

Art Gallery Board

Financial report
for the year ended
30 June 2020



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To the Presiding Member Art Gallery Board

Opinion

I have audited the financial report of the Art Gallery Board for the financial year ended 30 June 2020.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Art Gallery Board as at 30 June 2020, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2020
- a Statement of Financial Position as at 30 June 2020
- a Statement of Changes in Equity for the year ended 30 June 2020
- a Statement of Cash Flows for the year ended 30 June 2020
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chair, Art Gallery Board, the Director, Art Gallery of South Australia and Deputy Director, Art Gallery of South Australia.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the Art Gallery Board. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants* (including Independence Standards) have been met.

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

Responsibilities of the Director, Art Gallery of South Australia and the Art Gallery Board for the financial report

The Director, Art Gallery of South Australia is responsible for the preparation of the financial report that gives a true and fair view in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

The members of the Art Gallery Board are responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 20(3) of the *Art Gallery Act 1939*, I have audited the financial report of the Art Gallery Board for the financial year ended 30 June 2020.

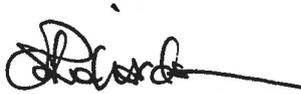
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Art Gallery Board's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Director
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Director of the Art Gallery of South Australia about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

A handwritten signature in black ink, appearing to read 'Richardson', with a long horizontal stroke extending to the right.

Andrew Richardson

Auditor-General

28 September 2020

Art Gallery Board

Financial Statements

For the year ended 30 June 2020

Art Gallery Board
Certification of Financial Statements
for the year ended 30 June 2020

We certify that the attached general purpose financial statements for the Art Gallery Board:

- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987* and relevant Australian Accounting Standards;
- are in accordance with the accounts and records of the Art Gallery Board; and
- present a true and fair view of the financial position of the Art Gallery Board as at 30 June 2020 and the results of its operations and cash flows for the financial year.

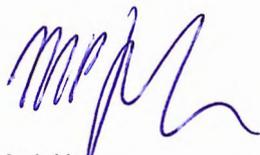
We certify that the internal controls employed by the Art Gallery Board for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



Jason Karas
Chair
25 September 2020



Rhana Devenport
Director
25 September 2020



Mark Horton
Deputy Director
25 September 2020

Art Gallery Board
Statement of Comprehensive Income
for the year ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
Income			
Recurrent operating grant	2.1	13 335	13 452
Bequests and donations of cash and investments	2.2	3 077	37 689
Donations of heritage assets		4 078	2 452
Fees and charges	2.3	315	1 731
Commonwealth Government grants	2.4	586	(36)
Other grants	2.5	1 808	1 339
Investment income	2.6	2 602	4 579
Rent and facilities hire		157	116
Resources received free of charge	2.8	1 146	1 101
Sale of goods	2.9	662	883
Sponsorships	2.10	476	864
Other income	2.11	71	12
Total income		28 313	64 182
Expenses			
Staff benefits expenses	3.3	7 167	7 808
Supplies and services	4.1	9 843	10 208
Accommodation and facilities	4.2	2 739	3 266
Depreciation and amortisation	4.3	1 292	1 275
Net loss from the disposal of non-current assets	2.7	-	844
Loss on market value movement of investments		68	-
Total expenses		21 109	23 401
Net result		7 204	40 781
Other Comprehensive Income			
Items that will not be reclassified to net result			
Changes in property, plant and equipment asset revaluation surplus		(5 966)	-
Gain / (loss) on sale of investments classified as fair value through other comprehensive income	2.7	(323)	(1 801)
Changes in fair value of investments classified as fair value through other comprehensive income	6.3	(3 629)	2 690
Total other comprehensive income		(9 918)	889
Total comprehensive result		(2 714)	41 670

The accompanying notes form part of these financial statements. The net result and total comprehensive result are attributable to the SA Government as owner.

Art Gallery Board
Statement of Financial Position
as at 30 June 2020

	Note	2020 \$'000	2019 \$'000
Current assets			
Cash and cash equivalents	6.1	6 101	7 538
Receivables	6.2	924	1 581
Inventories		314	358
Other current assets	6.4	-	5
Total current assets		7 339	9 482
Non-current assets			
Receivables	6.2	1	1
Property, plant and equipment	5.1	32 605	39 801
Intangible assets	5.4	178	180
Heritage collections	5.5	781 896	773 610
Investments	6.3	43 238	46 966
Total non-current assets		857 918	860 558
Total assets		865 257	870 040
Current liabilities			
Payables	7.1	662	2 412
Staff benefits	3.4	967	820
Provisions	7.2	12	13
Financial liabilities	7.3	14	-
Other current liabilities	7.4	-	541
Total current liabilities		1 655	3 786
Non-current liabilities			
Payables	7.1	124	119
Staff benefits	3.4	1 344	1 295
Provisions	7.2	25	20
Financial liabilities	7.3	3	-
Total non-current liabilities		1 496	1 434
Total liabilities		3 151	5 220
Net Assets		862 106	864 820
Equity			
Retained earnings		516 455	509 574
Investment reserve	8.1	(459)	3 170
Asset revaluation surplus	8.1	346 110	352 076
Total Equity		862 106	864 820

The accompanying notes form part of these financial statements. The total equity is attributable to the SA Government as owner.

Art Gallery Board
Statement of Changes in Equity
for the year ended 30 June 2020

	Asset revaluation surplus	Investment reserve	Retained earnings	Total equity
	\$'000	\$'000	\$'000	\$'000
Balance at 30 June 2018	352 076	-	470 575	822 651
Adjustments on initial adoption of AASB 9	-	480	19	499
Adjusted balance as at 1 July 2018	352,076	480	470 594	823 150
Net result for 2018-19	-	-	40 781	40 781
Gain / (loss) on sale of investments classified as fair value through other comprehensive income	-	(1 801)	-	(1 801)
Transfer of revaluation loss on sale of investments from investment reserve to retained earnings	-	1 801	(1 801)	-
Fair value movement of investments classified as fair value through other comprehensive income	-	2 690	-	2 690
Total comprehensive result for 2018-19	-	2 690	38 980	41 670
Balance at 30 June 2019	352 076	3 170	509 574	864 820
Net result for 2019-20	-	-	7 204	7 204
Gain / (loss) on sale of investments classified as fair value through other comprehensive income	-	(323)	-	(323)
Transfer of revaluation loss on sale of investments from investment reserve to retained earnings	-	323	(323)	-
Fair value movement of investments classified as fair value through other comprehensive income	-	(3 629)	-	(3 629)
Loss on revaluation of PPE during 2019-20	(5 966)	-	-	(5 966)
Total comprehensive result for 2019-20	(5 966)	(3 629)	6 881	(2 714)
Balance at 30 June 2020	346 110	(459)	516 455	862 106

The accompanying notes form part of these financial statements. All changes in equity are attributable to the SA Government as owner.

Art Gallery Board
Statement of Cash Flows
for the year ended 30 June 2020

	2020	2019
	\$'000	\$'000
	Inflows	Inflows
	(Outflows)	(Outflows)
<u>Cash flows from operating activities</u>		
Cash inflows		
Recurrent operating grant	13 335	13 452
Sale of goods	637	855
Fees and charges	315	1 731
Bequests and donations of cash	3 077	3 223
Commonwealth Government grants	586	(36)
Other grants	1 759	1 319
Sponsorships	240	416
Investment income	3 309	3 344
Rent and facilities hire	157	116
Other receipts	(450)	14
Cash generated from operations	22 965	24 434
Cash outflows		
Staff benefits payments	(6 939)	(7 805)
Payments for supplies and services	(10 141)	(6 963)
Payments for accommodation and facilities	(2 739)	(3 266)
Cash used in operations	(19 819)	(18 034)
Net cash provided by operating activities	3 146	6 400
<u>Cash flows from investing activities</u>		
Cash inflows		
Proceeds from sales/maturities of investments	2 686	538
Cash generated from investing activities	2 686	538
Cash outflows		
Purchase of heritage collections	(4 212)	(3 696)
Purchase of investments	(3 013)	(2 894)
Purchase of property, plant and equipment	(26)	(410)
Cash used in investing activities	(7 251)	(7 000)
Net cash used in investing activities	(4 565)	(6 462)
<u>Cash flows from financing activities</u>		
Cash outflows		
Repayment of leases	(18)	-
Cash used in financing activities	(18)	-
Net cash provided by / (used in) financing activities	(18)	-
Net increase/ (decrease) in cash and cash equivalents	(1 437)	(62)
Cash and cash equivalents at the beginning of the period	7 538	7 600
Cash and cash equivalents at the end of the period	6 101	7 538

Note

6.1

The accompanying notes form part of these financial statements.

Art Gallery Board
Notes to and forming part of the financial statements
for the year ended 30 June 2020

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for the year ended 30 June 2020

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Art Gallery Board

Notes to and forming part of the financial statements

for the year ended 30 June 2020

1. About the Art Gallery Board

The Art Gallery Board (the Board) is a not-for-profit statutory authority of the State of South Australia, constituted pursuant to section 4 of the *Art Gallery Act 1939* (the Act). The Board is charged with the management of the Art Gallery of South Australia (the Gallery) under the Act.

The Board's financial statements and accompanying notes include all of the controlled activities of the Board including the Art Gallery Foundation.

1.1 Basis of preparation

The financial statements are general purpose financial statements prepared in compliance with:

- section 23 of the *Public Finance and Audit Act 1987*;
- Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under the *Public Finance and Audit Act 1987*; and
- relevant Australian Accounting Standards with reduced disclosure requirements.

For the 2019-20 financial statements the Board adopted *AASB 15 – Revenue from Contracts with Customers*, *AASB 16 – Leases* and *AASB 1058 – Income of Not-for-Profit Entities*. Further information is provided in note 9.

The financial statements are prepared based on a 12 month reporting period and presented in Australian currency. The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured.

Income, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and
- receivables and payables, which are stated with the amount of GST excluded.

The net GST receivable/payable to the ATO is not recognised as a receivable/payable in the Statement of Financial Position as the Board is a member of a GST group, of which Arts South Australia, a division of the Department of the Premier and Cabinet (DPC), is responsible for the remittance and collection of GST. As such, there are no cash flows relating to GST transactions with the ATO in the Statement of Cash Flows.

Assets and liabilities that are to be sold, consumed or realised as part of the normal operating cycle have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

Art Gallery Board
Notes to and forming part of the financial statements
for the year ended 30 June 2020

1.2 Objectives and Programs

The objectives of the Art Gallery of South Australia are to:

- collect heritage and contemporary works of art of aesthetic excellence and historical or regional significance
- ensure the preservation and conservation of the Gallery's collections
- display the collections and to program temporary exhibitions
- research and evaluate the collections and to make the collections and documentation accessible to others for the purposes of research and as a basis for teaching and communications
- document the collections within a central cataloguing system
- provide interpretative information about collection displays and temporary exhibitions and other public programs
- promote the Gallery's collections and temporary exhibitions
- ensure that the Gallery's operations, resources and commercial programs are managed efficiently, responsibly and profitably
- advise the South Australian Government on the allocation of South Australian resources to works of art, art collections, art museums and art associations.

1.3 Impact of COVID-19 pandemic on the Board

The three-month temporary closure of the Gallery during COVID-19 restrictions was a key driver that contributed to a reduction in anticipated revenue, in commercial operations such as the Gallery Store, the Membership area, Public Programs and Education. Furthermore, unbudgeted costs were incurred in relation to the transition of physical delivery of programmatic content, to digital.

Art Gallery Board
Notes to and forming part of the financial statements
for the year ended 30 June 2020

2. Income

2.1. Recurrent operating grant

	2020	2019
	\$'000	\$'000
Recurrent operating grant	13 335	12 364
Exhibition funding	-	32
Other	-	1 056
Total recurrent operating grant	13 335	13 452

The Board receives an annual operating grant, and funding for the purposes of holding exhibitions, from the Department of the Premier and Cabinet. This is recognised on receipt.

2.2. Bequests and donations of cash and investments

	2020	2019
	\$'000	\$'000
Bequests	221	36 220
Donations	2 856	1 469
Total bequests and donations	3 077	37 689

Bequests and donations can only be used in accordance with the terms and conditions attributable. Therefore depending on the terms and conditions, the majority of this income is not available for the operating activities of the Board.

Equity instruments received as part of two bequests were recognised at fair value at the date of transfer in 2018-19.

2.3. Fees and charges

	2020	2019
	\$'000	\$'000
Fees for services	283	697
Admissions to temporary exhibitions	32	1 034
Total revenues from fees and charges	315	1 731

Revenue from fees for services are recognised in the period in which the services are provided.

2.4. Commonwealth Government grants

	2020	2019
	\$'000	\$'000
Commonwealth Government	586	(36)
Total Commonwealth Government grants	586	(36)

Commonwealth Government grants are recognised as income on receipt.

Obligations under Commonwealth Government grants are required to be met by the State of South Australia. For accounting purposes, the obligations under the funding arrangements do not sit with the Board. The Commonwealth has provided funding to the State for the following purposes:

- Key organisational funding
- Visual Arts Craft Strategy leadership organisations funding
- Acquisition of Kaurua shield

Art Gallery Board
Notes to and forming part of the financial statements
for the year ended 30 June 2020

2.5. Other grants

	2020	2019
	\$'000	\$'000
State Government grants	392	116
External grants	1 416	1 223
Total other grants	1 808	1 339

State Government grants are recognised as income on receipt. Other external grants are recognised when the performance obligations are satisfied. Where there are no sufficiently specific performance obligations linked to the grant, the income is recognised on receipt.

2.6. Investment income

	2020	2019
	\$'000	\$'000
Interest income	122	199
Dividends	1 795	3 026
Dividend imputation credits	685	1 272
Gain on market value movement of investments	-	82
Total investment income	2 602	4 579

Interest income is recognised taking into account the interest rates applicable to the financial assets. Dividend income and the associated imputation credit are recognised when the right to receive a dividend has been established.

The majority of the investment income is derived from investments acquired through bequests and donations which may have specific terms and conditions attached. Therefore depending on the terms and conditions, the investment income is not available for the operating activities of the Board.

2.7. Net gain / (loss) from the disposal of non-current assets

	2020	2019
	\$'000	\$'000
Heritage collections		
Proceeds from disposal	-	-
Less carrying amount assets deaccessioned	-	(844)
Net gain/(loss) from heritage collections	-	(844)
Investments		
Proceeds from disposal	2 695	538
Less value on sale of investments classified as fair value through other comprehensive income	(3 018)	(2 339)
Net gain / (loss) from the disposal of investments	(323)	(1 801)
Total assets		
Total Proceeds from deaccession / disposal	2 695	538
Less total carrying amount assets deaccessioned / disposed	(3 018)	(3 183)
Total net gain / (loss) from the deaccession / disposal of non-current assets	(323)	(2 645)

The net gain / (loss) from the disposal of investments relates to equity instruments which are designated at fair value through other comprehensive income. On disposal of these equity instruments the gain / (loss) is recognised through other comprehensive income in the investment reserve.

Art Gallery Board
Notes to and forming part of the financial statements
for the year ended 30 June 2020

2.8. Resources received free of charge

	2020	2019
	\$'000	\$'000
Conservation services	967	891
Services received free of charge - Shared Services SA	179	210
Total resources received free of charge	1 146	1 101

Resources received free of charge are recorded as income and expenditure in the Statement of Comprehensive Income at their fair value.

Under an arrangement with Artlab Australia, a division of the Department of the Premier and Cabinet, Artlab Australia receives SA Government appropriation to perform conservation services on the Board's heritage collections. The value of this work performed is recognised as resources received free of charge in income and a corresponding amount included as conservation work expenditure in note 4.1. Supplies and services.

2.9. Sale of goods

	2020	2019
	\$'000	\$'000
Sale of goods	662	883
Total sale of goods	662	883

All revenue from the sale of goods is revenue recognised from contracts with customers. Sale of goods consists of bookshop sales and image publication sales. Revenue from the sale of goods is recognised when the item is delivered to the customer. Delivery occurs when the inventory has been shipped to the customer. Payment is generally within 30 days of delivery. Refunds would only be provided for faulty goods. Based on experience, no material refunds are expected to occur and therefore no related provision is made for any sale of goods.

In the comparative period, revenue from the sale of goods was also recognised in the accounting period in which the product was delivered to the customer.

2.10. Sponsorships

	2020	2019
	\$'000	\$'000
Cash sponsorships	240	416
In-kind sponsorships	236	448
Total sponsorships	476	864

Cash sponsorships are recognised on receipt and in-kind sponsorships are recognised in the period in which the services are provided.

2.11. Other income

	2020	2019
	\$'000	\$'000
Fundraising	18	3
Insurance recoveries	-	1
Other receipts	53	8
Total other income	71	12

Art Gallery Board
Notes to and forming part of the financial statements
for the year ended 30 June 2020

3. Board, committees and staff

3.1. Key management personnel

Key management personnel of the Board include the Premier of the State of South Australia, as responsible Minister for the Arts, the Chair and nine board members and the Director, Deputy Director and Assistant Director of the Art Gallery of South Australia, who have responsibility for the strategic direction and management of the Board.

Total compensation for the key management personnel was \$610 000 in 2019-20 and \$366 000 in 2018-19.

The compensation disclosed in this note excludes salaries and other benefits the Premier receives. The Premier's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 of the *Parliamentary Remuneration Act 1990*.

Related parties of the Board include all key management personnel and their close family members; the Premier, as Minister responsible for the Arts, and his close family members; and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government.

Transactions with key management personnel and other related parties

There were no significant transactions between key management personnel and other related parties.

3.2. Board and committee members

Members during the 2020 financial year were:

Art Gallery Board

TA Whiting (Chair)

S Armitage

NR Balnaves AO (expired 31 August 2019)

JD Fanning

JD Karas (commenced 2 April 2020)

CH Kirkwood (commenced 2 April 2020)

JE McGill

JN Phillips

A Tisato (expired 9 December 2019)

JE Yuile

Board and committee remuneration

The number of board members whose remuneration received or receivable falls within the following bands:

\$0 - \$19 999

Total number of members

	2020	2019
	10	8
	<u>10</u>	<u>8</u>

The total remuneration received or receivable by members was \$42 000 (\$31 000). Remuneration of members includes sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and related fringe benefits tax.

Art Gallery Board
Notes to and forming part of the financial statements
for the year ended 30 June 2020

3.3. Staff benefits expenses

	2020	2019
	\$'000	\$'000
Salaries and wages	5 328	5 580
Employment on-costs - superannuation	582	587
Annual leave	501	450
Payroll tax	321	341
Targeted voluntary separation payments	111	266
Long service leave	99	249
Other staff related expenses	93	207
Workers compensation expenses	65	68
Skills and experience retention leave	28	30
Board fees	39	30
Total staff benefits expenses	7 167	7 808

Employment on-costs - superannuation

The superannuation employment on-cost charge represents the board's contributions to superannuation plans in respect of current services of current staff.

Staff remuneration	2020	2019
The number of staff whose remuneration received or receivable falls within the following bands:	Number	Number
\$154 001 to \$174 000	1	1
\$174 001 to \$194 000	-	1
\$274 001 to \$294 000	1	-
Total	2	2

The total remuneration received or receivable by those staff for the year was \$443 000 (\$348 000).

The table includes all staff who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of staff reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits.

Targeted voluntary separation packages (TVSP)

The number of staff who received a TVSP during the reporting period was 1 (3).

	2020	2019
	\$'000	\$'000
Amounts paid to separated staff:		
Targeted Voluntary Separation Packages	111	266
Leave paid to separated staff	35	112
	146	378
Recovery from the Department of Treasury and Finance	(111)	(272)
Net cost to the Board	35	106

Art Gallery Board
Notes to and forming part of the financial statements
for the year ended 30 June 2020

3.4. Staff benefits liability

	2020	2019
	\$'000	\$'000
Current		
Annual leave	639	551
Long service leave	127	131
Skills and experience retention leave	35	34
Accrued salaries and wages	166	104
Total current staff benefits	967	820
Non-current		
Long service leave	1 344	1 295
Total non-current staff benefits	1 344	1 295
Total staff benefits	2 311	2 115

Staff benefits accrue as a result of services provided up to the reporting date that remain unpaid. Long-term staff benefits are measured at present value and short-term staff benefits are measured at nominal amounts.

Salaries and wages, annual leave, skills and experience retention leave (SERL) and sick leave

The liability for salary and wages is measured as the amount unpaid at the reporting date at remuneration rates current at the reporting date.

The annual leave liability and the SERL liability in full is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by staff is estimated to be less than the annual entitlement for sick leave.

Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by staff up to the end of the reporting period using the projected unit credit method. Details about the measurement of long service leave liability is provided at note 11.1.

Art Gallery Board
Notes to and forming part of the financial statements
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4. Expenses

Staff benefits expenses are disclosed in note 3.3.

4.1. Supplies and services

	2020	2019
	\$'000	\$'000
Fees - exhibitions and publications	798	2,709
Marketing and promotion	1 733	1 904
Conservation work	1 040	1,037
Travel and accommodation	1 016	604
Administration expenses	803	516
Contractors	999	465
Freight, courier, postage	565	448
Insurance & risk management	420	362
Cost of goods sold	237	352
Minor equipment purchases and leasing	586	345
Materials	311	224
Information technology and communication charges	375	221
Business services charge	175	210
Catering	201	169
Maintenance	140	166
Storage	92	92
Audit fees	52	49
Consultants	21	127
Preservation activities	52	63
Motor vehicle expenses	45	38
Inventory written-off	20	32
Doubtful debt	(3)	5
Public education	-	2
Foreign currency (gains)/losses	5	(1)
Other	160	69
Total supplies and services	9 843	10 208

Consultants

The number of consultancies and dollar amount paid/payable (included in supplies and services expense) to consultants that fell within the following bands:

	2020	2020	2019	2019
	Number	\$'000	Number	\$'000
Below \$10 000	1	8	2	6
\$10 000 or above	1	13	2	121
Total	2	21	4	127

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4.2. Accommodation and facilities

	2020	2019
	\$'000	\$'000
Security	1 359	1 572
Facilities	540	912
Electricity and gas	656	618
Accommodation	184	164
Total accommodation and facilities	2 739	3 266

4.3. Depreciation and amortisation

	2020	2019
	\$'000	\$'000
Depreciation		
Buildings and improvements	1 234	1 230
Plant and equipment	36	35
Computer equipment	3	2
Right-of-use vehicles	17	-
Total depreciation	1 290	1 267
Amortisation		
Intangibles	2	8
Total amortisation	2	8
Total depreciation and amortisation	1 292	1 275

All non-current assets, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential. Amortisation is used in relation to intangible assets such as software, while depreciation is applied to tangible assets such as property, plant and equipment.

Land and heritage collections are not depreciated.

Useful Life

Depreciation/amortisation is calculated on a straight line basis over the estimated useful life of the following classes of assets as follows:

Class of asset	Useful life (years)
Buildings and improvements	20 to 100
Plant and equipment	3 to 20
Right-of-use plant and equipment	Lease term
Intangibles	5

Heritage collections are kept under special conditions so that there is no physical deterioration and they are anticipated to have very long and indeterminate useful lives. No amount for depreciation has been recognised, as their service potential has not, in any material sense, been consumed during the reporting period.

Art Gallery Board
Notes to and forming part of the financial statements
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4.3. Depreciation and amortisation (continued)

Review of accounting estimates

Assets' residual values, useful lives and depreciation/amortisation methods are reviewed and adjusted if appropriate, on an annual basis. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate, which is a change in accounting estimate. During the year, the Board reassessed the useful lives of the North Wing building, resulting in a reduction in the estimated useful life from 80 years to 60 years. As a result the future depreciation expense will increase by \$680 000 per year. The estimated useful life of the Unley storage building was reduced to zero due to impairment. This will result in a future depreciation expense decrease of \$118 000 per year.

The Board revalued its buildings downward as at 30 June 2020. It is estimated that the depreciation expense for 2020-21 will increase by approximately \$2 million as a result of the revaluation.

5. Non-financial assets

5.1. Property, plant and equipment by asset class

Property, plant and equipment comprises owned and right-of-use (leased) tangible assets that do not meet the definition of investment property.

	2020	2019
	\$'000	\$'000
Land, buildings and improvements		
Land at fair value	7 440	5 130
Buildings and improvements at fair value	65 445	71 976
Accumulated depreciation at the end of the period	(40 498)	(37 519)
Total land, buildings and improvements	<u>32 387</u>	<u>39 587</u>
Plant and equipment		
Plant and equipment at cost (deemed fair value)	804	778
Accumulated depreciation at the end of the period	(611)	(575)
Total plant and equipment	<u>193</u>	<u>203</u>
Computer equipment		
Computer equipment at cost (deemed fair value)	13	13
Accumulated depreciation at the end of the period	(5)	(2)
Total computer equipment	<u>8</u>	<u>11</u>
Right-of-use vehicles		
Right-of-use vehicles at cost	34	-
Accumulated depreciation	(17)	-
Total right-of-use vehicles	<u>17</u>	<u>-</u>
Total property, plant and equipment	<u><u>32 605</u></u>	<u><u>39 801</u></u>

Art Gallery Board
Notes to and forming part of the financial statements
for the year ended 30 June 2020

5.2. Property, plant and equipment owned by the Board

Property, plant and equipment owned by the Board with a value equal to or in excess of \$10 000 is capitalised, otherwise it is expensed. Property, plant and equipment owned by the Board is recorded at fair value. Details about the Board's approach to fair value is set out in note 11.2.

Reconciliation 2019-20

	Land	Buildings and improvements	Plant and equipment	Computer equipment	Total property, plant & equipment
2020	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at the beginning of period	5 130	34 457	203	11	39 801
Additions	-	-	26	-	26
Depreciation and amortisation	-	(1 234)	(36)	(3)	(1 273)
Revaluation	2 310	(8 276)	-	-	(5 966)
Carrying amount at the end of period	7 440	24 947	193	8	32 588

5.3. Property, plant and equipment leased by the Board

Property, plant and equipment leased by the Board is recorded at cost. Additions to leased property, plant and equipment during 2019-20 was \$2 000.

The Board has a limited number of leases:

- 3 motor vehicle leases with the South Australian Government Financing Authority (SAFA). Motor vehicle leases are non-cancellable, with rental payments monthly in arrears. The motor vehicle lease terms range from 12 months to 27 months and no contingent rental provisions exist within the lease agreements. One motor vehicle lease has an extension term of an additional 12 months.

The lease liabilities related to the right-of-use assets are disclosed in note 7.3. The Board's maturity analysis of its lease liabilities is disclosed in note 11.3. Expenses related to leases, including depreciation and interest expenses, are disclosed in note 4. Cash outflows related to leases are disclosed in note 8.2.

Impairment

Property, plant and equipment leased by the Board has been assessed for impairment. There was no indication of impairment. No impairment loss or reversal of impairment loss was recognised.

Art Gallery Board
Notes to and forming part of the financial statements
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5.4. Intangible assets

	2020	2019
	\$'000	\$'000
Computer software		
Computer software	40	40
Accumulated amortisation	(40)	(38)
Total computer software	<u>-</u>	<u>2</u>
Work in progress		
Work in progress at cost	178	178
Total work in progress	<u>178</u>	<u>178</u>
Total intangible assets	<u><u>178</u></u>	<u><u>180</u></u>

Reconciliation 2019-20

	Computer software	Work in progress	Total intangible assets
	\$'000	\$'000	\$'000
2020			
Carrying amount at the beginning of period	2	178	180
Depreciation and amortisation	(2)	-	(2)
Carrying amount at the end of period	<u>-</u>	<u>178</u>	<u>178</u>

Intangible assets are initially measured at cost and are tested for indications of impairment at each reporting date. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

The acquisition of or internal development of software is capitalised only when the expenditure meets the definition and recognition criteria and when the amount of expenditure is greater than or equal to \$10 000.

Art Gallery Board
Notes to and forming part of the financial statements
for the year ended 30 June 2020

5.5. Heritage collections

	2020			2019		
	At			At		
	valuation	At cost	Total	valuation	At cost	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Australian paintings and sculptures	277 954	15 250	293 204	275 459	12 126	287 585
Australian and European decorative arts	42 527	1 691	44 218	42 357	1 565	43 922
Asian art	28 052	3 097	31 149	26 928	2 615	29 543
European paintings and sculptures	339 450	2 106	341 556	339 366	1 723	341 089
Prints, drawings and photographs	53 148	4 409	57 557	52 842	3 866	56 708
Numismatics	10 450	-	10 450	10 450	-	10 450
Philatelic material	791	-	791	791	-	791
Library	2 898	73	2 971	2 898	53	2 951
Collections on instalments	-	-	-	758	(187)	571
Total heritage collections	755 270	26 626	781 896	751 849	21 761	773 610

Reconciliation of carrying amounts of heritage collections

2020	Opening	Additions	Closing
	balance		balance
	\$'000	\$'000	\$'000
Australian paintings and sculptures	287 585	5 619	293 204
Australian and European decorative arts	43 922	296	44 218
Asian art	29 543	1 606	31 149
European paintings and sculptures	341 089	467	341 556
Prints, drawings and photographs	56 708	849	57 557
Numismatics	10 450	-	10 450
Philatelic material	791	-	791
Library	2 951	20	2 971
Collections on instalments	571	(571)	-
Total heritage collections	773 610	8 286	781 896

The heritage collections are large and diverse. They include many items for which valuations are complex, given considerations of market value and their uniqueness. The heritage collections are independently valued every six years. The collections were valued as at 30 June 2016 by RHAS, an operating division of Aon Risk Services.

Art Gallery Board
Notes to and forming part of the financial statements
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5.5. Heritage collections (continued)

RHAS was responsible for the selection of the specialist valuers as listed below.

Collection	Specialist valuer
Australian paintings and sculptures	Helen Miller
Australian, European and international decorative arts	Helen Miller
Asian art	Helen Miller
European paintings and sculptures	Helen Miller
Australian prints and drawings	Helen Miller
European prints and drawings	Helen Miller
Australian and international photographs	Helen Miller
Noye collection of photographic material	Helen Miller
Library collection	Peter Tinslay
Numismatics	Jim Noble
Krichauff and Murray stamp collection	John Pearson

Due to the size and nature of the art collection all high value assets (greater than \$350,000) were valued individually with the remainder of the art collection valued by establishing an average value through the random sampling of items in each collection. Two high valued items in the numismatic collection were valued individually. All other items were valued as a collection. The library collection and the Noye collection of photographic material were both valued as collections. Items in the philatelic collection were valued individually.

All valuers have experience in the category of assets being valued. The valuation was prepared on the basis of replacement value and fair value. The valuation was carried out in accordance with the International Valuation Standards Framework and the relevant Australian Accounting Standards.

Some of the heritage items valued are unique by virtue of their history and could not be replaced with similar items. In these instances the valuers deduced values based on similar but not directly comparable items.

In instances where there were sufficient observable transactions of similar assets to the subject asset (generally in second hand markets), the market approach has been utilised to determine fair value. Inputs to the fair value measurement are considered level 2 in the fair value hierarchy as they have been observed from the market and the valuer has made relatively minor adjustments for differences in asset characteristics.

Where possible, the valuations were based on recent market transactions for similar cultural and heritage assets and may include adjustment for factors specific to each asset including size, rarity, quality, condition, historical significance and associated restrictions.

Where the frequency of available market transactions has not permitted the use of observable inputs, the valuers have used significant professional judgement in determining the fair value measurements. These assets are therefore considered to be in level 3 of the fair value hierarchy.

Fair value measurement - non-financial assets

In determining fair value, the Board has taken into account the characteristic of the asset (for example, condition and location of the asset and any restrictions on the sale or use of the asset); and the asset's highest and best use (that is physically possible, legally permissible, financially feasible).

The Board's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible. As the Board did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

Art Gallery Board
Notes to and forming part of the financial statements
for the year ended 30 June 2020

6. Financial assets

6.1. Cash and cash equivalents

	2020	2019
	\$'000	\$'000
Deposits with the Treasurer	955	2 831
Deposits with banks	5 141	4 700
Cash on hand	5	7
Total cash and cash equivalents	6 101	7 538

Deposits with the Treasurer

Deposits with the Treasurer are a combination of funds held in the "*Art Gallery Board Account*", an account held with the Treasurer of South Australia pursuant to section 21 of the *Public Finance and Audit Act 1987* (PFAA), and funds held in the Arts South Australia Operating Account, an account held with the Treasurer of South Australia pursuant to section 8 of the PFAA.

Deposits with banks

Deposits with the Bank of South Australia (BankSA), and the National Australia Bank Limited (NAB) are funds held in term deposit facilities. This mostly comprises cash received from bequests and donations which can only be used in accordance with the terms and conditions attributable. Therefore depending on the terms and conditions, the cash is not available for the operating activities of the Board. This scenario applies in the majority of cases.

Interest rate risk

Interest is calculated based on the average daily balances of the interest bearing funds. The interest bearing funds of the Board are held in the section 21 interest bearing account titled the "*Art Gallery Board Account*" and the BankSA and NAB accounts.

Art Gallery Board
Notes to and forming part of the financial statements
for the year ended 30 June 2020

6.2. Receivables

	2020	2019
	\$'000	\$'000
Current		
Prepayments	4	24
Receivables	153	86
Less impairment loss on receivables	(2)	(5)
Accrued income	769	1 476
Total current receivables	924	1 581
Non-current		
Prepayments	-	1
Receivables	1	-
Total non-current receivables	1	1
Total receivables	925	1 582

Receivables arise in the normal course of selling goods and services to other government agencies and to the public. Receivables are normally settled within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement. Receivables, prepayments and accrued revenues are non-interest bearing. Receivables are held with the objective of collecting the contractual cash flows and they are measured at amortised cost.

Allowance for impairment loss on receivables

	2020	2019
	\$'000	\$'000
Carrying amount at the beginning of the period	5	-
Increase/(decrease) in the allowance	(3)	5
Carrying amount at the end of the period	2	5

All of the above impairment losses are from receivables arising from contracts with customers.

Refer to note 11.3 for details regarding credit risk and the methodology for determining impairment.

Art Gallery Board
Notes to and forming part of the financial statements
for the year ended 30 June 2020

6.3. Investments

	2020	2019
	\$'000	\$'000
<u>Investments classified as fair value through other comprehensive income</u>		
Listed equity instruments designated at fair value through other comprehensive income	41 522	45 487
<u>Investments classified as fair value through profit and loss</u>		
Listed debt instruments mandatorily measured at fair value through profit and loss	1 716	1 479
Total non-current investments	43 238	46 966
Total investments	43 238	46 966

Equity instruments are designated at fair value through other comprehensive income with all changes in fair value being taken to the investment reserve. On disposal of these equity investments, any related balance within the investment reserve is reclassified to retained earnings. The debt instruments are designated at fair value through profit and loss with all changes in fair value going through profit or loss. On disposal of these debt instruments, any gains or losses are recognised in profit and loss.

Dividends arising from all investments are recognised in the statement of comprehensive income.

The majority of investments are acquired through bequests and donations which may have specific terms and conditions attached. Therefore depending on the terms and conditions, the investments are not available for the operating activities of the Board.

Investment reconciliation

	2020	2019
	\$'000	\$'000
Shares and other direct investments in companies		
Carrying amount at the beginning of period	46 966	9 174
Additions at cost	3 013	2 894
Transfers in at fair value	-	34 466
Disposals at fair value	(3 018)	(2 339)
Investments market value movement	(3 723)	2 771
Total non-current investments	43 238	46 966
Total investments	43 238	46 966

6.4. Other current assets

	2020	2019
	\$'000	\$'000
Forward foreign exchange contract net receivable	-	5
Total other current assets	-	5

Art Gallery Board
Notes to and forming part of the financial statements
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7. Liabilities

Staff benefits liabilities are disclosed in note 3.4.

7.1. Payables

	2020	2019
	\$'000	\$'000
Current		
Trade payables	522	2 295
Employment on-costs	140	117
Total current payables	<u>662</u>	<u>2 412</u>
Non-current		
Employment on-costs	124	119
Total non-current payables	<u>124</u>	<u>119</u>
Total payables	<u><u>786</u></u>	<u><u>2 531</u></u>

Payables and accruals are raised for all amounts owing but unpaid. Trade payables are normally settled within 30 days from the date the invoice is first received. All payables are non-interest bearing. The carrying amount of payables represents fair value due to their short-term nature.

Employment on-costs

Employment on-costs include payroll tax, WorkCover levies and superannuation contributions and are settled when the respective staff benefits that they relate to is discharged.

The Board makes contributions to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid to the South Australian Superannuation Board.

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave has changed from the 2019 rate (41%) to 42% and the average factor for the calculation of employer superannuation contribution on-costs has remained the same (9.8%). These rates are used in the employment on-cost calculation. The net financial impact of these changes in the current financial year is a decrease in the employment on cost of \$9 000 and employee benefits expense of \$33 000.

Art Gallery Board
Notes to and forming part of the financial statements
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7.2. Provisions

	2020 \$'000	2019 \$'000
Current		
Provision for workers compensation	12	13
Total current provisions	<u>12</u>	<u>13</u>
Non-current		
Provision for workers compensation	25	20
Total non-current provisions	<u>25</u>	<u>20</u>
Total provisions	<u><u>37</u></u>	<u><u>33</u></u>
Movement in provisions		
Carrying amount at the beginning of the period	33	33
Additional provisions recognised	4	-
Carrying amount at the end of the period	<u><u>37</u></u>	<u><u>33</u></u>

A provision has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2020 provided by a consulting actuary engaged through the Office of the Commissioner for the Public Sector. The provision is for the estimated cost of ongoing payments to staff as required under current legislation.

The Board is responsible for the payment of workers compensation claims.

7.3. Financial liabilities

	2020 \$'000	2019 \$'000
Current		
Lease liabilities	14	-
Total current financial liabilities	<u>14</u>	<u>-</u>
Non-current		
Lease liabilities	3	-
Total non-current financial liabilities	<u>3</u>	<u>-</u>
Total financial liabilities	<u><u>17</u></u>	<u><u>-</u></u>

The Board measures financial liabilities at amortised cost.

All material cash outflows are reflected in the lease liabilities disclosed above. For 2018-19 the lease liabilities reflect only finance leases recognised in accordance with AASB 117 of which there were nil.

Art Gallery Board
Notes to and forming part of the financial statements
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7.4. Other liabilities

	2020	2019
	\$'000	\$'000
Current		
Revenue received in advance	-	541
Total current other liabilities	<u>-</u>	<u>541</u>
Total other liabilities	<u>-</u>	<u>541</u>

8. Other disclosures

8.1. Equity

Asset revaluation surplus

The asset revaluation surplus is used to record increments and decrements in the fair value of property and plant and equipment to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is derecognised.

Investment reserve

As a result of the implementation of *AASB 9 Financial Instruments*, an investment reserve has been created to record all changes in fair value of investments classified as fair value through other comprehensive income.

8.2. Cash flow

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

The total cash outflow for leases in 2019-20 was \$18 000 which related to the repayment of leases.

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9. Changes in accounting policy

9.1. AASB 16 Leases

AASB 16 sets out a comprehensive model for lessee accounting that addresses recognition, measurement, presentation and disclosure of leases. Lessor accounting is largely unchanged. AASB 16 *Leases* replaces AASB 117 *Leases* and related interpretations.

The adoption of AASB 16 *Leases* from 1 July 2019 resulted in adjustments to the amounts recognised from a lessee perspective in the financial statements:

- AASB 117 *Leases* only required the recognition of an asset and lease liability in relation to finance leases. AASB 16 *Leases* applies a comprehensive model to all leases. Applying AASB 16 will result in leases previously classified as operating leases having right-of-use assets and related lease liabilities being recognised in the Statement of Financial Position.
- AASB 117 *Leases* resulted in operating lease payments being recognised as an expense under Supplies and Services. AASB 16 *Leases* largely replaces this with depreciation expenses that represents the use of the right-of-use asset and borrowing costs that represent the cost associated with financing the right-of-use asset.

Impact on retained earnings

The total impact on the Board's retained earnings as at 1 July 2019 is as follows:

	as at 1 July 2019 \$'000
<u>Assets</u>	
Property, plant and equipment	34
<u>Liabilities</u>	
Financial liabilities	(34)
Opening retained earnings 1 July 2019 - AASB 16	-

The Board disclosed in its 2018-19 financial report total undiscounted operating lease commitments of \$44 000 under AASB 117. These relate to three motor vehicle leases with the South Australian Government Financing Authority.

There is no material difference between the revised operating lease commitments when discounted and the financial liabilities recognised as at 1 July 2019.

The misclassification did not impact on the Statement of Comprehensive Income or the Statement of Financial Position in prior years. This misclassification impacted items within the supplies and services expenses line. Note 4.1 applies the correct classification for both the current and comparative years.

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9.1. AASB 16 Leases (continued)

Accounting policies on transition

AASB 16 sets out accounting policies on transition in its transitional provisions. The *Treasurer's Instructions (Accounting Policy Statements)* requires certain choices in those transitional provisions to be taken. The Board has adopted the following accounting policies:

- to apply AASB 16 retrospectively. The cumulative effect of initially applying the Standard was recognised at 1 July 2019. Comparatives have not been restated.
- at 1 July 2019 AASB 16 was applied only to contracts that were previously identified as containing a lease under AASB 117 and related interpretations.
- the initial measurement of lease liability was the present value of the remaining lease payments discounted using the relevant incremental borrowing published by the Department of Treasury and Finance rate as at 1 July 2019 based on the SA Government's cost of borrowing. The average weighted incremental borrowing rate for this purpose was 1.38%.
- the initial measurement of right-of-use assets has been calculated as an amount equal to the lease liability on transition adjusted for prepaid or accrued lease payments and lease incentive liabilities.
- the initial measurement of lease liabilities and right-of-use assets excludes all leases that ended by 30 June 2020, except for vehicles leased from SAFA.

Ongoing accounting policies

The *Treasurer's Instructions (Accounting Policy Statements)* specify required accounting policies for public authorities in applying AASB 16. These requirements are reflected in the Board's accounting policies as follows:

- AASB 16 is not applied to leases of intangible assets.
- the Board, in the capacity of a lessee, does not include non-lease components in lease amounts.
- right-of-use assets are not measured at fair value on initial recognition for leases that have significantly below-market terms and conditions principally to enable the public authority to further its objectives.
- right-of-use assets are subsequently measured applying a cost model.

Significant accounting policies relating to the application of AASB 16 are disclosed under relevant notes and are referenced at note 5.3.

9.2. AASB 15 Revenue from Contracts with Customers

AASB 15 *Revenue from Contracts with Customers* establishes a revenue recognition model for revenue arising from contracts with customers. It requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 supersedes AASB 11 *Construction contracts*, AASB 118 *Revenue* and related Interpretations and applies to all revenue arising from contracts with customers.

The total impact on the Board's retained earnings is immaterial.

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9.2. AASB 15 Revenue from Contracts with Customers (continued)

Accounting policies on transition

The Board has adopted AASB 15 on 1 July 2019. The *Treasurer's Instructions (Accounting Policy Statements)* require certain choices in those transitional provisions to be taken. The Board has on transition:

- recognised the cumulative effect of initially applying AASB 15 as an adjustment to the opening balance of retained earnings as at 1 July 2019. Therefore, the comparative information has not been restated.
- not adopted the completed contract expedient, and therefore has not excluded revenue which was fully recognised in previous years in accordance with the former revenue and income accounting standards.
- elected not to restate retrospectively contracts for modifications that occurred before 1 July 2019. Such contract modifications were minor so this is expected to have little impact on the financial statements.

Impact on the financial statements are explained below together with impacts from adoption of AASB 1058 *Income of Not-for-Profit Entities*.

Ongoing accounting policies

The *Treasurer's Instructions (Accounting Policy Statements)* specify requirements for public authorities in applying AASB 15. These requirements are reflected in the Board's accounting policies as follows:

- for non-intellectual property licences, low value licences (i.e. assets which have a value of \$15 000 or less) and short-term licences (i.e. being those with a licence term of 12 months or less) are exempt from AASB 15 revenue recognition requirements. The Board has elected to recognise revenue at the point in time the licence is issued.
- AASB 15 is applied to a portfolio of contracts with similar characteristics.
- there is no adjustment to the promised amount of consideration for the effects of a significant financing component if the period between the transfer of goods/services and the payment date is one year or less.
- the incremental costs of obtaining a contract are expensed when incurred when the amortisation period of the asset that the Board would have recognised in one year or less.
- for measuring progress towards satisfaction of performance obligations when the output method is applied, revenue is recognised in the amount to which there is a right to invoice corresponding directly to the value to the customers of the Board's performance completed to date.

Significant accounting policies relating to the application of AASB 15 are disclosed under the relevant note.

9.3. AASB 1058 Income of Not-for-Profit Entities

AASB 1058 *Income of Not-for-Profit Entities* establishes new income recognition requirements for not-for-profit entities. Its requirements apply where the consideration to acquire an asset, including cash, is significantly less than fair value principally to the entity to further its objectives. AASB 1058 also contains requirements for the receipt of volunteer services. AASB 1058 supersedes income recognition requirements in AASB 1004 *Contributions*, AASB 118 *Revenue* and AASB 111 *Construction Contracts*. However, elements of AASB 1004 remain in place, primarily in relation to restructures of administrative arrangements and other contributions and distributions by owners.

Accounting policies on transition

On transition, there was no impact on retained earnings.

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9.4. Presentation of Financial Statements

Treasurer's Instructions (Accounting Policy Statements) issued on 1 June 2020 removed the previous requirement for financial statements to be prepared using the net cost of services format. The net cost of services is the total cost of services less any revenue retained by public authorities involved in the provision of services but does not include items classified as revenues from and payments to the South Australian Government.

Presentation of the Statement of Comprehensive Income on an 'income and expense' basis allows information to be presented in such a way that eliminates potential confusion as to the source of funding for the Board. As well as changes to the format of the Statement of Comprehensive Income, there are presentational changes to remove the net cost of services format from the Statement of Cash Flows. These statements now show income before expenses, and cash receipts before cash payments. Related disclosures also reflect this changed format.

10. Outlook

10.1. Unrecognised contractual commitments

Commitments include operating and outsourcing commitments arising from contractual or statutory sources and are disclosed at their nominal value.

Operating lease commitments

Commitments under non-cancellable operating leases at the reporting date not recognised as liabilities in the financial statements are payable as follows:

	2020	2019
	\$'000	\$'000
Within one year	-	27
Later than one year but not longer than five years	-	17
Total operating lease commitments	-	44

Operating lease commitments is provided for the comparative year only as AASB 16 *Leases* does not distinguish between operating and finance leases for the lessee.

Expenditure commitments - other

The Board's other commitments are for contracts for works of art, exhibitions, security and cleaning.

	2020	2019
	\$'000	\$'000
Within one year	1 651	2 055
Later than one year but not longer than five years	2 841	4 325
Total other commitments	4 492	6 380

Contingent rental provisions within the security and cleaning contracts require the minimum contract payments to be increased by variable operating costs and wage rises. Options exist to renew the contracts for another 12 months.

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10.2. Contingent assets and liabilities

Contingent assets

The Board has been named as beneficiary in a number of testamentary bequests. By their nature it is not possible to accurately estimate the amount and timing of these bequests. Amounts paid to the Board as a result of these bequests will be recognised as revenue when revenue recognition criteria under Australian Accounting Standard AASB 15 *Revenue* are met.

The Board is aware losses from business interruptions resulting from COVID-19 may be claimable through their insurance. This would be conditional on lodging a claim and the insurance company assessing and approving the claim.

Contingent liabilities

The Board is not aware of any contingent liabilities as at 30 June 2020.

10.3. COVID-19 pandemic outlook for the Board

The significant reduction in Art Gallery visitation, during and following the COVID restriction- mandated closure, and the community response associated with this pandemic, continues to impact the Gallery. Social distancing requirements and venue capacity limits continue to impact general visitation, and the holding of events and other critical programmatic activities that have historically driven revenue. These impacts persist, as the State continues to navigate through this pandemic. The most keenly impacted Gallery areas include the Gallery store, events and functions, membership, general attendance, ticketed exhibitions and educational and general public programming.

10.4. Events after the reporting period

As at 30 June 2020 there has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the members of the Board, to affect significantly the operations of the Board, the results of those operations, or the state of affairs of the Board in subsequent financial years.

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11. Measurement and risk

11.1. Long service leave liability – measurement

AASB 119 *Employee Benefits* contains the calculation methodology for long service leave liability.

The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave and is based on actuarial assumptions on expected future salary and wage levels, experience of staff departures and periods of service. These assumptions are based on staff data over SA Government entities.

AASB 119 *Employee Benefits* requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds has decreased from 1.25% (2019) to 0.75% (2020).

This decrease in the bond yield, which is used as the rate to discount future long service leave cash flows, results in a decrease in the reported long service leave liability. The net financial effect of the changes to actuarial assumptions in the current financial year is a decrease in the long service leave liability of \$114 000 and employee expense of \$32 000.

The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographical and financial assumptions – including the long-term discount rate.

The actuarial assessment performed by the Department of Treasury and Finance reduced the salary inflation rate from 4.0% to 2.5% for long service leave liability.

The unconditional portion of the long service leave provision is classified as current as the Board does not have an unconditional right to defer settlement of the liability for at least 12 months after reporting date. The unconditional portion of long service leave relates to an unconditional legal entitlement to payment arising after 10 years of service.

Art Gallery Board
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11.2. Fair Value

AASB 13 *Fair Value Measurement* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

Initial recognition

Non-current tangible assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition.

Where assets are acquired at no value, or minimal value, they are recorded at fair value in the Statement of Financial Position. However, if the assets are acquired at no or nominal value as part of a restructure of administrative arrangements, then the assets are recognised at book value (i.e. the amount recorded by the transferor public authority immediately prior to the restructure).

Revaluation

Property, plant and equipment are subsequently measured at fair value after allowing for accumulated depreciation.

Non-current tangible assets are valued at fair value and revaluation of non-current assets or a group of assets is only performed when the fair value at the time of acquisition is greater than \$1.5 million and estimated useful life is greater than three years.

Revaluation is undertaken on a regular cycle as detailed below. If at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the asset.

Land and buildings

An independent valuation of land and buildings owned by the Board was performed as at 30 June 2020 by a Certified Practising Valuer from Liquid Pacific Holdings Pty. Ltd.

Fair value of land has been determined using the market approach. The valuation was based on recent market transactions for similar land in the area and includes adjustment for factors specific to the land such as size and location. For land classified as restricted in use, fair value was determined using adjustments that were applied to reflect the restriction.

The fair value of buildings was determined using current replacement cost, due to there not being an active market. The current replacement cost considered the need for ongoing provision of government services, specialised nature and restricted use of the assets, their size, condition and location.

The valuation used estimates about construction materials that would be required to replace the buildings, information about current construction costs were derived from building costs guides / internal records such as recent tender documents, construction invoices etc. and the estimated useful life due to age and condition of the building.

The fair value of land and buildings may be impacted by market changes due to the impact of COVID-19 however there was no market evidence to support the extent of any impact available at the time of preparing these financial statements.

Plant and equipment

All items of plant and equipment had a fair value at the time of acquisition less than \$1.5 million and had an estimated useful life of no less than three years. Plant and equipment has not been revalued in accordance with APS 116.D. The carrying value of these items are deemed to approximate fair value.

Art Gallery Board
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11.2. Fair Value (continued)

Heritage assets

An independent valuation of heritage assets was performed in June 2016 by a Certified Practising Valuer from RHAS, an operating division of Aon Risk Services as at 30 June 2016. Fair value was determined by estimating the current replacement cost based on the limited market information available for similar heritage assets and reproduction materials.

11.3. Financial instruments

Financial risk management

Risk management is managed by the Board's Audit Committee and Board. Risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the Australian Standard *Risk Management Principles and Guidelines*.

The Board's exposure to liquidity risk and credit risk is low due to the nature of the financial instruments held. The Board's exposure to market risk is significant given the investments balance of \$43.23 million. The investments are subject to price movements relating to market volatility.

Impairment of financial assets

Loss allowances for receivables are measured at an amount equal to lifetime expected credit loss using the simplified approach in AASB 9. The Board uses an allowance matrix to measure the expected credit loss of receivables from non-government debtors which comprise a large number of small balances.

To measure the expected credit losses, receivables are grouped based on shared risks characteristics and the days past due. When estimating expected credit loss, the Board considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Board's historical experience and informed credit assessment, including forward-looking information.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Board is exposed to credit risk.

The expected credit loss of government debtors is considered to be nil based on the external credit ratings and nature of the counterparties.

Loss rates are calculated based on the probability of a receivable progressing through stages to write off based on the common risk characteristics of the transaction and debtor.

Loss rates are based on actual history of credit loss, these rates have been adjusted to reflect differences between previous economic conditions, current conditions and the Board's view of the forecast economic conditions over the expected life of the receivables.

Impairment losses are presented as net impairment losses within net result, subsequent recoveries of amounts previously written off are credited against the same line item.

Receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to enter into a payment plan with the Board and a failure to make contractual payments for a period of greater than 90 days past due.

The Board considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties and therefore the expected credit loss is nil.

All of the Board's debt investments at amortised cost are considered to have low credit risk and the consideration of expected credit loss was limited to 12 months expected losses. The expected credit loss is nil.

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11.3. Financial instruments (continued)

The allowance was recognised when there was objective evidence that a receivable was impaired. The allowance for impairment was recognised in other expenses for specific debtors and debtors assessed on a collective basis for which such evidence existed.

Impairment losses on the Board's receivables arising from the Board's contracts with customers were as follows. No impairment losses were recognised in relation to contract assets during the year.

	2020	2019
	\$'000	\$'000
Impairment loss on receivables arising from contracts with customers	2	5

Categorisation of financial instruments

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in the respective financial asset/ financial liability note.

Classification of financial instruments

The Board measures all financial instruments at amortised cost or fair value.

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Category of financial asset and financial liability	Note	2020 Carrying amount / Fair value \$'000	2020 Contractual maturities	
			Within 1 year \$'000	1-5 years \$'000
Financial assets				
Cash and cash equivalents				
Cash and cash equivalents	6.1	6 101	6 101	-
Financial assets at amortised cost				
Receivables	6.2	921	920	1
Listed equity instruments designated at fair value through other comprehensive income	6.3	41 522	-	41 522
Listed debt instruments mandatorily measured at fair value through profit and loss	6.3	1 716	-	1 716
Forward foreign exchange contract net receivable	6.4	-	-	-
Total financial assets		50 260	7 021	43 239
Financial liabilities				
Financial liabilities at amortised cost				
Payables	7.1	474	474	-
Lease liabilities	7.3	17	17	-
Total financial liabilities		491	491	-

Category of financial asset and financial liability	Note	2019 Carrying amount / Fair value \$'000
Cash and cash equivalents		
Cash and cash equivalents	6.1	7 538
Financial assets at amortised cost		
Receivables	6.2	1 555
Listed equity instruments designated at fair value through other comprehensive income	6.3	45 487
Listed debt instruments mandatorily measured at fair value through profit and loss	6.3	1 479
Forward foreign exchange contract net receivable	6.4	5
Total financial assets		56 064
Financial liabilities		
Financial liabilities at amortised cost		
Payables	7.1	2 247
Lease liabilities	7.3	-
Total financial liabilities		2 247

Art Gallery Board
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11.3. Financial instruments (continued)

Receivables and payables

The receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (e.g. Commonwealth, State and Local Government taxes, fees and charges; Auditor-General's Department audit fees). In government, certain rights to receive or pay cash may not be contractual and therefore, in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levies, tax and equivalents, they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost).

The receivables amount disclosed here excludes prepayments as they are not financial assets. Prepayments are presented in note 6.2.