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the Trustees, to affect significantly the operations of The Salvation Army Australia Southern Territory Social Trust, the results of those operations, or the state of affairs of The Salvation Army Australia Southern Territory Social Trust, in future financial years.

The Salvation Army Australia Southern Territory Social Trust
Notes to the Financial Statements

	Note	2002 \$'000	2001 \$'000
23. NOTES TO THE STATEMENT OF CASH FLOWS			
(i) Reconciliation of Cash			
For the purposes of the statement of cash flows, cash includes cash on hand and at bank, cash in transit and cash held at social centres net of outstanding bank overdrafts. Cash at the end of financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:			
Cash	6	3,453	2,716
		3,453	2,716
(ii) Reconciliation of Total Surplus to Net Cash provided by/(used in) Operating Activities			
Total operating/capital surplus before allocations		17,443	7,965
Add/(less) items classified as investing/financing activities:			
Interest paid		2,016	1,231
Interest received		(8,434)	(10,335)
Dividends received		(2,774)	(1,693)
Capital revenue received		(18,896)	(7,168)
Add/(less) non-cash items:			
Depreciation		8,518	6,571
Net profit on sale of fixed assets		(792)	(26)
Amounts set aside to provisions		2,303	2,023
Amortisation of entry contributions		(1,699)	(1,614)
Amortisation of Hayville resident loans		(357)	(354)
Net cash provided by/(used in) operating activities before change in assets and liabilities		(2,672)	(3,400)
Change in assets and liabilities during the financial year:			
Decrease/(increase) in inventories		(944)	255
Decrease/(increase) in receivables		(4,233)	(8,907)
(Decrease)/increase in payables		3,490	6,173
(Decrease)/increase in provisions		(208)	(253)
(Decrease)/increase in other liabilities		118	18
Net Cash provided by/(used in) Operating Activities		(4,449)	(6,114)

(iii) Financing Facilities

The Salvation Army (Victoria) Property Trust - Social Trust has access to a term loan facility (tranche) of \$10,000,000 for the purposes of property acquisition and development for The Salvation Army Family Stores. At balance date, facilities used were \$7,160,000 resulting in an unutilised facility of \$2,840,000.

24. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE

(a) Interest Rate Risk

The Social Trust's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and liabilities, as it relates to the Social Trust, is set out below.

	Floating	Fixed Interest maturing in less than one year	Fixed Interest maturing in 1 to 5 years	Fixed Interest maturing in more than 5 years	Non Interest bearing (see note)	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2002						
Financial Assets						
Cash	3,453					3,453
Receivables					28,098	28,098
Other Financial Assets	22,622	85,661	13,535		48,321	170,139
Weighted Average Interest Rate	5.50%	5.42%	6.40%			
Financial Liabilities						
Loans	7,160					7,160
Payables					56,097	56,097
Interest Free Loans - Resident Funded Housing					64,752	64,752
Special Purpose Funds					1,006	1,006
Weighted Average Interest Rate	6.25%					
2001						
Financial Assets						
Cash	2,716					2,716
Receivables					23,865	23,865
Other Financial Assets	41,537	37,604	28,877		44,024	152,042
Weighted Average Interest Rate	5.31%	5.62%	7.70%			
Financial Liabilities						
Loans	7,852					7,852
Payables					52,607	52,607
Interest Free Loans - Resident Funded Housing					60,828	60,828
Special Purpose Funds					887	887
Weighted Average Interest Rate	6.65%					

Note: Non-interest bearing other financial assets relate to shares that do not attract interest but result in dividend revenue.

24. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE (continued)

(b) Market Risk

In addition to the effects of movements in interest rates, the Social Trust is exposed, particularly through its equity portfolio, to market risks influencing investment valuations.

In general, market risks are minimised through the diversification of the investment portfolio and selection of high quality counterparties, brokers and financial institutions.

(c) Credit Risk Exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The credit risk on financial assets, excluding investments, of the Social Trust which have been recognised in the statement of financial position, is the carrying amount, net of any provision for doubtful debts.

The Social Trust minimises concentrations of credit risk by undertaking transactions with reputable parties.

(d) Net Fair Value of Financial Assets and Liabilities

The Social Trust's financial assets and liabilities included in the statement of financial position are carried at amounts that approximate net market value. Included within non-current liabilities are interest free loans of \$64,752,000. The fair value of these liabilities will be different from the book value. However, as the period of the loans is not fixed, the difference between the fair value and the book value cannot be determined.

The Salvation Army Australia Southern Territory Social Trust
Trustees' Declaration

In the opinion of the Trustees of the Salvation Army Australia Southern Territory Social Trust:

- (i) The accompanying financial statements and notes set out on pages 2 to 23 are drawn up so as to present fairly the financial position of the Social Trust as at 30 June 2002 and the results of its operations and cash flows for the year then ended; and
- (ii) The operations of the Social Trust have been carried out in accordance with its Trusts Deeds poll during the year ended 30 June 2002; and
- (iii) The financial statements have been prepared in accordance with Accounting Standards and Urgent Issues Group Consensus Views in Australia.

Signed in accordance with a resolution of the Trustees:



Ross Kendrew, Commissioner
Territorial Commander
Trustee



John Staite
Lieutenant-Colonel
Trustee

Dated at Melbourne this 5th day of December 2002

Scope

We have audited the financial report of The Salvation Army Australia Southern Territory Social Trust ("the Social Trust") for the financial year ended 30 June 2002, consisting of the statement of financial performance, statement of financial position, statement of cash flows and accompanying notes set out on pages 2 to 23. The Trustees of the Property Trusts comprising The Salvation Army Australia Southern Territory are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the Trustees of The Salvation Army Australia Southern Territory.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia, so as to present a view which is consistent with our understanding of the Social Trust's financial position and its performance, as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of The Salvation Army Australia Southern Territory Social Trust:

- (i) presents fairly the financial position of the Trust as at 30 June 2002 and its performance for the financial year ended on that date; and
- (ii) complies with Accounting Standards and other mandatory professional reporting requirements in Australia.



KPMG

Dated at Melbourne this 5th day of December 2002

Australia Southern Territory

Territorial Headquarters	The Salvation Army	5 Hamilton Street Mont Albert Victoria 3127	Telephone 03 9896 6000	Facsimile 03 9899 2340
Divisional Headquarters				
Eastern Victoria	The Salvation Army	347-349 Mitcham Road Mitcham 3132	Telephone 03 8872 6400	Facsimile 03 9873 0944
Melbourne Central	The Salvation Army	69 Bourke Street Melbourne 3001	Telephone 03 9653 3213	Facsimile 03 9650 1407
Northern Victoria	The Salvation Army	65-71 Mundy Street Bendigo 3550	Telephone 03 5443 4288	Facsimile 03 5441 6079
Western Victoria	The Salvation Army	209a Dana Street Ballarat 3350	Telephone 03 5331 3088	Facsimile 03 5332 2929
South Australia	The Salvation Army	39 Florence Street Fullarton 5063	Telephone 08 8379 9388	Facsimile 08 8338 3361
Tasmania	The Salvation Army	Maylands 27 Pirie Street Newtown 7008	Telephone 03 6278 7184	Facsimile 03 6278 7193
Western Australia	The Salvation Army	333 William Street Northbridge 6003	Telephone 08 9227 7010	Facsimile 08 9227 7134
Regional Office				
Northern Territory	The Salvation Army	49 Mitchell Street Darwin 0800	Telephone 08 8981 8188	Facsimile 08 8941 2966