



Art Gallery Society of New South Wales

2017 Annual Report

Art Gallery Society of New South Wales

Table of Contents

2017 Annual Report

	Page
Councillors' Report	2
Auditor's Independence Declaration	10
Statement of Profit or Loss and Other Comprehensive Income	11
Statement of Financial Position	12
Statement of Changes in Equity	13
Statement of Cash Flows	14
Notes to the Financial Statements	15
Councillors' Declaration	25
Independent Auditor's Report	26
Auditor's Disclaimer	29
Unaudited Statement of Income and Expenditure	30

Art Gallery Society of New South Wales

Councillors' Report

For the year ended 31 December 2017

Your Councillors present their report on the Art Gallery Society of New South Wales (the 'Society'), a company limited by guarantee, for the year ended 31 December 2017.

Councillors

The following persons were directors of Art Gallery Society of New South Wales during the whole of the financial year and up to the date of this report:

Brian Ladd (President)
Paula Latos-Valier AM (Vice President)
Brian Greenacre (Treasurer)
Dr Michael Brand (ex officio)
Hon Ashley Dawson-Damer AM (ex officio)
Anastasia Economou
Jenny Green (from 5 April 2017)
Jill Keyte
Susan Dadswell
Edward Palmisano
Jo-ann Smith

No Councillors of the Society are former auditors.

Objectives

The Society is an independent membership organisation that exists to support the Art Gallery of NSW (the "Art Gallery"). The Society fosters support for the Art Gallery from the wider community through appreciation of art and of the Art Gallery by growing and diversifying membership. It provides a range of benefits, programs and activities to engage that membership.

The Society provides material support to the Art Gallery in the form of financial contributions for the acquisition of works of art and for other purposes including scholarships, programs and exhibitions.

The Society develops, serves and communicates with an active and committed membership that provides a core audience, advocacy and support for the Art Gallery. It also assists the Art Gallery's activities through the support of experienced volunteers from its membership.

Strategy

The Society's strategy for achieving its objectives involves the active and ongoing recruitment of new members, and the provision to all members of a range of benefits, in the form of communications, events, services, programs and amenities that will maintain their interest, deepen their engagement and encourage loyalty and commitment to the Art Gallery.

The Society aims always to align its strategy with that of the Art Gallery. To this end, the Society finalised during the year a Memorandum of Understanding with the Art Gallery, initiated following the Bott Report to the Art Gallery Trust in 2013.

The Society raises income through membership subscriptions and donations, events, tours, sponsorship, educational programs and fund-raising initiatives. Its operating surplus goes to members' funds to support the Art Gallery's acquisition of works of art, provide sponsorship for exhibitions and events and give other financial support to the Art Gallery as requested and agreed.

Art Gallery Society of New South Wales

Councillors' Report

For the year ended 31 December 2017

Principal activities

The principal activities of the Society during the year involved providing the Art Gallery with a core audience of art-lovers who are committed to the institution through their membership, and who are also ambassadors for the Art Gallery in the wider community.

Membership numbers have increased from the previous year and reflect both the Art Gallery's exhibition program and the Society's activities.

Membership benefits

The quality of membership benefits remains key in attracting new members and ensuring loyalty to the Art Gallery.

The Society published six bi-monthly issues of its members' magazine, *Look*. Online communications, including electronic newsletters, were also further developed and reached an increasing audience.

The program of members' events remained essential to their deeper engagement and added to the accessibility of the Art Gallery. There were 419 events during the year, attracting a diverse audience. They included lectures, talks, workshops, concerts, exhibition tours and viewings, with a particular emphasis on learning opportunities about art history and other fields of culture. The program of World Art Tours remained popular with members and outperformed expectations.

Fundraising

Collection Circle continues to be an important fundraising program for the Society. Funds raised annually through direct donations by many loyal individual members are directed toward the purchase of a specific work for the Art Gallery. Donations this year exceeded those of the previous year.

The deficit for the Society amounted to \$496,749. The result before donations to the Art Gallery of NSW for the Society amounted to a surplus of \$300,360.

The total financial assistance given to the Art Gallery during the year, including contributions from the Dagmar Halas bequest fund, was \$797,109.

The total financial support for the acquisition of art during the year, including contributions from the Dagmar Halas bequest fund, was \$527,272.

Art acquisitions

The Society funded two works for the Art Gallery's collection during the year. The principal acquisition being John Russell's *In the afternoon* 1891, an important Australian impressionist work which members enthusiastically supported.

For 2018 the Society has agreed to fund the acquisition of Charles Conder's *Rainy day* 1888.

Other support

The Society continues to financially assist the Art Gallery in other ways, including providing a sponsorship of \$245,000 to the Art Gallery's Art After Hours program, \$15,000 to Learning and Participation as well as meeting the cost of tickets for members to attend Art Gallery exhibitions which amounted to in excess of \$173,000.

The Society also supported the Gallery's volunteer bodies - the Volunteer Guides, Task Force and Community Ambassadors - with contributions totalling \$11,028.

The Society's annual professional development scholarship of \$12,500 supports further research by Art Gallery staff to enhance their work at the Art Gallery. In 2017 Society staff were also eligible to apply. There are four Gallery staff who will benefit from this program.

Art Gallery Society of New South Wales

Councillors' Report

For the year ended 31 December 2017

Performance measurement

The Society's performance measures include:

- number and diversity of membership
- membership retention
- annual operating surplus
- quality and booking levels of events for members
- intangibles relating to member satisfaction, regard for volunteers, relationship with Art Gallery management and staff performance.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Society during the financial year other than the following:

During the year the Society transferred its corporate membership program to the Art Gallery.

Events since the end of the financial year

No matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect the Society's operations, the results of those operations, or the Society's state of affairs in future financial years.

Likely developments and expected results of operations

There are no likely developments in the operations of the Society that were not finalised at the date of this report.

Environmental regulation

The Society is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Dividends

The Society's Constitution does not permit any dividends and therefore no dividends have been paid or declared.

Members' liability

The Society is a company limited by guarantee. If the Society is wound up, the Constitution states that each member is required to contribute a maximum of \$20 each towards meeting outstanding obligations of the Society. At 31 December 2017 there were 18,796 financial members of the Society.

Proceedings on behalf of the Society

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Society, or to intervene in any proceedings to which the Society is a party, for the purpose of taking responsibility on behalf of the Society for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Society with leave of the Court under section 237 of the Corporations Act 2001.

Art Gallery Society of New South Wales
Councillors' Report
For the year ended 31 December 2017

Insurance of officers

During the financial year, the Society paid a premium of \$3,560 to insure the Councillors of the Society and the general managers.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Society, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Society. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Meetings of Councillors

The following table sets out the number of Councillors' meetings held during the period and the number of

<i>Councillor</i>	<i>Meetings held</i>	<i>Meetings attended</i>
Brian Ladd	7	7
Paula Latos-Valier	7	7
Brian Greenacre	7	7
Dr Michael Brand (ex officio)	7	3
Hon Ashley Dawson-Damer AM (ex officio)	7	3
Susan Dadswell	7	5
Anastasia Economou	7	4
Jenny Green	5	5
Jill Keyte	7	5
Edward Palmisano	7	6
Jo-ann Smith	7	6

Art Gallery Society of New South Wales
Councillors' Report
For the year ended 31 December 2017

Information on Councillors

All Councillors are financial members of the Society.

Brian Ladd (President)

President, Art Gallery Society of NSW, since 2016; Vice President 2014-2015

Director, Brett Whitely Foundation

Advisory Council member, UNSW Art and Design

Art advisor, William Fletcher Foundation

Head of Public Programs Department, Art Gallery of New South Wales, 1996-2010

Sculpture specialist, lecturer and international tour leader

Councillor since March 2014

Paula Latos-Valier AM (Vice President)

Chair, SH Ervin Gallery Advisory Committee, since 2010

Art Director, Sir William Dobell Art Foundation, since 2011

Managing Director, Biennale of Sydney, until 2007; Director 2004-2007; General Manager, 1997-2004;

Assistant Director, 1981-1989

Director, Art Gallery of Western Australia, 1990-1997

Program Manager, Australia Council, 1989-1990 and coordinator, opening of the Australian Pavilion at the 1990 Venice Biennale

International Exhibition Manager, Australian Gallery Director's Council, 1979-1981

President, Art Museums Association of Australia, 1990-1992

Vice President, Council of Australian Museums Association, 1992-1994

Director, Australian American Fulbright Commission, 2002-2010

Director, Alliance Française de Sydney, 2003-2013; Vice President, 2007-2010

Director, Visual Arts/Craft Board of the Australia Council, 1988-1989

Awarded Chevalier des Arts et Lettres, 2005

Councillor since March 2015

Brian Greenacre (Treasurer)

B.Bus(Acc),Dip(FinPlan),G.Dip(ICAA),CA,CTA,MAICD

Partner, BDO in Australia, since 2011

Board Member, Moogahlin Performing Arts Inc, since 2015

Treasurer, Young Members Committee, 2014-2018

Chartered Accountant; Chartered Tax Advisor

Member, Australian Institute of Company Directors

Accredited Adviser, Family Business Australia; member since 2016

Over 20 years experience as accountant and business adviser

Councillor since April 2016

Art Gallery Society of New South Wales

Councillors' Report

For the year ended 31 December 2017

Dr Michael Brand (ex officio)

BA (Hons), MA, PhD (History)

Director, Art Gallery of New South Wales, since 2012

Director, Aga Khan Museum, Toronto, 2010-2012

Director, J Paul Getty Museum, 2005-2010

Director, Virginia Museum of Fine Arts, 2000-2005

Assistant Director, Queensland Art Gallery, 1996-2000

Curator of Asian Art, National Gallery of Australia, 1988-1996

Co-Director, Smithsonian Institution Mughal Garden Project, 1988-1993

Councillor since June 2012

Hon Ashley Dawson-Damer AM (ex officio)

Bachelor of Economics, University of Sydney, 1967

Board Director, Opera Australia Capital Fund, since 2014

Council of Governors, Opera Australia Capital Fund, since 2005

Director, Sydney Festival, 2012-2016

Deputy Chair and Alternate Director with Premier of NSW, Sydney Festival, 2012-2014

Board Member, National Gallery of Australia Council, 2005-2015

Trustee, National Gallery of Australia Foundation, since 2004

Board Director, National Art School Sydney, 2012-2015

Board Member, National Institute of Dramatic Arts (NIDA), 1997-2003

Trustee, Historic Houses Foundation, 1995-1999

Trustee Representative, Art Gallery of New South Wales, since 2014

Councillor since 2014

Susan Dadswell

Member, Task Force, since 2008; Assistant Coordinator 2010; Coordinator since 2011

Volunteer, City of Sydney Archives, 2008-2013

Manager and copy-editor, Hordern House Rare Books, 1985-2008

President, Cranbrook School Parents Group, 1996-1998

Court Reporter, NSW Conciliation Commission, 1967-1969

Councillor since March 2012

Anastasia Economou

Master of Applied Finance; Master of Arts in Law

Senior Fellow, FINSIA

Educational Committee Member, FINSIA

Senior Fellow, FTA

Managing Director, General Counsel Division at Credit Suisse, 1999-2016

Contract/Consultant in Conduct Risk, CBA Global Markets, 2016

Head of Operational Risk and Compliance FICC, NAB, since 2016

Over twenty five years' experience in the financial services and investment banking sector

Councillor since April 2016

Art Gallery Society of New South Wales

Councillors' Report

For the year ended 31 December 2017

Jenny Green

BA (Asian Studies), MA (Adult Education)

Graduate, Australian Institute of Company Directors

Independent Councillor, City of Sydney, 2012-2016

Academic Director, National Judicial College of Australia, 2011-2016

Senior Consultant, University of Technology Sydney, 1996-2010

Non Executive Director, Sydney Community Foundation, since 2014

Non Executive Director, Australian Design Centre, since 2017

Consultant specialising in organisational development, change management and start ups

Councillor since April 2017

Jill Keyte

Managing Director, High as a Keyte Pty Limited, since 2001

Director, Boali Holdings Pty Ltd

Executive Director, AGNSW Presidents' Council, 2002-2003

Senior Events Manager, Olympic Co-ordination Authority, 2000-2001

General Manager, Star Casino Lyric Theatre, 1997-1999

Director of Operations, The Australian Ballet, 1992-1997

Executive Director, NGV Business Council, 1988-1992

Chair, Playing Australia & Festivals Australia, 1998-2004

Council Member, Friends of The Australian Ballet

Member since 1999, Councillor since 2014

Edward Palmisano

BA (Hons 1), LL.B (Sydney), M.Phil (Cambridge)

Head of International, Australian Institute of Company Directors, since 2017

Winner, NSW Premier's Emerging Exporter Award, 2017

Director to the Secretary, Department of Planning, 2015-2016

Director, Government Relations, University of Sydney, 2014-2015

Diplomat, Department of Foreign Affairs and Trade, posted to Australian Embassy in Spain, 2003-2010

DFAT Citation for Evacuation of Australians during Israel-Lebanon War, 2009

Appointed to various NSW Government advisory panels, 2010-2014

Admitted to High Court of Australia, 1999; Admitted to Supreme Court of NSW, 2000

Solicitor, Blake Dawson Waldron, 1999-2003

Herbert Scoville Peace Fellow, Henry L. Stimson Centre, Washington DC, 2000

Fellow, Cambridge Commonwealth Society, 1999

Councillor since March 2014

Jo-Ann Smith

Volunteer Guide, AGNSW, since 2010

Coordinator of Volunteer Guides, AGNSW, 2015; Assisting Coordinator, 2016

Assistant coordinator of the Access program for people with various disabilities, AGNSW

Allocating, organising and training guides, AGNSW

Jo-Ann spent many years managing a boutique law firm office and is a trained nurse

Jo-Ann's husband is a Foundation member and together they support the Society and the Gallery

Councillor since April 2016

**Art Gallery Society of New South Wales
Councillors' Report
For the year ended 31 December 2017**

Auditor's independence declaration

A copy of the auditor's independence declaration is set out on page 10.

Rounding of amounts

The Society is a company of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the Councillors' Report. Amounts in the Councillors' Report have been rounded off in accordance with the instrument to the nearest dollar.

This report is made in accordance with a resolution of Councillors.

On behalf of the Council



Brian Ladd
President



Brian Greenacre
Treasurer

Sydney

This 19th day of March 2018

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER DIVISION 60 OF THE AUSTRALIAN CHARITIES
AND NOT-FOR-PROFITS COMMISSION ACT 2012
TO THE COUNCILLORS' OF ART GALLERY SOCIETY OF NEW SOUTH WALES**

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2017, there have been:

- (a) No contraventions of the auditor independence requirements as set out in the Australian Charities and Not-for-profits Commission Act 2012 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

KSG Assurance & Audit Services Pty Limited



Bruce Howle
Principal

Dated at Sydney this 19th day of March 2018

Art Gallery Society of New South Wales
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2017

	Note	2017 \$	2016 \$
Revenue from ordinary activities	2	4,206,734	4,617,928
Other income	3	176,107	148,467
		<u>4,382,841</u>	<u>4,766,395</u>
Depreciation		(31,124)	(27,134)
Employee benefits expense		(1,714,156)	(1,745,222)
Finance costs		(100,000)	-
Fringe benefits tax		(473,236)	-
Function costs		(432,813)	(464,324)
Marketing costs		(149,840)	(108,706)
Member benefits		(212,888)	(354,553)
Postage costs		(138,675)	(176,995)
Professional fees		(99,035)	(266,997)
Publishing costs		(442,950)	(591,894)
Other expenses		(287,764)	(281,928)
Surplus from ordinary activities (no tax applicale)	4	<u>300,360</u>	<u>748,642</u>
Donations - Art Gallery of NSW	5	(797,109)	(834,291)
Net surplus/(deficit) for the year		<u>(496,749)</u>	<u>(85,649)</u>
Other comprehensive income for the year		-	-
Total comprehensive surplus/(deficit) for the year		<u>(496,749)</u>	<u>(85,649)</u>

The above should be read in conjunction with the notes to the financial statements

Art Gallery Society of New South Wales
Statement of Financial Position
As at 31 December 2017

	Note	2017 \$	2016 \$
ASSETS			
Current assets			
Cash and cash equivalents	6	2,567,055	3,029,866
Trade and other receivables	7	92,252	141,236
Other current assets	8	18,364	18,969
Total current assets		<u>2,677,671</u>	<u>3,190,071</u>
Non-current assets			
Financial assets	9	1,313,884	1,187,923
Property, plant and equipment		85,774	100,393
Total non-current assets		<u>1,399,658</u>	<u>1,288,316</u>
Total assets		<u>4,077,329</u>	<u>4,478,387</u>
LIABILITIES			
Current liabilities			
Trade and other payables	10	901,658	334,936
Deferred revenue	2	1,024,965	1,339,206
Provisions	11	163,696	249,077
Total current liabilities		<u>2,090,319</u>	<u>1,923,219</u>
Non-current liabilities			
Deferred revenue	2	701,057	784,110
Provisions	11	27,614	15,970
Total non-current liabilities		<u>728,671</u>	<u>800,080</u>
Total liabilities		<u>2,818,990</u>	<u>2,723,299</u>
Net assets		<u>1,258,339</u>	<u>1,755,088</u>
MEMBERS FUNDS			
Reserves	12	1,000,000	1,000,000
Accumulated funds		258,339	755,088
Total members funds		<u>1,258,339</u>	<u>1,755,088</u>

The above should be read in conjunction with the notes to the financial statements

Art Gallery Society of New South Wales
Statement of Changes in Equity
As at 31 December 2017

	Administration reserve	Accumulated funds	Total members funds
	\$	\$	\$
Balance at 1 January 2016	1,000,000	840,737	1,840,737
Net surplus (deficit) for the period	-	(85,649)	(85,649)
Other comprehensive income	-	-	-
Balance at 31 December 2016	1,000,000	755,088	1,755,088
Balance at 1 January 2017	1,000,000	755,088	1,755,088
Net surplus (deficit) for the period	-	(496,749)	(496,749)
Other comprehensive income	-	-	-
Balance at 31 December 2017	1,000,000	258,339	1,258,339

The above should be read in conjunction with the notes to the financial statements

Art Gallery Society of New South Wales
Statement of Cash Flows
For the year ended 31 December 2017

	Note	2017 \$	2016 \$
Cash flows from operating activities			
Receipts from members and customers		4,015,490	5,011,678
Payments to suppliers and employees		<u>(3,839,382)</u>	<u>(4,501,138)</u>
		176,108	510,540
Donations received		130,159	241,293
Distributions received		-	227
Interest received		50,146	67,083
Interest paid		-	-
Net cash inflow (outflow) from operating activities		<u>356,413</u>	<u>819,143</u>
Cash flows from investing activities			
Payments for property, plant & equipment		(22,115)	(35,766)
Decrease in investments in unit trusts		-	1,148
Net cash inflow (outflow) from investing activities		<u>(22,115)</u>	<u>(34,618)</u>
Cash flows from financing activities			
Donations - Art Gallery of NSW		<u>(797,109)</u>	<u>(834,291)</u>
Net cash inflow (outflow) from financing activities		<u>(797,109)</u>	<u>(834,291)</u>
Net increase (decrease) in cash and cash equivalents		(462,811)	(49,766)
Cash and cash equivalents at the beginning of the financial year		<u>3,029,866</u>	<u>3,079,632</u>
Cash and cash equivalents at end of year		<u>2,567,055</u>	<u>3,029,866</u>

The above should be read in conjunction with the notes to the financial statements

Art Gallery Society of New South Wales
Notes to the Financial Statements
For the year ended 31 December 2017

1 Significant accounting policies

General Information

The financial statements for the year ended 31 December 2017 were authorised for issue by a resolution of Councillors on 16 March 2018. The Society is a not-for-profit unlisted public company limited by guarantee.

New and Amended Standards Adopted by the Society

The Society has applied the following standards and amendments for the first time during the reporting period:

AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation

AASB 2015-1 Amendments to Australian Accounting Standards - Annual improvements to Australian Accounting Standards 2012 - 2014 cycle

AASB 2015-2 Amendments to Australian Accounting Standards - Disclosure initiative: Amendments to AASB 101.

New standards not yet assessed

The below new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Society. The Society has not assessed the impact of these new standards and interpretations.

AASB 9 Financial Instruments

AASB 15 Revenue from Contracts with Customers

AASB 16 Leases

Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards ('AAS'), other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'), Urgent Issues Group Consensus Views and the Australian Charities and Not-For-Profits Commission Act 2012.

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. 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, except for the cash flow information, 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. The amounts presented in the financial statements have been rounded to the nearest dollar.

Art Gallery Society of New South Wales
Notes to the Financial Statements
For the year ended 31 December 2017

1 Significant accounting policies (continued)

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 (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the Statement of Financial Position.

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

Income Tax

No provision is made for income tax as the Society is exempt under the provisions of Section 50-45 of the Income Tax Assessment Act 1997.

Foreign Currency Transactions and Balances

The functional currency of the Company is measured using the currency of the primary economic environment in which it operates. The financial statements are presented in Australian dollars, which is the functional and presentation currency of the Society. There has been no change in the functional and presentation currency of the Society.

Transactions and Balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in other comprehensive income as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is directly recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

Art Gallery Society of New South Wales
Notes to the Financial Statements
For the year ended 31 December 2017

2 Revenue	Note	2017 \$	2016 \$
The Society derives the following types of revenue:			
Revenue from member subscriptions		2,020,081	2,166,614
Revenue from Look		387,390	477,414
Revenue from functions, events and sponsorships		1,633,216	1,509,420
Revenue from donations		130,159	241,293
Revenue from restricted assets		-	187,676
Revenue from other sources		35,888	35,511
		<u>4,206,734</u>	<u>4,617,928</u>
Current			
Function revenue in advance		428,559	416,996
Sponsorship revenue in advance		-	67,000
Subscription revenue in advance		596,406	855,210
		<u>1,024,965</u>	<u>1,339,206</u>
Non-current			
Subscription revenue in advance		701,057	784,110
		<u>701,057</u>	<u>784,110</u>

Recognising revenue from major activities

Revenue is recognised for the major activities using the methods outlined below.

Revenue from member subscriptions

Timing of recognition:

Subscription revenue is apportioned over the period to which the membership relates.

Measurement of revenue:

The revenue is measured at the amount receivable under the membership agreement. If the amount received carries on to the following financial year it will be considered deferred revenue.

Revenue from functions, events and sponsorships

Timing of recognition:

Function and event revenue is recognised in the period in which the function or event occurs. The relevant costs associated are also recognised in the same period to match income and expense in the appropriate period.

Measurement of revenue:

The revenue is measured at the amount receivable under the contract. If the amount received carries on to the following financial year it will be considered deferred revenue.

Art Gallery Society of New South Wales
Notes to the Financial Statements
For the year ended 31 December 2017

2 Revenue (continued)

Revenue from donations and bequests

Timing of recognition:

Donations and bequests are generally recognised as income when the Society obtains control over the asset. Control is usually obtained upon the receipt of cash.

Measurement of revenue:

Donations and bequests that are restricted as to the use of funds are recognised as income in the year the Society expends the funds as per the directions of the bequest.

3 Other income	Note	2017	2016
		\$	\$
Interest received		50,146	67,083
Increase in market value of investment		125,961	81,157
Sundry income		-	227
		<u>176,107</u>	<u>148,467</u>

Interest income is reported on an accruals basis using the effective interest method.

Dividend and distribution revenue is recognised when the Society has established that it has a right to receive a payment.

4 Material profit or loss items

The Society has identified a number of items which are material due to the significance of their nature and/or amount. These are listed separately here to provide a better understanding of the financial performance of the Society.

	Note	2017	2016
		\$	\$
Depreciation		31,124	27,134
Fringe benefits tax		473,236	-
Interest paid		100,000	-
Provision for employee entitlements		(38,645)	59,434
Superannuation		130,600	144,990

During the year the Council identified an historical error in the treatment of fringe benefits by the Society. The Society has engaged an external adviser to assist in rectifying the matter. The financial statements include the estimated liability and associated interest charges for the period to 31 December 2017 and the previous 3 years.

All employees of the Society receive defined contribution superannuation entitlements, for which the Society pays the fixed superannuation guarantee contribution (currently 9.5% of the employee's ordinary times earnings) to the employee's superannuation fund of choice. All contributions in respect of employees' defined contribution entitlements are recognised as an expense when they become payable.

Art Gallery Society of New South Wales
Notes to the Financial Statements
For the year ended 31 December 2017

5 Donations - Art Gallery of NSW	Note	2017	2016
		\$	\$
Donations - AGNSW general donations		269,837	288,500
Donations - AGNSW art acquisitions		527,272	545,791
		<u>797,109</u>	<u>834,291</u>

Contributions to the Art Gallery of New South Wales

Operational support type contributions have been included in the calculation of the operating surplus for the year. This treatment is to assist in the alignment of both the income and related expenses for the Society.

Contributions made to assist the Gallery's major acquisitions, are recognised as donations, after calculating the operating surplus, consistent with prior years.

6 Cash and cash equivalents	Note	2017	2016
		\$	\$
Cash at bank and in hand		1,387,601	1,074,938
Interest bearing deposits, at call		1,179,454	1,954,928
		<u>2,567,055</u>	<u>3,029,866</u>

Cash includes an amount of \$75,560 (2016 \$75,560) which is restricted funds set aside for a specific purpose.

Reconciliation of cash

Cash and the end of the financial year as shown in the Statement of Cash Flows is reconciled to items in the State of Financial Position as follows:

Cash and cash equivalents	<u>2,567,055</u>	<u>3,029,866</u>
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For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

7 Trade and other receivables	Note	2017	2016
		\$	\$
Current			
Trade and sundry receivables		90,421	134,937
Accrued interest		1,831	6,299
		<u>92,252</u>	<u>141,236</u>

Trade receivables

Trade receivables are amounts due for services performed in the ordinary course of business.

Art Gallery Society of New South Wales
Notes to the Financial Statements
For the year ended 31 December 2017

8 Other assets	Note	2017	2016
		\$	\$
Current			
Prepayments		18,364	18,969
		<u>18,364</u>	<u>18,969</u>
9 Financial assets	Note	2017	2016
		\$	\$
Non-current			
Managed investment portfolio		1,313,884	1,187,923
		<u>1,313,884</u>	<u>1,187,923</u>

Investments are measured initially at cost, including transaction costs. Subsequent to initial recognition, investments are measured at fair value. Gains and losses arising from changes in the fair value of investments are included in profit or loss in the period in which they arise. The Society determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

The Society's investments in medium and long term facilities are classified as "at fair value through profit and loss" and measured at fair value, this is determined by reference to current bid prices at the close of business on balance date.

10 Trade and other payables	Note	2017	2016
		\$	\$
Current			
Trade creditors and accruals		826,098	259,376
Dagmar Halas Estate - restricted bequest		75,560	75,560
		<u>901,658</u>	<u>334,936</u>

Trade creditors and accruals

Trade creditors and accruals represent the liabilities for goods and services provided to the Society prior to the end of the financial year. The amounts are unsecured and are usually paid within 30 days of recognition.

Restricted donations and bequests

These amounts are recognised in the balance sheet as funds set aside for a specific purpose. Any balance yet to be discharged as per the contractual specifications should be equal to unspent balances of restricted cash and restricted investments.

Restricted assets are maintained solely for the use of restricted bequests. The balances of such assets should be equal to unspent balances of any such restricted bequests.

Unexpended balances at year end were:

Dagmar Halas Bequest	Cash	\$75,560
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Art Gallery Society of New South Wales
Notes to the Financial Statements
For the year ended 31 December 2017

11 Provisions	Note	2017 \$	2016 \$
Current			
Annual leave		87,398	115,168
Long service leave		76,298	133,909
		<u>163,696</u>	<u>249,077</u>
Non-current			
Long service leave		27,614	15,970
		<u>27,614</u>	<u>15,970</u>

Annual leave

The amounts expected to be paid to employees for their pro-rata entitlements to annual leave have been accrued at current rates of pay having regard to period of service and on-costs applicable to the entitlements.

Long service leave

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the balance date. In assessing expected future payments the Society has based the provision on remuneration rates current as at balance date for all employees with five or more years of service. The Councillors believe that this method provides an estimate of the liability that is not materially different from the estimate that would be obtained by using the present value basis of measurement. Related on-costs have also been included in the liability.

12 Reserves	Note	2017 \$	2016 \$
Administration reserve		1,000,000	1,000,000
		<u>1,000,000</u>	<u>1,000,000</u>

During the year there was no movement in reserves.

Administration reserve

The administration reserve records funds set aside to ensure the continued growth of the Society.

Art Gallery Society of New South Wales
Notes to the Financial Statements
For the year ended 31 December 2017

13 Financial assets and liabilities

	Note	Loans and receivables	FVTPL	Total
31 December 2016				
Financial assets				
Cash and cash equivalents	6	3,029,866	-	3,029,866
Trade and other receivables	7	141,236	-	141,236
Other assets	8	18,969	-	18,969
Financial assets	9	-	1,187,923	1,187,923
		3,190,071	1,187,923	4,377,994
Financial liabilities				
Trade and other payables	10	334,936	-	334,936
		334,936	-	334,936
31 December 2017				
Financial assets				
Cash and cash equivalents	6	2,567,055	-	2,567,055
Trade and other receivables	7	92,252	-	92,252
Other assets	8	18,364	-	18,364
Financial assets	9	-	1,313,884	1,313,884
		2,677,671	1,313,884	3,991,555
Financial liabilities				
Trade and other payables	10	901,658	-	901,658
		901,658	-	901,658

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Society becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Art Gallery Society of New South Wales
Notes to the Financial Statements
For the year ended 31 December 2017

14 Contingent liabilities and commitments

Contingent liabilities

There are currently no significant contingent liabilities.

Capital commitments

There are currently no significant capital expenditure commitments.

Leasing commitments

Note	2017	2016
	\$	\$

The Society currently has no non-cancellable leases.

The operating lease commitments of the Society in relation to non-cancellable leases is as follows:

Within one year	-	-
Later than one year but not later than five years	-	-
Later than five years	-	-
	<hr/>	<hr/>
	<hr/>	<hr/>

15 Related party transactions

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

There were no transactions between related parties during the current or prior period.

16 Events subsequent to the end of the reporting period

No matter or circumstance has arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Society, the results of those operations, or the state of affairs of the Society in future financial years.

17 Members' guarantee

The Society is a company limited by guarantee. If the Society is wound up, the Constitution states that each member is required to contribute a maximum of \$20 each towards meeting outstanding obligations of the Society. At 31 December 2017 there were 18,796 financial members of the Society.

Art Gallery Society of New South Wales
Notes to the Financial Statements
For the year ended 31 December 2017

18 Results of fundraising appeals

Note	2017 \$	2016 \$
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The Society receives donations of cash as a result of its day to day activities. In addition the annual travel draw is conducted during the year and the results are as follows:

Donations, in cash	130,159	241,293
Travel draw	145,757	137,337
Gross income from fundraising (A)	<u>275,916</u>	<u>378,630</u>
Cost of fundraising (B)	(18,396)	(29,044)
Net surplus from fundraising (C)	<u>257,520</u>	<u>349,586</u>
Cost of services provided (D)	-	-
Transferred to accumulated funds	<u>257,520</u>	<u>349,586</u>

In accordance with the Charitable Fundraising Act 1991 the following ratios are provided:

Cost of fundraising to gross income from fundraising (B/A)	7%	8%
Net surplus from fundraising to gross income from fundraising (C/A)	93%	92%
Cost of services provided to total expenditure (D/B+D)	0%	0%
Cost of services provided to gross income from fundraising (D/A)	0%	0%

Art Gallery Society of New South Wales
Councillors' Declaration
For the year ended 31 December 2017

The Councillors of the Art Gallery Society of NSW declare that in their opinion:

(1) the financial statements and notes are in accordance with *Australian Charities and Not-For-Profits Commission Act 2012* and:

(a) comply with Accounting Standards - Reduced Disclosure Requirements, the Corporations Regulations 2001, the *Charitable Fundraising Act 1991* and other mandatory professional reporting requirements,

(b) give a true and fair view of the Society's financial position as at 31 December 2017 and of its performance for the financial year ended on that date, and

(c) the accompanying financial statements have been prepared in accordance with the *Charitable Fundraising Act 1991* and,

(i) the provisions of the *Charitable Fundraising Act 1991*, the regulations under the Act and the conditions attached to the Society have been complied with;

(ii) the financial statements give a true and fair view of all income and expenditure with respect to fundraising events;

(iii) the balance sheet gives a true and fair view of the state of affairs of the Society with respect to fundraising events; and

(iv) The internal controls exercised by the Society are appropriate and effective in accounting for all income received and applied by the Society from any of its fundraising events.

(2) there are reasonable grounds to believe that the Society will be able to pay its debts as and when they become due and payable, and

(3) at the date of this declaration, there are reasonable grounds to believe that the Society will be able to meet any obligations or liabilities to which they are, or may become due.

This declaration is made in accordance with a resolution of Councillors.



Brian Ladd
President



Brian Greenacre
Treasurer

Sydney

This 19th day of March 2018

**INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF THE ART GALLERY SOCIETY OF NEW SOUTH WALES**

Report on the Audit of the Financial Report

We have audited the financial report of the Art Gallery Society of New South Wales (the Society), which comprises the statement of financial position as at 31 December 2017, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Councillors' declaration.

Auditors opinion

In our opinion the financial report of the Art Gallery Society of New South Wales has been prepared in accordance with;

- a) Division 60 of the *Australian Charities and Not-for-Profits Commission Act 2012*, including:
 - i. giving a true and fair view of the Society's financial position as at 31 December 2017 and of its financial performance for the year then ended; and
 - ii. complying with Australian Accounting Standards to the extent described in Note 1, and Division 60 the *Australian Charities and Not-for-profits Commission Regulation 2013*.
- b) the *Charitable Fundraising Act 1991*, including showing a true and fair view of the Society's financial result of fundraising appeals for the year ended 31 December 2017.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Society in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other Information

The Councillors are responsible for the other information. The other information comprises the information included in the Councillors' Report for the year ended 31 December 2017, but does not include the financial report and the auditor's report thereon. Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibility of the Councillors for the Financial Report

The Councillors of the Society are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the ACNC Act and the needs of the members. The Councillors responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Councillors are responsible for assessing the entities ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the responsible entities either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so. The Councillors are responsible for overseeing the Society's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives 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 our 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 the financial report.

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

- 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 our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the overriding 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 registered Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Councillors.
- Conclude on the appropriateness of Councillors' 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 entities ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Society or business activities within the Society to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with Councillors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We are also required to provide the Councillors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on other aspects of the *Charitable Fundraising Act 1991*

We have audited the Society's operations in order to express an opinion on the matters specified in section 24(2) of the *Charitable Fundraising Act 1991* for the year ended 31 December 2017.

Councillors' Responsibility for Compliance

The Councillors are responsible for ensuring compliance with the *Charitable Fundraising Act 1991* and the *Charitable Fundraising Regulation 2015*. This responsibility includes establishing and maintaining internal control relevant to compliance, ensuring that all assets obtained during, or as a result of a fundraising event are safeguarded and properly accounted for, and maintaining proper books of account and records.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
ART GALLERY SOCIETY OF NEW SOUTH WALES (CONTINUED)**

Auditor's responsibility

Our responsibility is to express an opinion on matters specified in section 24(2) of the *Charitable Fundraising Act 1991* for the year ended 31 December 2017.

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 there were any material breaches of compliance by the Society.

An audit involves performing procedures to obtain audit evidence about the entity's compliance with the *Charitable Fundraising Act 1991* and the *Charitable Fundraising Regulation 2015*, and its solvency. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material breaches of compliance. In making those risk assessments, the auditor considers internal control relevant to the entity's compliance 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.

Our procedures included, examination on a test basis, of evidence supporting the entity's solvency and its compliance with the *Charitable Fundraising Act 1991* and the *Charitable Fundraising Regulation 2015*. These tests have not been performed continuously throughout the period, were not designed to detect all instances of non-compliance, and have not covered any other provisions of the *Charitable Fundraising Act 1991* and the *Charitable Fundraising Regulation 2015*, apart from those specified.

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

KSG Assurance & Audit Services Pty Ltd
Chartered Accountants



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Bruce Howle
Principal

Dated this 19th day of March 2018

**AUDITORS' DISCLAIMER
DISCLAIMER TO THE COUNCIL OF
ART GALLERY SYDNEY OF NEW SOUTH WALES**

1 Detailed statement of income and expenditure

DISCLAIMER

The additional financial data presented in the following page is in accordance with the books and records of Art Gallery Society of New South Wales ("our client") which have been subjected to the auditing procedures applied in our statutory audit of the company for the year end 31 December 2017.

It will be appreciated that our statutory audit did not cover all details of the additional financial data. Accordingly, we do not express an opinion on such financial data and no warranty of accuracy or reliability is given. Neither the firm nor any member or employee of the firm undertakes responsibility in any way whatsoever to any person (other than our client) in respect of such data, including any errors or omissions therein however caused.

KSG Assurance & Audit Services Pty Limited



Bruce Howle
Principal

Dated at Sydney this 19th day of March 2018

Art Gallery Society of New South Wales
Unaudited Statement of Income and Expenditure
For the year ended 31 December 2017

	2017	2016
	\$	\$
INCOME		
Donations received	130,159	241,293
Function and events revenue	1,037,684	1,031,742
Income from restricted assets	-	187,676
Increase in market value of investment	125,961	81,157
Interest received	50,146	67,083
Look revenue	387,390	477,414
Member subscriptions - corporate	236,451	451,017
Member subscriptions - non-corporate	1,783,630	1,715,597
Sponsorship revenue	186,309	187,000
Sundry income	35,888	35,738
Travel draw	145,757	137,337
Travel program	263,466	153,341
	<u>4,382,841</u>	<u>4,766,395</u>
EXPENDITURE		
Bad debts written off	26,048	-
Bank charges	34,387	36,320
Computer consumables and support	19,593	78,864
Cost of fundraising	18,396	29,044
Depreciation	31,124	27,134
Employee remuneration	1,612,464	1,527,746
Fringe benefits tax	473,236	-
Function and events expenses	432,813	464,324
General expenses	52,220	19,514
Insurance	23,258	27,395
Interest paid	100,000	-
Look costs	620,263	910,378
Marketing costs	149,840	108,706
Member benefits - corporate	50,524	165,437
Member benefits - non-corporate	162,364	189,116
Member facilities	56,697	64,350
Overseas travel program	15,886	11,739
Printing, postage and stationery	24,232	35,487
Professional fees	42,964	48,823
Provision for employee entitlements	(38,645)	59,434
Staff training and welfare	14,339	22,654
Superannuation	130,600	144,990
Task force and guides	11,028	26,434
Travel costs	18,850	19,864
	<u>4,082,481</u>	<u>4,017,753</u>
OPERATING SURPLUS FOR THE PERIOD	300,360	748,642
Donations - Art Gallery of NSW	(797,109)	(834,291)
NET SURPLUS/(DEFICIT) FOR THE PERIOD	<u>(496,749)</u>	<u>(85,649)</u>