

Museum Board

Financial report
for the year ended
30 June 2020



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To the Chair Museum Board

Opinion

I have audited the financial report of the Museum 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 Museum 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, Museum Board and the Director, South Australian Museum.

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 Museum 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, South Australian Museum and Museum Board for the financial report

The Director, South Australian Museum 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 Museum 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 16(3) of the *South Australian Museum Act 1976*, I have audited the financial report of the Museum 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 Museum Board's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Director, South Australian Museum

- 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, South Australian Museum and the Museum Board 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.



Andrew Richardson

Auditor-General

30 September 2020

Museum Board

Financial Statements

For the year ended 30 June 2020

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

We certify that the attached general purpose financial statements for the Museum 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 Museum Board; and
- present a true and fair view of the financial position of the Museum 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 Museum 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.



Teri Whiting
Chair
29 September 2020



Brian Oldman
Director
29 September 2020

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

	Note	2020 \$'000	2019 \$'000
Income			
Recurrent operating grant	2.1	14 812	11 792
Donations and bequests	2.2	1 620	809
Sale of goods		1 141	1 426
Donations of heritage assets		926	897
Resources received free of charge	2.3	498	596
Grant income	2.4	1 154	1 385
Fees and charges	2.5	527	833
Sponsorships	2.6	166	148
Interest and investment income	2.7	114	142
Recoveries		101	20
Other income	2.8	570	544
Total income		21 629	18 592
Expenses			
Staff benefits expenses	3.3	8 692	9 361
Supplies and services	4.1	4 610	5 150
Accommodation and facilities	4.2	3 147	3 245
Depreciation and amortisation	4.3	2 029	2 192
Grants expense		200	106
Total expenses		18 678	20 054
Net result		2 951	(1 462)
Other Comprehensive Income:			
Items that will not be reclassified to net result			
Changes in property, plant and equipment asset revaluation surplus		10 491	-
Gain / (loss) on sale of investments classified as fair value through other comprehensive income		(5)	(5)
Changes in fair value of investments classified as fair value through other comprehensive income		(322)	(50)
Total other comprehensive income		10 164	(55)
Total comprehensive result		13 115	(1 517)

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

Museum Board
Statement of Financial Position
as at 30 June 2020

	Note	2020 \$'000	2019 \$'000
Current assets			
Cash and cash equivalents	6.1	7 420	4 494
Receivables	6.2	1 563	959
Inventories		127	131
Total current assets		9 110	5 584
Non-current assets			
Receivables	6.2	1	2
Property, plant and equipment	5.1	42 710	33 967
Intangibles	5.4	105	82
Heritage collections	5.5	296 498	295 566
Investments	6.3	1 694	1 934
Total non-current assets		341 008	331 551
Total assets		350 118	337 135
Current liabilities			
Payables	7.1	1 481	1 355
Staff benefits	3.4	1 028	1 024
Provisions	7.2	12	12
Financial liabilities	7.3	17	-
Total current liabilities		2 538	2 391
Non-current liabilities			
Payables	7.1	141	166
Staff benefits	3.4	1 520	1 812
Provisions	7.2	25	18
Financial liabilities	7.3	14	-
Total non-current liabilities		1 700	1 996
Total liabilities		4 238	4 387
Net Assets		345 880	332 748
Equity			
Asset revaluation surplus	8.1	206 611	196 120
Investment reserve	8.1	(348)	(26)
Retained earnings		139 617	136 654
Total Equity		345 880	332 748

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

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

	Asset revaluation surplus	Investment reserve	Retained earnings	Total equity
Note	\$'000	\$'000	\$'000	\$'000
Balance at 30 June 2018	196 120	-	138 121	334 241
Adjustments on initial adoption of AASB 9	-	24	-	24
Adjusted balance as at 1 July 2018	196,120	24	138 121	334 265
Net result for 2018-19	-	-	(1 462)	(1 462)
Gain / (loss) on sale of investments classified as fair value through other comprehensive income	-	(5)	-	(5)
Transfer of revaluation loss on sale of investments from investment reserve to retained earnings	-	5	(5)	-
Fair value movement of investments classified as fair value through other comprehensive income	-	(50)	-	(50)
Total comprehensive result for 2018-19	-	(50)	(1 467)	(1 517)
Balance at 30 June 2019	196 120	(26)	136 654	332 748
Error correction	-	-	17	17
Adjusted balance as at 1 July 2019	196 120	(26)	136 671	332 765
Net result for 2019-20	-	-	2 951	2 951
Gain / (loss) on sale of investments classified as fair value through other comprehensive income	-	(5)	-	(5)
Transfer of revaluation loss on sale of investments from investment reserve to retained earnings	-	5	(5)	-
Fair value movement of investments classified as fair value through other comprehensive income	-	(322)	-	(322)
Changes in asset revaluation surplus	10 491	-	-	10 491
Total comprehensive result for 2019-20	10 491	(322)	2 946	13 115
Balance at 30 June 2020	206 611	(348)	139 617	345 880

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

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

		2020	2019
		\$'000	\$'000
		Inflows	Inflows
	Note	(Outflows)	(Outflows)
<u>Cash flows from operating activities</u>			
Cash inflows			
Recurrent operating grant		14 450	11 792
Sale of goods		1 141	1 426
Grants		1 154	1 385
Donations and bequests		1 620	809
Fees and charges		527	777
Sponsorships		166	148
Interest and investment income		50	176
Recoveries		101	20
Other		435	490
Cash generated from operations		19 644	17 023
Cash outflows			
Staff benefits payments		(8 896)	(9 093)
Payments for supplies and services		(4 103)	(4 348)
Accommodation and facilities		(3 147)	(3 245)
Grant payments		(200)	(106)
GST payments to the ATO		(146)	(28)
Cash used in operations		(16 492)	(16 820)
Net cash provided by / (used in) operating activities		3 152	203
<u>Cash flows from investing activities</u>			
Cash inflows			
Proceeds from sale of investments		249	448
Cash generated from investing activities		249	448
Cash outflows			
Purchases of heritage collections		(5)	(80)
Purchases of property, plant and equipment and intangibles		(119)	(196)
Purchases of investments		(336)	(622)
Cash used in investing activities		(460)	(898)
Net cash provided by / (used in) investing activities		(211)	(450)
<u>Cash flows from financing activities</u>			
Cash outflows			
Repayment of leases		(15)	-
Cash used in financing activities		(15)	-
Net cash provided by / (used in) financing activities		(15)	-
Net increase / (decrease) in cash and cash equivalents		2 926	(247)
Cash and cash equivalents at the beginning of the period		4 494	4 741
Cash and cash equivalents at the end of the period	6.1	7 420	4 494

The accompanying notes form part of these financial statements.

Museum Board
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

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Museum Board

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

1. About the Museum Board

The Museum Board (the Board) is a not-for-profit statutory authority of the State of South Australia, constituted pursuant to section 3 of the *South Australian Museum Act 1976*. The Board is charged with the management of the South Australian Museum (the Museum) under the Act.

The consolidated financial statements have been prepared by combining the financial statements of the Museum Board, SA Museum Foundation Incorporated and the SA Museum Foundation Fund in accordance with AASB 10 *Consolidated Financial Statements*.

Consistent accounting policies have been applied and all inter-entity balances and transactions arising within the consolidated entity have been eliminated in full.

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.

The Board is not subject to Income Tax. The Board is liable for Payroll Tax, Fringe Benefits Tax (FBT), Goods and Services Tax (GST) and Emergency Services Levy (ESL).

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 an approved 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.

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.

Museum Board
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

1.2. Objectives

The functions of the Board, as prescribed under the *South Australian Museum Act 1976*, are as follows:

- to undertake the care and management of the Museum
- to manage the premises of the Board
- to carry out, or promote, research into matters of scientific and historical interest
- to accumulate and care for objects and specimens of scientific or historical interest
- to accumulate and classify data in regard to any such matters
- to disseminate information of scientific or historical interest
- to advise the Minister on matters relating to scientific or historical research or collections
- to carry out any other functions assigned to the Board by this or any other Act or the Minister.

1.3. Impact of COVID-19 pandemic on the Board

The COVID-19 pandemic has impacted on the operations of the Board and the impacts are included under the relevant disclosure notes. The key impacts in 2019-20 were:

- Decline in investment income and investments market value movement due to a volatile share market as a result of the COVID-19 pandemic.
- Decline in income due to the temporary closure of the Museum during COVID-19 restrictions, particularly in donations and exhibition admissions.
- Increase in accommodation and facilities costs to facilitate additional cleaning to ensure safety of staff and visitors.
- Increase in supplies and services costs to accommodate staff working from home and having appropriate hardware and remote access.

Museum 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	14 812	11 792
Total revenues from recurrent operating grant	14 812	11 792

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. Donations and bequests

	2020	2019
	\$'000	\$'000
Donations and bequests	1 620	809
Total donations and bequests	1 620	809

Donations and bequests are recognised on receipt.

2.3. Resources received free of charge

	2020	2019
	\$'000	\$'000
Artlab conservation work	299	377
Services received free of charge - Shared Services SA	190	219
Services received free of charge – valuation services	9	-
Total resources received free of charge	498	596

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.

Museum Board
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

2.4. Grant income

	2020	2019
	\$'000	\$'000
General	244	579
Commonwealth	353	541
State Government	557	265
Total grants	1 154	1 385

Grant income is recognised on receipt as there are no sufficiently specific performance obligations attached to the income. Where there is sufficiently specific performance obligations linked to the grant, the income is recognised over time as the performance obligations are satisfied.

General grants include funding for Inspiring South Australia, affiliate agreement research support, and monitoring small cetacean mortalities in Gulf St Vincent. The Commonwealth has provided funding for the purposes of the Science Engagement Program (Inspiring South Australia), Visions of Australia, and the Indigenous repatriation project. State Government grant funding includes contributions to Inspiring South Australia, education program, and repatriation of aboriginal ancestral remains.

2.5. Fees and charges

	2020	2019
	\$'000	\$'000
Admissions	289	483
Functions	172	235
Fees for service	19	52
Other	47	63
Total fees and charges	527	833

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

2.6. Sponsorships

	2020	2019
	\$'000	\$'000
Cash sponsorships	166	148
Total sponsorships	166	148

Cash sponsorships are recognised on receipt.

Museum Board
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

2.7. Interest and investment income

	2020	2019
	\$'000	\$'000
Investment income	83	86
Interest	31	56
Total interest and investment income	114	142

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

2.8. Other income

	2020	2019
	\$'000	\$'000
Competition entry fees	58	119
Lab consumable recharge	57	104
Exhibition hire	44	81
Other	411	240
Total other income	570	544

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

	2020	2019
	\$'000	\$'000
Investments		
Proceeds from disposal	248	448
Less value on sale of investments classified as fair value through other comprehensive income	(253)	(453)
Net gain (loss) from disposal of investments	(5)	(5)
Total assets		
Total proceeds from disposal	248	448
Less total carrying amount of assets disposed	(253)	(453)
Total net gain (loss) from disposal of non-current assets	(5)	(5)

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.

Museum 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 Museum include the Premier of the State of South Australia as responsible Minister for the Arts, the eight members of the Museum Board and the Director of the South Australian Museum, all who have responsibility for the strategic direction and management of the Museum.

Total compensation for the Museum's key management personnel was \$309 000 in 2019-20 and \$308 000 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 the *Parliamentary Remuneration Act 1990*.

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:

Museum Board

The Hon Dr J Lomax-Smith AM (Chair)

Prof D Adelson

AJ Duthie*

SY Edwards

A Noble

E Ranieri*

D Rathman AM PSM

TA Whiting

R Perkins (Deputy Board member)

Aboriginal Advisory Committee

D Rathman AM PSM (Chair)

FH Lampard OAM

S Miller

Dr C Wilson (appointed 1 June 2020)

V Wilson

*In accordance with the Premier and Cabinet Circular No. 016, government employees did not receive any remuneration for board/committee duties during the financial year.

Board and committee remuneration

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

	2020	2019
\$0 - \$19 999	9	10
Total number of members	9	10

The total remuneration received or receivable by members was \$24 000 (\$26 000). Remuneration of members includes sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and related fringe benefits tax.

Museum 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	6 373	6 374
Targeted voluntary separation packages	359	714
Employee on-costs - superannuation	659	701
Annual leave	545	558
Staff on-costs - other	350	382
Long service leave	152	372
Salaries charged externally	123	122
Other staff related expenses	75	81
Skills and experience retention leave	35	32
Board fees	21	25
Total staff benefits expenses	8 692	9 361

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

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

	2020	2019
\$274 001 - \$294 000	1	1
Total	1	1

The total remuneration received or receivable by these staff for the year was \$289 000 (\$283 000).

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 4 (8).

	2020	2019
	\$'000	\$'000
Amounts paid to separated staff		
Targeted voluntary separation packages	359	714
Leave paid to separated staff	222	247
	581	961
Recovery from the Department of Treasury and Finance	(542)	(553)
Net cost to the Board	39	408

Museum 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	533	468
Long service leave	247	210
Accrued salaries and wages	187	287
Skills and experience retention leave	61	59
Total current staff benefits	1 028	1 024
Non-current		
Long service leave	1 520	1 812
Total non-current staff benefits	1 520	1 812
Total staff benefits	2 548	2 836

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.

Museum Board
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

4. Expenses

Staff benefits expenses are disclosed in note 3.3.

4.1. Supplies and services

	2020	2019
	\$'000	\$'000
Exhibitions	574	799
Administration	440	349
Cost of goods sold	435	512
Information technology and communication charges	366	376
Contractors	373	141
Marketing	341	378
Insurance and risk	312	315
Artlab conservation work	299	397
Maintenance	205	377
Business services charge	190	219
Research	186	308
Consultants	184	101
Minor equipment	84	73
Accommodation and travel	124	212
Collections	117	(6)
Audit fees	64	63
OHS&W	38	20
Legal Fees	26	6
Motor vehicle expenses	17	35
Hire, rent and equipment	16	25
Fees	7	16
Bad and doubtful debts	-	10
Other	212	424
Total supplies and services	4 610	5 150

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	12	55	22	51
\$10 000 or above	4	129	3	50
Total	16	184	25	101

Museum Board
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

4.2. Accommodation and facilities

	2020	2019
	\$'000	\$'000
Facilities	1 124	1 176
Security	937	1 040
Electricity and gas	564	583
Accommodation	522	446
Total accommodation and facilities	3 147	3 245

Most of the Board's accommodation is provided by the Department of Planning, Transport and Infrastructure under Memoranda of Administrative Arrangement (MoAA) issued in accordance with Government-wide accommodation policies. MoAA do not meet the definition of lease set out in AASB 16.

4.3. Depreciation and amortisation

	2020	2019
	\$'000	\$'000
Depreciation		
Buildings and improvements	1 759	1 481
Plant and equipment	237	693
Right-of-use vehicles	17	-
Total depreciation	2 013	2 174
Amortisation		
Intangibles	16	18
Total amortisation	16	18
Total depreciation and amortisation	2 029	2 192

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	15-100
<i>Plant and equipment</i>	
Exhibition	10
Other	3-25
Computer equipment	3-5
Right-of-use plant and equipment	Lease term
Intangibles	5-10

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4.3. Depreciation and amortisation (continued)

Exhibitions with a life of less than one year are expensed.

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.

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 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. During the year, the Board reassessed the useful life of the Orientation Wing building, resulting in a reduction in the estimated useful life from 100 years to 60 years. As a result the future depreciation expense will increase by \$220 000 per year.

The Board revalued its buildings upwards as at 30 June 2020. It is estimated the depreciation expense for 2020-21 will increase by approximately \$4.9 million as a result of the revaluation.

5. Non-financial assets

5.1. Property, plant and equipment by asset class

Property, plant and equipment comprise 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	11 700	5 300
Buildings and improvements at fair value	82 816	73 906
Accumulated depreciation at the end of the period	(55 043)	(48 668)
Total land, buildings and improvements	39 473	30 538
Work in progress		
Work in progress at cost	17	101
Total work in progress	17	101
Plant and equipment		
Plant and equipment at cost (deemed fair value)	5 478	10 027
Accumulated depreciation at the end of the period	(2 289)	(6 699)
Total plant and equipment	3 189	3 328
Computer equipment		
Computer equipment at cost (deemed fair value)	49	48
Accumulated depreciation at the end of the period	(49)	(48)
Total computer equipment	-	-
Right-of-use vehicles		
Right-of-use vehicles at cost	48	-
Accumulated depreciation	(17)	-
Total right-of-use vehicles	31	-
Total property, plant and equipment	42 710	33 967

Museum Board
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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 are set out in note 11.2.

Impairment

The Board holds its property, plant and equipment, heritage collections, and intangible assets for their service potential (value in use).

All non-current tangible assets are valued at fair value. Specialised assets would rarely be sold and typically any costs of disposal would be negligible, accordingly the recoverable amount will be close to or greater than fair value. The Board also expects for all other non-current tangible assets that any costs of disposal will be negligible and the recoverable amount to be close to or greater than fair value.

There were no indications of impairment of property, plant and equipment as at 30 June 2020.

Reconciliation 2019-20

	Land	Buildings & improvements	Work in progress	Plant and equipment	Total tangible assets	Computer software	WIP intangible assets	Total intangible assets
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2020								
Carrying amount at 1 July 2019	5 300	25 238	101	3 328	33 967	42	40	82
Additions	-	-	-	80	80	-	39	39
Disposals	-	-	-	(32)	(32)	-	-	-
Accumulated depreciation on disposals	-	-	-	32	32	-	-	-
Depreciation and amortisation	-	(1 759)	-	(237)	(1 996)	(16)	-	(16)
Revaluation increment/(decrement)	6 400	4 092	-	-	10 492	-	-	-
Transfer to/(from) capital works in progress	-	84	(84)	-	-	-	-	-
Donated assets	-	118	-	-	118	-	-	-
Other	-	-	-	18	18	-	-	-
Carrying amount at the end of the period	11 700	27 773	17	3 189	42 679	26	79	105

Museum Board
Notes to and forming part of the Financial Statements
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5.3. Property, plant and equipment leased by the Board

Property, plant and equipment leased by the Board is recorded at cost. There were no additions to leased property, plant and equipment during 2019-20.

Short-term leases of 12 months or less and low value leases where the underlying asset value is less than \$15,000 are not recognised as right-of-use assets. The associated lease payments are recognised as an expense and are disclosed in note 4.2.

The Board has a limited number of leases:

- 2 motor vehicle leases with the South Australian Government Financing Authority (SAFA). Motor vehicle leases are non-cancellable, with rental payments monthly in arrears. Motor vehicle lease terms can range from 3 years (60,000km) up to 5 years (100,000km). No contingent rental provisions exist within the lease agreements and no options exist to renew the leases at the end of their term.
- a concessionary (peppercorn) lease on a purpose-built facility located at SA Water's sewage treatment plant at Bolivar. It houses all the specialised equipment needed to handle skeletons of all sizes, including large whales. Without the supply of this lease at concessionary terms, the Board would incur costs for alternative property. Key aspects of the lease are nil lease payments and an automatic annual renewal of the lease on the anniversary date of the MoAA. Two years advance notice is required to terminate the lease.

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.

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.

5.4. Intangible assets

	2020	2019
	\$'000	\$'000
Computer software	154	155
Accumulated amortisation	(128)	(113)
Total computer software	26	42
Work in progress		
Work in progress at cost	79	40
Total work in progress	79	40
Total intangible assets	105	82

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.

The internally developed computer software relates to the K-Emu entomology software, the Sarfme website and Inspiring SA website with a remaining useful life of 4, 1 and 2 years respectively.

Museum Board
Notes to and forming part of the Financial Statements
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5.5. Heritage collections

	2020	2019
	\$'000	\$'000
Entomology	53 419	53 418
Australian Aboriginal ethnology	35 388	35 255
Marine invertebrates	30 267	30 063
Foreign ethnology	27 116	26 984
Mineralogy	19 804	19 788
Archives/artwork	18 463	18 451
Mammalogy	17 182	16 857
Australian helminthological collection	16 193	16 140
Palaeontology	14 946	14 946
Archaeology	14 434	14 434
Ornithology	9 280	9 229
Australian polar collection	8 982	8 982
Australian biological tissue bank	6 590	6 588
Arachnology	6 321	6 321
Malacology	5 258	5 258
Herpetology	4 300	4 298
Rare books	4 260	4 260
Ichthyology	3 460	3 459
Social/industrial history	587	587
Public program collection	248	248
Total heritage collections	296 498	295 566

Reconciliation of carrying amounts of heritage collections

	Opening balance	Additions	Closing balance
	\$'000	\$'000	\$'000
2020			
Entomology	53 418	1	53 419
Australian Aboriginal ethnology	35 255	133	35 388
Marine invertebrates	30 063	204	30 267
Foreign ethnology	26 984	132	27 116
Mineralogy	19 788	16	19 804
Archives/artwork	18 451	12	18 463
Mammalogy	16 857	325	17 182
Australian helminthological collection	16 140	53	16 193
Palaeontology	14 946	-	14 946
Archaeology	14 434	-	14 434
Ornithology	9 229	51	9 280
Australian polar collection	8 982	-	8 982
Australian biological tissue bank	6 588	2	6 590
Arachnology	6 321	-	6 321
Malacology	5 258	-	5 258
Herpetology	4 298	2	4 300
Rare books	4 260	-	4 260
Ichthyology	3 459	1	3 460
Social/industrial history	587	-	587
Public Program Collection	248	-	248
Carrying amount at the end of the period	295 566	932	296 498

Museum Board
Notes to and forming part of the Financial Statements
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5.5. Heritage collections (continued)

The Board's heritage collections, except for the foreign archaeology, were revalued as at 30 June 2016 using the valuation methodology outlined below in accordance with fair value principles adopted under AASB 13 *Fair Value Measurement* and AASB 116 *Property, Plant and Equipment*. The foreign archaeology collection was revalued as at 30 June 2017.

These valuations were undertaken by Aon Risk Solutions.

The collections were broadly valued on the following basis:

Collection	Method of valuation
Heritage collections	Market approach
Natural history collections	Cost approach

Heritage collection status applies to those collections where an established market exists.

Natural history collections have been valued at fair value on the basis of the cost of fieldwork, preparation and documentation to replace the material in its present condition.

Heritage collections deemed to have market value are Australian Aboriginal ethnology, foreign ethnology, Australian polar collection, social/industrial history collection, mineralogy, museum library, archives/artworks, rare books and public programs.

Natural history collections valued at cost of recovery are the Australian biological tissue bank, marine invertebrates, malacology, ichthyology, palaeontology, arachnology, entomology, ornithology, the Australian helminthological collection, archaeology, mammalogy and herpetology.

The public programs collection is a new collection which was valued for the first time in the 30 June 2016 valuation. This collection consists of both the Waterhouse Art Prize collection and the ANZANG nature photography collection.

The valuations of heritage collections deemed to have market value were carried out by the following recognised industry experts:

Collection	Industry expert
Australian Aboriginal ethnology	D Davidson
Foreign ethnology	D Davidson
Australian polar collection	H Miller & P Tinslay
Archaeology	H Miller
Mineralogy	J Alford
Archives	H Miller & P Tinslay
Museum library	P Tinslay
Public programs	H Miller
Social/Industrial history	J Munroe

Collections deemed to be culturally sensitive, including human remains or items which are secret and sacred to Aboriginal communities have not been included within the current valuation and are considered at zero valuation. These collections are human biology and secret sacred material.

Museum Board
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6. Financial assets

6.1. Cash and cash equivalents

	2020	2019
	\$'000	\$'000
Deposits with the Treasurer	4 140	1 398
Term deposits	560	600
Cash on hand	2	2
Deposits with banks	2 718	2 494
Total cash and cash equivalents	7 420	4 494

Deposits with the Treasurer

Deposits with the Treasurer are a combination of funds held in the "*Museum Board Account*", an account held with the Treasurer of South Australia pursuant to section 21 of the *Public Finance and Audit Act 1987*, and funds held in the Arts South Australia Operating Account. This account is held with the Treasurer of South Australia pursuant to section 8 of the *Public Finance and Audit Act 1987*. There are stipulated restrictions on the use of the Zimmerman Bequest component of the cash funds available \$113 000 (2019: \$113 000) and the Bonython Bequest component of the cash funds available \$22 000 (2019: \$22 000).

Deposits with banks

Deposits with banks include funds held by National Australia Bank Limited (NAB) in term deposit facilities and cash held with Australia and New Zealand Bank Banking Group (ANZ) by the SA Museum Foundation Incorporated and SA Museum Foundation Fund. Cash held for investments by Hood Sweeney are with Macquarie Bank. There are restrictions in place for the cash accounts for Norman B Tindale Memorial, Mawson Collection, Thyne Reid and High Noon \$436 000 (2019: \$463 000).

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 "*Museum Board Account*" and the NAB, Macquarie SA Museum Foundation Incorporated and SA Museum Foundation Fund accounts.

Museum Board
Notes to and forming part of the Financial Statements
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6.2. Receivables

	2020	2019
	\$'000	\$'000
Current		
Trade receivables		
From government entities	321	29
From non-government entities	521	435
Less allowance for doubtful debts	(10)	(10)
Total trade receivables	<u>832</u>	<u>454</u>
GST receivable	593	447
Accrued revenues	98	34
Prepayments	40	24
Total current receivables	<u>1 563</u>	<u>959</u>
Non-current		
Accrued revenues	1	-
Prepayments	-	2
Total non-current receivables	<u>1</u>	<u>2</u>
Total receivables	<u>1 564</u>	<u>961</u>

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	10	28
Increase/(decrease) in the allowance	-	(18)
Carrying amount at the end of the period	<u>10</u>	<u>10</u>

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.

Museum Board
Notes to and forming part of the Financial Statements
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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	1 694	1 934
Total non-current investments	1 694	1 934
Total investments	1 694	1 934

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.

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

Of the four investment accounts; Museum Board, Norman B Tindale, Memorial Mawson Collection and Thyne Reid - there are restrictions in place for Norman B Tindale Memorial, Mawson Collection and Thyne Reid relating to funds totalling \$1.1 million (2019: \$1.3 million).

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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	1 264	1 241
Employment on-costs	217	114
Total current payables	<u>1 481</u>	<u>1 355</u>
Non-current		
Employment on-costs	141	166
Total non-current payables	<u>141</u>	<u>166</u>
Total payables	<u><u>1 622</u></u>	<u><u>1 521</u></u>

Payables and accruals are raised for all amounts owing but unpaid. Sundry 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.

The net amount of GST recoverable from the ATO is included as part of payables.

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 immaterial.

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7.2. Provisions

	2020 \$'000	2019 \$'000
Current		
Provision for workers compensation	12	12
Total current provisions	<u>12</u>	<u>12</u>
Non-current		
Provision for workers compensation	25	18
Total non-current provisions	<u>25</u>	<u>18</u>
Total provisions	<u><u>37</u></u>	<u><u>30</u></u>
Movement in provisions		
Carrying amount at the beginning of the period	30	31
Additional provision recognised	7	-
Reductions resulting from re-measurement or settlement without cost	-	(1)
Carrying amount at the end of the period	<u><u>37</u></u>	<u><u>30</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	17	-
Total current financial liabilities	<u>17</u>	<u>-</u>
Non-current		
Lease liabilities	14	-
Total non-current financial liabilities	<u>14</u>	<u>-</u>
Total financial liabilities	<u><u>31</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.

Museum Board
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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

The investment reserve records 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 \$15 000 which related to the repayment of leases.

Museum Board
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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
Closing retained earnings 30 June 2019 - AASB 117	136 671
<u>Assets</u>	
Property, plant and equipment	48
<u>Liabilities</u>	
Financial liabilities	(48)
Opening retained earnings 1 July 2019 - AASB 16	136 671

The Board disclosed in its 2018-19 financial report total undiscounted operating lease commitments of \$68 000 under AASB 117.

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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 leases 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 3.32%.
- 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.
- right-of-use assets and lease liabilities are not recognised for leases of low value assets, being assets which have a value of \$10 000 or less, nor short-term leases, being those with a lease term of 12 months or less.
- 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

The Board has adopted AASB 15 on 1 July 2019. 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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9.3. 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.

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 department. 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	-	24
Later than one year but not later than five years	-	44
Total operating lease commitments	-	68

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.

Other commitments

The Board's other commitments comprise the Netley off-site storage, SAFA motor vehicles and security.

	2020	2019
	\$'000	\$'000
No later than one year	1 371	1 246
Later than one year but not later than five years	2 535	2 975
Total other commitments	3 906	4 221

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10.2. Contingent assets and liabilities

Contingent assets

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 COVID-19 pandemic will continue to impact the operations of the Board in 2020-21. The key expected impacts are:

- Continued exposure to volatile financial markets, resulting in expected decreased investment revenue and market value movements.
- Limited visitor numbers due to capacity restrictions and lower tourism from overseas and interstate, which could result in a reduction in income for the shop and café along with exhibitions and events.
- Increase in supplies and services costs to continue providing additional cleaning to ensure safety of staff and visitors.

10.4. Events after the reporting period

There has not arisen in the interval between the end of the financial year and the date of this report, any other 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 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. As a result, the net financial effect resulting from changes in the salary inflation rate was a decrease in the liability of \$133 000.

The portion of long service leave expected to be taken within 12 months of the reporting date is classified as current. The remaining portion of the long service leave provision is classified as non-current.

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 owned by the Board are subsequently measured at fair value after allowing for accumulated depreciation.

The revaluation process is required to be performed every six years at a minimum and is reviewed by the Manager Corporate Services and Finance, Audit & Risk Committee each year.

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.

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11.2 Fair Value (continued)

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, adjustments 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.

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.

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11.3. Financial instruments

Financial risk management

Risk management is managed by the Board's Corporate Services section. The Board's 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 financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held.

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.

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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11.3. Financial instruments (continued)

		2020
Category of financial asset and financial liability	Note	Carrying amount / fair value \$'000
Financial assets		
Cash and cash equivalents		
Cash and cash equivalents	6.1	7 420
Financial assets at amortised cost		
Receivables	6.2	930
Held to maturity investments		
Listed equity instruments designated at fair value through other comprehensive income	6.3	1 694
Total financial assets		10 044
Financial liabilities		
Financial liabilities at amortised cost		
Payables	7.1	1 214
Lease liabilities	7.3	31
Total financial liabilities		1 245

		2019
Category of financial asset and financial liability	Note	Carrying amount / fair value \$'000
Financial assets		
Cash and cash equivalents		
Cash and cash equivalents	6.1	4 494
Financial assets at amortised cost		
Receivables	6.2	488
Held to maturity investments		
Investments	6.3	1 934
Total financial assets		6 916
Financial liabilities		
Financial liabilities at amortised cost		
Payables	7.1	1 194
Lease liabilities	7.3	-
Total financial liabilities		1 194

For 2018-19 the lease liabilities reflect only finance leases recognised in accordance with AASB 117.

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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.