



# FINANCIAL STATEMENTS

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## ACCOUNTABLE OFFICER, CHAIR AND CHIEF FINANCE AND ACCOUNTING OFFICER DECLARATION

The attached financial statements for the Victorian Responsible Gambling Foundation have been prepared in accordance with Direction 5.2 of the Standing Directions of the Assistant Treasurer under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2019 and financial position of the Foundation at 30 June 2019.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

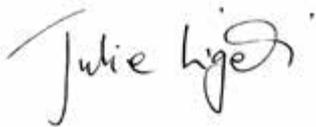
We authorise the attached financial statements for issue on 20 September 2019.



**Craig Swift**  
Chief Finance and Accounting Officer  
Victorian Responsible Gambling Foundation  
20 September 2019



**Shane Lucas**  
Chief Executive Officer  
Victorian Responsible Gambling Foundation  
20 September 2019



**Julie Ligeti**  
Chair  
Victorian Responsible Gambling Foundation  
20 September 2019

# INDEPENDENT AUDITOR'S REPORT



## Independent Auditor's Report

### To the Board of the Victorian Responsible Gambling Foundation

<b>Opinion</b>	<p>I have audited the financial report of the Victorian Responsible Gambling Foundation (the foundation) which comprises the:</p> <ul style="list-style-type: none"> <li>• balance sheet as at 30 June 2019</li> <li>• comprehensive operating statement for the year then ended</li> <li>• statement of changes in equity for the year then ended</li> <li>• cash flow statement for the year then ended</li> <li>• notes to the financial statements, including significant accounting policies</li> <li>• accountable officer, chair and chief finance and accounting officer declaration.</li> </ul> <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the foundation as at 30 June 2019 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
<b>Basis for Opinion</b>	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the foundation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
<b>Board's responsibilities for the financial report</b>	<p>The Board of the foundation is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board is responsible for assessing the foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

**Auditor's responsibilities for the audit of the financial report**

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the foundation's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board
- conclude on the appropriateness of the Board's 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 foundation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the foundation to cease to continue as a going concern.
- evaluate 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.

I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

MELBOURNE  
25 September 2019



Charlotte Jeffries  
*as delegate for the Auditor-General of Victoria*

## Comprehensive operating statement

For the financial year ended 30 June 2019

	Notes	2019 \$	2018 \$
<b>Continuing operations</b>			
<b>Income from transactions</b>			
Grants	2.1.1	41 074 700	40 802 700
Other income	2.1.2	17 189	152
<b>Total income from transactions</b>		<b>41 091 889</b>	<b>40 802 852</b>
<b>Expenses from transactions</b>			
Employee expenses	3.1.1	(7 408 764)	(7 183 086)
Depreciation	5.1.1	(1 562)	(8 585)
Grants expenses	3.2	(20 958 680)	(21 820 312)
Media campaign advertising	3.3	(4 918 378)	(4 628 006)
Professional services	3.3	(5 578 331)	(5 439 788)
Other operating expenses	3.3	(2 142 537)	(2 303 931)
<b>Total expenses from transactions</b>		<b>(41 008 252)</b>	<b>(41 383 708)</b>
<b>Net result from transactions (net operating balance)</b>		<b>83 637</b>	<b>(580 856)</b>
<b>Other economic flows included in net result</b>			
Net gain/(loss) arising from revaluation of annual and long service leave liability	9.1	(75 809)	15 329
<b>Total other economic flows included in net result</b>		<b>(75 809)</b>	<b>15 329</b>
<b>Comprehensive result</b>		<b>7 828</b>	<b>(565 527)</b>

The accompanying notes form part of these financial statements.

## Balance sheet

As at 30 June 2019

	Notes	2019 \$	2018 \$
<b>Assets</b>			
<b>Financial assets</b>			
Cash and deposits	7.1	3 747 964	3 530 006
Receivables	6.1	108 178	85 249
<b>Total financial assets</b>		<b>3 856 142</b>	<b>3 615 253</b>
<b>Non-financial assets</b>			
Plant and equipment	5.1	8 236	9 798
Prepayments		54 019	32 350
<b>Total non-financial assets</b>		<b>62 255</b>	<b>42 148</b>
<b>Total assets</b>		<b>3 918 397</b>	<b>3 657 401</b>
<b>Liabilities</b>			
Payables	6.2	2 092 001	2 055 332
Employee-related provisions	3.1.2	1 499 419	1 282 920
<b>Total liabilities</b>		<b>3 591 420</b>	<b>3 338 252</b>
<b>Net assets</b>		<b>326 977</b>	<b>319 149</b>
<b>Equity</b>			
<b>Accumulated surplus</b>		<b>326 977</b>	<b>319 149</b>
<b>Net worth</b>		<b>326 977</b>	<b>319 149</b>

The accompanying notes form part of these financial statements.

## Statement of changes in equity

For the financial year ended 30 June 2019

	Accumulated surplus/ (deficit) \$	Total \$
<b>Balance at 1 July 2017</b>	<b>884 676</b>	<b>884 676</b>
Net result for the year	(565 527)	(565 527)
<b>Balance at 30 June 2018</b>	<b>319 149</b>	<b>319 149</b>
Net result for the year	7 828	7 828
<b>Balance at 30 June 2019</b>	<b>326 977</b>	<b>326 977</b>

The accompanying notes form part of these financial statements.

## Cash flow statement

For the financial year ended 30 June 2019

	Notes	2019 \$	2018 \$
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Receipts from government		41 074 700	40 802 700
<b>Total receipts</b>		<b>41 074 700</b>	<b>40 802 700</b>
<b>Payments</b>			
Payments to suppliers and employees		(40 856 742)	(42 330 636)
<b>Total payments</b>		<b>(40 856 742)</b>	<b>(42 330 636)</b>
<b>Net cash flows from/(used in) operating activities</b>	7.1.1	<b>217 958</b>	<b>(1 527 936)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>217 958</b>	<b>(1 527 936)</b>
Cash and cash equivalents at beginning of financial year		3 530 006	5 057 942
<b>Cash and cash equivalents at end of financial year</b>	7.1	<b>3 747 964</b>	<b>3 530 006</b>

The accompanying notes form part of these financial statements.

## 1. ABOUT THIS REPORT

The Victorian Responsible Gambling Foundation is a public sector entity of the State of Victoria, established pursuant to section 1 (1) of the *Victorian Responsible Gambling Foundation Act 2011*. It is an administrative agency acting on behalf of the Crown.

A description of the nature of its operations and its principal activities is included in the Report of Operations, which does not form part of these financial statements.

Its principal address is:

Victorian Responsible Gambling Foundation  
14–20 Blackwood Street  
North Melbourne  
Victoria 3051

### Basis of preparation

These financial statements are in Australian dollars and the historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis.

The accrual basis of accounting has been applied in preparing these financial statements, whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

These financial statements represent the audited general purpose financial statements for the Victorian Responsible Gambling Foundation for the period ended 30 June 2019 and include all the controlled activities of the Foundation. All amounts in the financial statements are to the nearest dollar.

### Compliance information

These general purpose financial statements have been prepared in accordance with the *Financial Management Act 1994* (FMA) and applicable Australian Accounting Standards (AAS), which include Interpretations, issued by the Australian Accounting Standards Board (AASB). In particular, they are presented in a manner consistent with the requirements of AASB 1049 Whole of Government and General Government Sector Financial Reporting.

Where appropriate, those AAS paragraphs applicable to not-for-profit entities have been applied. Accounting policies selected and applied in these financial statements ensure that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

## 2. FUNDING DELIVERY OF OUR SERVICES

The objectives of the Foundation are to:

- reduce the prevalence of problem gambling and the severity of harm related to gambling
- foster responsible gambling.

The Foundation is funded via an account in the Public Account as part of the trust fund known as the Responsible Gambling Fund. This fund is administered by the Foundation. Amounts are credited to the Responsible Gambling Fund from the Community Support Fund of the Department of Treasury and Finance.

The Foundation is a general government sector entity, consolidated under the Justice portfolio, whose revenue is classified as Department of Treasury and Finance appropriation, paid into the Community Support Fund, being a Department of Treasury and Finance entity, and which is on-passed to the Foundation via the Department of Justice and Community Safety.

The Foundation is to apply monies in the Responsible Gambling Fund to fund its ongoing operations and service delivery.

### 2.1 Summary of income that funds the delivery of our services

	Notes	2019 \$	2018 \$
Grants	2.1.1	41 074 700	40 802 700
Other income	2.1.2	17 189	152
<b>Total income from transactions</b>		<b>41 091 889</b>	<b>40 802 852</b>

Income is recognised to the extent that it is probable that the economic benefits will flow to the Foundation and the income can be reliably measured.

#### 2.1.1 Grants

	2019 \$	2018 \$
Community Support Fund	38 163 000	38 386 000
Other grant income	2 911 700	2 416 700
<b>Total grants</b>	<b>41 074 700</b>	<b>40 802 700</b>

#### Grants from the Community Support Fund – Department of Treasury and Finance

Income from grants is recognised when the Foundation obtains control over the contribution.

The Foundation's income is by way of grant funding from the Community Support Fund – Department of Treasury and Finance for the production of Foundation outputs.

The Foundation is funded via a four-year allocation that is approved by the Expenditure Review Committee of Cabinet. Expenditure and revenue identified in reporting for 2018–2019 reflects operations for the fourth and final year of the funding approved allocation for the period commencing 1 July 2015 and ending 30 June 2019.

#### Other grant income

Grant income becomes controlled and is recognised by the Foundation when it is appropriated from the consolidated fund and applied to the purposes defined under the relevant appropriations Act.

This income reflects funding to Gambler's Help agencies associated with wage increases in the social and community services sector, implementing the equal remuneration decision handed down by Fair Work Australia on 1 February 2012, regarding workers employed under the Social and Community Services (SACS) Award. It also reflects termination benefits payable when employment is terminated before the normal retirement date.

### 2.1.2 Other income

	2019	2018
	\$	\$
Conference fees	17 189	-
Freedom of Information access charge	-	152
<b>Total other income</b>	<b>17 189</b>	<b>152</b>

Conference fees relate to attendance charges for the Foundation's Gambling Harm 2018 Conference and the 2019 International Think Tank on Gambling Research, Policy and Practice. Board and Ministerial approval were obtained to set a fee to be applied to external delegates to charge for cost recovery purposes. Section 7A of the *Victorian Responsible Gambling Foundation Act 2011* enables the Foundation to levy a fee or charge for activities done in the exercise of its functions.

The Freedom of Information revenue for the prior year relates to a document access charge paid to the Foundation with respect to the processing of a request.

### Services provided by the Department of Justice and Community Safety

The Department of Justice and Community Safety provides certain corporate services and resources to the Foundation. The value of these support services, which include the use of the department's finance and payroll systems, is not recognised in the financial statements. The department is centrally funded to provide these services and resources, for which fair value cannot be reliably determined. The Foundation is, however, directly charged by the department for the relevant component of incurred information and communication technology-related license fees.

## 3. THE COST OF DELIVERING SERVICES

This section provides an account of the expenses incurred by the Foundation in delivering services and outputs. In Section 2, the funds that enable the provision of services were disclosed and in this note the costs associated with provision of services are recorded.

### 3.1 Expenses incurred in delivery of services

	Notes	2019	2018
		\$	\$
Employee benefit expenses	3.1.1	7 408 764	7 183 086
Depreciation	5.1.1	1 562	8 585
Grants and other transfers	3.2	20 958 680	21 820 312
Other operating expenses	3.3	12 639 246	12 371 725
<b>Total expenses incurred in delivery of services</b>		<b>41 008 252</b>	<b>41 383 708</b>

#### 3.1.1 Employee benefits in the comprehensive operating statement

	2019	2018
	\$	\$
Defined contribution superannuation expense	558 883	521 628
Defined benefit superannuation expense	25 750	24 695
Salaries and wages, annual leave and long service leave	6 824 131	6 636 763
<b>Total employee expenses</b>	<b>7 408 764</b>	<b>7 183 086</b>

Employee expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements and WorkCover premiums.

The amount recognised in the comprehensive operating statement in relation to superannuation is employer contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable during the reporting period. The Foundation does not recognise any defined benefit liabilities because it has no legal or constructive obligation to pay future benefits relating to its employees. Instead, the Department of Treasury and Finance discloses, in its annual financial statements, the net defined benefit cost related to the members of these plans as an administered liability (on behalf of the State as the sponsoring employee).

### 3.1.2 Employee benefits in the balance sheet

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered to the reporting date and recorded as an expense during the period the services are delivered.

	2019	2018
	\$	\$
<b>Current provisions:</b>		
<b>Annual leave</b>		
Unconditional and expected to settle within 12 months	326 503	347 232
Unconditional and expected to settle after 12 months	42 881	45 028
<b>Long service leave</b>		
Unconditional and expected to settle within 12 months	55 788	51 977
Unconditional and expected to settle after 12 months	433 658	349 467
<b>Provisions for on-costs</b>		
Unconditional and expected to settle within 12 months	96 955	99 221
Unconditional and expected to settle after 12 months	79 251	66 270
<b>Total current provisions for employee benefits</b>	<b>1 035 036</b>	<b>959 195</b>
<b>Non-current provisions:</b>		
Employee benefits	402 235	281 026
On-costs	62 148	42 699
<b>Total non-current provisions for employee benefits</b>	<b>464 383</b>	<b>323 725</b>
<b>Total provisions for employee benefits</b>	<b>1 499 419</b>	<b>1 282 920</b>

### Reconciliation of movement in on-cost provision

	2019
	\$
<b>Opening balance</b>	<b>208 190</b>
Additional provisions recognised	165 451
Reductions arising from payments/other sacrifices of future economic benefits	(135 288)
<b>Closing balance</b>	<b>238 354</b>
Current	176 206
Non-current	62 148

**Wages, salaries and annual leave:** Liabilities for wages and salaries (including non-monetary benefits, annual leave and on-costs) are recognised as part of the employee benefit provision as current liabilities because the Foundation does not have an unconditional right to defer settlements of these liabilities.

The liability for salaries and wages is recognised in the balance sheet at remuneration rates which are current at the reporting date. As the Foundation expects the liabilities to be wholly settled within 12 months of reporting date, they are measured at undiscounted amounts.

The annual leave liability is classified as a current liability and measured at the undiscounted amount expected to be paid, as the Foundation does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

No provision has been made for sick leave as all sick leave is non-vesting and it is not considered probable that the average sick leave taken in the future will be greater than the benefits accrued in the future. As sick leave is non-vesting, an expense is recognised in the Statement of Comprehensive Income as it is taken.

**Employment on-costs** such as payroll tax, workers compensation and superannuation are not employee benefits. They are disclosed separately as a component of the provision for employee benefits when the employment to which they relate has occurred.

**Unconditional long service leave** is disclosed as a current liability, even where the Foundation does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current long service leave liability are measured at:

- undiscounted value – if the Foundation expects to wholly settle within 12 months
- or
- present value – if the Foundation does not expect to wholly settle within 12 months.

**Conditional long service leave** is disclosed as a non-current liability. There is a conditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current long service leave is measured at present value.

Any gain or loss following revaluation of the present value of non-current long service leave liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised as an 'other economic flow' in the net result.

### 3.1.3 Superannuation contributions

Employees of the Foundation are entitled to receive superannuation benefits and the Foundation contributes to both defined benefit and defined contribution plans. The defined benefit plan(s) provides benefits based on years of service and final average salary.

As noted before, the defined benefit liability is recognised in the Department of Treasury and Finance as an administered liability. However, superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the comprehensive operating statement of the Foundation.

	Paid contribution for the year		Contribution outstanding at year end	
	2019	2018	2019	2018
	\$	\$	\$	\$
<b>Defined benefit plans <sup>(i)</sup></b>				
State Superannuation Fund	25 186	24 222	564	473
<b>Defined contribution plans</b>				
VicSuper	245 143	257 816	5 039	5 054
Other	302 036	253 075	6 665	5 683
<b>Total</b>	<b>572 365</b>	<b>535 113</b>	<b>12 268</b>	<b>11 210</b>

Note:

(i) The basis for determining the level of contributions is determined by the various actuaries of the defined benefit superannuation plans.

### 3.2 Grant expenses

	2019 \$	2018 \$
General purpose grants – Community Support Fund	18 046 980	19 403 612
Payments for specific purposes – Social and community services award payments	2 911 700	2 416 700
<b>Total grant expenses</b>	<b>20 958 680</b>	<b>21 820 312</b>

Grant expenses are contributions of the Foundation's resources to another party for specific or general purposes. Grants are paid for a particular purpose and/or have conditions attached regarding their use.

Grant expenses are recognised in the reporting period in which they are paid or payable.

### 3.3 Other operating expenses

	2019 \$	2018 \$
<b>Supplies and services</b>		
Travel and related expenses	55 552	55 646
Media campaign advertising	4 918 378	4 628 006
Printing, stationery and office requisites	346 978	318 227
Communication expenses	49 144	82 375
Professional services (i)	5 564 781	5 385 875
Legal expenses	13 550	53 914
Training and development	209 846	129 837
Information technology (ii)	732 348	906 576
Occupancy costs	605 040	665 802
Remuneration of auditors	18 600	18 200
Other	125 029	127 267
<b>Total other operating expenses</b>	<b>12 639 246</b>	<b>12 371 725</b>

**Notes:**

- (i) Professional services reflect media campaign development and tracking research, partnership/sponsorship payments with sporting organisations, education in schools activities, research and evaluation reviews, training programs including the Foundation conference, strategic reviews including the organisational evaluation as part of the funding bid submission, Gambler's Help grant allocation review and agency staff costs. The increase from the prior year expenditure mainly reflects the impact of the research population study together with partnership payments and strategic review costs.
- (ii) Information technology costs for 2018–2019 mainly reflect hosting, support and maintenance costs for the Gambler's Help Connect system together with website and application development. The decrease from the prior year reflects the level of website design, testing and implementation requirements, which have moved from a more developmental to an implementation phase.

Other operating expenses generally represent the day-to-day running costs incurred in normal operations.

**Supplies and services** are recognised as an expense in the reporting period in which they are incurred.

**Occupancy costs** are recognised as an expense in the comprehensive operating statement.

## 4. DISAGGREGATED FINANCIAL INFORMATION BY OUTPUT

The Foundation is a statutory body that is governed by an independent board. It uses the best available evidence, in partnership with others, to prevent and reduce gambling harm and provide support services to those affected by gambling harm in Victoria. The Foundation adopts a public health approach that focuses, in particular, on raising awareness about the risks associated with gambling and its 'normalisation', recognising the early signs of harm and mitigating harm through a range of partnerships, community grants and programs.

For 2018–2019, the Foundation’s activities form part of the Department of Justice and Community Safety, Gambling, Liquor and Racing output. This output provides for monitoring and regulation of gambling and liquor activities in Victoria. This output group contributed to the department’s objective of ‘A fair market place for Victorian consumers and businesses with responsible and sustainable liquor, gambling and racing sectors’. No separate output statement has been prepared as the Foundation had only three output groups in 2018–2019 and the comprehensive operating statement effectively provides the relevant information.

## 5. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY

The Foundation controls infrastructure that is used in fulfilling its objectives and conducting its activities. These assets represent the resources that have been entrusted to the Foundation to be used for delivery of those outputs.

### 5.1 Total plant and equipment

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2019	2018	2019	2018	2019	2018
	\$	\$	\$	\$	\$	\$
Office equipment at fair value	62 438	62 438	(54 202)	(52 640)	8 236	9 798
<b>Net carrying amount</b>	<b>62 438</b>	<b>62 438</b>	<b>(54 202)</b>	<b>(52 640)</b>	<b>8 236</b>	<b>9 798</b>

Initial recognition: Items of plant and equipment, are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition.

Subsequent measurement: Plant and equipment are subsequently measured at fair value less accumulated depreciation and impairment. Fair value is determined with regard to the asset’s highest and best use (considering legal or physical restrictions imposed on the asset, and public announcements or commitments made in relation to the intended use of the asset) and is summarised below by asset category.

#### 5.1.1 Depreciation and impairment

##### Charge for the period

	2019	2018
	\$	\$
Office equipment at fair value	1 562	8 585
<b>Total depreciation</b>	<b>1 562</b>	<b>8 585</b>

All plant and equipment and other non-financial physical assets that have finite useful lives are depreciated.

Depreciation is calculated on a straight-line basis, at rates that allocate the asset’s value, less any estimated residual value, over its estimated useful life. Typical estimated useful lives for the asset class for the current and prior years are included in the table below.

Asset	Useful life
Office equipment	5–10 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments made where appropriate.

Impairment: Non-financial assets, including items of plant and equipment, are tested for impairment whenever there is an indication that the asset may be impaired.

The assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset’s carrying value exceeds its recoverable amount, the difference is written off as an ‘other economic flow’, except to the extent that it can be debited to an asset revaluation surplus amount applicable to that class of asset.

If there is an indication that there has been a reversal in impairment, the carrying amount shall be increased to its recoverable amount. However, this reversal should not increase the asset's carrying amount above what would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell.

### 5.1.2 Carrying values by 'purpose' group <sup>(i)</sup>

	Public safety and environment	
	2019	2018
	\$	\$
Office equipment at fair value	8 236	9 798
	<b>8 236</b>	<b>9 798</b>

Note:

(i) Plant and equipment are classified primarily by the 'purpose' for which the assets are used, according to one of six purpose groups based upon government purpose classifications. All assets in a purpose group are further subcategorised according to the asset's 'nature' (i.e. plant and equipment, etc.), with each subcategory being classified as a separate class of asset for financial reporting purposes.

### 5.1.3 Reconciliation of movements in carrying amount of plant and equipment<sup>(i)</sup>

	Office equipment at fair value		Total	
	2019	2018	2019	2018
	\$	\$	\$	\$
<b>Opening balance</b>	<b>9 798</b>	<b>18 383</b>	<b>9 798</b>	<b>18 383</b>
Depreciation	(1 562)	(8 585)	(1 562)	(8 585)
<b>Closing balance</b>	<b>8 236</b>	<b>9 798</b>	<b>8 236</b>	<b>9 798</b>

Note:

(i) Fair value assessments have been performed for all classes of assets in this purpose group and the decision was made that movements were not material (less than or equal to 10 per cent) for a full revaluation.

## 6. OTHER ASSETS AND LIABILITIES

This section sets out those assets and liabilities that arose from the Foundation's controlled operations.

### 6.1 Receivables

	2019	2018
	\$	\$
<b>Current receivables</b>		
<b>Contractual</b>		
Other receivables <sup>(i)</sup>	34 983	17 700
<b>Statutory</b>		
Amounts held by the Department of Justice and Community Safety <sup>(ii)</sup>	73 195	67 549
<b>Total receivables</b>	<b>108 178</b>	<b>85 249</b>

Notes:

(i) Amounts owing for recoups associated with operational expenses and a salary overpayment.

(ii) The amounts recognised from the Department of Justice and Community Safety represent funding for all commitments incurred through the appropriations and are drawn from the consolidated fund as the commitments fall due.

Contractual receivables are classified as financial instruments and categorised as 'loans and receivables'. They are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement they are measured at amortised cost using the effective interest method, less any impairment. Amounts recognised represent debtors in relation to goods and services.

Statutory receivables do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments. Amounts recognised represent funds held on behalf of the Foundation by the Department of Justice and Community Safety.

## 6.2 Payables

	2019 \$	2018 \$
<b>Current payables</b>		
<b>Contractual</b>		
Supplies and services <sup>(i)</sup>	-	276 366
Accrued expenses	1 934 386	1 635 062
Other payables – accrued wages and salaries	153 303	140 295
	2 087 689	2 051 723
<b>Statutory</b>		
FBT payable	4 312	3 609
<b>Total current payables</b>	<b>2 092 001</b>	<b>2 055 332</b>
<b>Total payables</b>	<b>2 092 001</b>	<b>2 055 332</b>

Note:

(i) The average credit period is 30 days. No interest is charged on the other payables for the first 30 days from the date of the invoice.

Payables consist of:

- **contractual payables**, classified as financial instruments and measured at amortised cost. Accounts payable represent liabilities for goods and services provided to the Foundation prior to the end of the financial year that are unpaid
- **statutory payables**, which are recognised and measured similarly to contractual payables, but are not classified as financial instruments, and are not included in the category of financial liabilities at amortised cost, because they do not arise from contracts.

Payables for supplies and services are made within one month.

## 7. HOW WE FINANCED OUR OPERATIONS

This section provides information on the sources of finance used by the Foundation during its operations and other information related to financing activities of the Foundation. It includes disclosures of balances that are financial instruments (such as borrowings and cash balances). Notes 8.1 and 8.3 provide additional, specific financial instrument disclosures.

### 7.1 Cash flow information and balances

Cash and deposits, including cash equivalents, recognised on the balance sheet comprise cash on hand (for the prior year) and funds held in trust.

	2019 \$	2018 \$
Total cash and deposits disclosed in the balance sheet	-	250
Total cash from trust account balance	3 747 964	3 529 756
<b>Balance as per cash flow statement</b>	<b>3 747 964</b>	<b>3 530 006</b>

### 7.1.1 Reconciliation of net result for the period to cash flow from operating activities

	2019 \$	2018 \$
<b>Net result for the period</b>	<b>7 828</b>	<b>(565 527)</b>
<b>Non-cash movements</b>		
Depreciation and amortisation of non-current assets	1 562	8 585
<b>Movements in assets and liabilities</b>		
Increase in receivables	(22 931)	(10 024)
Increase in prepayment	(21 669)	(8 454)
Increase/(decrease) in payables	36 669	(1 076 778)
Increase in provisions	216 499	124 261
<b>Net cash flows from/(used in) operating activities</b>	<b>217 958</b>	<b>(1 527 936)</b>

## 7.2 Trust account balances

The trust account was created with the purpose of crediting amounts from the Community Support Fund into the Responsible Gambling Fund. These funds are provided to meet the operational expenses for the Foundation.

	Opening balance as at 1 July 2018 \$	Total receipts \$	Total payments \$	Closing balance as at 30 June 2019 \$
<b>Controlled trust</b>				
Trust fund – for the establishment and operations of the Victorian Responsible Gambling Foundation	3 529 756	38 163 000	(37 944 792)	3 747 964
<b>Total controlled trust</b>	<b>3 529 756</b>	<b>38 163 000</b>	<b>(37 944 792)</b>	<b>3 747 964</b>

Note:

- (i) Funds are drawn down from the Community Support Fund on an ongoing basis to meet the Foundation's operational expenses. The trust fund balance is maintained in a positive position.

## 7.3 Commitments for expenditure

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are recorded below at their nominal value. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

### 7.3.1 Total commitments payable

Nominal amounts 2019	Less than 1 year \$	1–5 years \$	5+ years \$	Total \$
Operating and lease commitments payable <sup>(i)</sup>	573 199	876 573	-	1 449 772
<b>Total commitments</b>	<b>573 199</b>	<b>876 573</b>	<b>-</b>	<b>1 449 772</b>

Note:

- (i) Operating lease commitments relate to the Foundation's accommodation rental with lease terms to the end of December 2021, including an extension option which is reasonably certain to be exercised. The Foundation does not have an option to purchase the leased asset at the expiry of the lease period.

There are no capital expenditure commitments as at 30 June 2019 (2018: nil).

## 8. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

The Foundation is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. This section sets out financial instruments-specific information, (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied, which for the Foundation related mainly to fair value determination.

### 8.1 Financial instruments-specific disclosures

#### Introduction

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of the Foundation's activities, certain financial assets and financial liabilities arise under statute rather than under a contract. Such assets and liabilities do not meet the definition of financial instruments in AASB 132 Financial Instruments: Presentation. For example, statutory receivables arising from amounts owing from the Victorian Government do not meet the definition of financial instruments as they do not arise under contract.

From 1 July 2018, the Foundation applies AASB 9 and classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms.

#### Categories of financial assets under AASB 9

##### Financial assets at amortised cost

Financial assets are measured at amortised costs if both of the following criteria are met and the assets are not designated as fair value through net result:

- the assets are held by the Foundation to collect the contractual cash flows
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interests.

These assets are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less any impairment.

The Foundation recognises the following assets in this category:

- cash and deposits
- receivables (excluding statutory receivables).

##### Categories of financial liabilities under AASB 9 and previously under AASB 139

Financial liabilities at amortised cost are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest-bearing liability, using the effective interest rate method.

Financial instrument liabilities measured at amortised cost include all of the Foundation's contractual payables, deposits held and interest-bearing arrangements other than those designated at fair value through profit or loss.

### 8.1.1 Financial instruments categorisation

2019	Financial assets at amortised cost (AC) \$	Financial liabilities at amortised cost (AC) \$	Total \$
<b>Contractual financial assets</b>			
Cash and deposits	3 747 964	-	3 747 964
<b>Receivables</b>			
Other receivables	34 983	-	34 983
<b>Total contractual financial assets</b>	<b>3 782 947</b>	<b>-</b>	<b>3 782 947</b>
<b>Contractual financial liabilities</b>			
Payables <sup>(i)</sup>	-	2 087 689	2 087 689
<b>Total contractual financial liabilities</b>	<b>-</b>	<b>2 087 689</b>	<b>2 087 689</b>

Note:

(i) The total amounts disclosed here exclude statutory amounts.

2018	Contractual financial assets – loans and receivables \$	Contractual financial liabilities at amortised cost \$	Total \$
<b>Contractual financial assets</b>			
Cash and deposits	3 530 006	-	3 530 006
<b>Receivables</b>			
Other receivables	17 700	-	17 700
Total contractual financial assets	3 547 706	-	3 547 706
<b>Contractual financial liabilities</b>			
Payables <sup>(i)</sup>	-	2 051 723	2 051 723
<b>Total contractual financial liabilities</b>	<b>-</b>	<b>2 051 723</b>	<b>2 051 723</b>

Note:

(i) The total amounts disclosed here exclude statutory amounts.

### 8.1.2 Financial risk management objectives and policies

The Foundation's principal financial instruments comprise:

- cash assets
- receivables (excluding statutory receivables)
- payables (excluding statutory payables).

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instrument above are disclosed in Note 8.3 to the financial statements.

The main purpose in holding financial instruments is to prudentially manage the Foundation's financial risks within the government policy parameters.

The Foundation's main financial risks include credit risk and liquidity risk. The Foundation manages these financial risks in accordance with its financial risk management policy.

The Foundation uses different methods to measure and manage the different risks to which it is exposed. Primary responsibility for the identification and management of financial risks rests with the Foundation Risk, Audit and Finance Committee and the executive leadership team.

### Financial instruments: Credit risk

Credit risk arises from the contractual financial assets of the Foundation, which comprise cash and deposits. The Foundation's exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to the Foundation. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with the Foundation's contractual financial assets is insignificant because the main debtor is the Victorian Government.

### Financial instruments: Liquidity risk

Liquidity risk is the risk that the Foundation would be unable to meet its financial obligations as and when they fall due. The Foundation operates under the government fair payments policy of settling financial obligations within 30 days and, in the event of a dispute, making payments within 30 days from the date of resolution.

The Foundation's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the face of the balance sheet.

The Foundation's exposure to liquidity risk is deemed insignificant based on current assessment of risk.

### Financial instruments: Market risk

The Foundation's exposures to market risk are primarily through interest rate risk.

### Interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The Foundation does not hold any interest-bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Foundation has no exposure to cash flow interest rate risks through its cash and deposits that are at floating rate.

The carrying amounts of financial assets and financial liabilities that are exposed to interest rates are set out in the table below.

### Interest rate exposure of financial instruments

2019	Weighted average interest rate %	Carrying amount \$	Interest rate exposure		
			Fixed interest rate	Variable interest rate	Non-interest-bearing
<b>Financial assets</b>					
Cash and deposits	2.50	3 747 964			3 747 964
Receivables <sup>(i)</sup>					
Other receivables	4.55	34 983			34 983
<b>Total financial assets</b>		<b>3 782 947</b>			<b>3 782 947</b>
<b>Financial liabilities</b>					
Payables <sup>(i)</sup>					
Other payables		2 087 689			2 087 689
<b>Total financial liabilities</b>		<b>2 087 689</b>			<b>2 087 689</b>

Note:

(i) The carrying amounts disclosed here exclude statutory amounts.

2018	Weighted average interest rate %	Carrying amount \$	Interest rate exposure		
			Fixed interest rate	Variable interest rate	Non-interest-bearing
<b>Financial assets</b>					
Cash and deposits	3.55	3 530 006	-	-	3 530 006
<b>Receivables <sup>(i)</sup></b>					
Other receivables	4.05	17 700	-	-	17 700
<b>Total financial assets</b>		<b>3 547 706</b>	<b>-</b>	<b>-</b>	<b>3 547 706</b>
<b>Financial liabilities</b>					
<b>Payables <sup>(i)</sup></b>					
Other payables		2 051 723	-	-	2 051 723
<b>Total financial liabilities</b>		<b>2 051 723</b>	<b>-</b>	<b>-</b>	<b>2 051 723</b>

Note:

(i) The carrying amounts disclosed here exclude statutory amounts.

## 8.2 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed and, if quantifiable, measured at nominal value.

There are no contingent assets as at 30 June 2019 (2018: nil).

There are no contingent liabilities as at 30 June 2019 (2018: nil).

## 8.3 Fair value determination

This section sets out information on how the Foundation determined fair value for financial reporting purposes. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following assets and liabilities are carried at fair value:

- financial assets and liabilities at fair value through the operating result
- equipment.

In addition, the fair values of other assets and liabilities that are carried at amortised cost also need to be determined for disclosure purposes.

The Foundation determines the policies and procedures for determining fair values for both financial and non-financial assets and liabilities as required.

### Fair value hierarchy

In determining fair values a number of inputs are used. To increase consistency and comparability in the financial statements, these inputs are categorised into three levels, also known as the fair value hierarchy. The levels are as follows:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, the Foundation has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

In addition, the Foundation determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

### Fair value of financial instruments measured at amortised cost

The Foundation considers that the carrying amount of financial instrument assets and liabilities recorded in the financial statements is a fair approximation of their fair values, because of the short-term nature of the financial instruments and the expectation that they will be paid in full.

### Financial assets measured at fair value

	Carrying amount as at 30 June 2019 \$	Fair value measurement at end of reporting period using:		
		Level 1 <sup>(i)</sup>	Level 2 <sup>(i)</sup>	Level 3 <sup>(i)</sup>
<b>Equipment at fair value</b>				
Office equipment	8 236	-	-	8 236
<b>Total of equipment at fair value</b>	<b>8 236</b>	-	-	<b>8 236</b>

	Carrying amount as at 30 June 2018 \$	Fair value measurement at end of reporting period using:		
		Level 1 <sup>(i)</sup>	Level 2 <sup>(i)</sup>	Level 3 <sup>(i)</sup>
<b>Equipment at fair value</b>				
Office equipment	9 798	-	-	9 798
<b>Total of equipment at fair value</b>	<b>9 798</b>	-	-	<b>9 798</b>

Notes:

(i) Classified in accordance with the fair value hierarchy.

**Equipment** is held at fair value. When equipment is specialised in use, such that it is rarely sold other than as part of a going concern, fair value is determined using the depreciated replacement cost method.

There were no changes in valuation techniques throughout the period to 30 June 2019.

For all assets measured at fair value, the current use is considered the highest and best use.

There were no movements in fair value of financial assets other than depreciation.

### Description of significant unobservable inputs to Level 3 valuations

	Valuation technique	Significant unobservable inputs
<b>Equipment</b>	Current replacement cost	Cost per unit Useful life of plant and equipment

## 9. OTHER DISCLOSURES

This section includes additional material disclosures required, by accounting standards or otherwise, for the understanding of this financial report.

### 9.1 Other economic flows included in net result

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions. Other gains/ (losses) from other economic flows include the gains or losses from:

- the revaluation of the present value of the long service leave liability due to changes in the bond interest rates.

	2019 \$	2018 \$
<b>Other gains/(losses) from other economic flows</b>		
Net gain/(loss) arising from revaluation of annual and long service liability <sup>(i)</sup>	(75 809)	15 329
<b>Total other gains/(losses) from other economic flows</b>	<b>(75 809)</b>	<b>15 329</b>

Notes:

(i) Revaluation gain/(loss) due to changes in bond rates

### 9.2 Responsible persons

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons for the reporting period.

#### Names

The persons who held the positions of responsible minister, members of the board and accountable officer in the Victorian Responsible Gambling Foundation are as follows:

#### Responsible minister

##### Minister for Consumer Affairs, Gaming and Liquor Regulation

The Hon. Marlene Kairouz MP 1 July 2018 to 30 June 2019

##### Acting Minister for Consumer Affairs, Gaming and Liquor Regulation

The Hon. Lisa Neville MP 1 January 2019 to 20 January 2019

#### Board members

Ms Julie Ligeti	1 July 2018 to 30 June 2019
Ms Belinda Duarte	1 July 2018 to 30 June 2019
Ms Christine Black	1 July 2018 to 30 June 2019
Ms Monique Conheady	1 July 2018 to 30 June 2019
Mr Anastasios Mousaferiadis	1 July 2018 to 30 June 2019
Mr John Nguyen	1 July 2018 to 30 June 2019
Mr Jim Pasinis	1 July 2018 to 30 June 2019
Mrs Zoe Wainer	1 July 2018 to 30 June 2019
Ms Maree Edwards MP	1 July 2018 to 30 October 2018
Mr Graham Watt MP	1 July 2018 to 30 October 2018

### Accountable officer – chief executive officer

Mr Shane Lucas	18 March 2019 to 30 June 2019
Ms Janet Dore	15 October 2018 to 28 March 2019
Ms Louise Glanville	1 July 2018 to 12 October 2018

### Remuneration

Remuneration received or receivable by members of the board, including the accountable officer, in connection with the management of the Foundation during the reporting period was in the range:

Income band	2019	2018
	No.	No.
\$0	2	2
\$1 000 to \$9 999	0	3
\$10 000 to \$19 999	7	6
\$20 000 to \$29 999	1	1
\$80 000 to \$89 999	1	-
\$90 000 to \$99 999	1	-
\$140 000 to \$149 999	1	-
\$310 000 to \$319 999	-	1
Total number of persons	13	13
<b>Total remuneration</b>	<b>454 076</b>	<b>438 023</b>

The compensation detailed above excludes the salaries and benefits the portfolio minister receives. The minister's remuneration and allowances are set by the *Parliamentary Salaries and Superannuation Act 1968* and are reported within the Department of Parliamentary Services financial report.

## 9.3 Related parties

The Foundation is a wholly owned and controlled entity of the State of Victoria.

Related parties of the Foundation include all key management personnel and their close family members and personal business interests (controlled entities, joint ventures and entities over which they have significant influence).

All related party transactions have been entered into on an arm's-length basis.

**Key management personnel** of the Foundation include the board members, accountable officer – chief executive officer and members of the executive leadership team.

Compensation of key management personnel	2019	2018
	\$	\$
Short-term employee benefits	1 180 722	1 072 318
Post-employment benefits	104 166	89 831
Other long-term benefits	13 171	29 489
Termination benefits	9 053	-
<b>Total <sup>(i)</sup></b>	<b>1 307 112</b>	<b>1 191 638</b>

Note:

- (i) Certain key management personnel are also reported in the disclosure of remuneration of executive officers (Note 9.2). The number of key management personnel increased in 2018–2019, reflecting the strategic imperative to include the Director, People & Culture within the executive leadership team.

## Transactions and balances with key management personnel and other related parties

Given the breadth and depth of Victorian Government activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public e.g. stamp duty and other government fees and charges. Further employment of processes within the Victorian public sector occur on terms and conditions consistent with the *Public Administration Act 2004* and Codes of Conduct and Standards issued by the Victorian Public Sector Commission. Procurement processes occur on terms and conditions consistent with the requirements of the Victorian Government Procurement Board.

Outside those transactions of normal citizens with the Foundation, there were no related party transactions that involved key management personnel, their close family members and their personal business interests. No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

The Foundation has received grants as part of its operational business activities from the Department of Treasury and Finance and the Department of Justice and Community Safety. These have been disclosed in Note 2.

### 9.4 Remuneration of auditors

	2019	2018
	\$	\$
<b>Victorian Auditor-General's Office</b>		
Audit of the financial statements	18 600	18 200
<b>Total remuneration of auditors</b>	<b>18 600</b>	<b>18 200</b>

### 9.5 Subsequent events

The financial statements for the Victorian Responsible Gambling Foundation are prepared for the reporting period ended 30 June 2019. As at the date of signing, there are no events subsequent to the balance date that have a significant impact on the financial position of the Foundation.

### 9.6 Change in accounting policies

The Foundation has elected to apply the limited exemption in AASB 9 paragraph 7.2.15 relating to transition for classification and measurement and impairment, and accordingly has not restated comparative periods in the year of initial application.

As a result:

- (a) any adjustments to carrying amounts of financial assets or liabilities are recognised at beginning of the current reporting period with difference recognised in opening retained earnings
- (b) financial assets and provision for impairment have not been reclassified and/or restated in the comparative period.

This note explains the impact of the adoption of AASB 9 Financial Instruments on the Foundation's financial statements

#### 9.6.1 Changes to classification and measurement

On initial application of AASB 9 on 1 July 2018, the Foundation's management has assessed all financial assets based on the Foundation's business models for managing the assets. The following are the changes in the classification of the Foundation's financial assets:

- contractual receivables previously classified as other loans and receivables under AASB 139 are now reclassified as financial assets at amortised cost under AASB 9.

The accounting for financial liabilities remains largely the same as it was under AASB 139.

## 9.7 Australian Accounting Standards issued that are not yet effective

Certain new AAS have been published which are not mandatory for the 30 June 2019 reporting period. The Department of Treasury and Finance assesses the impact of all these new standards and advises the Foundation of their applicability and early adoption where applicable.

The following relevant AAS become effective for reporting periods commencing after 1 July 2019:

- AASB 16 Leases
- AASB 15 Revenue from Contract with Customers
- AASB 1058 Income of Not-for-Profit Entities.

### Leases

AASB 16 Leases replaces AASB 117 Leases, AASB Interpretation 4 Determining whether an Arrangement contains a Lease, AASB Interpretation 115 Operating Leases – Incentives and AASB Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases on the balance sheet by recording a Right-of-Use (RoU) asset and a lease liability. The exception are leases that are shorter than 12 months and leases where the underlying asset is of low value (deemed to be below \$10 000).

AASB 16 also requires the lessees to separately recognise the interest expense on the lease liability and the depreciation expense on the RoU asset, and remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The amount of the remeasurement of the lease liability will generally be recognised as an adjustment to the RoU asset.

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between operating and finance leases.

The effective date is for annual reporting periods beginning on or after 1 January 2019. The Foundation intends to adopt AASB 16 in the 2019–2020 financial year when it becomes effective.

The Foundation will apply the standard using a modified retrospective approach with the cumulative effect of initial application recognised as an adjustment to the opening balance of accumulated surplus at 1 July 2019, with no restatement of comparative information.

In addition, AASB 2018-8 – Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for Profit Entities allows a temporary option for not-for-profit entities to not measure RoU assets at initial recognition at fair value in respect of leases that have significantly below-market terms, since further guidance is expected to be developed to assist not-for-profit entities in measuring RoU assets at fair value. The standard requires an entity that elects to apply the option (that is, measures a class or classes of such RoU assets at cost rather than fair value) to include additional disclosures. The Foundation intends to choose the temporary relief to value the RoU asset at the present value of the payments required (at cost).

The Department of Justice and Community Safety manages the Foundation's lease arrangements with respect to its occupancy at 14–20 Blackwood Street, North Melbourne. A detailed impact assessment of AASB 16 and the potential impact in the initial year of application has been estimated as follows:

- increase in RoU (\$1 247 834)
- increase in related depreciation (\$80 776)
- increase in lease liability (\$1 247 834)
- increase in related interest (\$4 263) calculated using effective interest method
- decrease in rental expense (\$79 841).

## Revenue and income

AASB 15 supersedes AASB 118 Revenue, AASB 111 Construction Contracts and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers.

AASB 15 establishes a five-step model to account for revenue arising from an enforceable contract that imposes a sufficiently specific performance obligation on an entity to transfer goods or services. AASB 15 requires entities to only recognise revenue upon the fulfilment of the performance obligation. Therefore, entities need to allocate the transaction price to each performance obligation in a contract and recognise the revenue only when the related obligation is satisfied.

To address specific concerns from the not-for-profit sector, the AASB also released the following standards and guidance:

- AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for NFP Entities (AASB 2016-8), to provide guidance on application of revenue recognition principles under AASB 15 in the not-for-profit sector.
- AASB 1058 Income of Not-for-Profit Entities, to supplement AASB 15 and provide criteria to be applied by not-for profit entities in establishing the timing of recognising income for government grants and other types of contributions previously contained within AASB 1004 Contributions.

AASB 15, AASB 1058 and the related guidance came into effect for not-for-profit entities for annual reporting periods on or after 1 January 2019. The Foundation has performed an impact assessment of AASB 15 and AASB 1058 and has determined that its revenue is outside the scope of these AAS.

## 9.8 Glossary of technical terms

The following is a summary of the major technical terms used in this report.

### Borrowings

Interest-bearing liabilities mainly from public borrowings raised through the Treasury Corporation of Victoria, finance leases and other interest-bearing arrangements. Borrowings also include non-interest-bearing advances from government that are acquired for policy purposes.

### Comprehensive result

The net result of all items of income and expense recognised for the period. It is the aggregate of operating result and other comprehensive income.

### Commitments

Operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources.

### Current grants

Amounts payable or receivable for current purposes for which no economic benefits of equal value are receivable or payable in return.

### Depreciation

An expense that arises from the consumption through wear or time of a produced physical or intangible asset. This expense is classified as a 'transaction' and so reduces the 'net result from transaction'.

### Effective interest method

The method used to calculate the amortised cost of a financial asset or liability and to allocate interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument, or, where appropriate, a shorter period.

### Employee benefits expenses

All costs related to employment, including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments, defined benefits superannuation plans and defined contribution superannuation plans.

### Financial asset

Any asset that is:

- (a) cash
- (b) an equity instrument of another entity
- (c) a contractual or statutory right:
  - » to receive cash or another financial asset from another entity, or
  - » to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity
- (d) a contract that will or may be settled in the entity's own equity instruments and is:
  - » a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments, or
  - » a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

### Financial instrument

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets or liabilities that are not contractual (such as statutory receivables or payables that arise as a result of statutory requirements imposed by governments) are not financial instruments.

### Financial liability

Any liability that is:

- (a) a contractual obligation:
  - (i) to deliver cash or another financial asset to another entity, or
  - (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity, or
- (b) a contract that will or may be settled in the entity's own equity instruments and is:
  - (i) a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments, or
  - (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

### Financial statements

A complete set of financial statements comprises:

- (a) a balance sheet as at the end of the period
- (b) a comprehensive operating statement for the period
- (c) a statement of changes in equity for the period
- (d) a cash flow statement of for the period
- (e) notes, comprising a summary of significant accounting policies and other explanatory information

- (f) comparative information in respect of the preceding period as specified in paragraph 38 of AASB 101 Presentation of Financial Statements
- (g) a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraph 41 of AASB 101.

### Grants and other transfers

Transactions in which one unit provides goods, services, assets (or extinguishes a liability) or labour to another unit without receiving approximately equal value in return. Grants can either be operating or capital in nature.

While grants to governments may result in the provision of some goods or services to the transferor, they do not give the transferor a claim to receive directly benefits of approximately equal value. For this reason, grants are referred to by the AASB as involuntary transfers and are termed non-reciprocal transfers. Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For example, governments are not obliged to provide commensurate benefits, in the form of goods or services, to particular taxpayers in return for their taxes.

Grants can be paid as general purpose grants, a term which refers to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants, which are paid for a particular purpose and/or have conditions attached regarding their use.

### General government sector

All government departments, offices and other bodies engaged in providing services free of charge or at prices significantly below their cost of production. General government services include those which are mainly non-market in nature, those which are largely for collective consumption by the community and those which involve the transfer or redistribution of income. These services are financed mainly through taxes, or other compulsory levies and user charges.

### Grants for on-passing

All grants paid to one institutional sector (e.g. a state general government entity) to be passed on to another institutional sector (e.g. local government or a private non-profit institution).

### Net result

A measure of financial performance of the operations for the period. It is the net result of items of income, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other economic flows – other comprehensive income'.

### Net result from transactions/net operating balance

A key fiscal aggregate, and income from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

### Net worth

Assets less liabilities, which is an economic measure of wealth.

### Non-financial assets

Assets that are not 'financial assets'. They include inventories, land, buildings, infrastructure, road networks, land under roads, plant and equipment, investment properties, cultural and heritage assets, intangible and biological assets.

### Other economic flows included in net result

Changes in the volume or value of an asset or liability that do not result from transactions. They include gains and losses from disposals, revaluations and impairments of non-financial physical and intangible assets.

### Other economic flows – other comprehensive income

Items (including reclassification adjustments) that are not recognised in net result as required or permitted by other Australian Accounting Standards.

The components of other economic flows – other comprehensive income include changes in physical asset revaluation surplus.

### Payables

Short- and long-term trade debt and accounts payable, grants, taxes and interest payable.

### Receivables

Amounts owing from government through appropriation receivable, short- and long-term trade credit and accounts receivable, accrued investment income, grants, taxes and interest receivable.

### Sales of goods and services

Income from the direct provision of goods and services, including fees and charges for services rendered, sales of goods and services, fees from regulatory services and work done as an agent for private enterprises. It also includes rental income under operating leases and on produced assets such as buildings and entertainment, but excludes rent income from the use of non-produced assets such as land. User charges includes sale of goods and services income.

### Supplies and services

Generally, cost of goods sold and the day-to-day running costs, including maintenance costs, incurred in the normal operations of the Foundation.

### Transactions

Economic flows that are considered to arise as a result of policy decisions, usually an interaction between two entities by mutual agreement. They also include flows in an entity such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the government and taxpayers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash. In simple terms, transactions arise from the policy decisions of the government.

## 9.9 Style conventions

Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage variations in all tables are based on the underlying unrounded amounts.

The notation used in the tables is as follows:

-	zero, or rounded to zero
(xxx.x)	negative numbers
20xx	year
20xx–20xx	year period

The financial statements and notes are presented based on the illustration for a government department in the 2018–2019 Model Report for Victorian Government Departments. The presentation of other disclosures is generally consistent with the other disclosures made in earlier publications of the Foundation's annual reports.

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**Note:**

- (i) References to FRDs have been removed from the disclosure index if the specific FRDs do not contain requirements that are of the nature of disclosure.

## RESEARCH SOURCED TO SUPPORT THE 2018–2019 ANNUAL REPORT:

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