



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 Art Gallery of New South Wales Foundation (the Foundation), which comprises the Trustees' Statement, the Responsible Persons' Declaration, the Statement of Comprehensive Income for the year ended 30 June 2023, the Statement of Financial Position as at 30 June 2023, the Statement of Changes in Equity and the Statement of Cash Flows, for the year then ended, notes comprising a Statement of Significant Accounting Policies, and other explanatory information.

In my opinion, the financial statements:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the *Government Sector Finance Regulation 2018* (GSF Regulation) and the Treasurer's Directions
- presents fairly the Foundation's financial position, financial performance and cash flows
- 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 2022*
- have been prepared in accordance with clause 18 of the of the Taxation Administration (Public Ancillary Fund) Guidelines 2022 (the Guidelines).

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 Statements' 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 (including Independence Standards)' (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 have fulfilled my other ethical responsibilities in accordance with APES 110.

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

Directors' Responsibilities for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the GSF Act, GSF Regulation and Treasurer's Directions and the *Australian Charities and Not-for-profits Commission Act 2012*. The Directors' responsibility also includes such internal control as the Directors determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors 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.

Auditor's Responsibilities 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
- 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 description of my responsibilities for the audit of the financial statements 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.

The scope of my audit does not include, nor provide assurance:

- that the Foundation carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Mary Yuen
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

23 October 2023
SYDNEY

Trustees' Statement for the Year ended 30 June 2023

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

- (a) The accompanying financial statements have been prepared in accordance with the Australian Accounting Standards, other mandatory reporting requirements.
- (b) The financial statements and notes thereto exhibit a true and fair view of the financial position as at 30 June 2023 and the financial performance and cashflows 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 Foundation 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 2023 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 2023 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.
- (j) The financial statements have been prepared in accordance with the requirements of the Taxation Administration (Public Ancillary Fund) Guidelines 2022 and the Foundation has complied with the Taxation Administration (Public Ancillary Fund) Guidelines 2022 during the financial year ending 30 June 2023 .

Signed in accordance with a resolution of the trustees.

.....
K. Grant
Chairperson

.....
J. Playoust
Deputy Chairperson

Dated: 17 October 2023

Responsible persons declaration under the *Australian Charities And Not-For-Profit Commissions Act 2012*

In the opinion of the Responsible Persons 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 2023 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 2022; 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 2022*.



.....
K. Grant
Chairperson
Art Gallery of NSW Foundation



.....
J. Playoust
Deputy Chairperson
Art Gallery of NSW Foundation

Dated: 17 October 2023

Statement of comprehensive income for the year ended 30 June 2023

	NOTE	2023 \$'000	2022 \$'000
Expenses			
Operating expenses	2	217	143
Contributions to the Art Gallery of New South Wales Trust		2,750	5,111
Net (gain)/loss on investments carried at fair value through profit and loss		-	9,984
Total expenses		2,967	15,238
Revenue			
Donations and bequests	3 (a)	1,316	2,508
Investment revenue	3 (b)	5,133	4,453
Total revenue		6,449	6,961
Net result for the year		3,482	(8,277)
Total other comprehensive income		-	-
Total comprehensive income / (deficit)		3,482	(8,277)

The accompanying notes form part of these financial statements.

Art Gallery of New South Wales Foundation

Statement of financial position as at 30 June 2023

	NOTE	2023 \$'000	2022 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	4	12,153	12,451
Receivables	5	-	1,732
Total current assets		12,153	14,183
Non-current assets			
Financial assets at fair value through profit and loss	6	51,051	45,537
Total non-current assets		51,051	45,537
Total assets		63,204	59,720
LIABILITIES			
Payables	7	11	9
Total current liabilities		11	9
Net assets		63,193	59,711
EQUITY			
Accumulated funds		63,193	59,711
Total equity		63,193	59,711

The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2023

	Accumulated Funds	Total
	\$'000	\$'000
Balance at 1 July 2021	67,988	67,988
Net result for the year	(8,277)	(8,277)
Other comprehensive income	-	-
Total Comprehensive Income	(8,277)	(8,277)
Balance at 30 June 2022	59,711	59,711
Balance at 1 July 2022	59,711	59,711
Net result for the year	3,482	3,482
Other comprehensive income	-	-
Total Comprehensive Income	3,482	3,482
Balance at 30 June 2023	63,193	63,193

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2023

	NOTE	2023 \$'000	2022 \$'000
Cash Flows From Operating Activities			
Receipts			
Donations and bequests received		1,316	2,508
Investment revenue received		4,062	2,911
Total receipts		5,378	5,419
Payments			
Contributions and other operating expenses paid		(2,965)	(5,266)
Total payments		(2,965)	(5,266)
Net Cash Flows From Operating Activities	9	2,413	153
Cash Flows From Investing Activities			
Proceeds from sale of investments		21,262	12,489
Purchase of investments		(23,973)	(4,957)
Net Cash Flows From Investing Activities		(2,711)	7,532
Net (increase) / decrease in cash and cash equivalents		(298)	7,685
Opening cash and cash equivalents		12,451	4,766
Closing Cash And Cash Equivalents	4	12,153	12,451

The accompanying notes form part of these financial statements.

Notes to the financial statements for the year ended 30 June 2023

1 Statement of significant accounting policies

(a) Reporting entity

The Art Gallery of New South Wales Foundation (the Foundation) is a Public Ancillary Fund. The Foundation was constituted by Trust Deed dated 23rd August 1982 and amended variously up to and including 20th August 2020. The Foundation is not a controlled entity of Art Gallery New South Wales Trust and is therefore not required to comply with the *Government Sector Finance Act 2018*. 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 make distributions to the Art Gallery of New South Wales Trust (the Gallery) for the acquisition of works of art. It is a not-for-profit entity, as profit is not its primary objective and it has no cash generating units.

The Foundation holds 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.

The financial report for the year ended 30 June 2023 was authorised for issue in accordance with a resolution of the Board of Trustees on 17 October 2023.

(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 provisions of the *Charitable Fundraising Act 1991* and the regulations under the Act;
- *the Australian Charities and Not-for-Profit Commission Act 2012* and
- Taxation Administration (Public Ancillary Fund) Guidelines 2022.

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 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.

Notes to the financial statements for the year ended 30 June 2023

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) Accounting standards issued but not yet effective

(i) Applicable for the first time

The accounting policies applied in the current financial year are consistent with those of the previous financial year. No new accounting standards have been applied in 2022-23.

(ii) Issued but not yet effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards unless Treasury determines otherwise. The following new or revised Australian Accounting Standard has not been applied and is not yet effective.

AASB 2020-1 Amendments to Australian Accounting Standards – Classifications of Liabilities as Current or Non-Current effective for reporting periods beginning on or after 1 January 2024.

A number of other new standards or amendments to standards have been identified and assessed and it is expected that they will have no material impact on the Financial Reports when these standards are applied or become effective.

(f) Equity - Accumulated Funds

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

(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) COVID-19

The Foundation has returned to a full year of normal operations in 2022-2023 and the impacts of COVID-19 on the 2022-2023 Financial Statements have been considered and have not resulted in any material changes to the Foundations's financial performance or financial position.

Notes to the financial statements for the year ended 30 June 2023

	2023	2022
	\$'000	\$'000
2 Expenses		
<i>Operating expenses</i>		
Audit fees - audit of financial statements	14	13
Bank and other charges	4	6
Consultancy Fees	40	-
Fund management fees	159	124
	<u>217</u>	<u>143</u>

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

3 Revenue

(a) Donations and Bequests

Donations	756	2,505
Bequests	560	3
	<u>1,316</u>	<u>2,508</u>

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

(b) Investment revenue

Interest	76	20
Dividend Imputation Credit	244	-
Distribution on investments carried at fair value	2,010	4,433
Net gain/(loss) on investments carried at fair value through profit and lo	2,803	-
	<u>5,133</u>	<u>4,453</u>

Recognition and Measurement

(i) Donations and bequests

Revenue is measured at the fair value of the consideration or contribution received or receivable. Donations collected, including cash and goods are recognised as revenue when the Foundation gains control of the asset. Bequests are recognised when the Foundation is notified of an impending distribution or the bequest is received, whichever occurs earlier. Non-cash donations and contribution of services shall only be recognised as income when the fair value can be reliably measured.

(ii) Investment revenue

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For financial assets that become credit impaired, the effective interest rate is applied to the amortised cost of the financial asset (i.e. after deducting the loss allowance for expected credit losses). Dividends and Distributions income is recognised when the Foundation's right to receive payment has been established.

Art Gallery of New South Wales Foundation

Notes to the financial statements for the year ended 30 June 2023

	2023	2022
	\$'000	\$'000
4 Current assets - cash and cash equivalents		
Cash at bank	427	2,347
Cash within the investment portfolio	5,276	10,104
Short-term deposits within the investment portfolio	6,450	-
Total cash	12,153	12,451

For the purpose of the Statement of Cash Flows, cash includes cash at bank and cash balances held within the investment portfolio. Interest is earned on daily bank balances and paid monthly at the normal commercial rate.

5 Current assets - receivables

Receivables	-	1,732
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Receivables comprised investment distributions not yet received and dividend imputations refundable from the ATO.

6 Non current assets - financial assets at fair value through profit and loss

(a) Financial Instruments

The Foundation holds the following financial assets at fair value through profit and loss:

Equities	6,243	8,341
Fixed Income (Bonds)	13,443	7,840
Managed funds	31,365	29,356
Total non current financial assets at fair value	51,051	45,537

The internal rate of return on the Australian Equities mandate was 8.97% in FY23 on an average balance of \$6.461m. The internal rate of return on the Managed Fund account (including the Quest Managed Portfolio and Term Deposits) was 9.01% in FY23 on an average balance of \$38.569m. The internal rate of return on fixed income holdings was 5.22% in FY23 on an average balance of \$11.973m.

Total Funds under management with the investment manager is:

Financial assets at fair value through profit and loss	51,051	45,537
Cash held within the investment portfolio (Note 4)	5,276	10,104
Short-term deposits held within the investment portfolio (Note 4)	6,450	-
	62,777	55,641

Overall, the Foundation earned an investment return of 8.57% in FY23 on an average balance of \$59.249m, representing all of its investments (including cash).

(b) Financial Risks

The Foundation's investment portfolio and investment strategy is reviewed by the Finance Committee who meet at least every quarter and more frequently as required. Each meeting includes a review of the performance, the managers and the allocations of the assets within the portfolio. The main risk arising from the Foundation's financial assets is market risk.

Notes to the financial statements for the year ended 30 June 2023

The portfolio is also reviewed every 3 years by an independent investment consulting firm. Mercer was engaged by the Foundation to review the current Long-term Strategic Asset Allocation (SAA) of the Foundation corpus of funds undermanagement and associated governance.

The Mercer tri-annual review dated April 2023 was adopted by the Finance Committee 19 June 2023, with the recommendation for it to be Noted by the Foundation Trust Board at its next meeting.

The review confirmed the following were in line with Foundation policy and performance expectations:

- Investment objectives
- Long-term strategic asset allocation
- Investment performance including overall portfolio performance, asset class performance, manager performance and portfolio construction across each asset class.

Credit risk is the risk of financial loss where a counterparty to a financial instrument fails to meet its contractual obligations. 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 nor have any financial guarantees been granted.

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. Based on experience to date, the Foundation continues to meet its obligations as and when they fall due.

Market risk is the risk that the fair value or future cash flows of the Foundation's financial assets will fluctuate because of changes in market prices. Market risk is inherent in equity markets, which are subject to global volatility. In FY2023, global markets have been characterised by the concerted efforts of Central Banks in increasing cash rates to rein in widespread inflation. The Trustees endeavours to limit the impact of market volatility by investing in a selection of defensive assets and managed funds which provide diversification through asset allocation over a spread of financial assets (cash, bonds, fixed interest securities and equities), in both local and overseas markets, held over short, medium and long term investment horizons.

The following table summarises the impact of fluctuations on the investment portfolio in relations to changes in market prices:

	Change in Interest rate / Unit Price		Impact on Profit/Loss and Equity	
			\$'000	\$'000
Cash	+/-	4%	486	(486)
Equities	+/-	10%	624	(624)
Fixed Income (Bonds)	+/-	10%	1,344	(1,344)
Managed funds	+/-	10%	3,137	(3,137)

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 the financial statements for the year ended 30 June 2023

(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 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2023				
Financial assets at fair value				
Equities	6,243	-	-	6,243
Fixed Income (Bonds)	13,443	-	-	13,443
Managed funds	26,544	4,821	-	31,365
	<u>46,230</u>	<u>4,821</u>	<u>-</u>	<u>51,051</u>

2022

Financial assets at fair value

Equities	8,341	-	-	8,341
Fixed Income (Bonds)	7,840	-	-	7,840
Managed funds	25,518	3,838	-	29,356
	<u>41,699</u>	<u>3,838</u>	<u>-</u>	<u>45,537</u>

There were no reclassifications between level 1 and 2 during the period ended 30 June 2023 .

Impairment of financial assets

AASB 9 Financial Instruments requires an entity to recognise an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual and expected cash flows, discounted at the original effective interest rate. No provision for impairment has been raised in the current year.

Art Gallery of New South Wales Foundation

Notes to the financial statements for the year ended 30 June 2023

	2023	2022
	\$'000	\$'000
7 Current liabilities - payables		
Payables - non interest bearing	11	9

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. 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.

8 Restricted assets

Cash and Financial Assets comprise the following restricted amounts

Cash	12,153	12,451
Financial Assets	51,051	45,537
Total Cash and Financial Assets	63,204	57,988

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	2,413	153
Net gain/(loss) on investments carried at fair value through profit and loss	2,803	(9,984)
(Decrease) / Increase in receivables	(1,732)	1,542
Decrease / (Increase) in payables	(2)	12
Net Result	3,482	(8,277)

10 Commitments

There are no capital expenditure commitments outstanding as at 30 June 2023 (nil in 2022).

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 2023 (2022: Nil).

12 Related parties

As per AASB 124 *Related Party Disclosures*, Key Management Personnel (KMP) are those persons having 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 its Trustees. The Foundation's Trustees act in an honorary capacity and receive no compensation for their services.

Art Gallery of New South Wales Foundation

Notes to the financial statements for the year ended 30 June 2023

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 New south Wales Trust for the year ended 30 June 2023 were \$2,750,000 (2022 \$5,111,000).

13 Disclosure under the charitable fundraising act 1991

	2023	2022
	\$'000	\$'000
Gross aggregate income received from fundraising:		
Fundraising income	756	2,505
Expenditure associated with fundraising appeals	-	-
Net surplus from fundraising appeals	756	2,505

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 are used to fund acquisition of works of art.

14 Events after the reporting period

There are no significant events which have occurred after the reporting period that management believe would impact the financial statements.

End of audited financial statements