

STATUTORY FINANCIAL STATEMENTS


For the year ended 30 June 2009

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

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 New South Wales Trust, 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 2005, applicable Australian Accounting Standards and the Treasurer's Directions;
- (b) In our opinion, the financial statements and notes thereto exhibit a true and fair view of the financial position as at 30 June 2009 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 Trust have been complied with;
- (d) In our opinion, the financial statements gives a true and fair view of all income and expenditure with respect to fundraising appeals;
- (e) The balance sheet gives a true and fair view of the state of affairs of the Trust with respect to fundraising appeals; and
- (f) The internal controls exercised by the Trust are appropriate and effective in accounting for all income received and applied by the Trust 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;



S. LOWY
PRESIDENT



E.G. CAPON
DIRECTOR



P. YOUNG
CHAIRMAN
FINANCE AND AUDIT COMMITTEE



J. WICKS
ASSISTANT DIRECTOR
FINANCE & RESOURCES

Dated: 14 October 2009



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

The Art Gallery of New South Wales Trust

To Members of the New South Wales Parliament

I have audited the accompanying financial report of The Art Gallery of New South Wales Trust (the Trust), which comprises the balance sheet as at 30 June 2009, the income statement, statement of recognised income and expense and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Trust as at 30 June 2009, and its financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005.

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

The Trustee's Responsibility for the Financial Report

The members of the Trust are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Trust's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the members of the Trust, as well as evaluating the overall presentation of the financial report.

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

My opinion does *not* provide assurance:

- about the future viability of the Trust,
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their role by the possibility of losing clients or income.



Steven Martin
Director, Financial Audit Services

20 October 2009
SYDNEY

ART GALLERY OF NSW FOUNDATION

INCOME STATEMENT

For the year ended 30 JUNE 2009

	NOTES	2009 \$'000	2008 \$'000
Income			
Donations and bequests	3(a)	2,060	4,828
Investment income	3(b)	583	(948)
Total income		<u>2,643</u>	<u>3,880</u>
Expenses			
Contributions to the Art Gallery of NSW	2(a)	8,907	1,595
Operating expenses	2(b)	9	7
Total expenses		<u>8,916</u>	<u>1,602</u>
SURPLUS/(DEFICIT) FOR THE YEAR		<u>(6,273)</u>	<u>2,278</u>

STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the year ended 30 JUNE 2009

TOTAL INCOME AND EXPENSES RECOGNISED DIRECTLY IN EQUITY

Surplus /(Deficit) for the year		<u>(6,273)</u>	<u>2,278</u>
TOTAL INCOME AND EXPENSES RECOGNISED FOR THE YEAR	8	<u>(6,273)</u>	<u>2,278</u>

The accompanying notes form part of these statements

ART GALLERY OF NSW FOUNDATION

BALANCE SHEET For the year ended 30 JUNE 2009

	NOTES	2009 \$'000	2008 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	4	8,323	13,114
Trade and other receivables	5	781	640
Total current assets		9,104	13,754
Non-current assets			
Financial assets at fair value through profit and loss	6	12,975	14,598
Total non-current assets		12,975	14,598
Total assets		22,079	28,352
LIABILITIES			
Current liabilities			
Trade and other payables	7	7	7
Total liabilities		7	7
Net assets		22,072	28,345
EQUITY			
Accumulated funds	8	22,072	28,345
Total equity		22,072	28,345

The accompanying notes form part of these statements

ART GALLERY OF NSW FOUNDATION

CASH FLOW STATEMENT

For the year ended 30 JUNE 2009

	NOTES	2009 \$'000	2008 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Donations and bequests received		2,060	4,828
Investment income received		1,841	3,105
Total receipts		3,901	7,933
Payments			
Contributions and other expenses paid		(8,916)	(1,602)
Total Payments		(8,916)	(1,602)
NET CASH FLOWS FROM OPERATING ACTIVITIES		(5,015)	6,331
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds of sale of investments		3,526	1,000
Purchase of investments		(3,302)	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		224	1,000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(4,791)	7,331
Opening cash and cash equivalents		13,114	5,783
CLOSING CASH AND CASH EQUIVALENTS	4	8,323	13,114
RECONCILIATION OF SURPLUS TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus/(Deficit) for the Year		(6,273)	2,278
Unrealised / realised losses (gains) / diminution		1,398	3,227
Decrease / (Increase) in trade and other receivables		(140)	826
Net cash flows from operating activities		(5,015)	6,331

The accompanying notes form part of these statements

ART GALLERY OF NSW FOUNDATION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) *Reporting entity*

The Art Gallery of New South Wales 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 income 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.

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

The financial report has been authorised for issue by the Board on 14 October 2009.

(b) *Basis of preparation*

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

- applicable Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS) and interpretations; and
- the requirements for the Public Finance and Audit Act 1983 and the Public Finance and Audit Regulation 2005,

Financial assets at 'fair value through profit or loss' are measured at fair value. Other financial report 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 report.

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 which include AIFRS. 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) *Income recognition*

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

(i) Donations and bequests

Donations and bequests are generally recognised as income, 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 income

Investment income 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 Income Statement.

ART GALLERY OF NSW FOUNDATION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued...

(e) Financial instruments

(i) Cash

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

(ii) Term deposits

The Foundation has placed funds in bank deposits "at call" or for a fixed term. The interest rate payable is negotiated initially and is fixed for the term of the deposits. The deposits are usually held to maturity. Interest is accrued as at 30 June and brought to account in the Income Statement.

(iii) Trade and other receivables

Trade and other 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 trade debtors are recognised as amounts receivable at balance date. Collectability of trade 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 income statement 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 trade debtors.

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

(iv) Investments

In accordance with *AASB139 Financial Instruments under AIFRS*, the Foundations 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 Trustee Act 1925. They are generally redeemable with 24 hours notice. 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.

(v) Trade and other payables

These amounts represent liabilities for goods and services provided to the Foundation and other amounts, including interest. Trade and other 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.

ART GALLERY OF NSW FOUNDATION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

- 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued...
(e) *Financial Instruments continued...*

Risk management

The Foundation's Investment Policy was endorsed by the Art Gallery's Finance Committee/Board during 2007/08. The Finance Committee met with the fund managers during 2008/09 as part of their periodical review of the Foundation's portfolio.

The Art Gallery administers the Foundation's investments, and during 2007/08 undertook a risk analysis of its financial management. This entailed 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 was analysed and a risk rating assigned. The likelihood and the consequences of each risk were analysed and the controls and risk mitigation strategies confirmed.

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.

Credit risk on term deposits is managed by ensuring that only those banks and building societies approved by the Reserve Bank/Australian Prudential Regulatory Authority (APRA) and included in the "AGNSW Approved List"; No more than 20% (at cost) of the Foundation's funds to be invested in any one institution; Investments beyond 12 months maturities are only made in rated banks of not less than BBB long term rating. Credit risk on other investments are minimised by diversification across a spread of funds and asset categories

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.

Currency risks - the Foundation has indirect exposure to currency risks to the extent that commitments are made to the Art Gallery of NSW for contributions towards acquisitions in foreign currency. The Gallery reduces this risk through forward cover contracts which fixes the foreign currency rate at or near the time the commitment is made.

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 income statement, where there is objective evidence.

ART GALLERY OF NSW FOUNDATION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued...

(e) *Financial Instruments continued...*

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 entity 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.

(f) **Income tax**

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

(g) **Accounting standards issued but not yet effective**

The Foundation did not early adopt any new accounting standards and interpretations that are not yet effective. At the date of authorisation of the financial statements, the following Standards and Interpretations were on issue and applicable to the Foundation, but not yet effective:

- AASB 3 'Business Combinations' that is operative for 30 June 2010 and 31 December 2010 year ends
- AASB 8 'Operating Segments' that is operative for 31 December 2009 and 30 June 2010 year ends
- AASB 101 'Presentation of Financial Statements' that is operative for 31 December 2009 and 30 June 2010
- AASB 123 'Borrowing Costs' that is operative for 31 December 2009 and 30 June 2010 year ends
- AASB 127 'Consolidate and of Financial Statements' (Revised), that is operative for 31 December 2009 and 30 June 2010 year ends
- AASB 1039 'Concise Financial Reports' that is operative for 31 December 2009 and 30 June 2010 year ends

The Foundation has assessed the impact of these new standards and interpretations and considers the impact to be not applicable or insignificant.

ART GALLERY OF NSW FOUNDATION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

		2009 \$'000	2008 \$'000
2	EXPENSES		
	(a) Contributions to the Art Gallery of NSW for art acquisitions *	<u>8,907</u>	1,595
	(b) Operating expenses		
	Audit fees	7	7
	Bank charges	<u>2</u>	-
		<u>9</u>	<u>7</u>

Audit fees are for the audit of the financial report. The Auditors received no other benefits.

3	INCOME		
	(a) Donations and bequests		
	Donations	2,041	451
	Bequests	<u>19</u>	<u>4,377</u>
		<u>2,060</u>	<u>4,828</u>
	(b) Investment income		
	Interest, dividends & distributions	1,981	2,279
	Unrealised / realised gains (losses)	<u>(1,398)</u>	<u>(3,227)</u>
		<u>583</u>	<u>(948)</u>

* In 2008/09 the main contribution was for the Cezanne.

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

4	CURRENT ASSETS - CASH & CASH EQUIVALENTS		
	Cash at bank	148	83
	Term deposits - less than 12 months maturity	<u>8,175</u>	<u>13,031</u>
	Total cash & cash equivalents	<u>8,323</u>	<u>13,114</u>

For the purpose of the cash flow statement, cash includes cash at bank and short term deposits. Cash and cash equivalent assets recognised in the balance sheet are reconciled at end of the financial year to the cash flow statement as follows:

Cash and cash equivalents (per Balance Sheet)	<u>8,323</u>	<u>13,114</u>
Closing cash and cash equivalents (per Cash Flow Statement)	<u>8,323</u>	<u>13,114</u>

The interest rate return on these cash and deposits was 6.25% in 2009 (7.7% 2008) on an average balance of \$8.790m (\$9.449m in 2008).

5	CURRENT ASSETS - TRADE AND OTHER RECEIVABLES		
	Receivables - not past due	<u>781</u>	<u>640</u>

These primarily represent accrued income on investments and are non interest bearing.

ART GALLERY OF NSW FOUNDATION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

	2009	2008
	\$'000	\$'000
6 NON CURRENT ASSETS - FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS		
Listed securities	5,667	6,073
Managed funds	7,308	8,525
Total non current financial assets at fair value	12,975	14,598

The return on listed securities was negative 1.0% in 2009 (1.2% 2008) on an average balance of \$5.870m (\$6.803m in 2008) and the return on managed funds was negative 5.7% in 2009 (negative 17.7% 2008) on an average investment of \$7,917m (\$9,909m 2008).

Overall, the Foundation earned return was negative 0.2% in 2009 (negative 2.3% 2008) on an average balance of \$25,319m (\$27.347m 2008), representing all its funds.

	Change in Interest rate or Unit Price		Impact on Profit/Loss	
Sensitivity analysis				
Cash / term deposits	+/-	1.0%	83	131
Listed interest based securities	+/-	7.5%	425	455
Managed funds	+/-	15.0%	1,096	1,279
			2009	2,008
			\$'000	\$'000

7 CURRENT LIABILITIES - TRADE AND OTHER PAYABLES		
Payables - non interest bearing	7	7

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

8 CHANGES IN EQUITY		
<i>Accumulated funds</i>		
Balance as at beginning	28,345	26,067
Changes in equity - other than transactions with owners as owners		
Surplus / (Deficit) for the year	(6,273)	2,278
Balance at end	22,072	28,345
<i>Total equity comprises:</i>		
Capital (Preserved Funds)		
Tancred trust fund	1,087	1,087
General fund	26,614	24,554
Total capital	27,701	25,641
Retained investment income / (deficit)	(5,629)	2,704
Total equity	22,072	28,345

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

ART GALLERY OF NSW FOUNDATION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

9 COMMITMENTS FOR EXPENDITURE

There are no material expenditure commitments outstanding as at 30 June 2009 (\$88,000 in 2008).

10 CONTINGENT LIABILITIES & CONTINGENT ASSETS

At the date of this report, the Trustees are not aware of any material contingent liabilities

11 FUNDRAISING APPEALS

The Foundation did not undertake any specific fundraising appeals as defined under the Charitable Fundraising Act, 1991. However many of the Foundation supporters attend/support the fundraising activities held by the Art Gallery.

12 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.

END OF AUDITED FINANCIAL STATEMENTS