



INDEPENDENT AUDITOR'S REPORT

Art Gallery of New South Wales Foundation

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Art Gallery of New South Wales Foundation (the Foundation), which comprise the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Trustees' statement.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Foundation as at 30 June 2016, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015
- have 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
- are 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 2016.

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

Basis of Opinion

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

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

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

I have also fulfilled my other ethical responsibilities in accordance with the Code.

The PF&A Act further 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, but precluding the provision of non-audit services.

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

The Trustees' Responsibility for the Financial Statements

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

In preparing the financial statements, the Trustees must assess the Foundation's ability to continue as a going concern unless the Foundation will be dissolved by an Act of Parliament or otherwise cease operations. The assessment must include, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and
- 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 statements.

A further description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>. 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 statements on any website where they may be presented.

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

In addition, I have audited the Foundation's operations in order to express an opinion on the matters specified at sections 24(2)(b), 24(2)(c) and 24(2)(d) of the CF Act for the year ended 30 June 2016.

Opinion

In my opinion:

- the Foundation has properly kept the accounts and associated records during the year ended 30 June 2016 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 2016 in accordance with the CF Act and the CF Regulation (section 24(2)(c) of the CF Act)
- 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 (section 24(2)(d) of the CF Act).

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

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.

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

Auditor's Responsibility

My responsibility is to express an opinion on the matters specified at sections 24 (2)(b), 24 (2)(c), and 24 (2)(d) of the CF Act. I conducted my audit in accordance with applicable Australian Auditing Standards and Standards on Assurance Engagements (ASAE 3100 'Compliance Engagements') to obtain reasonable assurance whether the Foundation has, in all material respects, complied with specific requirements of the CF Act and CF Regulation, and whether there are reasonable grounds to believe 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 independent auditor's report (future debts).

This audit involved performing procedures to obtain audit evidence about the Foundation's compliance with the CF Act and CF Regulation and its ability to pay future debts. The procedures selected depend on the auditor's judgement, including an assessment of the risks of material breaches of compliance and inability to pay future debts. In making those risk assessments, the auditor considers relevant internal control in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.

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, and assessing the reasonableness and appropriateness of the Trustees' assessment regarding the Foundation's ability to pay future debts.

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

Inherent Limitations

Because of inherent limitations of any compliance procedure, it is possible 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.

Any projection of the evaluation of compliance with the CF Act to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

Whilst evidence is available to support the Foundation's ability to pay future debts, such evidence is future orientated and speculative in nature. As a consequence, actual results are likely to be different from the information on which the opinion is based, since anticipated events frequently do not occur as expected or assumed and the variations between the prospective opinion and the actual outcome may be significant.



Margaret Crawford
Auditor-General of New South Wales

11 October 2016
SYDNEY



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 statements of the Art Gallery of New South Wales Foundation for the year ended 30 June 2016, I declare, to the best of my knowledge and belief, that there have been no contraventions of any applicable code of professional conduct in relation to the audit.

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

Margaret Crawford
Auditor-General of New South Wales

11 October 2016
SYDNEY

THE ART GALLERY OF NEW SOUTH WALES FOUNDATION

**TRUSTEES' STATEMENT
FOR THE YEAR ENDED 30 JUNE 2016**

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

Pursuant to Section 41C (1C) of the *Public Finance and Audit Act, 1983*, and the *Charitable Fundraising Act 1991*, and in accordance with a resolution of the Board of Trustees of the Art Gallery of NSW 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 Public Finance and Audit Regulation 2015 and applicable Australian Accounting Standards;
- (b) In our opinion, the financial statements and notes thereto exhibit a true and fair view of the financial position as at 30 June 2016 and the financial performance for the year then ended;
- (c) The provisions of the *Charitable Fundraising Act 1991*, the regulations under the Act and the conditions attached to the Foundation have been complied with;
- (d) In our opinion, the financial statements give a true and fair view of all income and expenditure with respect to fundraising appeals;
- (e) The statement of financial position gives a true and fair view of the state of affairs of the Foundation with respect to fundraising appeals; and
- (f) The internal controls exercised by the Foundation are appropriate and effective in accounting for all income received and applied by the Foundation from any of its fundraising appeals.

Further, we are not aware of any circumstances which would render any particulars included in the financial statements misleading or inaccurate.


.....
J. Playoust
DEPUTY CHAIRMAN
ART GALLERY OF NSW FOUNDATION


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

.....
J. Wicks
SECRETARY & DIRECTOR
FINANCE & COMMERCIAL OPERATIONS / CFO

Dated: 11 October 2016

THE ART GALLERY OF NEW SOUTH WALES FOUNDATION

**TRUSTEES' STATEMENT
For the year ended 30 June 2016**

Australian Charities and Not-for-profits Commission Act 2012 Declaration

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


- a) 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 giving a true and fair view of its financial position as at 30 June 2016 and of its performance for the financial year ended on that date.
- b) The Art Gallery of New South Wales Foundation complies with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Australian Charities and Not-for-profits Commission Regulation 2013.
- c) 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.



J. Playoust
DEPUTY CHAIRMAN
ART GALLERY OF NSW FOUNDATION



J. Wicks
SECRETARY & DIRECTOR
FINANCE & COMMERCIAL OPERATIONS / CFO



M. Brand
DIRECTOR
ART GALLERY OF NSW

Dated: 11 October 2016

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2016

	NOTE	2016 \$'000	2015 \$'000
Expenses excluding losses			
Operating expenses	2(a)	66	61
Grants and subsidies	2(b)	2,404	1,879
Total expenses excluding losses		<u>2,470</u>	<u>1,940</u>
Revenue			
Donations and bequests	3(a)	22,620	826
Investment revenue	3(b)	(290)	4,033
Total revenue		<u>22,330</u>	<u>4,859</u>
NET RESULT		19,860	2,919
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		<u>19,860</u>	<u>2,919</u>

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION
As at 30 June 2016

	NOTE	2016 \$'000	2015 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	4	5,637	5,075
Receivables	5	1,604	1,562
Total current assets		<u>7,241</u>	<u>6,637</u>
Non-current assets			
Financial assets at fair value through profit and loss	6	48,571	29,286
Total non-current assets		<u>48,571</u>	<u>29,286</u>
Total assets		<u>55,812</u>	<u>35,923</u>
LIABILITIES			
Current liabilities			
Payables	7	59	30
Total liabilities		<u>59</u>	<u>30</u>
Net assets		<u>55,753</u>	<u>35,893</u>
EQUITY			
Accumulated funds	8	55,753	35,893
Total equity		<u>55,753</u>	<u>35,893</u>

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2016

		Accumulated Funds \$'000
Balance at 01 July 2014		32,974
Net result for the year		2,919
Total Comprehensive Income		<u>2,919</u>
Balance at 30 June 2015	8	<u>35,893</u>
Balance at 01 July 2015		35,893
Net result for the year		19,860
Total Comprehensive Income		<u>19,860</u>
Balance at 30 June 2016	8	<u>55,753</u>

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS
For the year ended 30 June 2016

	NOTE	2016 \$'000	2015 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Donations and bequests received		3,168	726
Investment revenue received		2,414	1,450
Total receipts		<u>5,582</u>	<u>2,176</u>
Payments			
Grants and operating expenses paid		(2,441)	(1,923)
Total Payments		<u>(2,441)</u>	<u>(1,923)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	9	<u>3,141</u>	<u>253</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of investments		8,219	16,793
Purchase of investments		(10,798)	(13,553)
NET CASH FLOWS FROM INVESTING ACTIVITIES		<u>(2,579)</u>	<u>3,240</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		562	3,492
Opening cash and cash equivalents		5,075	1,583
CLOSING CASH AND CASH EQUIVALENTS	4	<u>5,637</u>	<u>5,075</u>

The accompanying notes form part of these financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

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 23 August 1982. 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 financial statements has been authorised for issue by the Trustees on 11 October 2016.

(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 published in the Financial Reporting Code for NSW General Government Sector Entities issued by the Treasurer,
- the provisions of the *Charitable Fundraising Act 1991* and the regulations under the Act; and
- the requirements of the *Australian Charities and Not-for-profits Commission Act 2012*

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.

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

(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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued...

(e) 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.

(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.

(f) Financial instruments

(i) Cash and cash equivalents

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

(ii) Receivables

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.

All debtors are recognised as amounts receivable at balance date. Collectability of debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that the entity will not be able to collect all amounts due. Any changes are accounted for in the Statement of Comprehensive Income when impaired, derecognised or through the amortisation process. The evidence included past experience and current and expected changes in economic conditions and debtors credit ratings. No interest is earned on debtors.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(iii) Investments

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 *Trust Deed*. 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued...

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.

(iv) Payables

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. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(v) Risk management

The Foundation's Investment Policy was endorsed by the Foundation's Finance Committee/Board during 2015/16. 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 April 2016 the Committee appointed Mercer to undertake 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued...

(vi) 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.

(vii) 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.

(g) 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.

(h) Income tax

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

(i) Accounting standards issued but not yet effective

(i) Applicable for the first time

The following standards are applicable for the first time in 2015-16.

- AASB 2013-9 (Part C), AASB 2014-1 (Part E) and AASB 2014-8 regarding amendments to AASB 9 Financial Instruments
- AASB 2015-3 regarding withdrawal of AASB 1031 Materiality
- AASB 2015-4 amendments to AASB 128 Investments in Associates and Joint Ventures relating to financial reporting for Australian groups with a foreign parent

(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.

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

- AASB 14 and AASB 2014-1 (Part D) regarding Regulatory Deferral Accounts
- AASB 15, AASB 2014-5 and AASB 2015-8 regarding Revenue from Contracts with Customers
- AASB 1056 Superannuation Entities
- AASB 1057 and AASB 2015-9 Applications of Australian Accounting Standards
- AASB 2014-3 regarding accounting for acquisitions of interests in joint operations
- AASB 2014-4 regarding acceptable methods of depreciation and amortisation
- AASB 2014-6 regarding bearer plants
- AASB 2014-9 regarding equity method in separate financial statements
- AASB 2014-10 and AASB 2015-10 regarding sale or contribution of assets between and investor and its associate or joint venture
- AASB 2015-1 regarding annual improvements to Australian Accounting Standards 2012-2014 cycle
- AASB 2015-2 regarding amendments to AASB 101 disclosure initiatives
- AASB 2015 amendments to Australian Accounting Standards – investment entities applying the consolidation exception
- AASB 124 related party disclosures
- AASB 2015-7 amendments to Australian accounting standards - fair value disclosures of not-for-profit public sector entities

(j) Equity - Accumulated funds

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

	2016 \$'000	2015 \$'000
2 EXPENSES		
<i>(a, Operating expenses)</i>		
Audit fees	10	10
Bank and other charges	2	3
Other General Expenses	54	48
	<u>66</u>	<u>61</u>

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

<i>(b, Grants and subsidies)</i>		
Contributions made to the Art Gallery of NSW for acquisition of art work	<u>2,404</u>	<u>1,879</u>

3 REVENUE

<i>(a, Donations and bequests)</i>		
Donations	362	726
Bequests	22,258	100
	<u>22,620</u>	<u>826</u>
<i>(b, Investment revenue)</i>		
Interest, dividends & distributions	2,456	2,055
Unrealised & realised gains (losses)	(2,746)	1,978
	<u>(290)</u>	<u>4,033</u>

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

4 CURRENT ASSETS - CASH AND CASH EQUIVALENTS

Cash at bank	1,473	215
Cash Deposit	4,164	4,860
Total cash	<u>5,637</u>	<u>5,075</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>5,637</u>	<u>5,075</u>
Closing cash (per Statement of Cash Flows)	<u>5,637</u>	<u>5,075</u>

The interest rate return on these cash deposits was 4.46% in 2016 (4.44% 2015) on an average cash balance of \$0.860m (\$0.405m in 2015).

5 CURRENT ASSETS - RECEIVABLES

Accrued Revenue on Investments	<u>1,604</u>	<u>1,562</u>
--------------------------------	--------------	--------------

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

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:

	2016	2015
	\$'000	\$'000
Listed securities	12,184	-
Managed funds	30,637	29,286
Term Deposit	5,750	-
Total non current financial assets at fair value	<u>48,571</u>	<u>29,286</u>

The return on listed securities was -4.88% in 2016 (-2.5% 2015) on an average balance of \$15.070m (\$3.241m in 2015) and the return on managed funds was 1.16% in 2016 (13% in 2015) on an average investment of \$29.491m (\$29.292m 2015). The return on cash deposits was 2.5% in 2016 (3% in 2015).

Overall, the Foundation earned investment return of -3.72% in 2016 (10.01% 2015) on an average balance of \$52.735m (\$34.152m 2015), representing all its funds.

(b) Sensitivity analysis

	Change in Interest rate / Unit		Impact on Profit/Loss and Equity	
		Price		
Cash	+/-	1.0%	56	51
Listed interest based securities	+/-	-2.5%	(305)	-
Managed funds	+/-	11.0%	3,370	3,221
Term Deposits	+/-	3.0%	173	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

(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	2016
Financial assets at fair value				\$'000
Listed interest based securities	12,184	-	-	12,184
Managed funds	30,637	-	-	30,637
Term Deposits	5,750	-	-	5,750
	<u>48,571</u>	<u>-</u>	<u>-</u>	<u>48,571</u>
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	2015
Financial assets at fair value				\$'000
Managed funds	29,286	-	-	29,286
	<u>29,286</u>	<u>-</u>	<u>-</u>	<u>29,286</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 2016.

7 CURRENT LIABILITIES - PAYABLES

	2016	2015
	\$'000	\$'000
Payables - non interest bearing	<u>59</u>	<u>30</u>

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

8 RESTRICTED ASSETS

	2016	2015
	\$'000	\$'000
Cash and Financial Assets comprise the following restricted amounts		
Tancred trust fund	1,087	1,087
General fund	53,121	33,274
Total	<u>54,208</u>	<u>34,361</u>
Total Cash and Financial Assets	<u>54,208</u>	<u>34,361</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	3,141	253
Unrealised / realised gains/(losses)	(2,746)	2,207
(Decrease) / Increase in receivables	42	476
Decrease / (Increase) in payables	(29)	(17)
Non Cash Donation	19,452	
NET RESULT	<u>19,860</u>	<u>2,919</u>

10 COMMITMENTS FOR EXPENDITURE

There are no capital expenditure commitments outstanding as at 30 June 2016 (nil in 2015).

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 2016 (2015: 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 TRUSTEE BENEFITS

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

14 FUNDRAISING APPEALS

The Foundation had no fundraising appeal during the year 2015-16 to raise funds for the acquisition of art works for the Art Gallery, (one in 2014-2015).

		2016	2015
		\$'000	\$'000
Result of fundraising appeals			
Gross income from fundraising	A	-	115
Cost of fundraising	B	-	8
Net surplus from fundraising	C	-	107
Cost of services provided*	D	-	-
Transferred to accumulated funds		-	107
Cost of fundraising to gross income from fundraising	B/A	0%	7%
Net surplus from fundraising to gross income from fundraising	C/A	0%	93%
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%

* This represents the salaries of the Art Gallery staff members associated with the fundraising. Other administrative and financial services have been provided free of charge.

There is no information of a material matter or occurrence to report.

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