Variety Club of Victoria Inc
19 340 913 579

Financial Report
For the Year Ended 30 September 2010

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Chairman's Message

I can hardly believe that my two year tenure as Chairman of Tent 77 is drawing to an end - it certainly does not seem like 12 months since I gave my last report for our AGM.

On that occasion I spoke about the difficult year all of us had experienced with not only the impact of the Global Financial Crisis, but the emotion and financial pain we all felt as a result of the Black Saturday bushfires. Also, on that occasion I took great heart in what we were trying to achieve for Victorian children and the hard work that was going into making 2009 - 10 a year we can all be proud of and gain back some of the ground lost the previous year.

I am thrilled to report that we were able to achieve many of those objectives.

Our Board signed off on a new Strategic Plan at the start of this year has given us a foundation to build upon for the next 5 years. The plan is supported by a number of specific policy and procedure documents which look at how we conduct our business as an effective Board which has solid processes and good governance (one of the cornerstones of the Strategic Plan).

Throughout the course of the year our events and relationships with new and existing supporters have exceeded many of our expectations and enabled Varity Tent 77 to increase our approved grants to children by 15% to $2.202million. This equates to us having granted 108% of all donations received during the year whilst keeping operating expenses to 6.5% of our total revenue - a result which makes our Board, and particularly myself, extremely proud.

We have also continued our support for the children affected by the Black Saturday bushfires. One area of special significance to Variety was the awarding of our first four Brian and Moiree Naylor Scholarships which went to children from secondary colleges at Whittlesea, Yea, Diamond Valley and Alexandra. These scholarships allowed the recipients to further their studies at tertiary institutes, whilst also recognising our first Patron and his wonderful wife.

Our 4WD Trek went through a major change courtesy to our new relationship with 4WD Victoria, who strongly marketed the event throughout their clubs.

With Derryn Hinch well and truly leading the way our annual 3AW Radiothon for bikes, it continued it's fantastic record by raising $200,000. This result will enable us to present 1000 bikes this year in time for Christmas.

Our Splash event broke its own records by raising almost $100,000 this year and through our great supporters Terry and Scott O'Hare has helped spurn a major national opportunity in an Around Australia Ocean Race and Rally....watch this space.

Naturally, no annual report would be complete without reference to our iconic road event, The Bash. This year 95 cars made the long trek to Margaret River and raised a fantastic $1.3million for our children. Our appreciation goes out to all participants in particular our highest fundraisers and sponsors. Special thanks to Shane Jacobsen and Celebrity Ambassador Blair McDonough for their fantastic support of the event.

In the course of the year we also launched a new national relationship with Kmart. Initiated out of Victoria, this promotion sees every checkout at all 170 Kmart Stores throughout Australia collecting coins over the March April period. Over $60,000 was raised which we are all looking forward to building upon the initiative next year.

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In June this year our Outback Adventure made the long, but spectacular, trip from Broome to Margaret River, raising over $150,000 in the process. The Board's appreciation goes to Graeme and Lesley Giddings and Paul and Lynne Herbert for all the hard work they put in to make this happen.

The planning of next year's overseas event along Route 66 in the USA is well advanced thanks to the work of Lindsay Beer and Paul Wheelton.

We rounded the year off with what many referred to as our best Great Grand Final Lunch in many, many years. Not only did it raise $125,000 but motivated Andrew Moore, Principal Dealer from Lexus of Blackburn, to speak with us regarding next year's event and a new relationship with Variety. It also inspired the Branch Manager from Reece Plumbing, Alan Given, to join our Grants Committee.

However, as mentioned earlier, this is all about the children. From the 5,500 who attended this year's Christmas Party, to all the recipients of our individual Grants and the Special Development Schools who benefit from our Sunshine Coach and Liberty Swing Programs.

It is also about how we support children not only today but also in the future.

To that end I am very excited about a major project supported by the Board to develop a major All Ability Adventure Park in Melton. We have attracted significant support from the local council and Members of Parliament and we intend to make a major presentation to State Government in the near future. This development recognises not only children from a large catchment area who have disabilities, but also the lower economic groups that will be living in the area over the next 10 – 25 years. This need was recently acknowledged by Premier John Brumby when he named Toolern Creek Park in Melton South in his $14.9 million pledge to build adventure playgrounds in outer suburban areas. This project represents a potential major footprint for Variety in Victoria.

Of course a big thanks goes out to all the volunteers who support Variety in our various endeavours throughout the year, without you the charity would not operate as efficiently as it does.

Finally, I would like to thank the Board for the opportunity to be Chair for the past two years, the staff who have continually gone beyond the call of duty in supporting our wonderful organisation and to our sponsors and supporters who offer both financial and emotional commitments. I believe during 2009 – 2010 we have made a significant impact in assisting disadvantaged children, for that I thank you.

Rod Collins APM

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MEMBER'S REPORT

The members of the Variety Club of Victoria Inc. (the Association or Variety) have pleasure in submitting the following report in respect of the year ended 30 September 2010 in accordance with a resolution of members.

BOARD MEMBERS

The members in office at the date of this report are set out below.

The members had no interests in contracts or proposed contracts with Variety during the course of the financial year other than as noted in the statutory information of this report.

Information on Board Members

ROD COLLINS APM - Chief Barker
DAGMAR O'BRIEN - Vice Chairman
VITO INTERLANDI - Treasurer
DOUG CHRISTIE - Past Chief Barker (Chairman), International Ambassador and Secretary
MARK GROVER
GRAEME GIDDINGS
PETER LAZER
SHARON McDONALD
SUE STANLEY
DARYL TALBOT
MIKE BRADY
GILLIAN HUND
PAUL GUERRA
DAVID RAYNER
DAVID CORNWELL
ANNE HENSHALL

The names of Committee Members appointed during the year were:

GRAEME GIDDINGS
DAVID RAYNER
DAVID CORNWELL
ANNE HENSHALL

The name of Committee Members who resigned during the year were:

PAUL GUERRA
PETER LAZER
MARK GROVER

GENERAL INFORMATION

Company Secretary

Doug Christie has been Secretary of the Association for the past 5 months.
The previous Secretary of the Association was Mark Grover.

Association Information

Variety is an association incorporated in Victoria under the Associations Incorporation Act 1981.

The registered office of the Association is H71 63-85 Turner Street, Port Melbourne, Victoria.

The association employed 9 staff at 30 September 2010 (30 September 2009: 6).

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MEMBER'S REPORT

Principal Activities

The principal activities of Variety during the year were to supply material aid to less fortunate children in the community. No changes in the nature of the following activities occurred during the year: granting of individual and group appeals, provision of Variety Sunshine Coaches, Children's Christmas Party and Children's outings.

BUSINESS REVIEW

Operating Result

The loss of the Association for the year ended 30 September 2010 was $146,916 (2009: $135,040 loss).

Dividends

The Association is a not-for-profit organisation and is prevented by its constitution from paying dividends.

OTHER ITEMS

Significant Changes in State of Affairs

No significant changes in the association's state of affairs occurred during the financial year.

After Balance Date Events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the association, the results of those operations or the state of affairs of the association in future financial years.

Future developments

There are no significant future developments envisaged for the forthcoming year.

Environmental Issues

The association's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

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MEMBER'S REPORT

Meetings of Directors

There were 9 Board meetings held during the year. The attendance by each Board member during the year was as follows:

	Board Meetings	
	Number Eligible to Attend	**Number Attended**
Rod Collins APM	9	9
Dagmar O'Brien	9	5
Doug Christie	9	9
Mark Grover	6	4
Mike Brady	9	3
Graeme Giddings	5	5
Peter Lazer	6	3
Sharon McDonald	9	8
Sue Stanley	9	6
Daryl Talbot	9	6
Vito Interlandi	9	5
Gillian Hund	9	8
Paul Guerra	6	6
David Rayner	2	2
David Cornwell	3	1
Anne Henshall	3	2

Indemnification and Insurance of Officers

Variety has, during the financial year, paid an insurance premium in respect of an insurance policy for the benefit of the members and executive officers of Variety. The insurance is in the normal course of business and grants indemnity for liabilities incurred by the members and executive officers in performance of their duties, to the extent permissible under the Associations Incorporation Act 1981. In accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy, including the nature of the liability insured against and the amount of the premium.

Signed in accordance with a resolution of the members of the Committee:

Rod Collins APM
Chairman

Vito Interlandi
Treasurer

16 November 2010

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MEMBER'S DECLARATION

In the opinion of the Board the financial report as set out on pages 7 to 27:

1. Presents a true and fair view of the financial position of the Variety Club of Victoria Inc. as at 30 September 2010 and its performance for the year ended on that date in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) of the Australian Accounting Standards Board.

2. At the date of this declaration, there are reasonable grounds to believe that the Variety Club of Victoria Inc. will be able to pay its debts as and when they fall due.

This statement is made in accordance with a resolution of the Committee and is signed for and on behalf of the Board by:

Rod Collins APM	Vito Interlandi
Chairman	Treasurer

16 November 2010

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STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2010

	Note	2010 $	2009 $
INCOME			
Revenue from Events	2	3,875,334	3,216,298
Event Costs	2	(1,990,073)	(1,615,965)
Net Income from Events		1,885,261	1,600,333
Revenue from Fundraising	2	931,943	1,151,724
Fundraising Costs	2	(288,031)	(503,271)
Net Income from Fundraising		643,912	648,453
Other Income	2	2,267	9,535
		2,531,440	2,258,321
EXPENSES			
Administration Costs		190,970	319,033
Appeals Granted		2,202,051	1,919,523
Appeals Rescinded		(74,081)	(102,358)
Depreciation & Amortisation		39,120	31,294
Employee Costs		115,786	50,342
Finance Costs		36,953	38,801
Other Expenses		167,557	136,726
Profit/ (Loss) for the year		(146,916)	(135,040)
Other Comprehensive Income		-	-
Total Comprehensive Income		(146,916)	(135,040)

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The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2010

	Note	2010	2009
		$	$
CURRENT ASSETS			
Cash and cash equivalents	4	613,437	556,317
Trade and other receivables	5	285,838	62,539
Inventory	6	17,050	22,434
Other assets	7	51,842	74,195
TOTAL CURRENT ASSETS		968,167	715,485
NON-CURRENT ASSETS			
Property, plant and equipment	8	1,013,286	991,170
Intangible assets	9	20,950	-
TOTAL NON-CURRENT ASSETS		1,034,236	991,170
TOTAL ASSETS		2,002,403	1,706,655
CURRENT LIABILITIES			
Trade and other payables	10	887,684	647,887
Short-term provisions	11	76,886	70,551
Other Liabilities	12	86,752	140,490
TOTAL CURRENT LIABILITIES		1,051,322	828,928
NON-CURRENT LIABILITIES			
Trade and other payables	10	300,000	-
Long-term provisions	11	6,767	6,497
TOTAL NON-CURRENT LIABILITIES		306,767	6,497
TOTAL LIABILITIES		1,358,089	865,425
NET ASSETS		644,314	841,230
EQUITY			
Reserves	13	520,000	570,000
Accumulated surplus / (deficit)		124,314	271,230
TOTAL MEMBERS' FUNDS		644,314	841,230

The accompanying notes form part of these financial statements.

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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2010

	Note	Accumulated Surplus	Jeffery White Reserve	Total
		$	$	$
Balance at 1 October 2008		**406,270**	**620,000**	**1,026,270**
Surplus / (deficit) for the year		(135,040)	-	(135,040)
Transfer to and from reserves	13	-	(50,000)	(50,000)
Balance at 30 September 2009		**271,230**	**570,000**	**841,230**
Surplus / (deficit) for the year		(146,916)	-	(146,916)
Transfer to and from reserves	13	-	(50,000)	(50,000)
Balance at 30 September 2010		**124,314**	**520,000**	**644,314**

The accompanying notes form part of these financial statements.

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2010

	Note	2010	2009
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from donors, sponsors, members and functions		4,556,331	4,596,214
Payments to grantees, suppliers and employees		(4,412,465)	(4,333,687)
Interest received		2,267	1,353
Interest paid		(6,934)	(58)
Net cash provided by (used in) operating activities	18	139,199	263,822
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		-	8,182
Purchase of intangible assets		(20,950)	-
Purchase of property, plant and equipment		(61,129)	(15,341)
Net cash provided by (used in) investing activities		(82,079)	(7,159)
CASH FLOWS FROM FINANCING ACTIVITIES		-	-
Net cash provided by (used in) financing activities		-	-
Net (decrease) / increase in cash held		57,120	256,663
Cash at beginning of financial year		556,317	299,654
Cash at end of financial year	4	613,437	556,317

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations and the *Associations Incorporation Act (Vic) 1981.*

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Accounting Policies

a. **Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

Depreciation

The depreciable amount of all fixed assets, including buildings and capitalised lease assets, is depreciated on a straight-line basis over the asset's useful life commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Buildings	2.5%
Plant and Equipment	7.5 - 35%
Motor Vehicles	25%
Computer Equipment	20 - 50%
Improvements	2.5%

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance date.

b. **Inventories**

Inventories are measured at the lower of cost and net realisable value.

c. **Financial Instruments**

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Association becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the association commits itself to either purchase or sell the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Classification and subsequent measurement

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

(i) the amount at which the financial asset or financial liability is measured at initial recognition;

(ii) less principal repayments;

(iii) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and

(iv) less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The association does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

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

Financial assets are classified at 'fair value through profit or loss' when they are held for trading for the purpose of short-term profit taking, where they are derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period, which will be classified as non-current assets.

(iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the association's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period, which will be classified as current assets.

If during the period the association sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire category of held-to-maturity investments would be tainted and would be reclassified as available-for-sale.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(iv) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to be disposed of within 12 months after the end of the reporting period, which will be classified as current assets.

(v) *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At the end of each reporting period, the association assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

Derecognition

Financial assets are derecognised where the contractual right to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

d. **Impairment of Assets**

At the end of each reporting period, the association reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value-in-use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the association estimates the recoverable amount of the cash-generating unit to which the asset belongs.

e. **Employee Benefits**

Provision is made for the association's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements. Those cash outflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

f. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at-call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

g. Revenue and Other Income

Revenue is recognised to the extent that is probably that the economic benefits will flow to the Association and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Events Revenue

In some cases, revenue is received in respect of an event that falls into the following financial year. In such cases, the revenue and any associated costs is deferred and recognised as deferred income.

Interest Income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculation the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets o the net carrying amount of the financial asset.

Sales of non-current assets

The proceeds of non-current assets sales are included at the date control of the asset passes to the buyer. The gain or loss on disposal of assets is calculated as the difference between the carrying amount of teh asset at the time of disposal and the net proceeds on disposal and are recognised net within "other income".

Donated Goods

Goods are donated to be sold at auctions, or to be used in events in functions. In both cases, they are recognised as revenue at their replacement cost, and expensed when the goods are sold, or otherwise used.

All revenue is stated net of the amount of goods and services tax (GST).

h. Appeals Payable

Appeals payable are carried at cost and are recognised when the Association has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits as a result of past transactions or events, it is probably that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

i. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their indeed use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended us or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

j. Rounding of Amounts

The association has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial report and directors' report have been rounded off to the nearest $1.

k. Income taxes

No provision for income tax has been raised as the association is exempt from income tax under Div 50 of the *Income Tax Assessment Act 1997.*

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

k. **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST components of investing and financing activities, which are disclosed as operating cash flows.

l. **Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the association has retrospectively applied an accounting policy, made a retrospective restatement or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

m. **Trade and Other Payables**

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the association during the reporting period, which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

n. **Provisions**

Provisions are recognised when the association has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

o. **Jeffery White Reserve**

During 2006, a bequest of $925,000 was received from the estate of Jeffery White. $720,000 of the bequest was taken to a reserve and in accordance with the terms of the bequest, the Association will declare annual grants to the value of $50,000 in Jeffery White's name until the funds have been fully utilised. The grants will be paid directly from the reserve.

p. **Deferred Income**

Deferred Income, classified as current, consists of amounts received during the year in relation to fundraising events which are to be held in the following financial year.

q. **Key Judgments**

Apportionment of employment costs

The costs of employing staff are allocated across three core areas of the Association's operations – administration, events and fundraising. Where a staff member is employed in a specific area (such as coordinating a particular event) the costs of their employment are allocated to that area. For staff not employed in a specific area, the costs of their employment allocated equally across the three areas of the Association's operations.

Classification of grant payable as non-current

The Association has committed to a grant of $300,000 in relation to a children's playground, on the condition that additional contributions are received from government towards the project. The Association's contribution to the project is not expected to be required to be paid during the 2011 financial year, and on that basis the amount has been classified as a non-current liability.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

r. **Adoption of New and Revised Accounting Standards**

During the current year, the association has adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these Standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these Standards and Interpretations has had on the financial statements of the Association.

AASB 101: Presentation of Financial Statements

In September 2007, the Australian Accounting Standards Board revised AASB 101, and as a result there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the association's financial statements.

Disclosure impact

Terminology changes — The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Reporting changes in equity — The revised AASB 101 requires all changes in equity arising from transactions with owners in their capacity as owners to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

Statement of comprehensive income — The revised AASB 101 requires all income and expenses to be presented in either one statement — the statement of comprehensive income, or two statements — a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The association's financial statements now contain a statement of comprehensive income.

Other comprehensive income — The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expense that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2010

NOTE 2: FUNDRAISING INFORMATION AND COSTS	2010 Revenue $	2010 Direct Costs $	2010 Net Proceeds $	2009 Net Proceeds $
Cup Eve Ball	-	-	-	(21,635)
Children's Christmas Fundraising	350,000	-	350,000	187,143
Grand Final Lunch	217,471	(92,325)	125,146	101,273
Heart of Variety Ball	91,885	(101,059)	(9,174)	60,636
Radiothon	215,271	(17,280)	197,991	236,476
4 x 4 Challenge	192,771	(87,417)	105,354	22,966
Brats Bash	48,927	(38,806)	10,121	11,536
Splash	235,968	(136,458)	99,510	75,274
Variety Bash	2,013,856	(669,337)	1,344,519	1,353,119
Outback Adventure	509,185	(352,412)	156,773	-
Unallocated Event Costs	-	(494,979)	(494,979)	(426,445)
Total contribution from events	3,875,334	(1,990,073)	1,885,261	1,600,333
Contribution towards grants	931,943	-	931,943	1,151,724
Other Income	2,267	-	2,267	9,535
Indirect fundraising costs	-	(288,031)	(288,031)	(503,271)
Administration costs	-	(550,386)	(550,386)	(576,196)
Profit before grants	4,809,544	(2,828,490)	1,981,054	1,682,125
Grants approved	-	(2,202,051)	(2,202,051)	(1,919,523)
Rescinded grants	-	74,081	74,081	102,358
Grants expense	-	(2,127,970)	(2,127,970)	(1,817,165)
Profit / (loss) for the year	4,809,544	(4,956,460)	(146,916)	(135,040)

NOTE 3: AUDITORS' REMUNERATION	2010 $	2009 $
Remuneration of the auditor of the association for:		
- auditing or reviewing the financial report	10,000	20,000
- other services	1,000	-
	11,000	20,000

NOTE 4: CASH AND CASH EQUIVALENTS		
Cash on hand	2,480	511
Cash at bank	610,957	556,806
	613,437	556,317

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2010

NOTE 5: TRADE AND OTHER RECEIVABLES	2010 $	2009 $
CURRENT		
Trade Receivables	18,640	34,695
Provision for impairment of receivables	-	(20,000)
Other receivables	32,471	39,744
Accrued revenue	234,727	-
Amounts receivable from:		
- other related parties	-	7,830
	285,838	62,539

NOTE 6: INVENTORIES

CURRENT		
Inventory – at cost	17,050	22,434

NOTE 7: OTHER ASSETS

CURRENT		
Prepayments	51,842	74,195

NOTE 8: PROPERTY, PLANT AND EQUIPMENT

Property		
Land and Buildings at cost	936,796	936,796
Accumulated depreciation	(109,775)	(91,479)
Total Land and Buildings	827,021	845,317
Property Improvements at cost	106,071	101,481
Accumulated depreciation	(14,362)	(11,825)
Total Property Improvements	91,709	89,656
Total Property	918,730	934,973

The ANZ Bank currently holds a charge secured by the property for an overdraft and payroll facility which is used from time to time.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2010

NOTE 8: PROPERTY, PLANT & EQUIPMENT (CONT.)	2010	2009
	$	$
Plant and Equipment		
Motor Vehicles at cost	93,545	52,104
Accumulated depreciation	(29,182)	(18,088)
Total Motor Vehicles	64,363	34,016
Office equipment at cost	79,747	75,845
Accumulated depreciation	(61,475)	(57,720)
Total Office Equipment	18,274	18,125
Computer Equipment at cost	73,421	62,225
Accumulated depreciation	(61,500)	(58,169)
Total Computer Equipment	11,921	4,056
Total Plant and Equipment	94,552	56,197
Total Property, Plant and Equipment	1,013,286	991,170

Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Land and Buildings	Property Improvements	Motor Vehicles	Office Equipment	Computer Equipment	Total
	$	$	$	$	$	$
Balance at 1 October 2008	863,612	92,193	27,069	21,937	6,636	1,011,447
Additions	-	-	13,645	1,696	-	15,341
Disposals	-	-	-	-	-	-
Depreciation expense	(18,295)	(2,537)	(6,698)	(5,508)	(2,580)	(35,618)
Balance at 30 September 2009	845,317	89,656	34,016	18,125	4,056	991,170
Additions	-	4,590	41,441	3,902	11,196	61,129
Disposals	-	-	-	-	-	-
Depreciation expense	(18,296)	(2,537)	(11,094)	(3,755)	(3,331)	(39,013)
Balance at 30 September 2010	827,021	91,709	64,363	18,272	11,921	1,013,286

NOTE 9: INTANGIBLE ASSETS	2010	2009
	$	$
Website development costs	20,950	-
Less: accumulated amortisation	-	-

NOTE 9: INTANGIBLE ASSETS	**2010**	**2009**
	$	**$**
	20,950	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2010

NOTE 10: TRADE AND OTHER PAYABLES	**2010**	**2009**
	$	**$**
CURRENT		
Unsecured liabilities:		
Trade payables	185,643	58,220
Sundry payables and accrued expenses	11,608	88,659
Appeals payable (Note 9a)	690,433	480,776
Other payables – related parties	-	20,232
NON-CURRENT		
Grants payable	300,000	-
	1,187,684	647,887

a) Included in appeals payable is an amount of $320,090. This amount has been granted subject to funding of $234,727 being received. This receivable funding has been agreed in principle, but at 30 September 2010 had not been received, and is shown in Note 5 as accrued revenue. In the event this revenue is not received, the appeals granted subject to the revenue being received will be rescinded.

NOTE 11: PROVISIONS		
CURRENT		
Employee benefits	76,886	70,551
NON-CURRENT		
Employee benefits	6,767	6,497
	83,653	77,048

NOTE 12: OTHER LIABILITIES		
CURRENT		
Deferred income	86,752	140,490

NOTE 13: RESERVES		
The Jeffrey White Reserve:		
Opening balance:	570,000	620,000
Transfer from reserve	(50,000)	(50,000)
Closing balance	520,000	570,000

The Jeffrey White Reserve was created in 2006 as a result of a bequest to the Association. Under the terms of the Deed of Gift establishing the reserve, an amount of $50,000 per annum is to be used from the reserve for charitable purposes as set out in the Association's constitution.

NOTE 14: CONTINGENT ASSETS

The Association holds a number of assets which are not brought to account in the financial report:

- A painting by Jamie Cooper entitled "Variety Entertainers of the Century". This painting was purchased in 2005 for a sum of $237,419, and was subsequently written down to nil value in 2006. On the basis that it is not able to determine an appropriate fair value for this painting, the committee believes it prudent to disclose the Association's ownership of this asset as a contingent asset.
- Miscellaneous sporting memorabilia, books, toys, posters and other similar items. These items are donated to the Association from time to time, for future use in the Association's fundraising or charitable activities. On the basis that it is not practicable to determine an appropriate fair value for these items, and that in aggregate the total value of these items would be unlikely to be material to the financial report, the committee believes it prudent to disclose the Association's ownership of these assets as contingent assets.

NOTE 15: CAPITAL AND LEASING COMMITMENTS	2010 $	2009 $
a) Operating lease commitments		
Non-cancellable operating lease commitments contracted for but not capitalised in the financial statements:		
Payable – minimum lease payments:		
- not later than 12 months	21,198	-
- between 12 months and 5 years	37,096	-
- greater than 5 years	-	-
	58,294	-

The operating lease commitments relate to the lease of two motor vehicles over a term of 36 months.

NOTE 16: KEY MANAGEMENT PERSONNEL

The total remuneration paid to key management personnel of the association during the year is as follows:

	2010	2009
Short-term employee benefits	100,249	94,188
Post-employment benefits	8,336	10,195
	108,585	104,383

NOTE 17: RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	2010	2009
	$	$
Variety International		
Revenue from related parties	-	-
Payments to related parties	-	10,512
Amounts owed by related parties	-	-
Amounts owed to related parties	-	-
Variety Australia		
Revenue from related parties	21,090	5,887
Payments to related parties	57,570	145,630
Amounts owed by related parties	-	270
Amounts owed to related parties	6,814	-
Variety Northern Territory		
Revenue from related parties	3,188	1,908
Payments to related parties	-	-
Amounts owed by related parties	-	-
Amounts owed to related parties	-	-
Variety Queensland		
Revenue from related parties	-	8,460
Payments to related parties	2,464	-
Amounts owed by related parties	-	-
Amounts owed to related parties	-	-
Variety South Australia		
Revenue from related parties	-	7,448
Payments to related parties	-	2,152
Amounts owed by related parties	-	-
Amounts owed to related parties	-	-

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2010

NOTE 17: RELATED PARTY TRANSACTIONS (CONT.)	2010 $	2009 $
Variety Tasmania		
Revenue from related parties	-	162
Payments to related parties	-	-
Amounts owed by related parties	-	-
Amounts owed to related parties	-	-
Variety Western Australia		
Revenue from related parties	-	77,341
Payments to related parties	5,702	13,251
Amounts owed by related parties	-	-
Amounts owed to related parties	2,000	-
Variety New South Wales		
Revenue from related parties	171	-
Payments to related parties	18,520	8,404
Amounts owed by related parties	-	22,232
Amounts owed to related parties	-	7,560
Variety New Zealand		
Revenue from related parties	-	-
Payments to related parties	-	165
Amounts owed by related parties	-	-
Amounts owed to related parties	-	-

Board Members' related entities

Hayes Knight Melbourne Pty Ltd

		2010 $	2009 $
a)	Hayes Knight Melbourne Pty Ltd provides accounting services to the Association.		
b)	Board member Vito Interlandi is a director of Hayes Knight Melbourne Pty Ltd		
c)	Accounting fees charged by Hayes Knight Melbourne Pty Ltd during the year	32,348	15,355
d)	Accounting fees charged by Hayes Knight Melbourne Pty Ltd during the year, unpaid at year end and forming part of trade and other payables (Note 10)	99	-
e)	Fundraising income received from Hayes Knight Melbourne Pty Ltd during the year	3,459	8,910
f)	Fundraising income received from Hayes Knight Melbourne Pty Ltd during the year, unpaid at year end and forming part of trade and other receivables (Note 5)	1,000	-

NOTE 17: RELATED PARTY TRANSACTIONS (CONT.)	**2010**	**2009**
	$	**$**
Bradyworks Pty Ltd		
a) Bradyworks Pty Ltd provides entertainment services to the Association.		
b) Board member Mike Brady was a director of Bradyworks Pty Ltd for part of the financial year (ceased 16 December 2009)		
c) Production costs charged by Bradyworks Pty Ltd during the year	18,209	9,702
d) Production costs charged by Bradyworks Pty Ltd during the year, unpaid at year end and forming part of trade and other payables (Note 10)	-	-
Wheelton Investments Pty Ltd (trading as Budget Box Hill)		
a) Wheelton Investments Pty Ltd provided vehicles to the Association.		
b) Former board member Paul Wheelton is a director of Wheelton Investments Pty Ltd.		
c) Payments for vehicles made to Wheelton Investments Pty Ltd during the year	44,415	163,331
d) Amounts payable for motor vehicles to Wheelton Investments Pty Ltd during the year, unpaid at year end and forming part of trade and other payables (Note 10)	124	-
e) Fundraising income received from Wheelton Investments Pty Ltd during the year	15,868	18,970
f) Fundraising income received from Wheelton Investments Pty Ltd during the year, unpaid at year end and forming part of trade and other receivables (Note 5)	1,930	-

NOTE 18: CASH FLOW INFORMATION	**2010**	**2009**
	$	**$**
Reconciliation of cash flow from operations with profit after income tax		
Net income/loss for the period	(146,916)	(135,040)
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
— depreciation	39,120	35,618
— Transfer from reserves	(50,000)	(50,000)
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
— (increase)/decrease in trade and term debtors	(223,299)	112,948
— (increase)/decrease in other assets	22,353	(4,393)
— (increase)/decrease in inventories	5,384	(6,079)
— increase/(decrease) in other liabilities	(53,738)	135,320
— increase/(decrease) in trade and other payables	539,690	200,360
— increase/(decrease) in provisions	6,605	(16,730)
	139,199	263,822

NOTE 19: FINANCIAL INSTRUMENTS

The Association's financial instruments consist mainly of deposits with banks, which are used to fund the continuing operation of the Association.

In addition, the Association has other financial instruments in the form of appeals payable, trade and other payables and trade and other receivables, which arise directly from its operations.

The main risks arising from the Association's financial instruments are credit risk, interest rate risk, and liquidity risk. The Board reviews and agrees policies for managing each of these risks as summarised below.

It is the Associations policy that no trading in derivatives shall be undertaken. This was the case throughout the period under audit.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	2010 $	2009 $
Financial assets			
Cash and cash equivalents	4	613,437	556,317
Loans and receivables	5	285,838	62,539
Total financial assets		899,275	618,856
Financial liabilities			
Financial liabilities at amortised cost:			
— trade and other payables	10	1,187,684	647,887
Total financial liabilities		1,187,684	647,887

Financial Risk Management

The following is a summary of the key risks arising from the Association's financial instruments, and the policies and procedures adopted by the Board to mitigate these risks.

a. **Liquidity risk**

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

To limit this risk, management maintains a balance between continuity of revenue funding through donations and donated goods and services, and expenditure. This is achieved through regular monitoring of operational bank balances in relation to future funding needs, and transferring funds into or out of investment accounts as necessary. This is performed by the finance team.

NOTE 19: FINANCIAL INSTRUMENTS (CONT.)

b. **Credit Risk Exposures**

Credit risk is the risk of financial loss to the Association if a customer or counter party to a financial instrument fails to meets its contractual obligations and arises principally from the Association's accrued revenues and receivables from customers. It is the Association's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

In addition, receivable balances are monitored on an ongoing basis with the result that the Association's exposure to bad debts is not significant.

The Association minimises its exposure to credit risk in the following ways:

- Debtor payment terms are 14 days;
- Management review older amounts due and pursue customers for payment; and
- Provisions are raised against those receivables considered unlikely to be recovered by management (2010: $Nil, 2009: $20,000).
- In the case of accrued revenue, these amounts relate to specific grants, and the Association's share of the grant expense is also accrued. In the event the revenue is not received, the Association has the ability to rescind the grant payable, minimising the impact on the Association's cash reserves.

c. **Interest Rate Risk**

Interest rate risk is the risk that the future cash flows or fair values of a financial instrument will fluctuate as a result of future changes in interest rates.

The Association's exposure to interest rate risk arises as a result of its interest-bearing deposits with financial institutions.

The Association manages this risk be spreading its deposits over a number of accounts, being a mixture of fixed term deposits and 'at call' accounts, after taking into consideration the need to maintain access to sufficient cash to fund the Association's day to day operations.

Sensitivity analysis

The following table demonstrates the Association's sensitivity to changes in market interest rates, and the impact of such changes to both profit and net assets which would have occurred had interest rates fluctuated during the year. This analysis assumes all other variables remain constant.

2% Increase in interest rates		
- Impact on profit	3,474	5,558
- Impact on net assets	3,474	5,558
2% Decrease in interest rates		
- Impact on profit	(3,474)	(5,558)
- Impact on net assets	(3,474)	(5,558)

NOTE 19: FINANCIAL INSTRUMENTS (CONT.)

d. Financial Instrument Composition and Analysis

	Weighted Average Effective Interest Rate		Maturing Within 1 Year		Non-Interest Bearing		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	%	%	$	$	$	$	$	$
Financial Assets								
Cash and cash equivalents	1.30	0.60	581,872	555,806	31,565	511	613,437	556,317
Trade and other receivables	-	-	-	-	285,838	62,539	285,838	62,539
Total Financial Assets	-	-	581,872	555,806	317,403	63,050	899,275	618,856
Financial Liabilities								
Trade and other payables	-	-	-	-	197,251	167,111	197,251	167,111
Appeals payable	-	-	-	-	990,433	480,776	990,433	480,776
Total Financial Liabilities	-	-	-	-	1,187,684	647,887	1,187,684	647,887

e. Financial assets pledged as collateral

No financial assets have been pledged as security for any financial liabilities of the Association.

f. Fair values of financials assets and financial liabilities

The nature of the Association's financial instruments is such that there is no difference between the carrying amount of any financial asset or liability, and the net fair value of the financial asset or liability.

NOTE 20: SEGMENT INFORMATION

The Association operates in one business and geographical segment, being the provision of material aid and assistance to disadvantaged children in Victoria, Australia.

NOTE 21: ASSOCIATION DETAILS

The registered office and principal place of business of the association is:

Variety Club of Victoria Inc
H71 63-85 Turner Street
Port Melbourne
Victoria

Variety Club of Victoria Inc
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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
THE VARIETY CLUB OF VICTORIA INC

Report on the Financial Report

We have audited the accompanying financial report of the Variety Club of Victoria Inc (the association) which comprises the statement of financial position as at 30 September 2010 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the member's declaration.

Board of Members Responsibility for the Financial Report

The Board of Members of the association is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Associations Incorporation Act (Vic) 1981. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of Australian professional ethical pronouncements.

Basis for Qualified Auditor's Opinion

a) The association has recognised $234,727 of donation revenue in the 2010 statement of comprehensive income, to be spent on projects which were approved for funding prior to 30 September 2010. The association had not received these funds as at 30 September 2010, nor did it have an enforceable right to receive these funds. This practice, in our opinion, is not in accordance with AASB 1004 – Contributions. Had the requirements of AASB 1004 been applied, donation revenue, trade and other receivables, and net assets would all be stated at $234,727 less than the amounts currently shown in the financial statements.

b) Donations are a significant source of revenue for the Variety Club of Victoria Inc. The Variety Club of Victoria Inc has determined that it is impractical to establish controls over the collection of donations prior to entry into its financial records. Accordingly, as the evidence available to us regarding revenue from this source was limited, our audit procedures with respect to donations were restricted to the amounts recorded in the financial reports. We are therefore unable to express an opinion as to whether the donation income for the Variety Club of Victoria Inc is complete.