

**ARTS
PROJECT
AUSTRALIA**



**2019
Financial
Statements**

Valerio Ciccone
Not titled 2019
ceramic
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Represented by Arts Project
Australia, Melbourne

**STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 / \$	2018 / \$
Revenue from Continuing Operations			
Government Funding:			
Commonwealth grants		1,519,542.87	904,163.94
State grants		60,842.15	433,103.06
Fundraising:			
Other grants		11,750.00	40,666.70
Sponsorship		12,272.73	10,000.00
Donations		193,600.21	173,710.12
Exhibition/artwork sales		241,252.93	307,474.43
Studio fees		82,078.49	85,191.43
Leasing of artworks		30,187.74	32,336.37
Membership fees		3,150.29	2,936.18
Other Income:			
Interest received		17,091.25	17,117.58
Miscellaneous income		21,939.53	18,854.60
Total Income	3	2,193,708.19	2,025,554.41
Administration expenses		135,143.56	118,146.46
Advertising/public relations		51,699.48	64,705.27
Building and equipment		75,738.22	102,957.85
Commission on art sales		141,139.48	174,395.18
Depreciation		44,212.68	38,454.16
Employee expenses	4	1,353,166.05	1,250,274.32
Finance and interest		3,048.46	518.51
Gallery		46,112.69	50,955.80
Postage and telecommunications		27,011.50	23,530.30
Minor asset purchases		29,274.74	32,475.22
Studio		67,461.00	64,840.25
Total Expenses		1,974,007.86	1,921,253.32
Net surplus for the year/Total comprehensive income for the year		219,700.33	104,301.09

The statement of profit or loss and other comprehensive income is to be read in conjunction with the attached notes.

**STATEMENT OF
FINANCIAL POSITION**

FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 / \$	2018 / \$
Assets			
Current assets			
Cash and cash equivalents	5	537,471.07	401,829.28
Term Deposits		737,789.47	724,971.26
Trade and other receivables	6	206,828.18	142,047.15
Total current assets		1,482,088.72	1,268,847.69
Non-current assets			
Property, plant and equipment	7	1,599,087.68	1,606,642.36
Total non-current assets		1,599,087.68	1,606,642.36
Total assets		3,081,176.40	2,875,490.05
Current Liabilities			
Trade creditors and other payables	8	146,163.77	248,845.30
Provisions	9	107,670.83	85,873.90
Other liabilities	10	100,000.00	24,148.75
Total current liabilities		353,834.60	358,867.95
Non-current liabilities			
Provisions	9	7,403.93	16,384.56
Other		-	-
Total non-current liabilities		7,403.93	16,384.56
Total liabilities		361,238.53	375,252.51
Net Assets		2,719,937.87	2,500,237.54
Funds			
Retained Funds	12	2,391,177.87	2,171,477.18
Bequest Reserve	12	328,760.00	328,760.36
Total Funds		2,719,937.87	2,500,237.54

The statement of profit or loss and other comprehensive income is to be read in conjunction with the attached notes.

**STATEMENT OF
CASH FLOWS**

FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 / \$	2018 / \$
Cash Flows from Operating Activities			
Receipts from:			
Government Grants		1,580,385.02	1,337,267.00
Sales of artwork		241,252.93	307,474.43
Interest Received		17,091.25	17,117.58
Memberships		3,150.29	2,936.18
Fund raising		217,622.94	224,376.82
Other operations		69,424.73	168,804.90
Cash payments to suppliers and employees		(1,943,809.16)	(1,804,359.95)
Net cash flows from operating activities	11	185,118.00	253,616.96
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(36,658.00)	(39,457.23)
Purchase of term deposits		(12,818.21)	(19,061.04)
Net cash used in investing activities		(49,476.21)	(58,518.27)
Net Increase (decrease) in cash held		135,641.79	195,098.69
Cash at the beginning of the financial year		401,829.28	206,730.59
Cash and cash equivalents at the end of the financial year	5	537,471.07	401,829.28

The statement of cash flows is to be read in conjunction with the attached notes.

**STATEMENT OF CHANGES
IN FUNDS**

FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 / \$	2018 / \$
Statement of Changes in Funds			
Opening retained results from operations		2,171,477.54	2,067,176.45
Amount transferred from capital reserve		-	-
Net surplus attributable to the association		219,700.33	104,301.09
Amount transferred to bequest reserve		-	-
Closing retained results		2,391,177.87	2,171,477.54
Bequest Reserve			
Opening bequest reserve		328,760.36	328,760.36
Amount transferred to bequest reserve including accrued interest		-	-
Amount utilised from bequest reserve		0.36	-
Closing bequest reserve		328,760.00	328,760.36
Closing retained results and reserves		2,719,937.87	2,500,237.90

The statement of changes in funds is to be read in conjunction with the attached notes.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. ASSOCIATION INFORMATION

The financial statements of the not-for-profit association, Arts Project Australia Inc., for the year ended 30 June 2019 were authorised for issue in accordance with a resolution of the board on 19th August 2019.

Arts Project Australia Inc. is an Incorporated Association in Victoria, registered under the Associations Incorporation Reform Act 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Australian Charities Not-for-profits Commission Act 2012, Australian Accounting Standards – reduced disclosure requirements, accounting interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

The Association has adopted AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 1012-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements. The Association is a not for profit entity which is not publicly accountable.

The financial report has been prepared on an accruals basis and is based on historic costs and does not take into account changing money values, or except where specifically stated, current valuations of non-current assets. The financial report is presented in Australian dollars.

The Association has not early adopted any other new standards or interpretations. The Association has assessed that there will be no material impact on the adoption of accounting standards issued with effective adoption dates post financial year end.

The following material accounting policies, which are consistent with the previous period unless otherwise stated, have been adopted in the preparation of this financial report.

(B) Significant Accounting Judgements, Estimates and Assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only the period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant accounting judgements, estimates and assumptions are outlined in the notes below.

(C) Revenue Recognition

Revenue is measured at the fair value of consideration received or receivable. Revenue is recognised net of the amounts of goods and services tax (GST) payable to the Australian Taxation Office (ATO).

Government funding

The Association's activities are supported by grants received from the federal and state governments. Grants received on the condition that specified services are delivered, or conditions are fulfilled, are considered reciprocal. Such grants are initially recognised as a liability and revenue is recognised as services are performed or conditions fulfilled. Revenue from non-reciprocal grants is recognised when the association obtains control of the funds.

The Association has received a number of government grants during the year. Once the Association has been notified of the successful outcome of a grant application, the terms and conditions of each grant are reviewed to determine whether the funds relate to a reciprocal grant (i.e. payment for services rendered) in which case it is accounted for under AASB 118 Revenue or a non-reciprocal grant in which case it is accounted for under AASB 1004 Contributions.

Revenue from fundraising

Donations are recognised as revenue when the Association gains control, economic benefits are probable and the amount of the donation can be measured reliably.

Sale of goods

Revenue from sales of artworks is recognised at the point of sale where the control of the goods passes to the customer.

Interest Income

Interest income is recognised when it is probable that the economic benefits will flow to the Association and the amount of revenue can be measured reliably. Interest income is recognised when the right to receive it has been established.

Fees from artists

Fees charged for services provided to artists are recognised when services are provided.

(D) Expenditure

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category.

(E) Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position and for the purpose of the statement of cash flows comprises cash at bank, in hand and short-term deposits with an original maturity of three months or less, less any outstanding bank overdrafts.

Bequest Reserve

In 2015 the Board created a bequest reserve to enable the separate identification of the balance of monies bequested to the Association.

(F) Trade and Other Receivables

Trade receivables, which comprise amounts owing from services provided to artists generally have 30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectable amounts. Collectability of trade receivables is reviewed on an ongoing basis with an allowance for doubtful debts made when there is objective evidence that the association will not be able to collect the debts. Uncollectable debts are written off when identified.

NOTES Continued

(G) Property, Plant and Equipment

The depreciable amount of all fixed assets are depreciated over the useful lives of the assets to the Association commencing from the time the asset is held ready for use. Property, plant and equipment are depreciated over useful lives ranging from 5 to 7 years.

Land and buildings are independently revalued every 5 years. A commercial valuation was received during the 2016/17 financial year. The valuation amount has not been included in the financial statements at 30 June 2019. Refer to Note 7.

Plant and equipment and motor vehicles are carried at cost less, where applicable any accumulated depreciation and impairment loss.

Buildings are depreciated over their useful lives which has been assessed at 100 years.

Impairment

The carrying amounts of property, plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying amount may be impaired. No impairment was required during 2017 and 2018 and 2019.

(H) Trade Creditors and Payables

Trade payables and other payables represent liabilities for goods and services provided to the association before the end of the financial year that are unpaid. These amounts are usually settled within 30 days. The carrying amount of the creditors and payables is deemed to reflect fair value.

(I) Other Current Liabilities

The liability for deferred income is the unutilised amounts of grants received on the condition that specified services are delivered or conditions are fulfilled. The services are usually provided or the conditions are fulfilled with 12 months of the receipt of the grant.

(J) Employee Benefits

Employee benefits comprise wages and salaries, annual, non-accumulating sick and long service leave and contributions to superannuation plans.

Liabilities for wages and salaries expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. All annual leave is expected to be settled in 12 months. These liabilities are measured at amounts expected to be paid when the liabilities are settled and amounts settled 12 months from the end of the reporting period are discounted.

The liability for long service leave is recognised in the provision for employee benefits and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to anticipated future wage and salary levels, experience of employee departures and period of service. Expected future payments are discounted using market yields on national government bonds with terms to maturity that match as closely as possible, the estimated cash outflows. Associated on-costs have been provided in the provision.

The association pays contributions to certain accumulation superannuation plans. Contributions are recognised in the statement of comprehensive income when they are due.

The association has no obligation to pay further contributions to these plans.

(K) Taxation

Income tax

The Association is a charitable institution for the purposes of Australian taxation legislation and is therefore exempt from income tax. The Association holds deductible gift recipient status.

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the ATO, in which case it is recognised as part of the cost of acquisition of an asset or as part of an item of expense. Receivables and payables are recognised inclusive of GST.

Cash flow is included in the statement of cash flows on a gross basis. The GST component of cash flow arising from investing and financing activities that is recoverable or payable to the ATO is classified as operating cash flow.

(L) Adoption of New and Revised Accounting Standards

During the current year, the Association adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory. Except for the adoption of AASB 9, the adoption of these Standards has not had a significant impact on the recognition, measurement and disclosure of transactions.

First time adoption of AASB 9: Financial Instruments – Applicable from financial year 1 July 2018

AASB 9: Financial Instruments replaces AASB 139: Financial Instruments: Recognition and Measurement for the annual period beginning on or after 1 January 2018, bring together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Association has applied AASB 9 with an initial application date of 1 July 2018. The Association has restated the comparative information.

In summary, upon the adoption of AASB 9, the Association had the following required or elected reclassification as at 1 July 2018.

Financial Instrument	Classification under AASB 139	Classification under AASB 9
Trade and other receivables	Loans and Receivables	Amortised Cost

Impact on accumulated surplus and changes in classification due to transition to AASB 9

Upon adoption of AASB 9, the realised gains and losses on disposal of financial assets will be accounted through Other Comprehensive Income whereas previously they were accounted through Profit or Loss.

Impairment

Upon adoption of AASB 9 the Association has found that fundamentally there was no change in accounting for impairment losses for the financial assets by replacing AASB 139's incurred loss approach with a forward looking expected credit loss approach.

NOTES Continued

	2019 / \$	2018 / \$
3. Revenue		
Sale of goods	241,252.93	307,474.43
Government grants	1,580,385.02	1,337,267.00
Donations, gifts, sponsorships	217,622.94	224,376.82
Interest Income	17,091.25	17,117.58
Studio fees	82,078.49	85,191.43
Leasing of Artwork	30,187.74	32,336.37
Other	25,089.82	21,790.78
Total revenue	2,193,708.19	2,025,554.41

4. Employee Benefits Expense

Wages and salary	1,353,482.73	1,203,215.43
Workers compensation	12,664.05	8,443.01
Movement in employee benefits provision	(12,980.73)	38,615.88
Total employee benefits expense	1,353,166.05	1,250,274.32

5. Cash and Cash Equivalents

Bank Accounts		
Operating Account	52,828.66	28,832.30
Gifts Account	61,588.52	3,156.45
Short Term Deposits	422,550.04	400,829.53
Clearing Account	–	(31,492.85)
Petty Cash	503.85	503.85
Total cash and cash equivalents	537,471.07	401,829.28

Cash at bank and term deposits earn interest at market rates

6. Trade and Other Receivables

Prepayments	8,405.76	7,186.43
Trade debtors	215,652.92	146,627.77
Less provision for doubtful debts	(17,500.88)	(11,767.05)
Total trade and other receivables	206,557.80	142,047.15

NOTES Continued

	2019 / \$	2018 / \$
7. Property, Plant and Equipment		
Land – at cost	264,000.00	264,000.00
Building – at cost	1,354,318.19	1,317,660.19
Building – accumulated depreciation	(78,827.09)	(65,723.09)
Plant and Equipment – at cost	243,802.81	243,802.81
Plant and Equipment – accumulated depreciation	(185,831.23)	(154,722.55)
Motor Vehicle – at cost	21,430.64	21,430.64
Motor Vehicle – accumulated depreciation	(21,430.64)	(21,430.64)
Permanent Art Collection – at cost	1,625.00	1,625.00
Total property, plant and equipment	1,599,087.68	1,606,642.36

Asset Reconciliation	Land	Building	Plant & Equipment
Opening balance 2017	264,000.00	1,265,686.34	74,327.94
Additions	–	–	39,457.23
Depreciation	–	(13,749.25)	(24,704.91)
Closing balance 2018	264,000.00	1,251,937.09	89,080.26
Opening balance 2018	264,000.00	1,251,937.09	89,080.26
Additions	–	36,658.00	–
Depreciation	–	(13,104.00)	(31,108.68)
Closing balance 2019	264,000.00	1,275,491.09	57,971.58

NOTES Continued

	2019 / \$	2018 / \$
8. Trade Creditors and Payables		
Unsecured:		
Trade Creditors	32,093.86	96,710.73
GST Payable/(Receivable)	(10,324.13)	3,288.43
PAYG Payable	32,838.80	35,346.41
Accruals	6,203.34	2,350.80
Provision for Parental Leave	2,780.00	2,780.00
Annual leave provision	82,571.90	108,368.93
Total trade creditors and payables	146,163.77	248,845.30
9. Provisions		
Long Service Leave – Current	107,670.83	85,873.90
Long Service Leave – Non current	7,403.93	16,384.56
Total Provisions	115,074.76	102,258.46
10. Other Liabilities		
Deferred Income	100,000.00	20,000.00
Other	–	4,148.75
Total Provisions	100,000.00	24,148.75
11. Cash Flow Information		
Operating Result	219,700.33	104,301.09
Cash Flows excluded from operating results attributable to operating activities		
Non-cash flows in operating result		
Depreciation	44,212.68	38,454.16
Changes in assets and liabilities		
(Increase)/Decrease in trade debtors and other current assets	(64,781.03)	32,422.50
Increase/(Decrease) in trade creditors and other payables	(26,830.28)	86,101.75
Increase/(Decrease) in provisions	12,816.30	(7,662.54)
Net cash flows from operations	185,118.00	253,616.96

NOTES Continued

12. Details Of Reserves

Retained Earnings

Retained earnings represents the funds of the association that are not designated for particular purposes.

Bequest Reserve

In 2015 the Board created a bequest reserve to enable the separate identification and disclosure of the balance of monies bequested to the association.

	2019 / \$	2018 / \$
13. Key Management Personnel		
Compensation for key management personnel		
Short term employee benefits	439,465.08	393,936.36
Post employment benefits*	40,495.18	36,550.48
Total employee benefits	479,960.26	430,486.84

RESPONSIBLE PERSONS' DECLARATION FOR THE YEAR ENDED 30 JUNE 2019

The committee members' are the Responsible Persons and they declare that:

1. The financial statements and notes, as set out on pages 1 to 9, are in accordance with the Australian Charities and Not-for-profits Commissions Act 2012, the Australian Charities and Not-for-profits Commission Regulation 2012 and:

(a) comply with Australian Accounting Standards – Reduced Disclosure Requirements; and

(b) give a true and fair view of the financial position as at 30 June 2019 and of its financial performance for the year then ended

2. In the committees' opinion, there are reasonable grounds to believe that the Association will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the committee.



Damien Hodgkinson
PRESIDENT



Frank Warner
TREASURER

Dated this 19th day of August 2019

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF ARTS PROJECT AUSTRALIA

ARTS PROJECT AUSTRALIA INC
ABN: 99 804 795 393



Independent Auditor's Report to the Members of Arts Project Australia Inc

Opinion

We have audited the financial report of Arts Project Australia Inc (the Association), which comprises the statement of financial position as at 30 June 2019, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the declaration by those charged with governance.

In our opinion, the accompanying financial report presents fairly, in accordance with the Australian Accounting Standards - Reduced Disclosure Requirements and the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- (i) giving a true and fair view of the Association's financial position as at 30 June 2019 and of its financial performance and its cash flows for the year then ended; and
- (ii) that the financial records kept by the association are such as to enable financial statements to be prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Australian Charities and Not-for-profits Commission Act 2012*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Association in accordance with the auditor independence requirements of the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Report and Auditor's Report Thereon

The committee is responsible for the other information. The other information obtained at the date of this auditor's report is information included in the committee report for the year ended 30 June 2019.

Our opinion on the financial report comprises the statement of financial position as at 30 June 2019, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the committee's declaration. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance

The committee of the association is responsible for the preparation and fair presentation of the financial report in accordance with the *Associations Incorporation Reform Act 2012*, and for such internal control as management determines is necessary to enable the preparation of the financial report is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF ARTS PROJECT AUSTRALIA

Auditor's Responsibilities for the Audit of the Financial Report

Our 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We 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 our 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 Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the committee.
- Conclude on the appropriateness of the committee'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 Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association 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.

We communicate with the committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



ACCRU MELBOURNE (AUDIT) PTY LTD

12 August 2019



G D WINNETT
Director