

# Art Gallery Board

Financial report  
for the year ended  
30 June 2018



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## To the Chairman Art Gallery Board

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 2018.

## Opinion

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 2018, its financial performance and its cash flows for the year then ended in accordance with the 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 2018
- a Statement of Financial Position as at 30 June 2018
- a Statement of Changes in Equity for the year ended 30 June 2018
- a Statement of Cash Flows for the year ended 30 June 2018
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chairman, Art Gallery Board and the Co-Acting 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 have been met.

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

## **Responsibilities of the Co-Acting Director, Art Gallery of South Australia and the Art Gallery Board for the financial report**

The Co-Acting 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 the 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 Art Gallery Board are responsible for overseeing the entity's financial reporting process.

## **Auditor's responsibilities for the audit of the financial report**

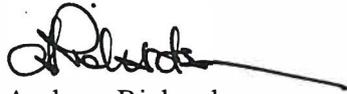
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an 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
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Co-Acting 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 Co-Acting Director and the Art Gallery 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.

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

Andrew Richardson

**Auditor-General**

25 September 2018

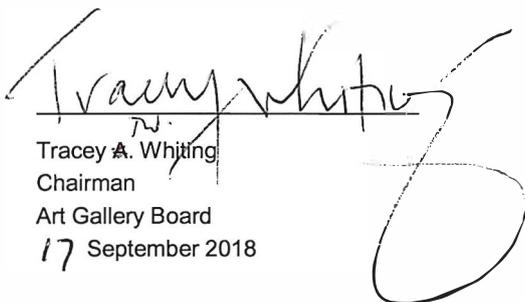
**Art Gallery Board**  
**Certification of Financial Statements**  
*for the year ended 30 June 2018*

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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
- present a true and fair view of the financial position of the Art Gallery Board as at 30 June 2018 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 over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



Tracey A. Whiting  
Chairman  
Art Gallery Board  
17 September 2018



Mark Horton  
Co-Acting Director  
Art Gallery of South Australia  
17 September 2018

# **Art Gallery Board**

## **Financial Statements**

For the year ended 30 June 2018

**Art Gallery Board**  
**Statement of Comprehensive Income**  
*for the year ended 30 June 2018*

|  | Note | 2018<br>\$'000 | 2017<br>\$'000 |
|--|------|----------------|----------------|
| <b>Expenses</b>                                  |      |                |                |
| Staff benefits expenses                          | 3    | 7 293          | 6 271          |
| Supplies and services                            | 5    | 12 466         | 6 046          |
| Accommodation and facilities                     | 6    | 2 852          | 2 472          |
| Depreciation and amortisation expenses           | 7    | 1 259          | 1 253          |
| Net loss from the disposal of non-current assets | 12   | -              | 187            |
| <b>Total expenses</b>                            |      | <b>23 870</b>  | <b>16 229</b>  |
| <b>Income</b>                                    |      |                |                |
| Bequests and donations of cash and investments   | 8    | 4 866          | 4 963          |
| Donations of heritage assets                     |      | 6 174          | 5 728          |
| Fees and charges                                 | 9    | 2 480          | 709            |
| Grants   | 10   | 1 065          | 599            |
| Investment income                                | 11   | 638            | 458            |
| Net gain from the disposal of non-current assets | 12   | 31             | -              |
| Rent and facilities hire                         |      | 105            | 142            |
| Resources received free of charge                | 13   | 1 047          | 1 091          |
| Sale of goods                                    |      | 1 204          | 930            |
| Sponsorships                                     | 14   | 2 719          | 798            |
| Other income                                     | 15   | 4              | 53             |
| <b>Total income</b>                              |      | <b>20 333</b>  | <b>15 471</b>  |
| <b>Net cost of providing services</b>            |      | <b>3 537</b>   | <b>758</b>     |
| <b>Revenues from SA Government</b>               |      |                |                |
| Recurrent operating grant                        | 16   | 13 356         | 11 597         |
| Capital grant                                    |      | -              | 45             |
| <b>Total revenues from SA Government</b>         |      | <b>13 356</b>  | <b>11 642</b>  |
| <b>Net result</b>                                |      | <b>9 819</b>   | <b>10 884</b>  |
| <b>Total comprehensive result</b>                |      | <b>9 819</b>   | <b>10 884</b>  |

The net result and total comprehensive result are attributable to the SA Government as owner.

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

**Art Gallery Board**  
**Statement of Financial Position**  
*as at 30 June 2018*

|                                      | Note | 2018<br>\$'000 | 2017<br>\$'000 |
|--------------------------------------|------|----------------|----------------|
| <b>Current assets</b>                |      |                |                |
| Cash and cash equivalents            | 17   | 7 600          | 6 989          |
| Receivables                          | 18   | 473            | 401            |
| Inventories                          |      | 359            | 276            |
| Other assets                         | 24   | 2              | -              |
| <b>Total current assets</b>          |      | <b>8 434</b>   | <b>7 666</b>   |
| <b>Non-current assets</b>            |      |                |                |
| Receivables                          | 18   | 3              | 4              |
| Property, plant and equipment        | 20   | 40 836         | 41 855         |
| Intangible assets                    | 21   | 10             | 18             |
| Heritage collections                 | 22   | 768 307        | 760 342        |
| Investments                          | 23   | 8 675          | 6 004          |
| Other assets                         | 24   | 2              | -              |
| <b>Total non-current assets</b>      |      | <b>817 833</b> | <b>808 223</b> |
| <b>Total assets</b>                  |      | <b>826 267</b> | <b>815 889</b> |
| <b>Current liabilities</b>           |      |                |                |
| Payables                             | 25   | 728            | 466            |
| Staff benefits                       | 26   | 914            | 763            |
| Provisions                           | 27   | 13             | 38             |
| Other                                | 28   | 645            | 519            |
| <b>Total current liabilities</b>     |      | <b>2 300</b>   | <b>1 786</b>   |
| <b>Non-current liabilities</b>       |      |                |                |
| Payables                             | 25   | 109            | 102            |
| Staff benefits                       | 26   | 1 187          | 1 112          |
| Provisions                           | 27   | 20             | 57             |
| <b>Total non-current liabilities</b> |      | <b>1 316</b>   | <b>1 271</b>   |
| <b>Total liabilities</b>             |      | <b>3 616</b>   | <b>3 057</b>   |
| <b>Net assets</b>                    |      | <b>822 651</b> | <b>812 832</b> |
| <b>Equity</b>                        |      |                |                |
| Retained earnings                    |      | 470 575        | 460 756        |
| Asset revaluation surplus            |      | 352 076        | 352 076        |
| <b>Total equity</b>                  |      | <b>822 651</b> | <b>812 832</b> |

The total equity is attributable to the SA Government as owner.

|                                      |    |
|--------------------------------------|----|
| Unrecognised contractual commitments | 29 |
| Contingent assets and liabilities    | 30 |

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

**Art Gallery Board**  
**Statement of Changes in Equity**  
*for the year ended 30 June 2018*

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|   | Asset<br>revaluation<br>surplus | Retained<br>earnings | Total equity   |
|---|---------------------------------|----------------------|----------------|
|   | \$'000                          | \$'000               | \$'000         |
| Balance at 30 June 2016                       | 352 076                         | 449 872              | 801,948        |
| <b>Net result for 2016-17</b>                 | -                               | 10 884               | 10 884         |
| <b>Total comprehensive result for 2016-17</b> | -                               | 10 884               | 10 884         |
| <b>Balance at 30 June 2017</b>                | <b>352 076</b>                  | <b>460 756</b>       | <b>812 832</b> |
| <b>Net result for 2017-18</b>                 | -                               | 9 819                | 9 819          |
| <b>Total comprehensive result for 2017-18</b> | -                               | 9 819                | 9 819          |
| <b>Balance at 30 June 2018</b>                | <b>352 076</b>                  | <b>470 575</b>       | <b>822 651</b> |

All changes in equity are attributable to the SA Government as owner.

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**Art Gallery Board**  
**Statement of Cash Flows**  
*for the year ended 30 June 2018*

|   | 2018            | 2017            |
|---|-----------------|-----------------|
|   | \$'000          | \$'000          |
|   | (Outflows)      | (Outflows)      |
|   | Inflows         | Inflows         |
| <b>Cash flows from operating activities</b>               |                 |                 |
| <b>Cash outflows</b>                                      |                 |                 |
| Staff benefits payments                                   | (7 081)         | (6 115)         |
| Payments for supplies and services                        | (9 247)         | (4 280)         |
| Payments for accommodation and facilities                 | (2 852)         | (2 472)         |
| <b>Cash used in operations</b>                            | <b>(19 180)</b> | <b>(12 867)</b> |
| <b>Cash inflows</b>                                       |                 |                 |
| Sale of goods   | 1 281           | 929             |
| Fees and charges  | 2 480           | 709             |
| Bequests and donations of cash                            | 1 895           | 3 093           |
| Grants  | 1 128           | 1 188           |
| Sponsorships  | 723             | 270             |
| Investment income   | 515             | 404             |
| Rent and facilities hire                                  | 105             | 142             |
| Other receipts  | 4               | 53              |
| <b>Cash generated from operations</b>                     | <b>8 131</b>    | <b>6 788</b>    |
| <b>Cash flows from SA government</b>                      |                 |                 |
| Recurrent operating grant                                 | 13 356          | 11 597          |
| Capital grant   | -               | 45              |
| <b>Cash generated from SA government</b>                  | <b>13 356</b>   | <b>11 642</b>   |
| <b>Cash provided by operating activities</b>              | <b>2 307</b>    | <b>5 563</b>    |
| <b>Cash flows from investing activities</b>               |                 |                 |
| <b>Cash outflows</b>                                      |                 |                 |
| Purchase of heritage collections                          | (1 795)         | (1 921)         |
| Purchase of investments                                   | (1 219)         | -               |
| Purchase of property, plant and equipment                 | ( 232)          | (95)            |
| <b>Cash used in investing activities</b>                  | <b>(3 246)</b>  | <b>(2 016)</b>  |
| <b>Cash inflows</b>                                       |                 |                 |
| Proceeds from sale of property, plant and equipment       | -               | 13              |
| Proceeds from the sale/maturity of investments            | 1 550           | 32              |
| <b>Cash generated from investing activities</b>           | <b>1 550</b>    | <b>45</b>       |
| <b>Net cash used in investing activities</b>              | <b>(1 696)</b>  | <b>(1 971)</b>  |
| <b>Net increase in cash and cash equivalents</b>          | <b>611</b>      | <b>3 592</b>    |
| Cash and cash equivalents at the beginning of the period  | 6 989           | 3 397           |
| <b>Cash and cash equivalents at the end of the period</b> | <b>7 600</b>    | <b>6 989</b>    |

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The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

# Art Gallery Board

## Notes to and forming part of the financial statements

### for the year ended 30 June 2018

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## 1 Basis of financial statements

### 1.1 Reporting entity

The Art Gallery Board (the Board) is a 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.

### 1.2 Statement of compliance

These financial statements have been prepared in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards (Reduced Disclosure Requirements) and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*.

The Board has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the Board is a not-for-profit entity. Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Department for the period ending 30 June 2018.

### 1.3 Basis of preparation

The financial statements have been prepared based on a 12 month 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 on a different basis.

All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars (\$'000).

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.

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

Significant accounting policies are set out in the notes.

### 1.4 Taxation

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 and services is not recoverable from the Australian Taxation Office (ATO), 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
- receivables and payables, which are stated with the amount of GST included.

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 State Development (DSD), 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.

**Art Gallery Board**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2018*

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**2 Objectives**

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.

**3 Staff benefits**

**Staff benefits expenses**

|  | <b>2018</b>   | <b>2017</b>   |
|--|---------------|---------------|
|  | <b>\$'000</b> | <b>\$'000</b> |
| Salaries and wages                                   | 5 486         | 4 723         |
| Annual leave   | 481           | 431           |
| Board fees   | 36            | 27            |
| Long service leave                                   | 302           | 84            |
| Payroll tax  | 338           | 285           |
| Skills and experience retention leave                | 24            | 21            |
| Staff on-costs - Superannuation*                     | 603           | 508           |
| Targeted voluntary separation payments (refer below) | -             | 53            |
| Workers compensation provision adjustment            | ( 62)         | 29            |
| Other staff related expenses                         | 85            | 110           |
| <b>Total staff benefits</b>                          | <b>7 293</b>  | <b>6 271</b>  |

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

**Art Gallery Board**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2018*

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**3 Staff benefits (continued)**

| Targeted voluntary separation packages (TVSPs)                                  | 2018<br>\$'000 | 2017<br>\$'000 |
|---|----------------|----------------|
| Amounts paid during the reporting period to separated staff:                    |                |                |
| TVSPs   | -              | 53             |
| Annual leave, LSL and skills and experience retention leave paid to those staff | -              | 49             |
| <b>Net cost to the Board</b>  | <b>-</b>       | <b>102</b>     |

|   |   |   |
|---|---|---|
| The number of staff who received a TVSP during the reporting period was | - | 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 Chairman and board members and the 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 \$371 000 (2017: \$360 000).

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 DTF) under section 6 of the *Parliamentary Remuneration Act 1990*.

| Remuneration of staff   | 2018<br>Number | 2017<br>Number |
|---|----------------|----------------|
| The number of staff whose remuneration received or receivable falls within the following bands: |                |                |
| \$149 001 to \$159 000  | -              | 1              |
| \$159 001 to \$169 000  | 1              | -              |
| \$329 001 to \$339 000  | -              | 1              |
| \$349 001 to \$359 000  | 1              | -              |
| <b>Total</b>  | <b>2</b>       | <b>2</b>       |

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. The total remuneration received or receivable by these staff for the year was \$510 000 (2017: \$482 000).

**Art Gallery Board**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2018*

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**4 Remuneration of board members**

Members that were entitled to receive remuneration for membership during the 2017-18 financial year were:

**Art Gallery Board**

TA Whiting (Chairman) (term expired 6 August 2017, reappointed 29 August 2017)

S Armitage

NR Balnaves AO

JD Fanning

JE McGill (appointed 12 December 2017)

JN Phillips

A Tisato

J Yuile (term expired 14 September 2017, reappointed 15 September 2017)

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

\$0 - \$9 999

**Total number of board members**

|  | <b>2018</b> | <b>2017</b> |
|--|-------------|-------------|
|  | 8           | 8           |
|  | <u>8</u>    | <u>8</u>    |

Remuneration of board members reflects all costs of performing board member duties including sitting fees, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received or receivable by the members was \$39 000 (2017: \$27 000).

**Art Gallery Board**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2018*

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**5 Supplies and services**

|                                       | <b>2018</b>   | <b>2017</b>   |
|---------------------------------------|---------------|---------------|
|                                       | <b>\$'000</b> | <b>\$'000</b> |
| Administration expenses               | 489           | 391           |
| Business services charge              | 185           | 264           |
| Catering                              | 221           | 193           |
| Conservation work                     | 963           | 862           |
| Consultants                           | 118           | 63            |
| Contractors                           | 271           | 216           |
| Cost of goods sold                    | 323           | 384           |
| Freight, courier, postage             | 452           | 331           |
| Entertainment                         | 20            | 13            |
| Fees - exhibitions and publications   | 2 745         | 302           |
| Foreign currency (gains)/losses       | (4)           | (2)           |
| Information technology                | 270           | 281           |
| Insurance & risk management           | 399           | 415           |
| Inventory written-off                 | -             | 196           |
| Maintenance                           | 197           | 113           |
| Marketing and promotion               | 3 798         | 1 217         |
| Materials                             | 432           | 145           |
| Minor equipment purchases and leasing | 437           | 176           |
| Motor vehicle expenses                | 45            | 41            |
| Preservation activities               | 68            | 62            |
| Public education                      | 11            | -             |
| Travel and accommodation              | 881           | 257           |
| Other                                 | 145           | 126           |
| <b>Total supplies and services</b>    | <b>12 466</b> | <b>6 046</b>  |

**Operating leases**

Operating lease payments (less any lease incentives) are recognised on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of benefits derived from the use of the leased assets.

**Consultants**

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

|  | <b>2018</b>   | <b>2018</b>   | <b>2017</b>   | <b>2017</b>   |
|--|---------------|---------------|---------------|---------------|
|  | <b>Number</b> | <b>\$'000</b> | <b>Number</b> | <b>\$'000</b> |
| Below \$10 000   | 2             | 2             | 2             | 8             |
| \$10 000 or above                                      | 1             | 116           | 1             | 55            |
| <b>Total paid / payable to the consultants engaged</b> | <b>3</b>      | <b>118</b>    | <b>3</b>      | <b>63</b>     |

**Art Gallery Board**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2018*

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**6 Accommodation and facilities**

|   | <b>2018</b>   | <b>2017</b>   |
|---|---------------|---------------|
|   | <b>\$'000</b> | <b>\$'000</b> |
| Accommodation                             | 96            | 91            |
| Electricity and gas                       | 660           | 378           |
| Facilities                                | 731           | 698           |
| Security                                  | 1 365         | 1 305         |
| <b>Total accommodation and facilities</b> | <b>2 852</b>  | <b>2 472</b>  |

**7 Depreciation and amortisation**

|  | <b>2018</b>   | <b>2017</b>   |
|--|---------------|---------------|
|  | <b>\$'000</b> | <b>\$'000</b> |
| <b>Depreciation</b>                        |               |               |
| Buildings and improvements                 | 1 218         | 1 207         |
| Plant and equipment                        | 33            | 38            |
| <b>Total depreciation</b>                  | <b>1 251</b>  | <b>1 245</b>  |
| <b>Amortisation</b>                        |               |               |
| Intangibles                                | 8             | 8             |
| <b>Total amortisation</b>                  | <b>8</b>      | <b>8</b>      |
| <b>Total depreciation and amortisation</b> | <b>1 259</b>  | <b>1 253</b>  |

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:

| <b>Class of asset</b>      | <b>Useful life (years)</b> |
|----------------------------|----------------------------|
| Buildings and improvements | 20 to 100                  |
| Plant and equipment        | 3 to 20                    |
| 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.

**Revision 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.

**Art Gallery Board**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2018*

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**8 Bequests and donations of cash and investments**

|                                     | <b>2018</b>   | <b>2017</b>   |
|-------------------------------------|---------------|---------------|
|                                     | <b>\$'000</b> | <b>\$'000</b> |
| Bequests                            | 3 070         | 2 246         |
| Donations                           | 1 796         | 2 717         |
| <b>Total bequests and donations</b> | <b>4 866</b>  | <b>4 963</b>  |

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

**9 Fees and charges**

|   | <b>2018</b>   | <b>2017</b>   |
|---|---------------|---------------|
|   | <b>\$'000</b> | <b>\$'000</b> |
| Fees for services                           | 384           | 434           |
| Admissions to temporary exhibitions         | 2 096         | 275           |
| <b>Total revenues from fees and charges</b> | <b>2 480</b>  | <b>709</b>    |

**10 Grants**

|                         | <b>2018</b>   | <b>2017</b>   |
|-------------------------|---------------|---------------|
|                         | <b>\$'000</b> | <b>\$'000</b> |
| Commonwealth Government | 485           | 64            |
| State Government        | 60            | 107           |
| Other external grants   | 520           | 428           |
| <b>Total grants</b>     | <b>1 065</b>  | <b>599</b>    |

**11 Investment income**

|                                | <b>2018</b>   | <b>2017</b>   |
|--------------------------------|---------------|---------------|
|                                | <b>\$'000</b> | <b>\$'000</b> |
| Interest income                | 150           | 95            |
| Dividends                      | 331           | 253           |
| Dividend imputation credits    | 157           | 110           |
| <b>Total investment income</b> | <b>638</b>    | <b>458</b>    |

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.

**Art Gallery Board**  
**Notes to and forming part of the financial statements**  
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**12 Net gain / (loss) from the disposal of non-current assets**

|  | 2018           | 2017         |
|--|----------------|--------------|
|  | \$'000         | \$'000       |
| <b>Investments</b>   |                |              |
| Proceeds from disposal   | 1 550          | 32           |
| Less net book value of assets disposed                           | <u>(1 519)</u> | <u>(52)</u>  |
| <b>Net gain / (loss) from the disposal of investments</b>        | <u>31</u>      | <u>(20)</u>  |
| <b>Property, plant and equipment</b>                             |                |              |
| Proceeds from disposal   | -              | 13           |
| Less net book value of assets disposed                           | <u>-</u>       | <u>(180)</u> |
| <b>Loss from the disposal of property, plant and equipment</b>   | <u>-</u>       | <u>(167)</u> |
| <b>Total assets</b>  |                |              |
| Proceeds from disposal   | 1 550          | 45           |
| Less net book value of assets disposed                           | <u>(1 519)</u> | <u>(232)</u> |
| <b>Net gain / (loss) from the disposal of non-current assets</b> | <u>31</u>      | <u>(187)</u> |

Gains/losses on disposal of non-current assets are recognised at the date control of the asset is passed to the buyer and are determined after deducting the cost of the asset from the proceeds at that time. When revalued assets are sold, the revaluation surplus is transferred to retained earnings.

**13 Resources received free of charge**

|  | 2018         | 2017         |
|--|--------------|--------------|
|  | \$'000       | \$'000       |
| Conservation services                          | 862          | 792          |
| Business services                              | <u>185</u>   | <u>299</u>   |
| <b>Total resources received free of charge</b> | <u>1 047</u> | <u>1 091</u> |

Resources received free of charge are recognised at their fair value.

**Conservation services**

Under an arrangement with Arts South Australia and Artlab Australia, both divisions of the Department of State Development, Artlab Australia receives SA Government appropriation to perform conservation services on the heritage collections of the Art Gallery. The value of the work performed is recognised as resources received free of charge in income and a corresponding amount included as conservation work expenditure in note 5 supplies and services.

**Business services**

On the 21 November 2016, approval was given by Cabinet to cease the intra-government charging model for services provided by Shared Services SA (SSSA) to general government sector agencies. As a result of this change, effective from 2017-18, SSSA is directly appropriation funded for the services provided by SSSA to general government agencies.

Under AASB 1004, *Contributions*, the contribution of services provided by SSSA to government agencies are disclosed in the financial statements as income because the fair value of the services can be reliably measured and the services would have been purchased if they had not been donated. A corresponding expense is recognised in the financial statements in note 5 supplies and services.

**Art Gallery Board**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2018*

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**14 Sponsorships**

|                           | <b>2018</b>   | <b>2017</b>   |
|---------------------------|---------------|---------------|
|                           | <b>\$'000</b> | <b>\$'000</b> |
| Cash sponsorships         | 723           | 270           |
| In-kind sponsorships      | 1 996         | 528           |
| <b>Total sponsorships</b> | <b>2 719</b>  | <b>798</b>    |

**15 Other income**

|                           | <b>2018</b>   | <b>2017</b>   |
|---------------------------|---------------|---------------|
|                           | <b>\$'000</b> | <b>\$'000</b> |
| Fundraising               | -             | 51            |
| Insurance recoveries      | -             | 4             |
| Other receipts            | 4             | (2)           |
| <b>Total other income</b> | <b>4</b>      | <b>53</b>     |

**16 Revenues from SA Government**

|  | <b>2018</b>   | <b>2017</b>   |
|--|---------------|---------------|
|  | <b>\$'000</b> | <b>\$'000</b> |
| <b>Revenues from SA Government</b>       |               |               |
| Recurrent operating grant                | 9 969         | 10 578        |
| Exhibition funding                       | 3 000         | 1 000         |
| Other                                    | 387           | 19            |
| <b>Total revenues from SA Government</b> | <b>13 356</b> | <b>11 597</b> |

The Board receives an annual operating grant, and funding for the purposes of holding exhibitions, from Arts South Australia, a division of the Department of State Development. Government grants are recognised as income in the period in which the Board obtains control over the grants.

**Art Gallery Board**  
**Notes to and forming part of the financial statements**  
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**17 Cash and cash equivalents**

|  | <b>2018</b>   | <b>2017</b>   |
|--|---------------|---------------|
|  | <b>\$'000</b> | <b>\$'000</b> |
| Deposits with the Treasurer            | 3 560         | 4 474         |
| Deposits with banks                    | 3 945         | 2 500         |
| Cash on hand                           | 95            | 15            |
| <b>Total cash and cash equivalents</b> | <b>7 600</b>  | <b>6 989</b>  |

Cash is measured at nominal amounts.

**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 Australian and New Zealand Banking Group Limited (ANZ) are funds held in term deposit facilities.

**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 ANZ accounts.

In 2017-18 deposits with the Treasurer were bearing a floating interest rate of 1.35% (2017: between 1.35% and 1.52%). The interest rates for the term deposits held with BankSA and ANZ as at 30 June 2018 are between 2.20% and 2.55% (2017: 2.30% and 3.00%).

**Art Gallery Board**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2018*

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**18 Receivables**

|                                      | 2018       | 2017       |
|--------------------------------------|------------|------------|
|                                      | \$'000     | \$'000     |
| <b>Current</b>                       |            |            |
| Prepayments                          | 8          | 20         |
| Receivables                          | 142        | 181        |
| Accrued income                       | 323        | 200        |
| <b>Total current receivables</b>     | <u>473</u> | <u>401</u> |
| <b>Non-current</b>                   |            |            |
| Prepayments                          | 2          | 3          |
| Receivables                          | 1          | 1          |
| <b>Total non-current receivables</b> | <u>3</u>   | <u>4</u>   |
| <b>Total receivables</b>             | <u>476</u> | <u>405</u> |

Receivables arise in the normal course of selling goods and services to the public and other government agencies. 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 income are non-interest bearing.

Collectability of receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that the Board will not be able to collect the debt.

**19 Non-current assets**

**Revaluation of non-current assets**

All non-current tangible assets are held at fair value and a revaluation of non-current assets or a group of assets is only performed when its fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than three years.

Land and buildings and heritage collections are re-valued every five years via (an independent/non-independent) Certified Practising Valuer or internal estimates based on indices or recent transactions.

If at any time management considers 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.

Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, when they are revalued to fair value.

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.

Upon disposal or de-recognition, any revaluation surplus relating to that asset is transferred to retained earnings.

**Art Gallery Board**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2018*

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**20 Property, plant and equipment**

|   | <b>2018</b>          | <b>2017</b>          |
|---|----------------------|----------------------|
|   | <b>\$'000</b>        | <b>\$'000</b>        |
| <b>Land, buildings and improvements</b>         |                      |                      |
| Land at fair value                              | 5 130                | 5 130                |
| Buildings and improvements at fair value        | 71 673               | 71 520               |
| Accumulated depreciation                        | <u>(36 289)</u>      | <u>(35 071)</u>      |
| <b>Total land, buildings and improvements</b>   | <b><u>40 514</u></b> | <b><u>41 579</u></b> |
| <br>  |                      |                      |
| <b>Work in progress</b>                         |                      |                      |
| Work in progress at cost                        | <u>84</u>            | <u>33</u>            |
| <b>Total work in progress</b>                   | <b><u>84</u></b>     | <b><u>33</u></b>     |
| <br>  |                      |                      |
| <b>Plant and equipment</b>                      |                      |                      |
| Plant and equipment at cost (deemed fair value) | 778                  | 750                  |
| Accumulated depreciation                        | <u>(540)</u>         | <u>(507)</u>         |
| <b>Total plant and equipment</b>                | <b><u>238</u></b>    | <b><u>243</u></b>    |
| <br>  |                      |                      |
| <b>Total property, plant and equipment</b>      | <b><u>40 836</u></b> | <b><u>41 855</u></b> |

**Acquisition and recognition**

Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value after allowing for accumulated depreciation.

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 (that is the amount recorded by the transferor public authority immediately prior to the restructure). Assets donated during the year have been brought to account at fair value.

All non-current tangible assets with a value of \$10 000 or greater are capitalised.

**Valuation of land and buildings**

An independent valuation of the land and buildings was conducted as at 30 June 2014 by Valcorp Australia Pty Ltd. The valuation of land and buildings at 30 June 2014 was prepared on a fair value basis in accordance with AASB 116 *Property, Plant and Equipment* and AASB 13 *Fair Value Measurement*.

The valuation was based on recent market transactions for similar land and buildings (non specialised) in the area and includes adjustment for factors specific to the land and building being valued such as size and location. The valuer arrived at fair value using the market approach.

The valuer used depreciated replacement cost for specialised land and buildings, due to there not being an active market for such land and buildings. The depreciated replacement cost considered the need for ongoing provision of government services; specialised nature of the assets, including the restricted use of the assets; the size, condition and location. The valuation was based on a combination of internal records, specialised knowledge and the acquisition/transfer costs.

**Art Gallery Board**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2018*

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**20 Property, plant and equipment (continued)**

**Carrying amount of plant and equipment**

All items of plant and equipment had a fair value at the time of acquisition that was less than \$1 million or had an estimated useful life that was less than three years, and have not been revalued in accordance with Accounting Policy Framework III *Asset Accounting Framework (APF III)*. The carrying value of these items are deemed to approximate fair value.

**Impairment**

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 2018.

**Movement reconciliation of property, plant and equipment**

|   | Land          | Buildings and<br>improvements | Work in<br>progress | Plant and<br>equipment | Total tangible<br>assets |
|---|---------------|-------------------------------|---------------------|------------------------|--------------------------|
| <b>2018</b>                                   | <b>\$'000</b> | <b>\$'000</b>                 | <b>\$'000</b>       | <b>\$'000</b>          | <b>\$'000</b>            |
| Carrying amount at the beginning of period    | 5 130         | 36 449                        | 33                  | 243                    | 41 855                   |
| Additions                                     | -             | -                             | 204                 | 28                     | 232                      |
| Depreciation and amortisation                 | -             | (1 218)                       | -                   | (33)                   | (1 251)                  |
| Transfers to/(from) capital works in progress | -             | 153                           | (153)               | -                      | -                        |
| <b>Carrying amount at the end of period</b>   | <b>5 130</b>  | <b>35 384</b>                 | <b>84</b>           | <b>238</b>             | <b>40 836</b>            |

|   | Land          | Buildings and<br>improvements | Work in<br>progress | Plant and<br>equipment | Total tangible<br>assets |
|---|---------------|-------------------------------|---------------------|------------------------|--------------------------|
| <b>2017</b>                                   | <b>\$'000</b> | <b>\$'000</b>                 | <b>\$'000</b>       | <b>\$'000</b>          | <b>\$'000</b>            |
| Carrying amount at the beginning of period    | 5 130         | 37 656                        | -                   | 415                    | 43 201                   |
| Additions                                     | -             | -                             | 78                  | -                      | 78                       |
| Depreciation and amortisation                 | -             | (1 207)                       | -                   | (38)                   | (1 245)                  |
| Transfers to/(from) capital works in progress | -             | -                             | (45)                | 45                     | -                        |
| Disposals                                     | -             | -                             | -                   | (179)                  | (179)                    |
| <b>Carrying amount at the end of period</b>   | <b>5 130</b>  | <b>36 449</b>                 | <b>33</b>           | <b>243</b>             | <b>41 855</b>            |

**Art Gallery Board**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2018*

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**21 Intangible assets**

|                          | 2018<br>\$'000 | 2017<br>\$'000 |
|--------------------------|----------------|----------------|
| <b>Intangibles</b>       |                |                |
| Computer software        | 40             | 40             |
| Accumulated amortisation | (30)           | (22)           |
| <b>Total intangibles</b> | <b>10</b>      | <b>18</b>      |

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost and are tested for indications of impairment at each reporting date. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. The Board only has intangible assets with finite lives. The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

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.

**Impairment**

There were no indications of impairment of intangibles as at 30 June 2018.

**22 Heritage collections**

|   | 2018                      |                   |                 | 2017                      |                   |                 |
|---|---------------------------|-------------------|-----------------|---------------------------|-------------------|-----------------|
|   | At<br>valuation<br>\$'000 | At cost<br>\$'000 | Total<br>\$'000 | At<br>valuation<br>\$'000 | At cost<br>\$'000 | Total<br>\$'000 |
| Australian paintings and sculptures     | 275 459                   | 10 046            | 285 505         | 275 459                   | 4 771             | 280 230         |
| Australian and European decorative arts | 42 357                    | 969               | 43 326          | 42 357                    | 531               | 42 888          |
| Asian art                               | 27 772                    | 1 511             | 29 283          | 27 772                    | 812               | 28 584          |
| European paintings and sculptures       | 339 366                   | 189               | 339 555         | 339 366                   | 1                 | 339 367         |
| Prints, drawings and photographs        | 52 842                    | 3 164             | 56 006          | 52 842                    | 2 053             | 54 895          |
| Numismatics                             | 10 450                    | -                 | 10 450          | 10 450                    | -                 | 10 450          |
| Philatelic material                     | 791                       | -                 | 791             | 791                       | -                 | 791             |
| Library                                 | 2 898                     | 33                | 2 931           | 2 898                     | 12                | 2 910           |
| Collections on instalments              | 758                       | (298)             | 460             | 758                       | (531)             | 227             |
| <b>Total heritage collections</b>       | <b>752 693</b>            | <b>15 614</b>     | <b>768 307</b>  | <b>752 693</b>            | <b>7 649</b>      | <b>760 342</b>  |

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

**Reconciliation of carrying amounts of heritage collections**

| <b>2018</b>                             | <b>Opening<br/>balance</b> | <b>Additions</b> | <b>Closing<br/>balance</b> |
|---|----------------------------|------------------|----------------------------|
|   | <b>\$'000</b>              | <b>\$'000</b>    | <b>\$'000</b>              |
| Australian paintings and sculptures     | 280 230                    | 5 275            | 285 505                    |
| Australian and European decorative arts | 42 888                     | 438              | 43 326                     |
| Asian art                               | 28 584                     | 699              | 29 283                     |
| European paintings and sculptures       | 339 367                    | 188              | 339 555                    |
| Prints, drawings and photographs        | 54 895                     | 1 111            | 56 006                     |
| Numismatics                             | 10 450                     | -                | 10 450                     |
| Philatelic material                     | 791                        | -                | 791                        |
| Library                                 | 2 910                      | 21               | 2 931                      |
| Collections on instalments              | 227                        | 233              | 460                        |
| <b>Total heritage collections</b>       | <b>760 342</b>             | <b>7 965</b>     | <b>768 307</b>             |

| <b>2017</b>                             | <b>Opening<br/>balance</b> | <b>Additions</b> | <b>Closing<br/>balance</b> |
|---|----------------------------|------------------|----------------------------|
|   | <b>\$'000</b>              | <b>\$'000</b>    | <b>\$'000</b>              |
| Australian paintings and sculptures     | 275 459                    | 4 771            | 280 230                    |
| Australian and European decorative arts | 42 357                     | 531              | 42 888                     |
| Asian art                               | 27 772                     | 812              | 28 584                     |
| European paintings and sculptures       | 339 366                    | 1                | 339 367                    |
| Prints, drawings and photographs        | 52 842                     | 2 053            | 54 895                     |
| Numismatics                             | 10 450                     | -                | 10 450                     |
| Philatelic material                     | 791                        | -                | 791                        |
| Library                                 | 2 898                      | 12               | 2 910                      |
| Collections on instalments              | 758                        | (531)            | 227                        |
| <b>Total heritage collections</b>       | <b>752 693</b>             | <b>7 649</b>     | <b>760 342</b>             |

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

| <b>Collection</b>                                      | <b>Specialist valuer</b> |
|--|--------------------------|
| 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             |

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

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.

Replacement value for insurance purposes was defined as the estimated amount that one would expect to pay for the same or similar item in a retail setting from a reputable merchant at the date of valuation. 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.

**23 Investments**

|   | <b>2018</b>   | <b>2017</b>   |
|---|---------------|---------------|
|   | <b>\$'000</b> | <b>\$'000</b> |
| <b>Shares and other direct investments in companies</b> |               |               |
| Carrying amount at the beginning of period              | 6 004         | 4 186         |
| Additions at book value                                 | 1 219         | -             |
| Transfers in  | 2 971         | 1 870         |
| Disposals at book value                                 | (1 519)       | (52)          |
| <b>Total investments</b>                                | <b>8 675</b>  | <b>6 004</b>  |

Investments are brought to account at cost in accordance with Accounting Policy Framework IV *Financial Asset and Liability Framework* APS 2.1.

The market value of investments as at 30 June 2018 is \$9.2 million (\$6.6 million).

**Art Gallery Board**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2018*

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**24 Other assets**

|  | <b>2018</b>     | <b>2017</b>     |
|--|-----------------|-----------------|
|  | <b>\$'000</b>   | <b>\$'000</b>   |
| <b>Current</b>                                   |                 |                 |
| Forward foreign exchange contract net receivable | 2               | -               |
| <b>Total current other assets</b>                | <u>2</u>        | <u>-</u>        |
| <b>Non-current</b>                               |                 |                 |
| Forward foreign exchange contract net receivable | 2               | -               |
| <b>Total non-current other assets</b>            | <u>2</u>        | <u>-</u>        |
| <b>Total other assets</b>                        | <u><u>4</u></u> | <u><u>-</u></u> |

**25 Payables**

|                                   | <b>2018</b>       | <b>2017</b>       |
|-----------------------------------|-------------------|-------------------|
|                                   | <b>\$'000</b>     | <b>\$'000</b>     |
| <b>Current</b>                    |                   |                   |
| Creditors and accruals            | 595               | 350               |
| Staff on-costs                    | 133               | 116               |
| <b>Total current payables</b>     | <u>728</u>        | <u>466</u>        |
| <b>Non-current</b>                |                   |                   |
| Staff on-costs                    | 109               | 102               |
| <b>Total non-current payables</b> | <u>109</u>        | <u>102</u>        |
| <b>Total payables</b>             | <u><u>837</u></u> | <u><u>568</u></u> |

Employment on-costs include Payroll Tax, Workcover levies and superannuation contributions. 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.

As a result of an actuarial assessment performed by the Department of Treasury and Finance (DTF), the percentage of the proportion of long service leave taken as leave in 2018 was 41% (2017: 40%). The average factor for the calculation of employer superannuation cost on-cost has decreased from the 2017 rate of 10.1% to 9.9%. These rates are used in the employment on-cost calculation. The net financial impact of these changes in the current financial year is immaterial.

**Interest rate and credit risk**

Payables are measured at nominal amounts. Creditors and accruals are raised for all amounts owing but unpaid. Sundry creditors are normally settled within 30 days from the date the invoice is first received.

**Art Gallery Board**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2018*

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**26 Staff benefits liabilities**

|   | <b>2018</b>   | <b>2017</b>   |
|---|---------------|---------------|
|   | <b>\$'000</b> | <b>\$'000</b> |
| <b>Current</b>                          |               |               |
| Annual leave                            | 640           | 544           |
| Long service leave                      | 134           | 89            |
| Skills and experience retention leave   | 30            | 28            |
| Accrued salaries and wages              | 110           | 102           |
| <b>Total current staff benefits</b>     | <b>914</b>    | <b>763</b>    |
| <b>Non-current</b>                      |               |               |
| Long service leave                      | 1 187         | 1 112         |
| <b>Total non-current staff benefits</b> | <b>1 187</b>  | <b>1 112</b>  |
| <b>Total staff benefits</b>             | <b>2 101</b>  | <b>1 875</b>  |

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, wages, annual leave and skills and experience retention leave 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 skills and experience retention leave liability in full is expected to be payable within 12 months and are 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 of 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.

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

The actuarial assessment performed by the Department of Treasury and Finance (DTF) 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 across government.

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 in 2018 remained unchanged from the 2017 rate at 2.5%.

The actuarial assessment performed by the DTF left the salary inflation rate at 4% for long service leave liability and 3% for annual leave and skills, experience and retention leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

**Art Gallery Board**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2018*

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**27 Provisions**

|   | <b>2018</b>   | <b>2017</b>   |
|---|---------------|---------------|
|   | <b>\$'000</b> | <b>\$'000</b> |
| <b>Current</b>  |               |               |
| Provision for workers compensation                                  | 13            | 38            |
| <b>Total current provisions</b>                                     | <b>13</b>     | <b>38</b>     |
| <b>Non-current</b>  |               |               |
| Provision for workers compensation                                  | 20            | 57            |
| <b>Total non-current provisions</b>                                 | <b>20</b>     | <b>57</b>     |
| <b>Total provisions</b>   | <b>33</b>     | <b>95</b>     |
| <b>Provision movement</b>   |               |               |
| Carrying amount at the beginning of the period                      | 95            | 66            |
| Additional provisions recognised                                    | -             | 77            |
| Reductions resulting from settlement of claims                      | (14)          | (48)          |
| Reductions resulting from re-measurement or settlement without cost | (48)          | -             |
| <b>Carrying amount at the end of the period</b>                     | <b>33</b>     | <b>95</b>     |

A liability 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 2018 provided by a consulting actuary engaged through the Office for the Public Sector (a division of the Department of the Premier and Cabinet). 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.

**28 Other liabilities**

|  | <b>2018</b>   | <b>2017</b>   |
|--|---------------|---------------|
|  | <b>\$'000</b> | <b>\$'000</b> |
| <b>Current</b>                         |               |               |
| Revenue received in advance            | 645           | 519           |
| <b>Total current other liabilities</b> | <b>645</b>    | <b>519</b>    |
| <b>Total other liabilities</b>         | <b>645</b>    | <b>519</b>    |

**Art Gallery Board**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2018*

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**29 Unrecognised contractual commitments**

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

Unrecognised contractual commitments are disclosed net of the amount of GST recoverable from, or payable to the Australian Taxation Office (ATO). If GST is not payable to, or recoverable from the ATO, the commitments and contingencies are disclosed on a gross basis.

**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:

|  | 2018      | 2017      |
|--|-----------|-----------|
|  | \$'000    | \$'000    |
| Within one year                                    | 17        | 16        |
| Later than one year but not longer than five years | 23        | 11        |
| <b>Total operating lease commitments</b>           | <b>40</b> | <b>27</b> |

The operating lease commitments comprise non-cancellable motor vehicle leases, with rental payable monthly in arrears. No contingent rental provisions exist within the lease agreements and no options exist to renew the leases at the end of their terms.

**Expenditure commitments - other**

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

|  | 2018         | 2017         |
|--|--------------|--------------|
|  | \$'000       | \$'000       |
| Within one year                                    | 2 073        | 1 678        |
| Later than one year but not longer than five years | 3 700        | 867          |
| <b>Total other commitments</b>                     | <b>5 773</b> | <b>2 545</b> |

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.

**30 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 *AASB118 Revenue* are met.

**Contingent liabilities**

The Board is not aware of any contingent liabilities as at 30 June 2018.

**Art Gallery Board**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2018*

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**31 Related party transactions**

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**

The Board received an annual recurrent operating grant of \$13.356 million (2017 \$10.578 million) from Arts South Australia, a division of the Department of State Development (DSD). The operating grant is the primary source of revenue for the Board and is disclosed under note 16.

In addition, the Board receives business services including from Shared Services SA, formerly a division of the Department of the Premier and Cabinet, now Department of Treasury and Finance, and conservation services from Artlab Australia, a division of DSD. These services received free of charge are disclosed under note 13.

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

**Art Gallery Board**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2018*

**32 Financial instruments / financial risk management**

**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 financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held.

**Liquidity risk**

The Board is funded principally from grants from Arts South Australia, a division of the Department of State Development. The Board works with Arts SA and Department of Treasury and Finance to determine the cash flows associated with its government-approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows.

**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 and financial liability are disclosed in the respective financial asset / financial liability note.

The carrying amounts of each of the following categories of financial assets and liabilities: held-to-maturity investments; loans and receivables; and financial liabilities measured at cost and fair value are detailed below.

| Category of financial asset and financial liability | Statement of Financial Position Line Item | Note | 2018                   |                   | 2017                   |                   |
|---|---|------|------------------------|-------------------|------------------------|-------------------|
|   |   |      | Carrying amount \$'000 | Fair value \$'000 | Carrying amount \$'000 | Fair value \$'000 |
| <b>Financial assets</b>                             |   |      |                        |                   |                        |                   |
| Cash and cash equivalents                           | Cash                                      | 17   | 7 600                  | 7 600             | 6 989                  | 6 989             |
| Loans and receivables                               | Receivables (1)(2)                        | 18   | 464                    | 464               | 380                    | 380               |
| Available for sale financial assets                 | Investments                               | 23   | 8 675                  | 9 173             | 6 004                  | 6 567             |
| Forward foreign exchange contract net receivable    | Other assets                              | 24   | 4                      | 4                 | -                      | -                 |
| <b>Total financial assets</b>                       |   |      | <b>16 743</b>          | <b>17 241</b>     | <b>13 373</b>          | <b>13 936</b>     |
| <b>Financial liabilities</b>                        |   |      |                        |                   |                        |                   |
| Financial liabilities (at cost)                     | Payables (1)                              | 25   | 552                    | 552               | 308                    | 308               |
| <b>Total financial liabilities</b>                  |   |      | <b>552</b>             | <b>552</b>        | <b>308</b>             | <b>308</b>        |

(1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. 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).

(2) The receivables amount disclosed here, excludes prepayments. Prepayments are presented in note 18 as receivables in accordance with paragraph 78(b) of AASB 101 *Presentation of Financial Statements*. However, prepayments are not financial assets as defined in AASB 132 *Financial Instruments: Presentation* as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

## Art Gallery Board

### Notes to and forming part of the financial statements for the year ended 30 June 2018

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#### 33 Impact of Standards and statements not yet implemented

The Board has assessed the impact of:

- new and changed Australian Accounting Standards Board Standards and Interpretations not yet implemented
- changes to Accounting Policy Statements issued by the Treasurer.

#### **AASB 9 *Financial instruments***

The revision to AASB 9 Financial Instruments applies to reporting periods beginning on or after 1 January 2018; that is to financial statements as 30 June 2019. AASB 9 *Financial Instruments* provides the principles for the classification, measurement, recognition, de-recognition and disclosure associated with financial assets and liabilities. The key changes include simplified requirements for classification and measurement of financial assets and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognised impairment only when incurred.

The Board has reviewed the impact of AASB 9 *Financial Instruments* on the classification and measurement of its financial assets. The following summarises the estimated impact to the categorisation and valuation of the amounts reported:

- Trade receivables and loan receivables will be classified and measured at amortised cost, similar to the current classification of loans and receivables. However, new impairment requirements will result in a provision being applied to all receivables rather than only on those receivables that are credit impaired. The Board will be adopting the simplified approach under AASB 9 *Financial Instruments* and measure lifetime expected credit losses on all trade receivables and contract assets using a provision matrix approach as a practical expedient to measure the impairment provision.
- The shares (\$7.269 million) and other direct investments (\$1.406 million) are currently recognised at cost (\$8.675 million) refer note 23. On adoption of AASB 9 *Financial Instruments*, the shares will be measured at fair value. These investments are held for strategic rather than financial purposes and the Board intends to make an irrevocable election on adoption of AASB 9 *Financial Instruments*, that each individual share will be categorised as Fair Value through Other Comprehensive Income (FVOCI). As such, while their fair value will be represented in the statement of Financial Position, changes in value will be recognised in Other Comprehensive Income rather than profit. The amount will not be recycled through profit when the shares are disposed of. The fair value of the shares \$7.749 million is reflected in note 32. At 30 June 2018, the other direct investments are listed fixed interest securities. On adoption of AASB 9 *Financial Instruments*, the fixed interest securities will be measured at amortised cost.

These changed amounts will form the opening balance of those items on the date AASB 9 Financial Instruments is adopted. However, the Board will not restate comparative figures for financial instruments on adopting AASB 9 Financial Instruments as from 2018-19. Aside from a number of one-off disclosures in the 2018-19 financial statements to explain the impact of adopting AASB 9 Financial Instruments, a number of new or changed ongoing disclosure requirements will apply from that time.

**Art Gallery Board**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2018*

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**33 Impact of Standards and statements not yet implemented (continued)**

**AASB 16 Leases**

This standard will apply for the first time to reporting periods beginning on or after 1 January 2019; that is to financial statements as 30 June 2020. The standard supersedes AASB 117 *Leases* and unlike AASB 117 *Leases*, AASB 16 *Leases* introduces a single lease accounting model for lessees, eliminating the distinction between operating and finance leases. Lessees will be required to recognise a right-of-use asset (representing rights to use the underlying leased asset) and a liability (representing the obligation to make lease payments) for all leases with a term of more than 12 months, unless the underlying assets are of low value.

The right-of-use asset will be initially recognised at cost, consisting of the initial amount of the associated lease liability, plus any lease payments made to the lessor at or before the effective date, less any lease incentive received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. The right-of-use asset will give rise to a depreciation expense.

The lease liability will be initially recognised at an amount equal to the present value of the lease payments during the lease term that are not yet paid. Current operating lease rental payments will no longer be expensed in the Statement of Comprehensive Income. They will be apportioned between a reduction in the recognised lease liability and the implicit finance charge (the effective rate of interest) in the lease. The finance cost will also be recognised as an expense.

AASB 16 *Leases* allows a 'cumulative approach' rather than full retrospective application to recognising existing operating leases. The Board will apply the 'cumulative approach', and will not need to restate comparative information. Instead, the cumulative effect of applying the standard is recognised as an adjustment to the opening balance of accumulated surplus (or other component of equity, as appropriate) at the date of initial application.

The Board has not yet quantified the exact impact on the Statement of Comprehensive Income or the Statement of Financial Position of applying AASB 16 *Leases* to its current operating leases, including the extent of additional disclosures required. The exact impact will not be known until the year of transition.

It is anticipated that there will be a marginal impact each year on net result due to recognition of depreciation and interest on lease liabilities as expenses. There will be no impact on the total net result over the life of the lease.

The classification of cash flows will be affected as operating lease payments will be split into a principal and interest portion which will be presented as financing and operating cash flows respectively. Currently, operating lease payments are presented as operating cash flows and recorded as commitments, which are not captured in the Statement of Financial Position.

**AASB 15 Revenue from contracts with customers and AASB 1058 Income of not-for-profit entities**

These standards will apply for the first time to reporting periods beginning on or after 1 January 2019; that is to financial statements as 30 June 2020. The Board has commenced analysing the new revenue recognition requirements under these standards and is yet to form conclusions about significant impacts.

The Board does not currently have any revenue contract with a material impact for the period after 1 July 2018 and will monitor the impact of any such contracts subsequently entered into before the new standards take effect.

Under the new standards, grants presently recognised as revenue upfront may be eligible to be recognised as revenue progressively as the associated performance obligations are satisfied, but only if the associated performance obligations are enforceable and sufficiently specific. The Board has commenced evaluating the existing grant arrangements received as to whether revenue from those grants could be deferred under the new requirements. However, no conclusion or the potential impact, if any, has been determined at the present time.

**Art Gallery Board**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2018*

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**33 Impact of Standards and statements not yet implemented (continued)**

Grants that are not enforceable and/or not sufficiently specific will not qualify for deferral, and continue to be recognised as revenue as soon as they are controlled. The Board receives several grants from both the Commonwealth and State Government for which there are no sufficiently specific performance obligations – the total of these grants in the 2017-18 year were \$1.065 million (refer note 10) and are expected to continue being recognised as revenue upfront assuming no change to the current grant arrangements.

**34 Events after the reporting date**

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June 2018 and before the date the financial statements are authorised for issue, where those events provide information about conditions that existed at 30 June 2018.

Note disclosure is made about events between 30 June 2018 and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June 2018 and which may have a material impact on the results of subsequent years.

As at 30 June 2018 and as at the date of this report, the Board is aware that it is the named beneficiary in three testamentary bequests. As at the date of this report, assets have been transferred to the Board which have been reflected in these financial statements. Further assets of an unknown value are still to be transferred to the Board and will be recognised as revenue when revenue recognition criteria under Australian Accounting Standard *AASB118 Revenue* are met.

Other than the above matter, 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.