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To the Chair Art Gallery Board

Opinion

I have audited the financial report of the Art Gallery Board for the financial year ended 30 June 2023.

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 2023, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards – Simplified Reporting Requirements.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2023
- a Statement of Financial Position as at 30 June 2023
- a Statement of Changes in Equity for the year ended 30 June 2023
- a Statement of Cash Flows for the year ended 30 June 2023
- notes, comprising material accounting policy information and other explanatory information
- a Certificate from the Chair, the Director and the Chief Financial Officer.

Basis for opinion

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

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

Responsibilities of the Director and the members of the Art Gallery Board for the financial report

The Director is responsible for the preparation of the financial report that gives a true and fair view in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and the Australian Accounting Standards – Simplified Reporting Requirements, 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.

In preparing the financial report, the Director is responsible for assessing the entity's ability to continue as a going concern, taking into account any policy or funding decisions the government has made which affect the continued existence of the entity. The Director is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

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

Auditor's responsibilities for the audit of the financial report

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 20(3) of the *Art Gallery Act 1939*, I have audited the financial report of the Art Gallery Board for the financial year ended 30 June 2023.

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

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Art Gallery Board's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Director
- conclude on the appropriateness of the Director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the opinion. My conclusion is based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

I communicate with the Director and members of 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.



Daniel O'Donohue
Assistant Auditor-General (Financial Audit)

29 September 2023

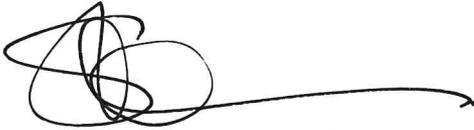
Art Gallery Board

Financial Statements

For the year ended 30 June 2023

We certify that the:

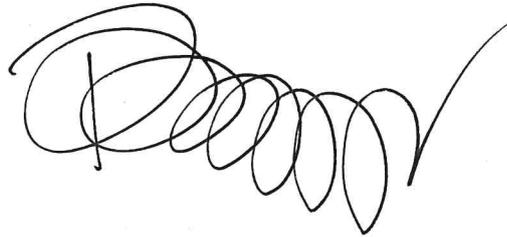
- financial statements of the Art Gallery Board:
 - are in accordance with the accounts and records of the Art Gallery Board;
 - comply with relevant Treasurer's Instructions;
 - comply with relevant accounting standards; and
 - present a true and fair view of the financial position of the Art Gallery Board at the end of financial year and the results of its operations and cash flows for the financial year.
- internal controls employed by the Art Gallery Board for the financial year over its financial reporting and its preparation of financial statements have been effective.



Sandy Verschoor

Chair

27 September 2023



Rhana Devenport ONZM

Director

27 September 2023



Lisa Lew

Chief Financial Officer

27 September 2023

Art Gallery Board
Statement of Comprehensive Income
for the year ended 30 June 2023

	Note	2023 \$'000	2022 \$'000
Income			
Grants	2.1	12 987	14 204
Fees and charges	2.2	1 885	219
Investment income	2.3	3 284	3 992
Resources received free of charge	2.5	6 282	9 875
Sale of goods	2.6	883	739
Intra-government transfers		432	-
Rent and facilities hire		133	73
Other income		229	517
Total income		26 115	29 619
Expenses			
Staff benefits expenses	3.3	7 867	7 566
Supplies and services	4.1	10 139	8 856
Net loss from the disposal of property plant and equipment	2.4	11	-
Accommodation and facilities	4.2	3 352	2 836
Depreciation and amortisation	5.1	1 245	1 245
Total expenses		22 614	20 503
Net result		3 501	9 116
Other comprehensive income			
Items that will not be reclassified to net result			
Changes in heritage collections asset revaluation surplus	5.4	-	20 623
Gain / (loss) on sale of investments classified as fair value through other comprehensive income	2.4	77	(726)
Changes in fair value of investments classified as fair value through other comprehensive income	6.3	2 356	(4 635)
Total other comprehensive income		2 433	15 262
Total comprehensive result		5 934	24 378

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

Art Gallery Board
Statement of Financial Position
as at 30 June 2023

	Note	2023 \$'000	2022 \$'000
Current assets			
Cash and cash equivalents	6.1	7 571	8 521
Receivables	6.2	1 469	1 429
Inventories		377	410
Total current assets		9 417	10 360
Non-current assets			
Receivables	6.2	5	5
Property, plant and equipment	5.1	30 295	30 767
Intangible assets	5.3	178	178
Heritage collections	5.4	820 176	816 800
Investments	6.3	51 747	48 321
Total non-current assets		902 401	896 071
Total assets		911 818	906 431
Current liabilities			
Payables	7.1	1 445	1 742
Staff benefits	3.4	659	756
Provisions	7.2	72	68
Financial liabilities	7.3	5	7
Contract liabilities	2.2	84	91
Total current liabilities		2 265	2 664
Non-current liabilities			
Payables	7.1	92	104
Staff benefits	3.4	917	1 087
Provisions	7.2	272	246
Financial liabilities	7.3	8	-
Total non-current liabilities		1 289	1 437
Total liabilities		3 554	4 101
Net assets		908 264	902 330
Equity			
Asset revaluation surplus	8.1	366 733	366 733
Investment reserve	8.1	4 526	2 170
Retained earnings		537 005	533 427
Total equity		908 264	902 330

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

Art Gallery Board
Statement of Changes in Equity
for the year ended 30 June 2023

	Asset revaluation surplus \$'000	Investment reserve \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2021	346 110	6 805	525 037	877 952
Net result for 2021-22	-	-	9 116	9 116
Loss on sale of investments classified as fair value through other comprehensive income	-	(726)	-	(726)
Transfer of revaluation loss on sale of investments from investment reserve to retained earnings	-	726	(726)	-
Fair value movement of investments classified as fair value through other comprehensive income	-	(4 635)	-	(4 635)
Gain on revaluation of heritage collections during 2019-20	20 623	-	-	20 623
Total comprehensive result for 2021-22	20 623	(4 635)	8 390	24 378
Balance at 30 June 2022	366 733	2 170	533 427	902 330
Net result for 2022-23	-	-	3 501	3 501
Gain on sale of investments classified as fair value through other comprehensive income	-	77	-	77
Transfer of revaluation gain on sale of investments from investment reserve to retained earnings	-	(77)	77	-
Fair value movement of investments classified as fair value through other comprehensive income	-	2 356	-	2 356
Total comprehensive result for 2022-23	-	2 356	3 578	5 934
Balance at 30 June 2023	366 733	4 526	537 005	908 264

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

Art Gallery Board
Statement of Cash Flows
for the year ended 30 June 2023

	2023	2022
Note	\$'000	\$'000
Cash flows from operating activities		
Cash inflows		
Grants	13 127	14 438
Fees and charges	1 850	222
Investment receipts	3 431	3 325
Rent and facilities hire	64	135
Resources received free of charge	3 181	2 511
Sale of goods	892	738
Other receipts	246	521
GST recovered from DPC	826	790
Intra-government transfers	432	-
Cash generated from operations	24 049	22 680
Cash outflows		
Staff benefits payments	(8 134)	(7 622)
Payments for supplies and services	(9 369)	(8 383)
Payments for accommodation and facilities	(3 674)	(3 179)
Cash used in operations	(21 177)	(19 184)
Net cash provided by operating activities	2 872	3 496
Cash flows from investing activities		
Cash inflows		
Proceeds from sales/maturities of investments	1 336	1 890
Cash generated from investing activities	1 336	1 890
Cash outflows		
Purchase of heritage collections	(2 198)	(3 357)
Purchase of investments	(2 172)	(2 966)
Purchase of property, plant and equipment	(785)	(504)
Cash used in investing activities	(5 155)	(6 827)
Net cash (used in) investing activities	(3 819)	(4 937)
Cash flows from financing activities		
Cash outflows		
Repayment of principal portion of lease liabilities	(3)	(7)
Cash used in financing activities	(3)	(7)
Net cash (used in) financing activities	(3)	(7)
Net (decrease) in cash and cash equivalents	(950)	(1 448)
Cash and cash equivalents at the beginning of the reporting period	8 521	9 969
Cash and cash equivalents at the end of the reporting period	7 571	8 521

The accompanying notes form part of these financial statements.

Art Gallery Board

Notes to and forming part of the financial statements

For the year ended 30 June 2023

1. About the Art Gallery Board

The Art Gallery Board (the Board) is a not-for-profit statutory authority of the State of South Australia, established 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 (AGSA) under the Act.

The financial statements include all controlled activities of the Board including the Art Gallery Foundation.

1.1 Basis of preparation

These financial statements are general purpose financial statements prepared in accordance with:

- section 23 of the *Public Finance and Audit Act 1987*;
- Treasurer's Instructions and accounting policy statements issued by the Treasurer under the *Public Finance and Audit Act 1987*; and
- relevant Australian Accounting Standards, applying simplified disclosures.

The financial statements have been prepared based on a 12 month reporting period and presented in Australian currency. All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars (\$'000). The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured.

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 Board is dependent on a State Government grant for its operations.

Significant accounting policies are set out throughout the notes.

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

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

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

AGSA is grouped with the Department of Premier and Cabinet (DPC) for GST purposes, and accordingly DPC prepares the Business Activity Statement on behalf of the Board via the grouping provisions of the GST legislation.

Notwithstanding the use of these grouping provisions, intercompany cash alignment occurs to ensure AGSA either recovers the net amount of GST recoverable from or disburses the amount payable to the ATO from DPC.

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

1.2 Objectives and Programs

The objectives of the AGSA are to:

- collect heritage and contemporary works of art of aesthetic excellence and cultural 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

Art Gallery Board
Notes to and forming part of the financial statements
For the year ended 30 June 2023

1.2 Objectives and Programs (continued)

- 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 and responsibly.
- advise the South Australian Government on the allocation of South Australian resources to works of art, art collections, art museums and art associations.

Art Gallery Board
Notes to and forming part of the financial statements
For the year ended 30 June 2023

2. Income

2.1. Grants

	2023	2022
	\$'000	\$'000
Recurrent operating grant	9 392	11 609
State Government grants	1 136	1 238
External grants	2 155	687
Commonwealth Government grants	304	670
Total grants	12 987	14 204

The Board receives an annual recurrent operating grant from DPC for the operations of the Gallery. This is recognised as revenue on receipt.

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

Commonwealth Government grants are recognised as income on receipt. Obligations for these grants are required to be met by the State of South Australia. For accounting purposes, the obligations under the funding arrangements do not sit with the Board. The Commonwealth has provided funding to the State for the Adelaide Biennial of Australian Art and the Tarnanthi Art Fair.

2.2. Fees and charges

	2023	2022
	\$'000	\$'000
Fees for services	301	215
Admissions to temporary exhibitions	1 584	4
Total fees and charges	1 885	219

The Board recognises revenue from:

- Admission to temporary exhibitions: General entry to the Gallery is free however charges apply for some exhibitions. Revenue from entry is recognised at a point in time when the performance obligation is discharged, which is once entry is granted.
- Fees for services include image handling fees, usage fees for film/television/internet/publication, furnishing loans, public programs, workshops and seminars. Revenue from these services is recognised on a time and material basis as services are provided.

Some revenues have been received before the services are provided and are reported as contract liabilities until revenue is recognised. A contract liability of \$83 893 has been recognised at 30 June 2023 (2022: \$91 097).

Art Gallery Board
Notes to and forming part of the financial statements
For the year ended 30 June 2023

2.3. Investment income

	2023	2022
	\$'000	\$'000
Dividends	1 676	2 509
Dividend imputation credits	665	1 079
Trust Distributions	562	449
Interest income	224	154
(Loss) / gain on market value movement of investments	157	(202)
Other	-	3
Total investment income	3 284	3 992

The majority of the investment income is derived from investments acquired through bequests and donations which may have specific terms and conditions attached.

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

	2023	2022
	\$'000	\$'000
Property, plant and equipment		
Proceeds from disposal	-	-
Less carrying amount assets disposed	(11)	-
Net gain/(loss) from disposal of Property, plant and equipment	(11)	-
Investments		
Proceeds from disposal	1 336	1 890
Less value on sale of investments classified as fair value through other comprehensive income	(1 259)	(2 616)
Net gain / (loss) from the disposal of investments	77	(726)
Total assets		
Total Proceeds from disposal	1 336	1 890
Less total carrying amount assets disposed	(1 270)	(2 616)
Total net gain / (loss) from the disposal of non-current assets	66	(726)

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

Art Gallery Board
Notes to and forming part of the financial statements
For the year ended 30 June 2023

2.5. Resources received free of charge

	2023	2022
	\$'000	\$'000
Bequests	1 256	304
Donations	1 675	1 921
Donations of heritage assets	1 178	5 824
Cash sponsorships	228	260
In-kind sponsorships	162	158
Conservation services	1 423	1 178
Services received free of charge - IT and Telecommunication services - DPC	81	61
Services received free of charge - Shared Services SA	242	169
Services received free of charge - Media Monitoring - DPC	37	-
Total resources received free of charge	6 282	9 875

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

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

Contributions of services are recognised only when a fair value can be determined reliably, and the services would be purchased if they had not been donated.

The Board receives Financial Accounting, Taxation, Payroll, Accounts Payable and Accounts Receivable services from Shared Services SA free of charge. In addition, information technology, telecommunication and media monitoring were received from the DPC free of charge, following Cabinet's approval to cease intra-government charging.

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

2.6. Sale of goods

	2023	2022
	\$'000	\$'000
Sale of goods	883	739
Total revenues from sale of goods	883	739

Revenue from the sale of goods related to store sales e.g. merchandise, cards, books, is recognised when the item is provided/delivered to the customer. Refunds would only be provided for faulty goods. Based on experience, no material refunds are expected to occur and therefore no related provision is made for any sale of goods.

Art Gallery Board
Notes to and forming part of the financial statements
For the year ended 30 June 2023

3. Board, committees and staff

3.1. Key management personnel

Key management personnel of the Board during the year include the Minister for the Arts, the Chair and seven board members, the Director, Assistant Director of Operations, Assistant Director of Artistic Programs, Head of Philanthropy and Enterprise, Chief Financial Officer and the former Deputy Director of the Art Gallery of South Australia, who have responsibility for the strategic direction and management of the Gallery.

Total compensation for the key management personnel was \$612 000 in 2022-23 and \$670 000 in 2021-22. This amount excludes salaries and other benefits the Minister for the Arts receives. The Minister for the Arts remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) (DTF) under section 6 of the *Parliamentary Remuneration Act 1990*.

There were no transactions to disclose for key management personnel and related parties during the reporting period.

3.2. Board and committee members

Members during the 2023 financial year were:

Art Gallery Board

- S Verschoor (Chair) (appointed 6 April 2023)
- JD Karas (former Chair) (term expired 1 April 2023)
- S Armitage
- JD Fanning (resigned 30 April 2023)
- AP Nunn
- A Page
- A Tisato (appointed 8 September 2022)
- KW Watkins
- JE Yuile (deceased 6 May 2023)

Board and committee remuneration

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

	2023	2022
	No	No
\$0 - \$19 999	9	8
Total number of members	9	8

The total remuneration received or receivable by members was \$33 000 (2022: \$22 000). Remuneration of members reflects all costs of performing board/committee duties including sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and any related fringe benefits tax.

In accordance with DPC Circular No.016, government employees did not receive any remuneration for board and committee duties during the reporting period.

Art Gallery Board
Notes to and forming part of the financial statements
For the year ended 30 June 2023

3.3. Staff benefits expenses

	2023	2022
	\$'000	\$'000
Salaries and wages	5 760	5 522
Annual leave	423	531
Employment on-costs - superannuation	643	612
Payroll tax	343	332
Long service leave	75	55
Other staff related expenses	83	89
Skills and experience retention leave	31	22
Workers compensation expenses	49	277
Board fees	30	20
Targeted voluntary separation payments	430	106
Total staff benefits expenses	7 867	7 566

Employment on-costs - superannuation

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

Staff remuneration

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

	2023	2022
	No	No
\$180 001 to \$200 000	-	1
\$280 001 to \$300 000	1	-
\$300 001 to \$320 000	-	1
Total	1	2

The total remuneration received or receivable by those staff for the year was \$300 000 (2022: \$500 000).

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

Targeted voluntary separation packages (TVSPs)

The number of staff who received a TVSP during the reporting period was five (2022: one).

	2023	2022
	\$'000	\$'000
Amounts paid to separated employees:		
Targeted voluntary separation packages	430	106
Leave paid to separated employees	155	69
	585	175
Recovery from DTF	(432)	-
Net cost to the Board	153	175

Art Gallery Board
Notes to and forming part of the financial statements
For the year ended 30 June 2023

3.4. Staff benefits liability

	2023 \$'000	2022 \$'000
Current		
Annual leave	520	632
Long service leave	111	86
Skills and experience retention leave	28	19
Accrued salaries and wages	-	19
Total current staff benefits	<u>659</u>	<u>756</u>
Non-current		
Long service leave	917	1 087
Total non-current staff benefits	<u>917</u>	<u>1 087</u>
Total staff benefits	<u><u>1 576</u></u>	<u><u>1 843</u></u>

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 current staff benefits are measured at nominal amounts.

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

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

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

Salary inflation rate for annual leave, and skills, experience and retention leave liability changed to 2.0% (1.5%: 2022).

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

Long service leave

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

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

The actuarial assessment performed by 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.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds has changed from 3.5% (2022) to 4.0% (2023).

This increase in the bond yield, which is used as the rate to discount future long service leave cash flows, results in a decrease in the reported long service leave liability. The net financial effect of the changes to actuarial assumptions in the current financial year is a decrease in the long service leave liability and employee expense of \$30 000.

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

The actuarial assessment performed by the DTF changed the salary inflation rate from 2.5% (2022) to 3.5% for long service leave liability.

Art Gallery Board
Notes to and forming part of the financial statements
For the year ended 30 June 2023

4. Expenses

4.1. Supplies and services

	2023	2022
	\$'000	\$'000
Fees	1 312	1 903
Marketing and promotion	1 569	1 335
Insurance and risk management	563	473
Contractors	1 179	618
Administration expenses	657	452
Minor equipment purchases and leasing	549	488
Information technology and communication charges	468	363
Freight, courier, postage	464	345
Travel and accommodation	201	248
Cost of goods sold	405	307
Conservation work	1 478	1 308
Materials	264	160
Catering	107	205
Audit fees *	53	52
Preservation activities	71	77
Maintenance	294	109
Storage	72	55
Motor vehicle expenses	21	21
Consultants	16	9
Business services charge	242	230
Inventory written-off	5	5
Other	149	93
Total supplies and services	10 139	8 856

* Audit fees paid/payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act 1987* of \$53 000 (2022: \$52 000). No other services were provided by the Auditor-General's Department.

4.2. Accommodation and facilities

	2023	2022
	\$'000	\$'000
Security	1 500	1 368
Facilities	860	684
Utilities	751	603
Accommodation	241	181
Total accommodation and facilities	3 352	2 836

The accommodation mentioned above is provided by the Department for Infrastructure and Transport under Memoranda of Administrative Arrangement issued in accordance with Government-wide accommodation policies. These arrangements do not meet the definition of a lease set out in *AASB 16 Leases* and accordingly are expensed. Most of the Board's accommodation is owned. Refer note 5.1.

Art Gallery Board
Notes to and forming part of the financial statements
For the year ended 30 June 2023

5. Non-financial assets

5.1. Property, plant and equipment by asset class

Reconciliation 2022-23

	Land	Buildings and improvements	Plant and equipment	Work in Progress	Computer equipment	Right of Use Vehicles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at the beginning of the period	7 440	23 095	221	-	2	9	30 767
Additions	-	-	23	750	-	12	785
Depreciation and amortisation	-	(1 183)	(56)	-	(2)	(4)	(1 245)
Disposals	-	-	(12)	-	-	-	(12)
Carrying amount at the end of the period	7 440	21 912	176	750	-	17	30 295
Gross carrying amount	7 440	65 950	886	750	12	20	75 058
Gross carrying amount	-	(44 038)	(710)	-	(12)	(3)	(44 763)
Accumulated depreciation	7 440	21 912	176	750	-	17	30 295

Art Gallery Board

Notes to and forming part of the financial statements

For the year ended 30 June 2023

5.1. Property, plant and equipment owned by the Board

Property, plant and equipment with a value equal to or in excess of \$10 000 is capitalised, otherwise it is expensed. Property, plant and equipment is recorded at 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.

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

Land and buildings

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

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

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

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

Plant and equipment

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

Review of accounting estimates

Assets' residual values, useful lives and depreciation/amortisation methods are reviewed and adjusted if appropriate, on an annual basis. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate.

Useful Life

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

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

5.2. Property, plant and equipment leased by the Board

Right-of-use assets leased by the Board as lessee are measured at cost and there were no indications of impairment.

The Board has one motor vehicle lease with the South Australian Government Financing Authority (SAFA). The motor vehicle lease is non-cancellable, with rental payments monthly in arrears. The motor vehicle lease terms can range from three years (60,000km) up to five years (100,000km) and no variable lease payments are provided for in the lease agreements. A maturity analysis of lease liabilities related to the right-of-use assets are disclosed in note 7.3.

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5.3. Intangible assets

Reconciliation 2022-23

	Computer software	Work in progress	Total
	\$'000	\$'000	\$'000
Carrying amount at the beginning of the period	-	178	178
Carrying amount at the end of the period	-	178	178
Gross carrying amount			
Gross carrying amount	40	178	218
Accumulated amortisation	(40)	-	(40)
Carrying amount at the end of the period	-	178	178

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

The acquisition of or internal development of software is capitalised only when the expenditure meets the definition and recognition criteria and when the amount of expenditure is greater than or equal to \$10 000. The work in progress amount represents website development for the digital strategy project.

5.4. Heritage collections

	2023			2022		
	At valuation	At cost	Total	At valuation	At cost	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Australian Art	237 919	1 007	238 926	237 919	-	237 919
Decorative Arts and Design	44 875	193	45 068	44 875	-	44 875
Asian Art	27 248	350	27 598	27 248	-	27 248
Aboriginal and Torres Strait Islander Art	28 142	52	28 194	28 142	-	28 142
Contemporary Art	47 652	551	48 203	47 652	-	47 652
International Art Pre-1980	360 468	961	361 429	360 468	-	360 468
Prints, drawings and photographs	54 540	244	54 784	54 540	-	54 540
Numismatics (coins)	11 620	-	11 620	11 620	-	11 620
Philatelic material (stamps)	1 007	-	1 007	1 007	-	1 007
Library	3 329	18	3 347	3 329	-	3 329
Total heritage collections	816 800	3 376	820 176	816 800	-	816 800

Art Gallery Board
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5.4 Heritage collections (continued)

Reconciliation 2022-23

	Opening balance	Additions	Revaluation / reclassification	Closing balance
	\$'000	\$'000	\$'000	\$'000
Australian Art	237 919	1 007	-	238 926
Decorative Arts and Design	44 875	193	-	45 068
Asian Art	27 248	350	-	27 598
Aboriginal and Torres Strait Islander Art	28 142	52	-	28 194
Contemporary Art	47 652	551	-	48 203
International Art Pre-1980	360 468	961	-	361 429
Prints, drawings and photographs	54 540	244	-	54 784
Numismatics (coins)	11 620	-	-	11 620
Philatelic material (stamps)	1 007	-	-	1 007
Library	3 329	18	-	3 347
Total as at 30 June 2023	816 800	3 376	-	820 176

Heritage collections are not depreciated

Heritage collections are kept under special conditions to reduce 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.

Valuation of heritage collections

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 last valued as at 30 June 2022.

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.

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

Australian Framework for the Valuation of Public Sector Collections for General Purpose Financial Reporting issued in November 2018 by the Council of Australasian Museum Directors.

The fair values placed on the heritage items were an estimate of what those items would achieve if they were to be sold in a commercial secondary market environment. The resources used were both secondary market (auction) prices and retail prices (where a secondary market was not available) from within Australia and internationally. The Art Gallery provenance that is associated with each object was also taken into account, giving it greater appeal and validity to the commercial market.

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

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

Art Gallery Board
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6. Financial assets

6.1. Cash and cash equivalents

	2023	2022
	\$'000	\$'000
Deposits with banks	4 107	5 464
Deposits with the Treasurer	3 460	3 052
Cash on hand	4	5
Total cash and cash equivalents	7 571	8 521

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 Premier and Cabinet Operating Account, an account held with the Treasurer of South Australia pursuant to section 8 of the PFAA.

Deposits with banks

Deposits with Macquarie Bank comprises cash related to the James and Diana Ramsay Bequest, which is managed by Knightsbridge Wealth Management, who are appointed by the James and Diana Ramsay Fund. Access is in accordance with the terms and conditions attributable to the bequest and is not available for the operating activities of the Board. Other deposits are funds held with the Bank of South Australia (Bank SA). Depending on the terms and conditions of the bequests and donations, the cash is not available for the operating activities of the Board.

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, the Macquarie Bank account related to the James and Diana Ramsay Bequest and the Bank SA account related to the AGSA Foundation.

Art Gallery Board
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6.2. Receivables

	2023	2022
	\$'000	\$'000
Current		
Trade receivables		
From government entities	-	-
From non-government entities	299	60
Less impairment loss on receivables	-	(1)
Total trade receivables	<u>299</u>	<u>59</u>
Statutory receivables		
Workers compensation recoveries	1	1
GST input tax recoverable from DPC	165	75
Total statutory receivables	<u>166</u>	<u>76</u>
Prepayments	54	40
Accrued investment income	950	1 254
Total current receivables	<u>1 469</u>	<u>1 429</u>
Non-current		
Statutory receivables		
Workers compensation recoveries	5	5
Total non-current receivables	<u>5</u>	<u>5</u>
Total receivables	<u><u>1 474</u></u>	<u><u>1 434</u></u>

Receivables arise in the normal course of selling goods and services to other government agencies and to the public. Receivables are normally settled within 30 days after the issue of an invoice, or the goods/services have been provided under a contractual arrangement.

Receivables, prepayments and accrued income are non-interest bearing. Receivables are held with the objective of collecting the contractual cash flows and they are measured at amortised cost.

Statutory receivables do not arise from contracts with customers. They are recognised and measured similarly to contractual receivables (except impairment) but are not classified as financial instruments for disclosure purposes.

The net amount of GST recoverable from the ATO (via DPC) is included as part of the receivables.

Allowance for impairment loss on receivables

Impairment losses relate to contracts with customers that are external to SA Government.

No allowance for impairment losses has been recognised in 2022-23.

Art Gallery Board
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6.3. Investments

	2023	2022
	\$'000	\$'000
Investments classified as fair value through other comprehensive income		
Listed equity instruments designated at fair value through other comprehensive income	42 962	40 560
Investments classified as fair value through profit and loss		
Listed debt instruments mandatorily measured at fair value through profit and loss	8 785	7 761
Total non-current investments	51 747	48 321
Total investments	51 747	48 321

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

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

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

Investment reconciliation

	2023	2022
	\$'000	\$'000
Shares and other direct investments in companies		
Carrying amount at the beginning of period	48 321	52 471
Additions at cost	2 172	3 303
Disposals at fair value	(1 259)	(2 616)
Revaluation of investments classified as FV through OCI	2 356	(4 635)
Revaluation of investments classified as FV through P&L	157	(202)
Total non-current investments	51 747	48 321
Total investments	51 747	48 321

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7. Liabilities

7.1. Payables

	2023	2022
	\$'000	\$'000
Current		
Trade payables	1 342	1 627
Statutory payables		
Employment on-costs	103	115
Total current payables	<u>1 445</u>	<u>1 742</u>
Non-current		
Statutory payables		
Employment on-costs	92	104
Total non-current payables	<u>92</u>	<u>104</u>
Total payables	<u>1 537</u>	<u>1 846</u>

Payables are measured at nominal amounts.

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

Employment on-costs

Employment on-costs include payroll tax, ReturnToWorkSA levies and superannuation contributions and are settled when the respective staff benefits that they relate to is discharged. These on-costs primarily relate to the balance of leave owing to employees. Estimates as to the proportion of long service leave estimated to be taken as leave, rather than paid on termination, affects whether certain on-costs are recognised as a consequence of long service leave liabilities.

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

As a result of an actuarial assessment performed by DTF, the portion of long service leave taken as leave has increased to 43% (2022: 42%) and the average factor for the calculation of employer superannuation contribution on-costs has increased to 11.1% (2022: 10.6%). These rates are used in the employment on-cost calculation. The net financial effect of these changes in the current financial year is immaterial. The estimated impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions.

7.2. Provisions

All provisions relate to workers compensation.

	2023	2022
	\$'000	\$'000
<i>Movement in provisions</i>		
Carrying amount at the beginning of the period	314	51
Additional provisions recognised	30	263
Carrying amount at the end of the period	<u>344</u>	<u>314</u>

Art Gallery Board
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7.2. Provisions (continued)

A provision has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2023 provided by a consulting actuary engaged through the Office of the Commissioner of Public Sector Employment. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

The Board is responsible for the payment of workers compensation claims. However is able to seek reimbursement for and payment of workers compensation medical redemption costs from DPC that may arise in the future to resolve claims.

7.3. Financial liabilities

All financial liabilities are lease liabilities. Lease liabilities have been measured at cost.

Right-of-use assets are disclosed in note 5.2.

A maturity analysis of lease liabilities based on undiscounted gross cash flows is reported in the table below:

	2023	2022
	\$'000	\$'000
Within one year	5	7
Later than one year but not longer than five years	8	-
Total lease liabilities (undiscounted)	13	7

8. Other disclosures

8.1. Equity

Asset revaluation surplus

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

Investment reserve

The investment reserve records all changes in fair value of investments classified as fair value through other comprehensive income.

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9. Outlook

9.1. Unrecognised commitments

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

The Board's expenditure commitments are for agreements for:

- Security and cleaning
- Netley storage complex
- Cooling Tower capital works
- Lift upgrade.

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

Expenditure commitments

	2023	2022
	\$'000	\$'000
Within one year	1 893	1 440
Later than one year but not longer than five years	5 372	652
Total expenditure commitments	7 265	2 092

Contractual commitments to acquire property, plant and equipment

	2023	2022
	\$'000	\$'000
Within one year	612	568
Total capital commitments	612	568

9.2. Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

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 are met.

The Board is not aware of any contingent liabilities as at 30 June 2023.

9.3. Events after the reporting period

An insurance claim existed at 30 June 2023 for storm damage to one of the Galleries. The Board accepted a settlement offer of \$46 582 in relation to this claim in September 2023.