



INDEPENDENT AUDITOR'S REPORT

Art Gallery of New South Wales Foundation

To Members of the New South Wales Parliament

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of the Art Gallery of New South Wales Foundation (the Foundation), which comprises the Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the Statement of Changes in Funds and the Statement of Cash Flows for the year then ended, notes comprising a Statement of Significant Accounting Policies and other explanatory information, and the Responsible Entities' Declaration.

In my opinion:

- the financial report gives a true and fair view of the financial position of the Foundation as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- the financial report is in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015
- the financial report is in accordance with the *Charitable Fundraising Act 1991* (CF Act) and the Charitable Fundraising Regulation 2015 (CF Regulation), including showing a true and fair view of the Foundation's financial result of fundraising appeals for the year ended 30 June 2018
- there are reasonable grounds to believe that the Foundation will be able to pay its debts as and when they fall due over the 12-month period from the date of this report
- the financial report has been prepared in accordance with Division 60 of the *Australian Charities and Not-for-Profits Commission Act 2012* and Division 60 of the Australian Charities and Not-for-profits Commission Regulation 2013.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Report' section of my report.

I am independent of the Foundation in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Other Information

Other information comprises the information included in the Foundation's annual report for the year ended 30 June 2018, other than the financial report and my Independent Auditor's Report thereon. The Trustees of the Foundation are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the signed Trustees' Declaration.

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

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

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Trustees' Responsibilities for the Financial Report

The Trustees are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the PF&A Act, the CF Act and the *Australian Charities and Not-for-Profits Commission Act 2012*, and for such internal control as the Trustees determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Trustees are responsible for assessing the Foundation's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where the Foundation will be dissolved by an Act of Parliament or otherwise cease operations.

The Trustees are also responsible for ensuring the Foundation will be able to pay its debts as and when they fall due.

Auditor's Responsibilities for the Audit of the Financial Report

My 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
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial report.

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Foundation carried out its activities effectively, efficiently and economically
- that the Foundation has complied with requirements of the CF Act and CF Regulation other than those specified
- about the security and controls over the electronic publication of the audited financial report on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial report.

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

Opinion

In addition, I have undertaken an audit to provide reasonable assurance on the Foundation's compliance, in all material respects with the matters specified at sections 24(2)(b) and 24(2)(c) of the CF Act for the year ended 30 June 2018.

In my opinion:

- the Foundation has properly kept the accounts and associated records during the year ended 30 June 2018 in accordance with the CF Act and CF Regulation (section 24(2)(b) of the CF Act)
- the Foundation has, in all material respects, properly accounted for and applied money received as a result of fundraising appeals conducted during the year ended 30 June 2018 in accordance with the CF Act and the CF Regulation (section 24(2)(c) of the CF Act).

My opinion should be read in conjunction with the rest of this report, including the inherent limitations.

Basis for Opinion

I conducted my audit in accordance with the Standard on Assurance Engagements ASAE 3100 'Compliance Engagements' issued by the Auditing and Assurance Standard Board.

I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

The Trustees' Responsibility under the *Charitable Fundraising Act 1991*

The Trustees are responsible for complying with the requirements and conditions of the CF Act and CF Regulation. This responsibility includes establishing and maintaining internal control over the conduct of all fundraising appeals; ensuring all assets obtained during, or as a result of, a fundraising appeal are safeguarded and properly accounted for; and maintaining proper books of account and records.

Independence and Quality Control

In conducting this audit, I have:

- complied with the independence and other relevant ethical requirements relating to assurance engagements
- applied ASQC 1 'Quality Control for firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements and Related Service Engagements'.

Auditor's Responsibilities

My responsibility is to express an opinion on the matters specified at sections 24 (2)(b) and 24 (2)(c) of the CF Act. ASAE 3100 requires that I plan and perform procedures to obtain reasonable assurance whether the Foundation has, in all material respects, complied with specific requirements of the CF Act and CF Regulation.

This audit involved performing procedures to obtain audit evidence about the Foundation's compliance with the CF Act and CF Regulation. The procedures selected depend on my judgement, including the identification and assessment of the risks of material non-compliance with specific requirements of the CF Act and Regulation.

My procedures included obtaining an understanding of the internal control structure for fundraising appeal activities and examination, on a test basis, of evidence supporting the Foundation's compliance with specific requirements of the CF Act and CF Regulation.

Inherent Limitations

Because of the inherent limitations of any compliance procedure, together with the Foundation's internal control structure it is possible that fraud, error or non-compliance with the CF Act may occur and not be detected. My procedures have not been performed continuously throughout the period, were not designed to detect all instances of non-compliance, and have not covered all requirements of the CF Act and CF Regulation.

An audit for the year ended 30 June 2018 does not provide assurance on whether compliance with sections 24(2)(b) and 24(2)(c) of the CF Act will continue in the future.

Use of Report

The 'Report on compliance with other aspects of the *Charitable Fundraising Act 1991* section of my report was prepared for the purpose of fulfilling the Foundation's reporting obligations under the CF Act. I disclaim any assumption of responsibility for any reliance on this section of the report for any other purpose other than for which it was prepared.



Margaret Crawford
Auditor-General of NSW

18 October 2018
SYDNEY

ART GALLERY OF NEW SOUTH WALES FOUNDATION

TRUSTEES' STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

STATEMENT IN ACCORDANCE WITH SECTION 41C(1C) OF THE PUBLIC FINANCE AND AUDIT ACT, 1983 AND THE CHARITABLE FUNDRAISING ACT 1991

In accordance with a resolution of the Board of Directors of The Art Gallery of New South Wales Foundation, we state that:

- (a) The accompanying financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the applicable clauses of the Public Finance and Audit Regulation 2015, applicable Accounting Standards, other mandatory reporting requirements and the Financial Reporting Directions mandated by the Treasurer;
- (b) The financial statements and notes thereto exhibit a true and fair view of the financial position as at 30 June 2018 and the financial performance for the year then ended;
- (c) At the date of signing we are not aware of circumstances that would render the financial statements misleading or inaccurate;
- (d) the attached financial statements and notes thereto comply with Australian Accounting Standards and other mandatory professional reporting requirements;
- (e) in the trustees' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- (f) the statement of comprehensive income of the Art Gallery of New South Wales Foundation for the year ended 30 June 2018 gives a true and fair view of all income and expenditure of the organisation with respect to fundraising appeals;
- (g) the statement of financial position of the Art Gallery of New South Wales Foundation as at 30 June 2018 gives a true and fair view of the state of affairs of the organisation with respect to fundraising appeals conducted by the organisation;
- (h) the provisions of the Charitable Fundraising Act 1991, the Regulations under that Act and the conditions attached to the Charitable Fundraising Authority have been complied with by the organisation; and
- (i) the internal controls exercised by the Art Gallery of New South Wales Foundation are appropriate and effective in accounting for all income received and applied by the organisation from any of its fundraising appeals.

Signed in accordance with a resolution of the trustees.


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J. Playoust
DEPUTY CHAIRMAN
ART GALLERY OF NSW FOUNDATION


.....
M. Brand
DIRECTOR
ART GALLERY OF NSW


.....
J. Chand
FINANCE MANAGER

Dated: 16 October 2018

ART GALLERY OF NEW SOUTH WALES FOUNDATION

STATUTORY FINANCIAL STATEMENTS

For the year ended 30 June 2018

RESPONSIBLE ENTITIES' DECLARATION UNDER THE AUSTRALIAN CHARITIES AND NOT-FOR-PROFIT COMMISSIONS ACT

In the opinion of the Responsible Entities of the Art Gallery of New South Wales Foundation:

1. The financial statements and notes of the Art Gallery of New South Wales Foundation are in accordance with the Australian Charities and Not-for-profits Commission Act 2012, including:

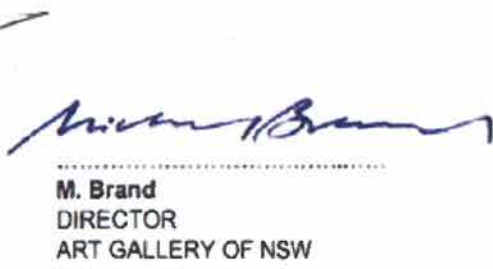
- (a) Giving a true and fair view of its financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
- (b) Complying with Australian Accounting Standards and the Australian Charities and Not-for-profits Commission Regulation 2013; and

2. There are reasonable grounds to believe that the Art Gallery of New South Wales Foundation will be able to pay its debts as and when they become due and payable.

Signed in accordance with subsection 60.15(2) of the *Australian Charities and Not-for-profit Commission Regulation 2013*.



J. Playoust
DEPUTY CHAIRMAN
ART GALLERY OF NSW FOUNDATION



M. Brand
DIRECTOR
ART GALLERY OF NSW

Dated: 16 October 2018



To the Board of Trustees

The Art Gallery of New South Wales Foundation

Auditor's Independence Declaration

As auditor for the audit of the financial report of the Art Gallery of New South Wales Foundation for the year ended 30 June 2018, I declare, to the best of my knowledge and belief, there have been no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'Margaret Crawford'.

Margaret Crawford
Auditor-General of NSW

27 September 2018
SYDNEY

ART GALLERY OF NEW SOUTH WALES FOUNDATION

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2018

	NOTE	2018 \$'000	2017 \$'000
Expenses excluding losses			
Operating expenses	2(a)	255	143
Grants and subsidies	2(b)	2,704	2,800
Total expenses excluding losses		<u>2,959</u>	<u>2,943</u>
Revenue			
Donations and bequests	3(a)	1,247	1,451
Investment revenue	3(b)	7,855	7,387
Total revenue		<u>9,102</u>	<u>8,838</u>
NET RESULT		6,143	5,895
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		<u>6,143</u>	<u>5,895</u>

The accompanying notes form part of these financial statements

ART GALLERY OF NEW SOUTH WALES FOUNDATION

STATEMENT OF FINANCIAL POSITION
As at 30 June 2018

	NOTE	2018 \$'000	2017 \$'000
ASSETS			
Cash and cash equivalents	4	1,119	1,990
Receivables	5	2,417	1,836
Total current assets		<u>3,536</u>	<u>3,826</u>
Non-current assets			
Financial assets at fair value through profit and loss	6	64,273	57,968
Total non-current assets		<u>64,273</u>	<u>57,968</u>
Total assets		<u>67,809</u>	<u>61,794</u>
Current liabilities			
Payables	7	18	146
Total liabilities		<u>18</u>	<u>146</u>
Net assets		<u>67,791</u>	<u>61,648</u>
FUNDS			
Accumulated funds		67,791	61,648
Total funds		<u>67,791</u>	<u>61,648</u>

The accompanying notes form part of these financial statements

ART GALLERY OF NEW SOUTH WALES FOUNDATION

STATEMENT OF CHANGES IN FUNDS
For the year ended 30 June 2018

	Accumulated Funds \$'000
Balance at 01 July 2016	55,753
Net result for the year	5,895
Total Comprehensive Income	<u>5,895</u>
Balance at 30 June 2017	<u>61,648</u>
Balance at 01 July 2017	61,648
Net result for the year	6,143
Total Comprehensive Income	<u>6,143</u>
Balance at 30 June 2018	<u>67,791</u>

The accompanying notes form part of these financial statements

ART GALLERY OF NEW SOUTH WALES FOUNDATION

STATEMENT OF CASH FLOWS
For the year ended 30 June 2018

	NOTE	2018 \$'000	2017 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Donations and bequests received		1,247	1,451
Investment revenue received		2,895	2,918
Total receipts		<u>4,142</u>	<u>4,369</u>
Payments			
Grants and operating expenses paid		(3,087)	(2,856)
Total Payments		<u>(3,087)</u>	<u>(2,856)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	9	<u>1,055</u>	<u>1,513</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of investments		12,445	18,372
Purchase of investments		(14,371)	(23,533)
NET CASH FLOWS FROM INVESTING ACTIVITIES		<u>(1,926)</u>	<u>(5,160)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Opening cash and cash equivalents		1,990	5,637
CLOSING CASH AND CASH EQUIVALENTS	4	<u>1,119</u>	<u>1,990</u>

The accompanying notes form part of these financial statements

ART GALLERY OF NEW SOUTH WALES FOUNDATION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting entity

The Art Gallery of New South Wales Foundation (the Foundation) was constituted by Trust Deed executed on 16th April 2015. The Foundation comprises all operating activities under the control of the Trustees of the Foundation. The Foundation operates one program to raise donations, invest the capital and apply the revenue derived from such investments to the acquisition of works of art for the Art Gallery of New South Wales (Art Gallery). It is a not-for-profit entity, as profit is not its primary objective and it has no cash generating units.

The Foundation hold authority number CFN18151 to fundraise under the provisions of the *Charitable Fundraising Act, 1991(NSW)*.

The Foundation is registered with the Australian Charities and Not-for-Profits Commission and is a not-for-profit entity (as profit is not its primary objective) as it has no cash generating units.

The financial statements has been authorised for issue by the Trustees on 16 October 2018.

(b) Basis of preparation

The Foundation's financial statements are general purpose financial statements, which have been prepared in accordance with:

- applicable Australian Accounting Standards and Interpretations
- the requirements for the *Public Finance and Audit Act 1983* and the Public Finance and Audit Regulation 2015,
- the Financial Reporting Directions issued by the Treasurer;
- the provisions of the *Charitable Fundraising Act 1991* and the regulations under the Act and
- the Australian Charities and Not-for-Profit Commission Act 2012

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

Financial assets at 'fair value through profit or loss' are measured at fair value. Other financial statements items are prepared on an accrual basis and based on historical costs. Judgements, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements.

(c) Statement of compliance

The financial statements and notes comply with Australian Accounting Standards and Interpretations. The Foundation has adopted all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective from the current annual reporting period.

(d) Accounting for the Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of amount of GST, except that :

- the amount of GST incurred by the Foundation as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense; and

- receivables and payables are stated with the amount of GST included;

Operating cash flows are stated on a gross basis in the Statement of Cash Flows. The cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are also classified as operating cash flows.

(e) Comparative information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

(f) Income tax

The Foundation is a registered charitable fund and is entitled to an income tax exemption concession.

ART GALLERY OF NEW SOUTH WALES FOUNDATION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

(g) Accounting standards issued but not yet effective

(i) Applicable for the first time

The following standards are applicable for the first time in 2017-18 and have not had any material impact upon initial application.

- AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107
- AASB 2016-4 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107
- AASB 2017-2 Amendments to Australian Accounting Standards - Further Annual Involvements 2014-2016 Cycle

(ii) Issued but not yet effective

The Foundation has assessed the impact of these new standards and interpretations and considers the impact to be not applicable or insignificant. They will continued to be reviewed in the next financial year.

The following new Australian Accounting Standards have not been applied and are not yet effective.

- AASB 9 Financial Instruments
- AASB 15 Revenue from Contracts with Customers
- AASB 16 Leases
- AASB 1058 Income of not for profit entities
- AASB 1059 Service concession asset

(h) Funds - Accumulated Funds

The category of 'Accumulated Funds' includes all current and prior period retained earnings.

ART GALLERY OF NEW SOUTH WALES FOUNDATION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

	2018 \$'000	2017 \$'000
2 EXPENSES		
<i>(a) Operating expenses</i>		
Audit fees	12	12
Bank and other charges	2	2
General Expenses	241	129
	<u>255</u>	<u>143</u>

Audit fees are for the audit of the financial statements. The auditors received no other remuneration.

(b) Grants and subsidies

Contributions made to the Art Gallery of NSW	<u>2,704</u>	<u>2,800</u>
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3 REVENUE

<i>(a) Donations and bequests</i>		
Donations	352	239
Bequests	895	1,212
	<u>1,247</u>	<u>1,451</u>
<i>(b) Investment revenue</i>		
Interest, dividends & distributions	3,476	3,150
Unrealised & realised gains (losses)	4,379	4,237
	<u>7,855</u>	<u>7,387</u>

Donations and bequests received are generally preserved as capital unless otherwise requested by donor / benefactor.

Revenue recognition

Revenue is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition of revenue are discussed below.

Non-cash donations and contribution of services shall only be recognised as income when the fair value can be reliably measured.

(i) Donations and bequests

Donations and bequests are generally recognised as revenue, when the Foundation obtains control over the assets comprising donations and bequests. Control over these are normally obtained upon the receipt of cash.

(ii) Investment revenue

Investment revenue is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*. Dividends and Distributions revenue is recognised in accordance with AASB 118 *Revenue* when the Foundation's right to receive payment is established. Unrealised gains and losses are brought to account in the Statement of Comprehensive Income.

ART GALLERY OF NEW SOUTH WALES FOUNDATION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

	2018 \$'000	2017 \$'000
4 CURRENT ASSETS - CASH AND CASH EQUIVALENTS		
Cash at bank	357	495
Cash Deposit	762	1,495
Total cash	<u>1,119</u>	<u>1,990</u>

For the purpose of the Statement of Cash Flows, cash includes cash at bank. Cash recognised in the Statement of Financial Position are reconciled at end of the financial year to the Statement of Cash Flows as follows:

Cash (per Statement of Financial Position)	<u>1,119</u>	<u>1,990</u>
Closing cash (per Statement of Cash Flows)	<u>1,119</u>	<u>1,990</u>

The interest rate return on these cash deposits was 1.92% in 2018 (2.27% 2017) on an average cash balance of \$1.059m (\$0.633m in 2017).

Cash comprises cash on hand and bank balances. Interest is earned on daily bank balances and paid monthly at the normal commercial rate.

5 CURRENT ASSETS - RECEIVABLES

Accrued Revenue on Investments	<u>2,417</u>	<u>1,836</u>
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Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables.

6 NON CURRENT ASSETS - FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

(a) The Foundation has the following financial assets at fair value through profit and loss:

	2018 \$'000	2017 \$'000
Listed securities	6,181	10,372
Managed funds	58,092	43,096
Term Deposit	-	4,500
Total non current financial assets at fair value	<u>64,273</u>	<u>57,968</u>

The return on listed securities was 10.44% in 2018 (14.48% 2017) on an average balance of \$8.450m (\$11.430m in 2017) and the return on managed funds was 13.15% in 2018 (14% in 2017) on an average investment of \$50.253m (\$29.491m 2017). The return on cash deposits was 2% in 2018 (3% in 2017).

Overall, the Foundation earned investment return of 12.09% in 2018 (12.48% 2017) on an average balance of \$58.703m (\$59.463m 2017), representing all its funds.

(b) Sensitivity analysis

	Change in Interest rate / Unit Price	Impact on Profit/Loss and Equity	
Cash	+/- 1.0%	11	20
Listed interest based securities	+/- -2.5%	(155)	(259)
Managed funds	+/- 11.0%	6,390	4,741
Term Deposits	+/- 3.0%	-	135

ART GALLERY OF NEW SOUTH WALES FOUNDATION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

(c) Fair value recognised in the Statement of Financial Position

The Foundation uses the following hierarchy for disclosing the fair value of financial instruments by valuation technique:

Level 1 - Derived from quoted prices in active markets for identical assets / liabilities

Level 2 - Derived from inputs other than quoted prices that are observable directly or indirectly

Level 3 - Derived from valuation techniques that include inputs for the asset / liability not based on observable market data (unobservable inputs)

	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial assets at fair value				
Listed interest based securities	6,181	-	-	6,181
Managed funds	58,092	-	-	58,092
Term Deposits	-	-	-	-
	<u>64,273</u>	<u>-</u>	<u>-</u>	<u>64,273</u>
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial assets at fair value				
Listed interest based securities	10,372	-	-	10,372
Managed funds	43,096	-	-	43,096
Term Deposits	4,500	-	-	4,500
	<u>57,968</u>	<u>-</u>	<u>-</u>	<u>57,968</u>

(The table above only includes financial assets, as no financial liabilities were measured at fair value in the Statement of Financial Position)

There were no transfers between level 1 and 2 during the period ended 30 June 2018.

In accordance with *AASB139 Financial Instruments Recognition and Measurement*, the Foundation's investments are classified as "at fair value through profit or loss" and measured at fair value, which is equivalent to their carrying value.

The Foundation invests in a selection of listed interest rate securities and managed funds in accordance with the provisions of the Investment Management Framework. Fair value is determined by reference to current bid prices at the close of business on balance date for interest rate securities and redemption price in the case of managed fund. The classification of its financial assets will be reviewed at each financial year end.

The listed securities are quoted on the Australian Stock Exchange and are a mixture of floating and fixed interest securities. The managed funds are represented by the number of units in a selection of funds. Each fund has different investment horizons and comprises a mix of asset classes appropriate to the investment horizon. Each fund appoints and monitors fund managers and establishes and monitors the application of appropriate investment guidelines.

The value of the investments held can decrease as well as increase depending upon market conditions. The value that best represents the maximum credit risk exposure is the fair value. The value of the investments represents the Foundation's share of the value of the underlying assets of the fund and is stated at fair value, based on the market value.

ART GALLERY OF NEW SOUTH WALES FOUNDATION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

Risk management

The Foundation's Investment Policy was endorsed by the Foundation's Finance Committee/Board during 2016/17. The policy is reviewed frequently during the year by the Finance Committee/Board.

The Foundation's investment portfolio is regularly reviewed by the Finance Committee. This includes a review of the major risks associated with the financial instruments i.e. Credit, Liquidity, Market, Interest rate, Currency and other risks. Risk impact area and implications arising from each risk factor were analysed and a risk rating assigned. The likelihood and the consequences of each risk were analysed and the controls and risk mitigation strategies confirmed.

In 2016 Mercer undertook an independent review of Foundation's investment portfolio.

Credit risk arises when there is the possibility of the Foundation's debtors defaulting on their contractual obligations, resulting in a financial loss to the Foundation. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment). The Foundation is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. No collateral is held by the Foundation. The Foundation has not granted any financial guarantees.

Liquidity risk is the risk that the Foundation will be unable to meet its payment obligations when they fall due. The Foundation continuously manages this risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets. The Foundation has no loans or overdrafts and no assets have been pledged as collateral. An overdraft facility is not considered necessary as arrangements have been put in place to call in term deposits at short notice if needed. A penalty of reduced interest rate may sometimes be incurred.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is inherent in equity markets, which is subject to global volatility. The Foundation endeavours to limit this risk by investing in a selection of managed funds which provide diversification through asset allocation over a spread of financial assets (cash, bonds, fixed interest securities and equities) over medium and long term investment horizons.

Interest rate risk is confined to fixed rates on term deposits and fixed or floating rates on listed interest based securities. The Foundation has no interest bearing liabilities and therefore is not exposed to interest rate risk on borrowings.

Impairment of financial assets

All financial assets, except those measured at fair value through profit and loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the Foundation will not be able to collect all amounts due. Any reversals of impairment losses are reversed through the Statement of Comprehensive Income, where there is objective evidence.

De recognition of financial assets and liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the Foundation transfers the financial asset:

- where substantially all the risks and rewards have been transferred or
- where the Foundation has not transferred substantially all the risks and rewards, if the Foundation has not retained control.

Where the Foundation has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the Foundation's continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expired.

7 CURRENT LIABILITIES - PAYABLES

	2018	2017
	\$'000	\$'000
Payables - non interest bearing	18	146

These liabilities will be settled within 2-3 months using cash at bank.

These amounts represent liabilities for goods and services provided to the Foundation and other amounts, including interest. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method.

ART GALLERY OF NEW SOUTH WALES FOUNDATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

8 RESTRICTED ASSETS

	2018 \$'000	2017 \$'000
Cash and Financial Assets comprise the following restricted amounts		
Tancred trust fund	1,087	1,087
General fund	64,305	58,871
Total capital	<u>65,392</u>	<u>59,958</u>
Total Cash and Financial Assets	<u>65,392</u>	<u>59,958</u>

The restricted assets represent donations and bequests which are preserved as required under the Foundation's Trust Deed.

9 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO NET RESULT

Net cash flows from operating activities	1,055	1,513
Unrealised / realised gains/(losses)	4,379	4,237
(Decrease) / Increase in receivables	581	232
Decrease / (Increase) in payables	128	(87)
NET RESULT	<u>6,143</u>	<u>5,895</u>

10 COMMITMENTS FOR EXPENDITURE

There are no capital expenditure commitments outstanding as at 30 June 2018 (nil in 2017).

11 CONTINGENT LIABILITIES & CONTINGENT ASSETS

At the date of these statements, the Trustees are not aware of any material contingent liabilities for the year ended 30 June 2018 (2017: Nil).

12 ASSISTANCE RECEIVED BY THE FOUNDATION

The Art Gallery of New South Wales Foundation receives administrative and secretarial support at no cost from the Art Gallery of New South Wales.

13 RELATED PARTIES

As per AASB 124 Related Party Disclosures a Key Management Personnel (KMP) is a person who has the authority and responsibility for planning, directing and controlling the activities of the Gallery, directly or indirectly.

The key management personnel of the Art Gallery of New South Wales Foundation are the Trustees and the senior executive members.

The Trustees act in an honorary capacity and receive no compensation for their services. Senior management compensation is paid by the Art Gallery of New South Wales Trust.

No Trustee of the Foundation has received or become entitled to receive a benefit because of the contract made by the Foundation or a related body with the Trustee or with a firm of which the Trustee is a member, or with a company in which the Trustee has a substantial interest.

Contributions made to the Art Gallery of NSW for the year ended 30 June 2018 was \$2,704 (2017 \$2,800). See note 2(b) for more information.

14 DISCLOSURE UNDER THE CHARITABLE FUNDRAISING ACT 1991

Gross aggregate income received from fundraising:		
Fundraising income	352	239
Expenditure associated with fundraising appeals	-	-
Net surplus from fundraising appeals	352	239

Any donations received where the use of those funds is restricted under the conditions of the contribution to specific purposes are applied for those specific purposes. Costs of fundraising include all fundraising costs in accordance with the Act. Any surplus arising from fundraising appeals is applied to the charitable purposes of the Foundation. Donations received by the Foundation is used to fund acquisition of works of art.

15 EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting period that will impact the financial statements.

END OF AUDITED FINANCIAL STATEMENTS