

# **New England Regional Art Museum Limited**

ABN: 47 131 297 731

## **Consolidated Financial Statements**

For the Year Ended 31 December 2019

# New England Regional Art Museum Limited

ABN: 47 131 297 731

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### General Information

The financial statements cover New England Regional Art Museum Limited as a consolidated entity consisting of New England Regional Art Museum Limited and the entities it controlled at the end of, or during the period.

The financial statements are presented in Australian dollars, which is New England Regional Art Museum Limited and its controlled entities' functional and presentation currency. New England Regional Art Museum Limited is a not-for-profit unlisted public company limited by guarantee, incorporated and domiciled in Australia. New England Regional Art Museum Limited is registered with the Australian Charities and Not-for-profits Commission.

The comparative information presented is for the 6 month period ended 31 December 2018 because the company changed its financial year end from 30 June to 31 December in 2018. The current year information presented is for the full year ended 31 December 2019.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 4th June 2020.

# New England Regional Art Museum Limited

ABN: 47 131 297 731

## Directors' Report For the Year Ended 31 December 2019

The directors present their report, together with the consolidated financial statements of the consolidated entity, being the Company and its controlled entities, for the year ended 31 December 2019.

### 1. General information

#### Information on directors

The names of each person who has been a director during the year and to the date of this report are:

Dr Robert Clarke	Chair - Appointed 7th February 2019
Qualifications	BA (Hons) (UNE) PhD(ANU) FIML Fellow Australian Institute of Managers and Leaders, Former Fellow, Institute of Chartered Accountants in Australia, Cultural Director
Experience	Managing Director, Australian National Academy of Music (Retired) Managing Director Adelaide Symphony Orchestra, Retired
Lancelot Lloyd	
Qualifications	MAICD, BA (UNE), JP, Past Chairman -Friend of NERAM
Experience	Deputy Chairman - Australian Tourism Export Council Ltd (ATEC)
Other current directorships	Former ADC to Governor of NSW Sir Roden Cutler
Mary-Louise Conway	
Qualifications	BOcc Thy (UQ), MBA (NE), PHD (NE) Director - UNE SMART Region Incubator Faculty of Science, Agriculture, Business and Law
Experience	Member of the European Group for Organisational Structure
Kim Taylor	
Qualifications	B Pharm, MBA, GAICD International Commercial Management and Senior Executive
Experience	Head of Johnson & Johnson, Southeast Asia (retired) Johnson & Johnson Company Group Chairman, Asia Pacific (Retired)
Carly McLaren	
Qualifications	Gallery Owner
Experience	Director Walcha Gallery of Art
Patrick Bradley	
Qualifications	Business Manager at the Armidale School
Experience	AFSM, member of the Board of Phoenix Foundry, volunteer NSW Rural Fire, awarded the Australian Fire Service Medal
Lucinda Wright	
Qualifications	Migration Consultant Legal Minds
Experience	Previous Department of Foreign Affairs and Trade with overseas postings in Spain and Latin America
Other current directorships	Previous Member Migration Review Tribunal (8 years)

# New England Regional Art Museum Limited

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## Directors' Report For the Year Ended 31 December 2019

### 1. General information continued

#### Information on directors continued

Lindsay Woodland	Resigned: 3rd April 2019
Qualifications	Group Leader Organisation Services at Armidale Regional Council
Experience	Marketing & Sales Management: 15 years experience in executive level marketing & sales leadership roles with significant expertise in B2C & B2B marketing.
Janna Hayes	Appointed: 3rd October 2019
Qualifications	Communication and social media
Experience	Communication Lead, International Development UNE, Partnerships Manager TEDx Sydney, Skill Share Program Manager Wild Rumpus, Head of Programming & Artist Relations Moshcam

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

#### Company secretary

Rachel Parsons held the position of Company secretary at the end of the financial year:

#### Principal activities

The principal activities of the consolidated entity during the financial year was the operation of a regional cultural facility which manages and cares for nationally significant art collections, and which plans and delivers a dynamic calendar of exhibitions with associated public and educational programs.

No significant change in the nature of these activities occurred during the year.

#### Short term objectives

The Consolidated Entity's short term objectives are to provide a well-resourced cultural centre that embraces dialogue, interaction and learning; that encourages the exploration and discovery of our understanding collections; and that connects our community and its visitors with art.

#### Long term objectives

The Consolidated Entity's long term objective is to make the New England Regional Art Museum the premier regional art museum in Australia.

#### Strategy for achieving the objectives

Ensure that the New England Regional Art Museum is a thriving artistic facility that will enrich the cultural and artistic experiences of visitors and the community of New England through education, artistic activities and the preservation and promotion of its iconic collections.

# New England Regional Art Museum Limited

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## Directors' Report For the Year Ended 31 December 2019

### 1. General information continued

#### How principal activities assisted in achieving the objectives

New England Regional Art Museum Limited (NERAM), maintains a core purpose to connect our community and visitors to art, culture, social engagement opportunities and education. NERAM's annual program includes approx. thirty exhibitions that interpret and highlight NERAM's outstanding collections, brings nationally significant art to the region in the form of touring programs, produces special projects that focus on contemporary art, and supports the development and promotion of local artists. NERAM's exhibition program is complemented and expanded by an expansive variety of engagement and education programs that include workshops, art classes, lectures and events.

In 2019 the NERAM program aimed to increase its appeal to diverse audiences through providing exhibitions and public programs that challenged, inspired, educated and entertained. A greater emphasis was directed at expanding NERAM's on-going program offerings beyond our visual arts focus, introducing health and wellness, performance and festival experiences that attracted and supported new audiences to visit the Museum. A new user focussed website was launched to act as a central communication hub to connect with these expanded audiences.

*NERAM Nights* launched in September 2019 to expand NERAM's contribution to the local night-time economy and to offer programs that are both broadly appealing, but also targeted towards young professionals, a demographic that does not traditionally engage with NERAM in large numbers. Combining art, music, performances, bar and food experiences, *NERAM Nights* has proved popular with new and diverse audiences and have enhanced the entertainment value of NERAM's program.

NERAM recognises that art museums have an expanded social responsibility beyond providing access to art or being caretakers for collections. Museums more and more are also called on to be spaces for education, wellbeing and cultural inclusion. In 2019 NERAM introduced Yoga in the Museum, a program designed to promote the physical and mental health of our community. We aimed to celebrate and support marginalised communities launching the *Winter Blooming Festival* for LGBTIQ, Multicultural and Indigenous people and culture and the *Ezidi Women's Empowerment Program* that welcomed a group of 20 women, newly settled Ezidi refugees, and a group of their children to NERAM for cultural workshops and social engagement.

NERAM received a generous donation to expand our lifelong education program with a focus on building engagement with schools, students and their families. This donation will fund a dedicated Education Officer role for 12 months (starting in 2020) and will also support the development and delivery of the pilot program.

The *EMANATE* program launched in February 2019, showcasing the work of ten recent visual art graduates from the National Art School (NAS). The program established a new partnership with NAS that focusses on highlighting emerging contemporary art and includes a biannual exhibition, catalogue and artist residency. The inaugural program was sponsored by the Packsaddle Fundraising Group.

NERAM continues to promote national awareness of its collections and exhibitions through touring and loaning programs. The exhibition *Salient: Contemporary Artists at the Western Front* toured to the ANZAC Memorial Sydney, Bank Art Museum Moree, Muswellbrook Regional Arts Centre and Tweed Regional Art Gallery. Artworks from the NERAM Collections were loaned for exhibitions at Manly Art Gallery, S.H Ervin Gallery, National Gallery of Victoria and Queensland Art Gallery and Gallery of Modern Art.

The NERAM Director and Board developed a new Strategic Plan that will govern operations and lay the foundation for our strategic development for the 2020-2025 period. This plan states NERAM's mission "to enrich the cultural life in the New England Region by engaging our community and visitors with diverse and outstanding artistic programs that showcase NERAM's collections and provide access to national and contemporary arts practices."

NERAM thrives with the dedicated support of its community who generously donate time, expertise and funding to support NERAM's operation and future growth. NERAM has 100 volunteers who contribute to front of house activities, exhibition installation, event catering, library and archive management, fundraising and project research. Through our 2019 annual appeal, NERAM's community of donors contributed \$80,382.71 to the NERAM Foundation to ensure NERAM's on-going financial strength. Private donors from the local community also gave \$100,000 for the refurbishment of the NERAM Café.

# **New England Regional Art Museum Limited**

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## **Directors' Report For the Year Ended 31 December 2019**

### **1. General information continued Performance measures**

The following Critical Success Factors and Key Performance Measures (KPIs) were used by the consolidated entity to monitor performance in 2019:

#### **CSF1: Sustainable and fiscally responsible business practices**

Consists of the following strategic objectives:

Diversify our funding and income opportunities.

Ensure that the building is sustainable, energy efficient, functional, aesthetically pleasing and well maintained.

#### **CSF2: Building and strengthening NERAM community relationships and partnerships**

Consists of the following strategic objectives:

Strengthen all groups (Friends of NERAM, Packsaddle, NERAM Foundation and Board) with a shared vision and purpose and improve consultation and communication.

#### **CSF3: An ability to develop innovative and engaging programs for the whole community**

Consists of the following strategic objectives:

Continue to increase visitation and participation in NERAM activities (exhibitions, events, projects and education programs) through community participation and audience development.

Market and strengthen the Permanent Collections as a resource for the whole community.

Build NERAM's profile, and develop strong identity and message.

#### **CSF4: A skilled and quality workforce**

Consists of the following strategic objectives:

Review and support NERAM's staffing structure and closely monitor overtime and workload issues.

Maintain a strong volunteer program with emphasis on training and effective use of skills.

#### **Members' guarantee**

New England Regional Art Museum Limited is a company limited by guarantee. In the event of, and for the purpose of winding up of the company, the amount capable of being called up from each member and any person or association who ceased to be a member in the year prior to the winding up, is limited to \$10.

At 31 December 2019 the collective liability of members was \$ 2,530 (June 2018: \$ 2,900).

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## Directors' Report For the Year Ended 31 December 2019

### 2. Other items

#### Events after the reporting date

There is increasing disruption to normal economic and business activity, as a result of the COVID 19 pandemic announced by the World Health Organisation in March 2020 and the subsequent Federal Government's announcements of protocols that have already been instigated and the potential for others. This creates a level of uncertainty about the future trading outlook for all organisations in Australia and NERAM is no exception. As per Government Restrictions, NERAM ceased all public events on March 17<sup>th</sup> 2020, and closed the Museum to the public on March 23<sup>rd</sup> 2020. A date to re-open has not been confirmed at the time of authorising these financial statements. It is not possible to reliably assess the full potential impacts at the present time.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

#### Future developments and results

NERAM is committed to sustainable operational and program growth. NERAM has developed plans and designs for a significant facility upgrade that will modernise and elevate the Museum in order to meet current museum requirements and standards, improve the energy efficiency and sustainability of the building, address WHS and access issues, prepare for a doubling of visitor numbers, and to ensure exceptionally positive visitor experiences.

The New England Regional Art Museum has been progressively upgrading the building over the past five years with capital projects that have included:

2014 - replacement of climate control systems (\$250,000)

2016 - replacement of lighting systems (\$120,000)

2016 - installation of solar power panels (\$115,000)

2017 - replacement of external cladding and electrical fittings (\$315,000)

2017-18 - Refurbishment of East Gallery as permanent exhibition space for **HINTON: Treasures of Australian Art** display (\$115,000)

2019 - Gallery improvements to West, Lalor Harris and Mazda Gallery exhibition spaces (**\$95,000**).

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## Directors' Report

For the Year Ended 31 December 2019

### Meetings of directors

During the financial year, 6 meetings of directors (excluding committees of directors) were held. Attendances by each director during the year were as follows:

Directors' Meetings	
Number eligible to attend	Number attended
Robert Clarke	6
Lancelot Lloyd	5
Dr Mary-Louise Conway	3
Kim Taylor	6
Carley McLaren	4
Lucinda Wright	6
Patrick Bradley	5
Janna Hayes	1
Lindsay Woodland	1

### Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 60-40 of the *Australian Charities and Not-for-profits Commission Act 2012*, for the year ended 31 December 2019 has been received and can be found on page 5 of the consolidated financial report.

Signed in accordance with a resolution of the Board of Directors:

Director: .....  
Dr Robert Clarke

Director: .....  
Kim Taylor

Dated this 4th day of June 2020

**New England Regional Art Museum Limited**

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**Auditor's Independence Declaration under Section 60-40 of the Australian Charities and Not-for-profits Commission Act 2012 to the Directors of New England Regional Art Museum Limited and Controlled Entities**

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2019, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

PKF NENW Audit & Assurance Pty Limited



Margaret van Aanholt

Dated this 4th day of June 2020

Tamworth NSW 2340

PKF NENW Audit & Assurance Pty Limited  
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## New England Regional Art Museum Limited

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### Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December 2019

	Note	2019 \$	2018 restated \$
Sales revenue	4	305,442	144,311
Cost of sales		(96,208)	(31,286)
Gross profit		209,234	113,025
Other income	4	670,269	283,956
Grant income	4	636,000	297,315
Revaluation gain/(loss) through profit or loss		767,566	(831,600)
Marketing and Promotions expense		(13,754)	(3,225)
Occupancy expense		(97,333)	(58,368)
Employee benefits costs	5	(431,534)	(197,060)
Loss on disposal of non-current assets		-	(5,580)
Administration expense		(72,113)	(34,667)
Collection expense		(70,084)	(19,320)
Project grant expense		(22,395)	(54,170)
Board expense		(2,836)	(831)
Shop expense		(2,525)	(806)
Other expenses		(24,208)	(25,842)
Depreciation		(112,823)	(44,320)
Public Program expense		(77,480)	(30,711)
Finance costs		(3,156)	(1,810)
<b>Profit before income tax</b>		<b>1,352,828</b>	<b>(614,011)</b>
<b>Profit for the year</b>		<b>1,352,828</b>	<b>(614,011)</b>
<b>Other comprehensive income, net of income tax</b>			
<b>Items that may be reclassified to profit or loss when specific conditions are met</b>			
Net fair value gain on re-measurement of investments in listed shares		87,368	(68,306)
<b>Total comprehensive income for the year</b>		<b>1,440,196</b>	<b>(682,317)</b>

The accompanying notes form part of these financial statements.

# New England Regional Art Museum Limited

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## Consolidated Statement of Financial Position

As At 31 December 2019

	Note	2019 \$	2018 restated \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	776,487	551,235
Trade and other receivables	7	39,885	21,975
Inventories	8	42,524	22,985
Other assets	10	8,227	32,263
<b>TOTAL CURRENT ASSETS</b>		<b>867,123</b>	<b>628,458</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	37,984,593	36,836,594
Right-of-use assets	11	180,182	-
Financial assets	12	1,056,645	745,994
<b>TOTAL NON-CURRENT ASSETS</b>		<b>39,221,420</b>	<b>37,582,588</b>
<b>TOTAL ASSETS</b>		<b>40,088,543</b>	<b>38,211,046</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	117,567	69,936
Short-term provisions	15	33,606	20,879
Other liabilities	16	650,904	459,003
Lease liabilities		10,800	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>812,877</b>	<b>549,818</b>
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables		-	1,000
Borrowings	14	100,000	100,000
Long-term provisions	15	6,324	1,367
Lease liabilities		170,285	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>276,609</b>	<b>102,367</b>
<b>TOTAL LIABILITIES</b>		<b>1,089,486</b>	<b>652,185</b>
<b>NET ASSETS</b>		<b>38,999,057</b>	<b>37,558,861</b>
<b>EQUITY</b>			
Asset revaluation reserve	17	511,916	511,916
Financial asset reserve	17	101,508	14,140
Retained earnings		38,385,633	37,032,805
<b>Total equity attributable to equity holders of the Company</b>		<b>38,999,057</b>	<b>37,558,861</b>
<b>TOTAL EQUITY</b>		<b>38,999,057</b>	<b>37,558,861</b>

The accompanying notes form part of these financial statements.

## New England Regional Art Museum Limited

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### Consolidated Statement of Changes in Equity For the Year Ended 31 December 2019

#### 2019

	Retained Earnings	Asset Revaluation Reserve	Financial Asset Reserve	Total
	\$	\$	\$	\$
<b>Balance at 1 January 2019</b>	37,032,805	511,916	14,140	37,558,861
Profit/(loss) for the year	1,352,828	-	-	1,352,828
Net fair value gain on available for sale financial assets	-	-	87,368	87,368
<b>Balance at 31 December 2019</b>	<b>38,385,633</b>	<b>511,916</b>	<b>101,508</b>	<b>38,999,057</b>

#### 2018

	Retained Earnings	Asset Revaluation Reserve	Financial Asset Reserve	Total
	\$	\$	\$	\$
<b>Balance at 1 July 2018</b>	37,646,816	511,916	82,446	38,241,178
Prior period adjustment (net of tax)	(831,600)	-	-	(831,600)
Balance at 1 July 2018 (restated)	36,815,216	511,916	82,446	37,409,578
Profit for the year	217,589	-	-	217,589
Net fair value gain on available for sale financial assets	-	-	(68,306)	(68,306)
<b>Balance at 31 December 2018 (restated)</b>	<b>37,032,805</b>	<b>511,916</b>	<b>14,140</b>	<b>37,558,861</b>

The accompanying notes form part of these financial statements.

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## Consolidated Statement of Cash Flows For the Year Ended 31 December 2019

	2019	2018
Note	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from grants, donations, and customers	1,243,715	705,524
Payments to suppliers and employees	(765,277)	(537,487)
Interest received	4,709	1,972
Interest paid	(3,156)	(1,810)
Net cash provided by/(used in) operating activities	27 <u>479,991</u>	<u>168,199</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Dividends received	66,022	27,942
Proceeds from sale of property, plant and equipment	-	5,909
Purchase of property, plant and equipment	(86,818)	(5,706)
Payments to acquire shares	(223,283)	(48,886)
Net cash provided by/(used in) investing activities	<u>(244,079)</u>	<u>(20,741)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayment of lease liabilities	(10,660)	-
Net cash provided by/(used in) financing activities	<u>(10,660)</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents held	225,252	147,458
Cash and cash equivalents at beginning of year	551,235	403,777
Cash and cash equivalents at end of financial year	6 <u><u>776,487</u></u>	<u><u>551,235</u></u>

The accompanying notes form part of these financial statements.

# New England Regional Art Museum Limited

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## Notes to the Financial Statements For the Year Ended 31 December 2019

The consolidated financial report covers New England Regional Art Museum Limited and its controlled entities ('the consolidated entity'). New England Regional Art Museum Limited is a not-for-profit Company limited by guarantee, incorporated and domiciled in Australia.

Each of the entities within the consolidated entity prepare their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars which is the functional and presentation currency of the parent entity and its controlled entities.

The financial report was authorised for issue by the Directors on .

Comparatives have been restated for a prior period adjustment. Comparative information represents the 6 month period from 1 July 2018 to 31 December 2018.

### 1 Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards - Reduced Disclosure Requirements and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Australian Charities and Not-for-profits Commission Act 2012*.

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

#### Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 29.

#### Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of New England Regional Art Museum Limited ('company' or 'parent entity') as at 31 December 2019 and the results of all subsidiaries for the year then ended. New England Regional Art Museum Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements.

Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a December financial year end.

The controlled entities are:

- The New England Regional Art Museum Foundation;
- The Howard Hinton Trust; and
- The Chandler Coventry Trust.

# New England Regional Art Museum Limited

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## Notes to the Financial Statements For the Year Ended 31 December 2019

### 2 Summary of Significant Accounting Policies

#### (a) Adoption of new and revised accounting standards

The Consolidated Entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Consolidated Entity.

The following Accounting Standards were most relevant to the Consolidated Entity:

#### *AASB 15 Revenue from Contracts with Customers*

The Consolidated Entity has adopted AASB 15 from 1 January 2019. The standard provides a single comprehensive model for revenue recognition. The core principal of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract based revenue recognition model with a measurement approach that is based on allocation of the transaction price. This is further described in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in the Consolidated Entity's statement of financial position as a contract liability, contract asset, or a receivable, depending on the relationship between the Consolidated Entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

#### *AASB 16 Leases*

The Consolidated Entity has adopted AASB 16 from 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

#### *AASB 1058 Income for Not-for-Profit Entities*

The Consolidated Entity has adopted AASB 1058 from 1 January 2019. The standard replaces AASB 1004 'Contributions' in respect to income recognition requirements for not-for-profit entities. The timing of income recognition under AASB 1058 is dependent upon whether the transaction gives rise to a liability or other performance obligation at the time of receipt. Income under the standard is recognised where: an asset is received in a transaction, such by way of grant, bequest or donation; there has either been no consideration transferred, or the consideration paid is significantly less than the asset's fair value; and where the intention is to principally enable the Consolidated Entity to further its objectives. For transfers of financial assets to the Consolidated Entity which enable it to acquire or construct a recognisable non-financial asset, the Consolidated

# New England Regional Art Museum Limited

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## Notes to the Financial Statements For the Year Ended 31 December 2019

### 2 Summary of Significant Accounting Policies continued

#### (a) Adoption of new and revised accounting standards continued

Entity must recognise a liability amounting to the excess of the fair value of the transfer received over and related amounts recognised.

##### *Impact of adoption*

AASB 15, AASB 16 and AASB 1058 were adopted using the modified retrospective approach and as such comparatives have not been restated. There was no impact on opening retained profits as at 1 January 2019.

#### (b) Revenue and other income

The company recognises revenue as follows:

##### **Grant revenue**

Grant revenue is recognised in profit or loss when the company satisfies the performance obligations stated within the funding agreements.

If conditions are attached to the grant which must be satisfied before the company is eligible to retain the contribution, the grant will be recognised in the statement of financial position as a liability until those conditions are satisfied.

##### **Sale of goods**

Events and fundraising are recognised when received or receivable.

##### **Donations**

Donations and bequests are recognised as revenue when received. Contributions to the Collection are recognised as revenue when the entity obtains control of the contribution or the right to receive the contribution, it is probable that the economic benefits comprising the contribution will flow to the entity, and the amount of the contribution can be measured reliably. Contributions are measured at their fair value.

##### **Dividend revenue**

Dividends are recognised when the entity's right to receive payment is established.

##### **Subscriptions**

Revenue from the provision of membership subscriptions is recognised on a straight line basis over the financial year.

##### **Other income**

Other income is recognised when it is received or when the right to receive payment is established.

# New England Regional Art Museum Limited

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## Notes to the Financial Statements For the Year Ended 31 December 2019

### 2 Summary of Significant Accounting Policies continued

#### (c) Income Tax

The entity is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997*.

#### (d) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

#### (e) Financial instruments

##### Trade receivables

Trade and other receivables are recognised at amortised cost, less any allowance for expected credit losses.

##### Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

##### *Financial assets at fair value through profit or loss*

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

##### *Financial assets at fair value through other comprehensive income*

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

## **Notes to the Financial Statements**

### **For the Year Ended 31 December 2019**

#### **2 Summary of Significant Accounting Policies continued**

##### **(e) Financial instruments continued**

###### **Investments and other financial assets continued**

###### *Impairment of financial assets*

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

##### **(f) Inventories**

Inventories are measured at the lower of cost and net realisable value.

##### **(g) Property, plant and equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment.

Items of property, plant and equipment acquired for nil or nominal consideration have been recorded at the acquisition date fair value.

###### **Collection Assets**

Collection assets (including artworks) are carried at fair value based on independent and Director's valuations, and in line with the company valuation policy. The increase in the value of these assets is recorded in other comprehensive income and accumulated in the asset revaluation reserve. However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decreases of the same asset previously recognised in profit or loss. Items acquired for nil or nominal consideration have been recorded at the fair value at acquisition date. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

The collection assets Valuation and Stocktaking policy provides for the revaluation of the collection to be undertaken by an independent qualified valuer in-line with the set valuation schedule which staggers valuations over a 6 or 10 year cycle. The artworks are categorised by collection.

The collection assets are divided into four classes; Howard Hinton, Chandler Coventry, NERAM & Armidale City and the Museum of Printing.

# New England Regional Art Museum Limited

ABN: 47 131 297 731

## Notes to the Financial Statements For the Year Ended 31 December 2019

### 2 Summary of Significant Accounting Policies continued

#### (g) Property, plant and equipment continued

##### Collection Assets continued

Hinton, Coventry and NERAM & Armidale City collections (paintings only) are formally valued by an independent valuer every 6 years per the schedule. All other artworks from the NERAM & Armidale City Collection are revalued by the Directors every 6 years and Museum of Printing collection every 10 years.

Notwithstanding the revaluation period, if there are indicators that fair value has changed, then a revaluation may be scheduled sooner.

The collections assets were independently valued by Matt Henry Art Broker (the Howard Hinton Collection was revalued in June 2017, the Chandler Coventry Collection in 2019 and the other collections scheduled for revaluation in 2021). The valuation was based on observable market information.

##### Plant and equipment

Plant and equipment are measured using the cost model.

##### Depreciation

Property, plant and equipment, excluding freehold land, is depreciated on a straight-line basis over the assets useful life to the consolidated entity, commencing when the asset is ready for use.

The depreciation rates used for each class of depreciable asset are shown below:

<b>Fixed asset class</b>	<b>Depreciation rate</b>
Plant and Equipment	5% - 33.33%
Furniture, Fixtures and Fittings	5% - 33.33%
Motor Vehicles	12.50%

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

##### Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

# New England Regional Art Museum Limited

ABN: 47 131 297 731

## Notes to the Financial Statements For the Year Ended 31 December 2019

### 2 Summary of Significant Accounting Policies continued

#### (h) Leases

##### **Right-of-use asset**

At the lease commencement, the consolidated entity recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the consolidated entity believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises of the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any lease incentives received.

The right-of-use asset is depreciated over the lease term on a straight line basis and assessed for impairment in accordance with the impairment of assets accounting policy.

##### **Lease liability**

The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the consolidated entity's incremental borrowing rate is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured whether there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI) or a change in the consolidated entity's assessment of lease term.

Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

#### (i) Employee benefits

##### *Short-term employee benefits*

Provision is made for the consolidated entity's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

##### *Other long-term employee benefits*

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows

##### *Defined benefit superannuation schemes*

Obligations for contributions to defined contribution superannuation plans are recognised as an employee benefit expense in profit or loss in the periods in which services are provided by employees.

# New England Regional Art Museum Limited

ABN: 47 131 297 731

## Notes to the Financial Statements For the Year Ended 31 December 2019

### 2 Summary of Significant Accounting Policies continued

#### (j) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

Cash flows in the consolidated statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

#### (k) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

#### (l) Prior period adjustment

Where a prior period adjustment or error has occurred, it is corrected by retrospective restatement except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the error. When it is impracticable to determine the period-specific effects of an error on comparative information for one or more periods presented, the opening balances, liabilities and equity are restated for the earliest period for which retrospective restatement is practicable. The correction of a prior period error is excluded from profit or loss for the period in which the error is discovered. Any information presented about prior periods, including any historical summaries of financial data, is restated as far back as practicable - refer Note 20.

### 3 Critical Accounting Estimates and Judgments

The directors make estimates and judgements during the preparation of these consolidated financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below:

#### Key estimates - Valuation of Collection Assets

The collection assets are valued in-line with the Valuation and Stocktaking policy which provides for the revaluation of the collection to be undertaken by an independent qualified valuer in-line with the set valuation schedule which staggers valuations over a 6 or 10 year cycle as described in Note 2(h). If there are indicators that fair value has changed, then a revaluation may be scheduled sooner. The valuation is based on observable market information and the critical assumptions adopted in determining the valuation includes the assessment of recent actions and the significance and quality of the work.

# New England Regional Art Museum Limited

ABN: 47 131 297 731

## Notes to the Financial Statements For the Year Ended 31 December 2019

### 3 Critical Accounting Estimates and Judgments continued

#### Key estimates - provisions

Provision is made for the consolidated entity's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

As discussed in note 1(i), the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

### 4 Revenue and Other Income

#### Revenue from continuing operations

	2019	2018
	\$	\$
<b>Sales revenue</b>		
- Shop sales	76,890	29,434
- Public Programmes income	211,017	94,506
- Consignment sales	13,385	5,371
- Collection income	4,150	300
- Cafe sales	-	14,700
	<u>305,442</u>	<u>144,311</u>
<b>Grant Income</b>		
- Armidale Regional Council	352,875	172,935
- Arts NSW	60,000	30,000
- Capital grants	74,831	-
- Margaret Olley Trust	123,066	40,549
- UNESAP	-	4,000
- Art of Wool Australia	-	4,200
- Other organisations	25,228	45,631
	<u>636,000</u>	<u>297,315</u>
<b>Other revenue</b>		
- Donations	538,422	228,862
- Fundraising	25,026	1,177
- Insurance recoveries	19,510	2,249
- Dividend income	66,022	27,942
- Member subscriptions	(105)	1,008
- Interest	4,709	1,972
- Sundry income	16,685	20,746
	<u>670,269</u>	<u>283,956</u>
<b>Total Revenue</b>	<u>1,611,711</u>	<u>725,582</u>

# New England Regional Art Museum Limited

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## Notes to the Financial Statements For the Year Ended 31 December 2019

### 5 Result for the Year

The result for the year includes the following specific expenses:

	2019	2018
	\$	\$
Employee benefit expenses		
Salary and wages	369,524	157,077
Contractors	15,376	21,271
Superannuation contributions	33,044	14,430
Workers compensation	7,530	1,943
Other short-term costs	6,060	2,341
Employee benefit expenses	<u>431,534</u>	<u>197,060</u>

### 6 Cash and Cash Equivalents

	2019	2018
	\$	\$
Cash on hand	1,762	869
Cash at bank	718,364	507,189
Short-term deposits	56,361	43,177
	<u>776,487</u>	<u>551,235</u>

#### Reconciliation of cash

Cash and Cash equivalents reported in the consolidated statement of cash flows are reconciled to the equivalent items in the consolidated statement of financial position as follows:

	2019	2018
	\$	\$
Cash and cash equivalents	<u>776,487</u>	<u>551,235</u>

### 7 Trade and Other Receivables

	2019	2018
	\$	\$
CURRENT		
Trade and other receivables	10,478	11,889
Other receivables	29,407	10,086
<b>Total current trade and other receivables</b>	<u>39,885</u>	<u>21,975</u>

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements.

# New England Regional Art Museum Limited

ABN: 47 131 297 731

## Notes to the Financial Statements For the Year Ended 31 December 2019

### 8 Inventories

	2019	2018
	\$	\$
CURRENT		
At cost:		
Exhibition	18,713	-
Stock on hand - Shop stock	23,811	22,985
	<u>42,524</u>	<u>22,985</u>

Write downs of inventories to net realisable value during the year were \$ NIL (June 2018: \$ 3,102).

### 9 Property, plant and equipment

	2019	2018
	\$	\$
PLANT AND EQUIPMENT		
Capital works in progress		
At cost	72,667	4,085
Plant and equipment		
At cost	744,001	729,435
Accumulated depreciation	<u>(319,505)</u>	<u>(262,458)</u>
	<u>424,496</u>	<u>466,977</u>
Furniture, fixtures and fittings		
At cost	594,526	590,856
Accumulated depreciation	<u>(109,824)</u>	<u>(65,611)</u>
Total furniture, fixtures and fittings	<u>484,702</u>	<u>525,245</u>
COLLECTION		
At fair value		
Hinton Collection	30,126,656	30,117,956
NERAM Collection	3,896,040	3,509,865
Coventry Collection	2,632,677	1,865,111
Museum of Printing collection	238,640	238,640
Armidale City Collection	108,715	108,715
At cost		
Total COLLECTION	<u>37,002,728</u>	<u>35,840,287</u>
<b>Total property, plant and equipment</b>	<u><b>37,984,593</b></u>	<u><b>36,836,594</b></u>

# New England Regional Art Museum Limited

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## Notes to the Financial Statements For the Year Ended 31 December 2019

### 9 Property, plant and equipment continued

#### (a) Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Capital WIP \$	Plant and Equipment \$	Fitout & Fittings \$	Collection assets \$	Total \$
<b>Year ended 31 December 2019</b>					
Balance at the beginning of the period	4,085	466,977	525,245	35,840,287	36,836,594
Additions	71,402	14,566	3,670	394,875	484,513
Transfers (WIP expensed)	(2,820)	-	-	-	(2,820)
Depreciation expense	-	(57,047)	(44,213)	-	(101,260)
Revaluation increase recognised in equity	-	-	-	767,566	767,566
<b>Balance at the end of the year</b>	<b>72,667</b>	<b>424,496</b>	<b>484,702</b>	<b>37,002,728</b>	<b>37,984,593</b>

### 10 Other Assets

	2019 \$	2018 \$
CURRENT		
Prepayments	8,227	32,139
Accrued income	-	124
	<b>8,227</b>	<b>32,263</b>

### 11 Right-of-use assets

	Buildings \$	Total \$
<b>Year ended 31 December 2019</b>		
Balance at beginning of year	191,745	191,745
Depreciation charge	(11,563)	(11,563)
<b>Balance at end of year</b>	<b>180,182</b>	<b>180,182</b>

# New England Regional Art Museum Limited

ABN: 47 131 297 731

## Notes to the Financial Statements For the Year Ended 31 December 2019

### 12 Financial assets

	2019	2018
	\$	\$
NON-CURRENT		
Listed investments - fair value	<u>1,056,645</u>	<u>745,994</u>

### 13 Trade and Other Payables

	2019	2018
	\$	\$
Current		
Trade payables	45,709	29,780
GST payable	9,303	10,384
Accrued expenses	34,116	18,929
Other payables	28,439	10,843
	<u>117,567</u>	<u>69,936</u>

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

### 14 Borrowings

	2019	2018
	\$	\$
NON-CURRENT		
Unsecured liabilities:		
Solar Loan	<u>100,000</u>	<u>100,000</u>

During the current and prior year, there were no defaults or breaches on any of the loans.

### 15 Provisions

	2019	2018
	\$	\$
CURRENT		
Annual Leave	<u>33,606</u>	<u>20,879</u>
	<u>33,606</u>	<u>20,879</u>
NON-CURRENT		
Long Service Leave	<u>6,324</u>	<u>1,367</u>

# New England Regional Art Museum Limited

ABN: 47 131 297 731

## Notes to the Financial Statements For the Year Ended 31 December 2019

### 16 Other Liabilities

	2019	2018
	\$	\$
CURRENT		
Amounts received in advance	230,354	167,566
Unspent grant funds	420,550	291,437
	<u>650,904</u>	<u>459,003</u>

### 17 Reserves

#### Asset revaluation reserve

The asset revaluation reserve records fair value movements on property, plant and equipment held under the revaluation model.

	2019	2018
	\$	\$
<b>Asset revaluation reserve</b>		
Balance at the beginning of the year	511,916	511,916
Gain/(loss) on revaluation of Collection assets	-	-
	<u>511,916</u>	<u>511,916</u>
<b>Financial asset reserve</b>		
Opening balance	14,140	82,446
Gain/(loss) on revaluation of available for sale assets	87,368	(68,306)
	<u>101,508</u>	<u>14,140</u>

### 18 Commitments

#### Right-to-use building

	2019	2018
	\$	\$
Minimum lease payments under non-cancellable leases:		
- not later than one year	10,800	10,600
- between one year and five years	170,285	181,085
	<u>181,085</u>	<u>191,685</u>

The right-to-use building relates to the premises occupied by the Gallery leased from the Armidale Regional Council.

NERAM also has a commitment for the remaining works on the Gallery Refurbishment of \$20,169 as at 31 December 2019.

# New England Regional Art Museum Limited

ABN: 47 131 297 731

## Notes to the Financial Statements For the Year Ended 31 December 2019

### 19 Members' Guarantee

The Company is incorporated under the *Corporations Act 2001* and is a Company limited by guarantee. If the Company is wound up, the Constitution states that each member is required to contribute a maximum of \$ 10 each towards meeting any outstandings and obligations of the Company. At 31 December 2019 the number of members was 253 (2018: 290).

### 20 Retrospective restatement

A revaluation adjustment of artwork for the Howard Hinton Collection, determined in January 2018, resulted in overstatement of the valuation of the Collection by \$831,600 for the 30 June 2018 and 31 December 2018 financial statements. This has been corrected in the 2018 comparatives in the financial statements in accordance with AASB 108.

The aggregate effect of the error on the annual financial statements for the 2018 comparatives is as follows:

	Previously stated \$	31 December 2018 Adjustments \$	Restated \$
<b>Consolidated Statement of Profit or Loss and Other Comprehensive Income</b>			
Profit/(loss) for the year	217,589	(831,600)	(614,011)
Total comprehensive income for the year	<b>149,283</b>	(831,600)	<b>(682,317)</b>
<b>Consolidated Statement of Financial Position</b>			
Collections	36,671,887	(831,600)	35,840,287
Total Non Current Asset	38,414,188	(831,600)	37,582,588
Total Assets	<b>39,042,646</b>	<b>(831,600)</b>	<b>38,211,046</b>
Net Assets	<b>38,390,461</b>	<b>(831,600)</b>	<b>37,558,861</b>
Retained earnings	37,864,405	(831,600)	37,032,805
Equity	<b>38,390,461</b>	(831,600)	<b>37,558,861</b>

### 21 Key Management Personnel Remuneration

As there is a single key management personnel, non-compliance with AASB 124 has been chosen so as not to breach the Company's confidentiality policy.

### 22 Auditors' Remuneration

	2019 \$	2018 \$
Remuneration of the auditor [PKF NENW Audit & Assurance Pty Ltd], for: - auditing the financial statements and assistance with the preparation of the financial statements	<b>12,500</b>	7,000

# New England Regional Art Museum Limited

ABN: 47 131 297 731

## Notes to the Financial Statements For the Year Ended 31 December 2019

### 23 Going concern and economic dependence

New England Regional Art Museum Limited is economically dependent on the Armidale Regional Council under a 20 year funding agreement. At the date of this report, the Board of Directors has no reason to believe the Armidale Regional Council will not continue to support New England Regional Art Museum Limited, and accordingly, the financial statements have been prepared on a going concern basis.

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business and economic activities and the realisation of assets and discharge of liabilities in the normal course of business. In arriving at this position, in the opinion of the directors the Consolidated Entity will, based on varying cash flow forecasts, have access to sufficient funds to meet administrative and other committed expenditure for a period of not less than 12 months from the date of this report.

With the increasing disruption to normal economic and business activity, as a result of the COVID19 pandemic announced by the World Health Organisation in March 2020 and the Federal Government's subsequent announcements of protocols that have already been instigated and the potential for others, the likelihood of normal business operating conditions prevailing in the near term is uncertain. This creates a level of uncertainty about the future trading outlook for all organisations in Australia and the Consolidated Entity is no exception. It is not possible to reliably assess the potential impacts at the present time. Consequently the Directors believe that this represents a material uncertainty that casts significant doubt as to whether the Consolidated Entity will be able to continue as a going concern and pay its debts as and when they fall due and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

### 24 Fair Value Measurement

The following tables detail the Consolidated Entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3	Unobservable inputs for the asset or liability.

	Level 1	Level 3	Total
	\$	\$	\$
<b>31 December 2019</b>			
<b>Recurring fair value measurements</b>			
Investments in listed securities	1,056,645	-	1,056,645
Collection assets	-	37,002,728	37,002,728
	Level 1	Level 3	Total
	\$	\$	\$
<b>31 December 2018</b>			
<b>Recurring fair value measurements</b>			
Available for sale financial assets	745,994	-	745,994
Collection assets	-	35,840,287	35,840,287

### 25 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 31 December 2019 (30 June 2018:None).

# New England Regional Art Museum Limited

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## Notes to the Financial Statements For the Year Ended 31 December 2019

### 26 Related Parties

**(a) The Consolidated Entity's main related parties are as follows:**

Key management personnel - refer to Note 21.

Other related parties include close family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel or their close family members.

**(b) Transactions with related parties**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. There were no trade receivables from or trade receivables to related parties at the end of the current reporting period. There were no loans to or from related parties at the current and previous reporting period.

### 27 Cash Flow Information

Reconciliation of net income to net cash provided by operating activities:

	2019	2018
	\$	\$
Profit for the year	1,352,828	217,589
Cash flows excluded from profit attributable to operating activities		
- Dividends	(66,022)	(27,942)
Non-cash flows in profit:		
- depreciation	112,823	44,320
- gain/(loss) on revaluation of Collection asset	(767,566)	-
- artwork donations at fair value	(394,875)	(197,240)
- gain/(loss) on sale of plant and equipment	-	5,580
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	1,411	140,046
- (increase)/decrease in other assets	3,634	5,475
- (increase)/decrease in inventories	(19,539)	2,336
- increase/(decrease) in income in advance	191,901	16,134
- increase/(decrease) in trade and other payables	47,712	(43,124)
- increase/(decrease) in provisions	17,684	5,025
Cashflows from operations	<u>479,991</u>	<u>168,199</u>

# New England Regional Art Museum Limited

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## Notes to the Financial Statements For the Year Ended 31 December 2019

### 28 Events after the end of the Reporting Period

The consolidated financial report was authorised for issue on 4th June 2020 by the Board of Directors.

There is increasing disruption to normal economic and business activity, as a result of the COVID 19 pandemic announced by the World Health Organisation in March 2020 and the subsequent Federal Government's announcements of protocols that have already been instigated and the potential for others. This creates a level of uncertainty about the future trading outlook for all organisations in Australia and NERAM is no exception. It is not possible to reliably assess the potential impacts at the present time.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.

### 29 Parent entity

The following information has been extracted from the books and records of the parent, New England Regional Art Museum Limited and has been prepared in accordance with Accounting Standards. The financial information for the parent entity, New England Regional Art Museum Limited has been prepared on the same basis as the consolidated financial statements except as disclosed below.

	2019	2018
	\$	\$
<b>Consolidated Statement of Financial Position</b>		
Assets		
Current assets	742,395	402,973
Non-current assets	5,405,441	4,853,526
Total Assets	<u>6,147,836</u>	<u>5,256,499</u>
Liabilities		
Current liabilities	719,298	435,563
Non-current liabilities	276,609	150,997
Total Liabilities	<u>995,907</u>	<u>586,560</u>
Equity		
Retained earnings	4,639,012	4,158,022
Asset revaluation reserve	511,917	511,917
Total Equity	<u>5,150,929</u>	<u>4,669,939</u>
<b>Consolidated Statement of Profit or Loss and Other Comprehensive Income</b>		
Total profit or loss for the year	<u>480,990</u>	<u>181,443</u>
<b>Total comprehensive income</b>	<u>480,990</u>	<u>181,443</u>

### 30 Statutory Information

The registered office and principal place of business of the company is:

New England Regional Art Museum Limited  
106-114 Kentucky Street  
Armidale NSW 2340

## New England Regional Art Museum Limited

ABN: 47 131 297 731

### Directors' Declaration

The directors of the Company declare that:

1. The consolidated financial statements and notes, as set out on pages 8 to 29, are in accordance with the *Australian Charities and Not-for-profits Commission Act 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 31 December 2019 and of the performance for the year ended on that date of the Company and its controlled entities.
2. In the directors' opinion, there are reasonable grounds to believe that the Company 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 Board of Directors.

Director .....  
Dr Robert Clarke

Director .....  
Kim Taylor

Dated this 4th day of June 2020



## Independent Auditor's Report to the members of New England Regional Art Museum Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of New England Regional Art Museum Limited (the Company) and its subsidiaries (the consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the consolidated entity has been prepared in accordance with Division 60 the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Australian Charities and Not-for-profits Commission Regulation 2013*.

#### 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 consolidated entity in accordance with 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.

#### Emphasis of Matter

We draw attention to note 21 to the financial statements which describes the 'Key Management Personnel Disclosures'. One key management personnel exists but non-compliance with the Australian Accounting Standard (AASB) 124 *Related Party Disclosures* has been chosen as not to breach the consolidated entity's confidentiality. Our opinion is not qualified in respect of this matter.

PKF NENW Audit & Assurance Pty Limited  
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approved under Professional  
Standards Legislation

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## Independent Auditor's Report to the members of New England Regional Art Museum Limited

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Key Audit Matter - Valuation of Collection Assets

As at reporting date the value of the consolidated entity's Collection Assets was \$37,002,728 as disclosed in Note 9 to the financial statements. The consolidated entity's accounting policy in respect of fair value of the Collection Assets is described in Note 2 (g). As detailed in Note 3, significant judgement is required in determining the fair values of these assets as at reporting date in accordance with Australian Accounting Standard (AASB) 116 *Property, Plant and Equipment*. We have assessed the consolidated entity's accounting policy and reviewed this against the requirements of AASB 116, as well as reviewed the disclosures within the consolidated financial statements. We have also assessed the key assumptions and methodology applied by the entity in determining the fair value of the Collection Assets in accordance with the requirements of Australian Accounting Standard (AASB 13) *Fair Value Measurement*.

### Responsibilities of Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Australian Charities and Not-for-profits Commission Act 2012*, and for such internal control as the directors determine 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 directors are responsible for assessing the consolidated entity'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 the directors either intend to liquidate the consolidated entity or to cease operations, or have no realistic alternative but to do so.

The responsible entities are responsible for overseeing the registered entity's financial reporting process.

### 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 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 the financial report.

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## Independent Auditor's Report to the members of New England Regional Art Museum Limited

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 consolidated entity's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Conclude on the appropriateness of the directors' 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 consolidated entity'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 consolidated 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.

We communicate with the directors 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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## Independent Auditor's Report to the members of New England Regional Art Museum Limited

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PKF NENW Audit & Assurance Pty Ltd

A handwritten signature in blue ink, appearing to read 'Margaret van Aanholt'.

Margaret van Aanholt

Tamworth NSW

Dated this 4th day of June 2020

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