

The Art Gallery
of Western Australia Foundation



Annual Financial Statements

2005–06

**Independent audit report to the Council Members of
The Art Gallery of Western Australia Foundation**

Audit opinion

In our opinion, the financial statements of The Art Gallery of Western Australia Foundation present fairly, in accordance with the accounting policies described in Note 2 to the financial statements, the financial position of the Art Gallery of Western Australia Foundation as at 30 June 2006, and the results of its operations and its cash flows for the year ended on that date.

This opinion must be read in conjunction with the rest of our audit report.

Scope

The financial statements and Council Members' responsibility

The financial statements, being a special purpose financial report, comprise the balance sheet, income statement, cash flow statement, accompanying notes to the financial statements, and the Council Members' declaration for The Art Gallery of Western Australia Foundation (the Foundation) for the year ended 30 June 2006. They have been prepared for distribution to the members.

The Council Members are responsible for the preparation and presentation of the financial statements. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial statement.

The Council Members have determined that the accounting policies used and described in Note 2 to the financial statements, including the basis of accounting are appropriate to meet the needs of the members.

Audit approach

We conducted an independent audit of the financial statements in order to express an opinion on them to the members of the Foundation. No opinion is expressed as to whether the accounting policies used, and described in Note 2, are appropriate to the needs of the members. We disclaim any assumption of responsibility for any reliance on this audit report or on the financial statements to which they relate to any person other than the members, or for any purpose other than that for which they were prepared.

Our audit was conducted in accordance with Australian Auditing Standards. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

We performed procedures to assess whether in all material respects the financial statements present fairly, in accordance with the accounting policies described in Note 2 to the financial statements, a view which is consistent with our understanding of the Foundation's financial

position, the results of its operations and its cash flows. These policies do not require the application of all Accounting Standards and other mandatory financial reporting requirements in Australia.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial statements, and
- assessing the reasonableness of significant accounting estimates made by the Council Members.

Our procedures include reading the other information included with the financial statements to determine whether it contains any material inconsistencies with the financial statements.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by Council Members or management.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.



PricewaterhouseCoopers



Pierre Dreyer
Partner


Perth
27 November 2006

Council Members' Declaration

As stated in Note 2(a) to the financial statements, in the Council Members' opinion, the Art Gallery of Western Australia Foundation is not a reporting entity because there are no users dependent on general purpose financial reports. This is a special purpose financial report that has been prepared for distribution to members.

The Council members declare that the financial statements and notes set out on pages 5 to 12 present fairly, in accordance with the accounting policies described in Note 2(a) to the financial statements, the Foundation's financial position as at 30 June 2006 and its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date.

In the Council members' opinion there are reasonable grounds to believe that the Foundation will be able to pay its debts as and when they become due and payable.



Brett Davies
*Chairman of the Council of the
Art Gallery of Western Australia Foundation*

27 November 2006

The Art Gallery of Western Australia Foundation

Statement of Income and Expenditure *for the year ended 30 June 2006*

	Note	2006 \$	2005 \$
THE ACQUISITION FUND			
Revenue			
Membership pledges received		78,827	71,600
Directed acquisitions		–	54,400
Interest on investment		129,097	123,880
Special viewings and functions		107,450	6,136
Total revenue		315,374	256,016
Expenditure			
Salaries and wages costs		64,324	82,850
Printing and publications costs		2,835	3,798
Special viewings and functions		33,599	4,321
Office costs		10,128	7,491
Contributions to the Art Gallery	3	–	52,945
Total expenditure		110,886	151,405
Operating result		204,488	104,611
Opening balance of fund		2,093,016	1,988,405
Transfer of funds to Contemporary Art Group	4	(15,773)	–
Closing balance of fund		2,281,731	2,093,016

THE LIVING CENTRE FUND

Revenue			
Membership pledges received		1,000	45,000
Interest on investment		5,035	12,991
Total revenue		6,035	57,991
Expenditure			
Office costs		–	39
Contributions to the Art Gallery	3	–	175,717
Total expenditure		–	175,756
Operating result		6,035	(117,765)
Opening balance of fund		117,410	235,175
Closing balance of fund		123,445	117,410

Statement of Income and Expenditure for the year ended 30 June 2006 – continued

	Note	2006 \$	2005 \$
CONTEMPORARY ART GROUP			
Revenue			
Membership pledges received		30,000	10,000
Interest on investment		5,216	2,078
Total revenue		35,216	12,078
Expenditure			
Printing and publications costs		2,390	–
Office costs		6,411	71
Contributions to the Art Gallery	3	19,455	600
Total expenditure		28,256	671
Operating result		6,960	11,407
Opening balance of fund		12,016	609
Transfer of funds from The Acquisition Fund	4	15,773	–
Closing balance of fund		34,749	12,016

FOUNDATION BEQUESTS

Revenue			
Bequests received		1,576,088	–
Interest on investment		41,746	–
Total revenue		1,617,834	–
Operating result		1,617,834	–
Opening balance of fund		–	–
Closing balance of fund		1,617,834	–
Closing balance of capital funds		4,057,759	2,222,442

The Statement of Income and Expenditure should be read in conjunction with the accompanying notes.

The Art Gallery of Western Australia Foundation

Balance Sheet *as at 30 June 2006*

	Note	2006 \$	2005 \$
CAPITAL FUNDS			
The Acquisition Fund			
Membership pledges		2,539,261	2,460,434
State Government contribution		500,000	500,000
Accumulated other net expenses		(741,757)	(867,418)
Transfer of funds to Contemporary Art Group	4	(15,773)	–
Total Acquisition fund		2,281,731	2,093,016
The Living Centre Fund			
Membership pledges		991,318	990,318
Accumulated other net expenses		(867,873)	(872,908)
Total Living Centre Fund		123,445	117,410
Contemporary Art Group			
Membership pledges		100,000	70,000
Accumulated other net expenses		(81,024)	(57,984)
Transfer of funds from The Acquisition Fund	4	15,773	–
Total Contemporary Art Group		34,749	12,016
Foundation Bequests			
Bequests received		1,576,088	–
Accumulated other net expenses		41,746	–
Total Contemporary Art Group		1,617,834	–
Total Capital Fund		4,057,759	2,222,442

Balance Sheet as at 30 June 2006 – continued

	Note	2006 \$	2005 \$
<i>Represented by:</i>			
CURRENT ASSETS			
Cash on deposit			
The Acquisition Fund		2,253,302	2,132,446
The Living Centre Fund		119,299	112,968
Contemporary Art Group		33,605	11,765
Foundation Bequests		1,595,782	–
Accrued interest			
The Acquisition Fund		31,502	11,764
The Living Centre Fund		1,071	1,367
Contemporary Art Group		1,146	254
Foundation Bequests		22,052	–
Accrued Income			
The Acquisition Fund		–	1,015
Total current assets		4,057,759	2,271,579
Total assets		4,057,759	2,271,579
CURRENT LIABILITIES			
Income received in advance			
The Acquisition Fund		–	49,137
Total current liabilities		–	49,137
Total liabilities		–	49,137
Net assets		4,057,759	2,222,442

The Balance Sheet should be read in conjunction with the accompanying notes.

The Art Gallery of Western Australia Foundation

Cash Flow Statement *for the year ended 30 June 2006*

	Note	2006 \$	2005 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
The Acquisition Fund			
Membership contributions		79,125	71,600
Directed acquisitions		–	54,400
Special viewings and functions		58,314	55,272
Expenditure		(110,886)	(98,459)
Payment to Art Gallery		–	(388,981)
Tom Malone Prize		–	(10,000)
The Living Centre Fund			
Membership contributions		1,000	45,000
Expenditure		–	(39)
Payment to Art Gallery		–	(175,717)
Contemporary Art Group			
Membership contributions		30,000	10,000
Expenditure		(8,802)	(71)
Payment to Art Gallery		(9,455)	(42,356)
Tom Malone Prize		(10,000)	–
Foundation Bequests			
Bequests received		1,576,088	–
Net cash provided by/(used in) operating activities	a	1,605,384	(479,351)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investment		139,425	136,042
Net cash provided by investing activities		139,425	136,042
Net increase/(decrease) in cash held		1,744,809	(343,309)
Cash at the beginning of the financial year		2,257,179	2,600,488
Cash at the end of the financial year	b	4,001,988	2,257,179

The Cash Flow Statement should be read in conjunction with the accompanying notes.

The Art Gallery of Western Australia Foundation

Notes to Cash Flow Statement *for the year ended 30 June 2006*

	2006	2005
	\$	\$
(a) Reconciliation of net cash provided by/(used in) operating activities to operating result:		
Operating result - The Acquisition Fund	204,488	104,611
Operating result - The Living Centre Fund	6,035	(117,765)
Operating result - Contemporary Art Group	6,960	11,407
Operating result - Foundation Bequests	1,617,834	(138,949)
Interest on investment	(181,811)	(387,792)
Income received in advance	(49,137)	49,137
Other non-cash items	1,015	-
Net cash used in operating activities	1,605,384	(479,351)

(b) The cash held comprises the following deposits:

Commonwealth Bank of Australia interest bearing account	4,001,988	2,257,179
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The Art Gallery of Western Australia Foundation

Notes to and forming part of the Accounts for the year ended 30 June 2006

1. OBJECTS OF THE ART GALLERY OF WESTERN AUSTRALIA FOUNDATION

The Art Gallery of Western Australia Foundation was established in 1989 following an amendment to the Art Gallery Act 1959, Section 28A, which provides:

'The objects of the foundation are –

- (a) to attract and retain for the Art Gallery the continuing interest and financial support of the community at large and to encourage donations to maintain, improve and develop the State collection of works of art and the facilities and well-being of the Art Gallery; and
- (b) to perform such other duties and exercise such other powers as are provided for in the rules.'

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES

(a) Basis of Accounting

In the Council Members' opinion, the Foundation is not a reporting entity because there are no users dependent on general-purpose financial reports.

This is a special purpose financial report that has been prepared for the sole purpose of complying with the Council Members' request to prepare and distribute a financial report and must not be used for any other purpose. The Council Members have determined that the accounting policies adopted are appropriate to meet their needs.

The financial report has been prepared in accordance with the applicable Australian Accounting Standards with the exception of the disclosure requirements in the following:

AASB 1:	First-time Adoption of Australian Equivalents to International Financial Reporting Standards
AASB 101:	Presentation of Financial Statements
AASB 107:	Cash Flow Statements
AASB 110:	Events after the Balance Sheet Date
AASB 112:	Income Taxes
AASB 114:	Segment Reporting
AASB 117:	Leases
AASB 118:	Revenue
AASB 119:	Employee Benefits
AASB 120:	Accounting for Government Grants and Disclosure of Government Assistance
AASB 124:	Related Party Disclosures
AASB 132:	Financial Instruments: Disclosure and Presentation
AASB 137:	Provisions, Contingent Liabilities and Contingent Assets

The financial report is prepared on the accrual basis of accounting in accordance with the historical cost convention. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year. Comparative information is reclassified where appropriate to enhance comparability.

(b) Accounting Policies

Membership pledges

Donor pledges of cash donations are recognised as membership pledges in the Income and Expenditure Statement when payment has been received.

Donated works of art

The value of works of art donated to the Art Gallery contributes towards membership of the Foundation. These donated works of art are recognised directly in the accounts of the Art Gallery and do not constitute income to the Foundation.

Contributions to the Art Gallery/Commitments

When the Foundation contributes funds towards the cost of acquiring Art Gallery assets, the cost is expensed in the year that the asset is on hand. As at 30 June 2006, works of art totalling \$20,868 (2005: nil) were committed from Contemporary Art Group funds but not yet received and have therefore not been included as Contributions to the Art Gallery in 2006.

Cash on deposit

Cash includes deposits at call with financial institutions and other highly liquid investments with short periods to maturity, which are readily convertible to cash on hand and are subject to insignificant risk of changes in value.

Cash deposits are held in a bank account which is administered by the Art Gallery of Western Australia. Payments made by the Art Gallery of Western Australia on behalf of the Foundation are recouped from cash balances on a regular basis.

(c) Accounts

All Art Gallery of Western Australia Foundation records and transactions are administered and maintained by the Art Gallery of Western Australia free of charge.

(d) Audit

These Financial Statements have been audited by PricewaterhouseCoopers for no consideration on an honorary basis.

3. CONTRIBUTIONS TO THE ART GALLERY

Acquisition funds are raised principally to fund the purchase of works of art by the Art Gallery. These are shown as a contribution to the Art Gallery in the year that commitment to fund the works of art occurs. The total contributions made to the Art Gallery since the inception of the Foundation are:

<i>Contributions prior to 2006</i>		\$
Works of Art		2,058,275
Susan Norrie Catalogue		5,000
Scooter		3,075
Tom Malone Prize		40,000
Utopia Tour Exhibition Grant		98,000
Indigenous Trainee Assistant Curator Salary		95,880
South West Central Exhibition Grant		19,989
Family Program Pilot and Children's Book Donation		338,200
		<u>2,658,419</u>
<i>2006 Contributions</i>		\$
Works of Art		
Contemporary Art Group		9,455
Tom Malone Prize		10,000
		<u>19,455</u>
<i>Total Contributions</i>		<u>2,677,874</u>

4. TRANSFER OF FUNDS

Monies relating to the Peter Fogarty Design Fund were included within The Acquisition Fund prior to 2006. From 2006, Peter Fogarty Design Fund capital is included in the Contemporary Art Group. The transfer during 2006 represents the balance of funds and accumulated interest as at 1 July 2005.

5. CAPITAL FUNDS

The capital has been divided into four funds depending on the purpose for which the funds are held. The Acquisition Fund was established to provide funds for the Art Gallery to purchase works of art for the State Art Collection. The Living Centre Fund was established to raise funds to support the construction of a Living Centre and Sculpture Garden on the Art Gallery site. The Contemporary Art Group was established to provide funds to purchase contemporary art works for the State Art Collection. The Foundation Bequests fund was established to manage funds bequeathed to the Foundation to provide a lasting legacy to the State Art Collection.

6. REMUNERATION OF FOUNDATION COUNCIL MEMBERS

The following persons were Council Members during the year ended 30 June 2006 and received the following remuneration for their services to the Art Gallery of Western Australia Foundation:

	2006	2005
	\$	\$
Mr Brett Davies	nil	nil
Mr Alan R Dodge	nil	nil
Mr Dario Amara (term ended June 2006)	nil	nil
Ms Marlene Stafford (appointed October 2004)	nil	nil
Mrs Annie Fogarty (appointed April 2004)	nil	nil
Ms Jo Dawkins (appointed December 2005)	nil	na
Mr John Hanley (appointed December 2005)	nil	na
Mr Ian Trahar (appointed February 2006)	nil	na
	nil	nil

7. TAXATION OF THE FOUNDATION

The Art Gallery of Western Australia Foundation is exempt from income tax under Subdivision 50-B of the Income Tax Assessment Act 1997.