

ART GALLERY OF NEW SOUTH WALES FOUNDATION ANNUAL REPORT 2002



# ART GALLERY OF NEW SOUTH WALES FOUNDATION

## **ANNUAL REPORT 2002**

Cover image: **Chinese, Tang dynasty** 7th century  
*Pair of tomb guardians* grey pottery with pigments, height 93 and 92 cm  
Purchase by the Art Gallery of New South Wales Foundation 1990

# ART GALLERY OF NEW SOUTH WALES FOUNDATION

## **PATRON**

Her Excellency Professor Marie Bashir AC,  
Governor of the State of New South Wales

## **PRESIDENT**

The Honourable Bob Carr MP  
Premier of New South Wales

## **CHAIRMAN**

Mr Rupert Murdoch AC

## **DEPUTY CHAIRMAN**

Ms Jillian Broadbent

# TRUSTEES

## THE ART GALLERY OF NEW SOUTH WALES REPRESENTATIVES

- Mr Rupert Murdoch AC
- Mr Michael Gleeson-White AO (resigned 26th February 2002)
- Ms Prue Allen (appointed 26th February 2002)
- Mr Maxwell Sandow AM (resigned 26th February 2002)
- Ms Denyse Spice (appointed 26th February 2002)
- Ms Diana Walder OAM
- Ms Jillian Broadbent

## NSW STATE GOVERNMENT REPRESENTATIVES

- Mr Barry Murphy
- Dr Mark Nelson

## DONOR REPRESENTATIVES

## FOUNDER BENEFACTORS

- Westpac Banking Corporation (resigned 12th November 2001)
- Mr Isaac Wakil (appointed 12th November 2001)
- Mr Charles Lloyd Jones CMG (resigned 12th November 2001)
- Mr Peter Weiss AM (appointed 12th November 2001)

## GOVERNORS

- IBM Australia Ltd – represented by Ms Louise Davis
- Mr Isaac Wakil (resigned 12th November 2001)
- Mr Geoffrey Ainsworth (appointed 12th November 2001)

## FELLOWS

- James N Kirby Foundation – represented by Mr Ray Kirby AO (resigned 12th November 2001)
- Mr Brian France AM (appointed 12th November 2001)
- Mrs Joanna Capon OAM (resigned 12th November 2001)
- Mrs Susan Rothwell (appointed 12th November 2001)

## MEMBERS

- Mr Brian France AO (resigned 12th November 2001)
- Mr Reg Richardson (appointed 12th November 2001)
- Mr James Agapitos OAM

# DIRECTOR'S STATEMENT

The Foundation will shortly, in March 2003, attain its 20th anniversary. It is, therefore, an appropriate time to ponder its achievements and to contemplate its future and, in particular, its potential acquisitions. The Foundation's gradually increasing capital base remains fully intact and the income derived has, thus far, been expended on eighteen outstanding acquisitions all of which are now very much valued and indelible additions to the Gallery collections.

Fully in keeping with its charter the Foundation has concentrated its resources in order to purchase works that would be of enduring value to this Gallery and its collections and, furthermore, it has attended to all areas of our collecting activities and interests. Those eighteen works of art are as diverse as a 14th century Japanese Buddhist painting and Rachel Whiteread's most contemporary but classic *Elongated plinths* of 1998; Agnolo Bronzino's powerful portrait of *Duke Cosimo I de' Medici* of circa 1540 and Giacometti's haunting and always enigmatic bronze sculpture *Femme de Venise VII* of 1956; Philip Guston's robust imagery in *East Tenth* 1977 and the imposing serenity of a Chinese late 6th century monumental marble image of Amitabha Buddha.

When we launched the Foundation we made clear the objectives and even determined a number of specific targets. Our very first acquisition, in 1984, Ernst Ludwig Kirchner's *Three bathers (Drei badende)* absolutely fulfilled one of those specific targets in representing German Expressionism at its peak. The continuation of that influential movement is illustrated in our second acquisition, Max Beckmann's haunting *Old woman in ermine* of 1946. Looking back at the Foundation's launching brochure, featuring a gilded but empty frame, we identified a number of acquisitive aspirations in noting that the Gallery was without a Fauve painting, without a van Gogh, a Matisse or a Cezanne painting, and of course without German Expressionism. Some of those goals have been achieved, including the unexpected opportunity to purchase van Gogh's powerful oil study *Head of a peasant*, for his early masterpiece *The Potato Eaters*, a painting which displays an extraordinary nobility in a life of poverty echoing, perhaps, van Gogh's Victorian sentiment about the worthiness of privation in a letter to his brother Theo: "... so what if you have to sleep on straw and eat rye bread – in the long run it will be better for you".

The two most recent acquisitions illustrate the wealth and dimension that the Foundation has brought to our collections. Firstly, Pierre Bonnard's *Bust in profile: red background* of circa 1920, a beautiful and personal study of Bonnard's wife, Marthe, which joins the Gallery's later and celebrated *Self-portrait* of circa 1940. Unlike the almost self-effacing self-portrait in which Bonnard seems curiously absorbed and slightly distant, we are invited to engage with Marthe as she leans across the composition. It is a moment of gentle intimacy and fully characteristic of Bonnard in the quiet obsession with the subject, his wife, and the sumptuous richness of the colours. It must also be noted that this wonderful acquisition was only possible with the additional support of the redoubtable and hugely generous Margaret Olley and the picture held pride of place in our twentieth century European galleries on the occasion of their being named in her honour. How different the Bonnard is to the superb pair of Japanese screens illustrating the poignant subject of the Plains of Musashi. The profound visual satisfaction of these subtle whispering screens is echoed in the poetic and symbolic associations in which the beauty of Musashi became a metaphor for love based on the story from the *Tales of Ise* of a man and the young lover he had kidnapped and who hid among the tall grasses of Musashi. The tall grasses are set against golden clouds, the soft dark image of the immortal Mount Fuji floats enigmatically above and the dark moon, mysteriously, hides among the grasses. Little wonder that poets were inspired to such lines as these in the thirteenth century:

*On the Musahsi plain  
There are no mountains  
To swallow the moon.  
It rises from the grasses  
And sets into the grasses.*

What is perhaps both disturbing on the one hand and satisfying on the other is that with our resources today it would now be quite impossible to purchase many of the works, like Kirchner, van Gogh, Beccafumi, Giacometti, Bronzino, that the Foundation has acquired, such is the increasing disparity between the Foundation income and the price of the works of art we seek. The last financial year has unfortunately emphasised just that point with the inevitable result that this year the Foundation will not be able to fund an acquisition for the Gallery. This, however, merely serves to remind us how important it is to maintain our fundraising activities to ensure the Foundation can continue to make its extraordinary and invaluable contribution to the Gallery now and in the future. Every time I walk through the Gallery and see on our walls the works of art that the Foundation has enabled us to acquire I realise just how important and invaluable they are and how desperately we would miss them if they were not there. That is a measure of the success of the Foundation. To all our members, the Trustees, our Deputy Chairman Jillian Broadbent and to Jane Wynter who works tirelessly on behalf of the Foundation I express our thanks and, in doing so, express the hope that before long we can look forward to another great acquisition.

A handwritten signature in black ink, appearing to read 'Edmund Capon'.

Edmund Capon  
Director  
The Art Gallery of New South Wales

# DEPUTY CHAIRMAN'S REPORT

Thanks to the generosity of the Gallery's supporters the Foundation has again completed a year of steady growth in donations from both memberships and bequests. This year, however, its income has been adversely impacted by the poor performance in the investments market.

Overall the Foundation managed to make a small surplus of \$18,000 for the year after taking into account some expenses for audit fees and member services.

## MEMBERSHIP & BEQUESTS

The value of accumulated donations (i.e. the corpus) amounted to \$14.1 million at year-end, with an increase of 5.5% this year. Donations were \$746,000 for the current year. Bequests represented \$400,000 due to distributions from the Estates of the late Elizabeth Armstrong, W.F. Noble and Robert Quentin Hole.

The number of Foundation members grew steadily during the year with 58 new members making a total of some 400. The much welcomed wider coverage of Foundation matters in the Art Gallery Society's 'Look' magazine has contributed to this outcome. It is also due to the wonderful efforts of an active Board, particularly Mr James Agapitos OAM, who chairs our Membership Sub Committee and whose very energetic style has encouraged donations. Some of these members contributed to the Foundation but many gave directly to other areas within the Gallery.

## INVESTMENT PERFORMANCE FOR THE YEAR

Our net assets at 30 June 2002 amounted to \$15.4 million, representing the Corpus of \$14.1 million plus \$1.3 million of accumulated earnings. The Board's policy is to set aside \$1 million of accumulated earnings as an Investment Fluctuation Reserve to provide a buffer against volatility of earnings. This has proved to be useful in the current investment climate.

The Foundation's funds are managed within the Westpac Pooled Investment Fund which is a balanced fund with a spread of assets including shares (both local and overseas), property, fixed interest and cash securities. Due to the major downturn in share markets, particularly international equities, income on the Foundation's funds was a negative \$703,000. The Westpac Fund's performance, while disappointing, has been slightly less negative than those of its peers. Unfortunately since the end of the financial year, there has been a further 5-6% deterioration and action is currently underway to reduce our exposure to equities and, for the time being, to hold a greater proportion of our funds in cash and term deposits.

From a longer-term perspective, the investment strategy has been beneficial, as past distributions have more than offset the current year's decline, yielding an average return of 6% per annum.

## ACQUISITIONS

Unfortunately, due to the lean investment earnings this year, and the obligation to preserve donations as capital, there was little or no funds available for acquisitions. In the prior year however the Foundation did support the Gallery with two major acquisitions, contributing \$2.1 million for *The Plain of Musashi* six-fold Japanese screens and in conjunction with Margaret Olley, Pierre Bonnard's *Buste de Profil, Fond Rouge*.

The Foundation Board is optimistic that a turnaround in investment markets will soon allow a release of earnings for further acquisitions.

A recent valuation of the Gallery's Collection, indicated that the value of the 18 works to which the Foundation has contributed has increased in value from \$17m to over \$30m (a 76% increase). This value combined with the present equity of the Foundation of \$15 million, makes a total value of \$45 million, an impressive record since inception 17 years ago.

## **FOUNDATION'S TRIENNIAL MEETING**

The Foundation held its triennial meeting in November 2001, during which donor representatives on the Foundation Board were elected. Some changes to the Foundation's Deed were also made by the Board and endorsed at this meeting.

One of the changes made, was the setting of finite terms of office for Board representatives, which would be no more than three terms of three years each. It was also recommended to the Gallery's Board of Trustees that a similar policy be adopted for the Gallery representatives on the Foundation Board. The purpose of this was to provide the opportunity for a broader group of members to participate in the governance of the Foundation.

## **BOARD OF TRUSTEES**

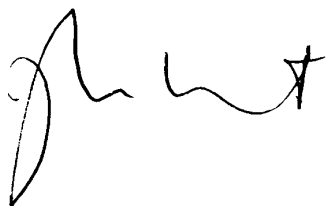
There has been a major shift in representation on the Board this year. We farewelled our long standing valued members: Messrs Max Sandow AM, Michael Gleeson White AO, Ray Kirby AO, Charles Lloyd Jones CMG, and Mrs Joanna Capon OAM. We are truly grateful for the considerable contribution they have made to the Foundation over the years. Messrs Michael Gleeson White AO and Max Sandow AM, in particular have made an immense contribution having been Joint Deputy Chairmen of the Foundation and since inception both playing key roles in its establishment and subsequent success.

We welcomed the new Trustees, Messrs Peter Weiss AM, Geoff Ainsworth, Reg Richardson, Ms Susan Rothwell, Denyse Spice and Prue Allen. Continuing members include Messrs Isaac Wakil, Brian France AM, James Agapitos OAM, Dr Mark Nelson, Mr Barry Murphy, Ms Louise Davies, Mrs Diane Walder OAM and myself. We are hopeful the newly formed Board will continue the energy of their predecessors and extend the success of the Foundation.

## **GENERAL**

We take this opportunity to thank all Foundation members and supporters for their continued generosity and interest.

On behalf of the Foundation Trustees, we wish to particularly thank The Honourable Bob Carr MP, Premier and Minister for the Arts, and the Foundation's Patron, The Honourable Dr Marie Bashir AO, Governor of New South Wales, for their interest and support.



Jillian Broadbent  
Deputy Chairman



# COMMENTARY ON FINANCIAL MATTERS

The movement in retained earnings over the year was:

	Investments	Donations (preserved)	Total
	\$'000	\$'000	\$'000
Income	1,736	746	2,482
Less: Audit fees, Membership services, other misc.	25	25	
Diminution in Value of Investment	2,439		2,439
Surplus (Deficit) for the year	(728)	746	18
Accum. Funds [available for acquisition] at 30 June 2001	987		
<b>Accum. Funds [available for acquisition] at 30 June 2002</b>	<b>259</b>		

## INVESTMENTS

The Foundation's capital base of \$15.4m is largely invested in a Westpac Pooled Investment Fund (\$14.8m), which has a spread of assets including shares (both local and overseas), property, fixed interest and cash securities. The balance of the capital is held in cash/term deposits.

## INVESTMENT PERFORMANCE

The overall investment return for the year was negative 4.7% compared to a positive 5.9% in 2001/2. These returns are calculated using an average investment balance and take into account not only income earned but also unrealised capital losses [termed 'Diminution in Value of the Investment' in the Financial Statements].

This has been the result in a downturn in the whole industry, which has impacted most funds, with some funds suffering more than others. In the case of the Westpac Fund, their performance was slightly better than the average.

Nevertheless, despite this downturn, the overall returns over the last 4 years since the change from fixed interest securities have amounted to 6.0%, which is higher than what would have otherwise been achieved in the low interest rate environment of recent years. When we take into the compounding effect of re-invested distributions, the picture does not look as bleak. We enhanced the value by \$3.4m [30% of the value of the investment contribution of the \$11.4m], making a total value of \$14.8m.

Unfortunately since the end of the financial year, there have been a further 5-6% deterioration and action is currently underway to redeem some of the investment. It is proposed to hold some of our funds as cash pending a recovery in the markets.

## INVESTMENT FLUCTUATION

The Foundation recognises that higher performing securities do entail a higher level of volatility of investment returns and for the first time there has been a negative return this year. The Board set aside an amount of \$1 million for an Investment Fluctuation reserve [currently 6% of the capital of the Foundation] with a view to increasing this to 10% of the Fund as soon as practicable.

## CAPITAL (CORPUS) CONTRIBUTIONS

The Foundation is required by its Deed to preserve all donations and as such the value of the capital (corpus) has been building steadily.

	\$'000
Capital at 30 June 2001	13,380
Add: Donations for the year	746
<b>Capital at 30 June 2002</b>	<b>14,126</b>

## NET ASSETS

The Corpus and the retained earnings including the Investment Fluctuation Reserve amounted to \$15.4 m at 30 June 2002.

# FOUNDATION MEMBERSHIP

Membership of the Art Gallery of New South Wales Foundation is divided into five categories, determined by the level of contribution. The minimum level of commitment required for inclusion in this report and on the Honour Board is \$5,000.

Honorary membership of the Foundation has also been conferred on patrons who have provided in their Will for a gift to the Gallery or Foundation, and on patrons who have donated works to the Gallery. The level of membership conferred is commensurate with one half of the current value of the pledged bequest, or in the case of gifts under TIAS, one half of the value of the gift.

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## LIFE BENEFACTOR

News Limited

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## BENEFACTORS

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Mr & Mrs PL Binnie  
Caltex Australia Pty Ltd  
Vincent Fairfax Family Foundation  
Government of the State of New South Wales  
Dr Elizabeth Hazel  
Estate Late Robert Quentin Hole

Mr C Lloyd Jones CMG  
Mr & Mrs EPT Simpson  
Charles & Denyse Spice  
Isaac & Susan Wakil  
Peter Weiss AM  
Westfield Holdings Ltd  
Westpac Banking Corporation  
Estate Late D G Wilson

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Ampol Ltd  
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IBM Australia Limited  
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James Hardie Industries Ltd  
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Mrs VN Kahlbetzer  
Anne Landa  
Lend Lease Corporation Ltd  
Geoffrey & Deborah Levy  
Lotto Managment Services Pty Ltd  
David Lowy  
Mr Jack Manton OBE & Jenny Manton  
Mr GE Mapp  
Yvonne Diana Buchanan May &  
Hugh Buchanan May  
Merrill Lynch Australia  
Mrs John Minter (the late)  
Simon & Catriona Mordant  
National Australia Bank Ltd  
Mrs Kerry Packer

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Elizabeth Ramsden  
Rothmans Holdings Limited  
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John L Sharpe  
The Shell Company of Australia Ltd  
Brian Sherman  
Gene Sherman  
JA & HD Sperling

Frederick & Caroline Storch  
TCNZ Australia  
Thomas Nationwide Transport Ltd  
Mr (the late) & Mrs GM Thorp  
Malcolm & Lucy Turnbull  
Diana Walder OAM  
Bret Walker SC  
Orli Wargon  
Doreen & Geoffrey K Williams  
Anonymous (2)

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## FELLOWS

Nanette Ainsworth  
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Kate Armati  
Felicity & John Atanaskovic  
Philip Bacon AM  
Sir Howard & Lady Beale (the late)  
Blue Circle Southern Cement Ltd  
Brambles Industries Ltd  
Brenmoss Group Holdings Pty Ltd  
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Jillian Broadbent  
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GJ Coles & Coy Ltd  
Commonwealth Banking Corporation  
Commonwealth Industrial Gases Ltd  
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Michael & Doris Hobbs  
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St George Bank Ltd  
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Phyllis Warnock  
Mr R Whyte  
Mr DG Wilson (the late)  
Woolworths Ltd  
Ms C Zampatti  
Anonymous

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## MEMBERS

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Timothy & Prue Allen  
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Jonathan Armytage  
Charles & Deidre Aronson  
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Lady Atwill  
Australian Decorative Fine Arts Society Sydney Inc  
Australian Galleries  
Australian Guarantee Corporation Ltd  
BAG Holdings Pty Ltd  
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Barclays Bank Australia Ltd  
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Graham & Mary Beirman  
Pamela Bell  
Nicole Berger  
Klaas & Lise Berkeley  
BHP  
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The Hon Bronwyn Bishop  
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Blake Dawson Waldron  
Kevin & Marianne Bleasel  
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M Bulloch  
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Elizabeth Burns  
Mr MDI Burrows  
Paul & Karen Byrne  
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Elizabeth Callanan  
Adrian & Evan Cardiacos  
Jim Carlsson  
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Sally Dan-Cuthbert  
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Ian Darling  
Peter & Deborah Debnam  
Lauraine Diggins  
Dominguez Barry Samuel Montagu Ltd  
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Carmel Dwyer & Charles Leedman  
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Tony & Amelia Fay  
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Rosemary Foot AO	Andrew L Horsley
Foundation Madelon	Mr & Mrs SJ Howard
The Freedman Foundation	Mr BC Hudson
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Mr Stephen Hill (in memory of)	Megan Machin (in memory of)
Winifred Hinds	Greg MacInnes
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McConnell Smith & Johnson	Molly Perry (in memory of)
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Charles G Mendel	Alex Popov
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Justin Miller	Dr & Mrs GC Potts
Paul Milliss	D & E Prevedoros
Russell Mills	Ann & Andrew Proctor
Mr RH Minter	Mrs WM Redhead (the late)
Misho	Kenneth R Reed
Mojo-MDA	Dr L Rees (the late) AC CMG
Monier Limited	Brian L Regan
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Morgan Stanley Australia Ltd	Reg & Sally Richardson
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Mr Tim Murray & Ms Camilla Drover	Andrew & Andrea Roberts
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Mr SB Myer	Dr Philip (the late) & Dr Valmae Rundle
Mr JH Myrtle	Mark & Ruth Sampson
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Tim Olsen	Mr TK Schrecker
Ord Minnett	Mr John Terrill Scott
Mr JD O'Toole	Annette Searle
Roslyn & Tony Oxley	Sedgwick Pty Ltd
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Eve & Michael Silver	Ms Vanessa Wood
Lisa Simons	Donna Woodhill
Shane David Simpson	Wormald International Ltd
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Terri Sissian	Young & Rubicam
Mr RA Smith	Anonymous (4)
Peter & Kathryn Snowball	
Mr & Mrs N Sparnon	
Jim & Alice Spigelman	
Dalia & Tom Stanley	
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Dr Paul Sutherland	
John D Swainston	
Georgie Swift	
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Philippa Warner	
Suzanne AR Waterhouse	
Shirley Watkins	
SHW & EM Watson	
Gail Watt	
Wattyl Limited	
JB Were & Son Charitable Fund	
Mr (the late) & Mrs Morris L West	
Craig Westgate	
RJ White AO	
Michael Whitworth & Dr Candice Bruce	
Drs Eva & Heinz Wicki	
Cameron Williams	
Willis Corroon Holdings Pty Ltd	
Neil & Lesley Wilson	

## FOUNDATION PURCHASES

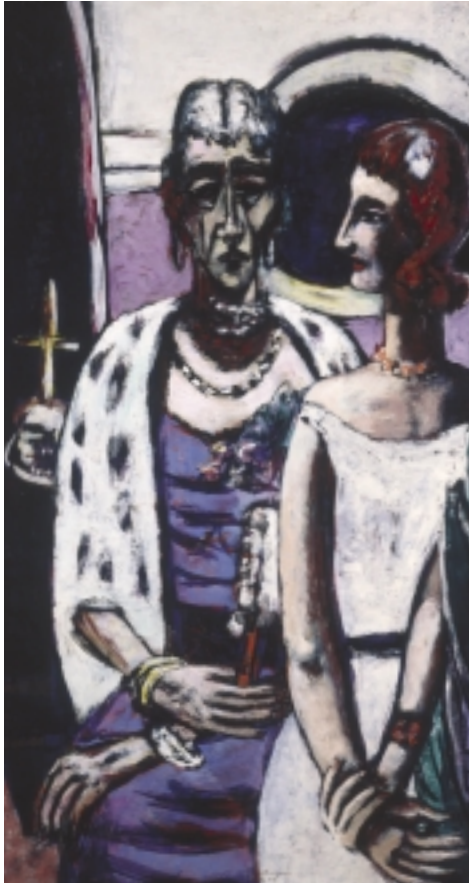


**Ernest Ludwig Kirchner** (Germany 1880–1938) *Three Bathers* 1913  
Purchased by the Art Gallery of New South Wales Foundation 1984



**Philip Guston** (America 1913–1980) *East Tenth* 1977  
Purchased by the Art Gallery of New South Wales Foundation 1988  
© The Estate of Philip Guston





**Max Beckmann** (Germany 1884–1950)  
*Mother and daughter* 1946  
 Purchased with funds provided by the Art Gallery of New South Wales  
 Foundation 1987



**Vincent van Gogh** (Dutch 1853–1890)  
*Head of a peasant* 1884  
 Purchased by the Art Gallery of New South Wales Foundation 1990



**Miyagawa Chōsun** (Japan 1638–1753)  
*Standing figure of an actor* c1713  
 Purchased by the Art Gallery of New South Wales Foundation 1987



**Nicolo Dell'Abate** (Italy 1509–1571)  
*Portrait of a gentleman with a falcon* c.1548–50  
 Purchased by the Art Gallery of New South Wales Foundation 1991



**Japan**, Kamakura period, 14th century  
*Taima mandala*  
 Purchased by the Art Gallery of New South Wales Foundation 1991



**Domenico Beccafumi** (Italy 1484–1551)  
*Madonna and child with infant John the Baptist* c.1542  
 Purchased by the Art Gallery of New South Wales Foundation 1992



**Kanō Einō** (Japan 1631–1697)  
*Pine, bamboo and plum blossom* 17th century  
 Purchased by the Art Gallery of New South Wales Foundation 1994

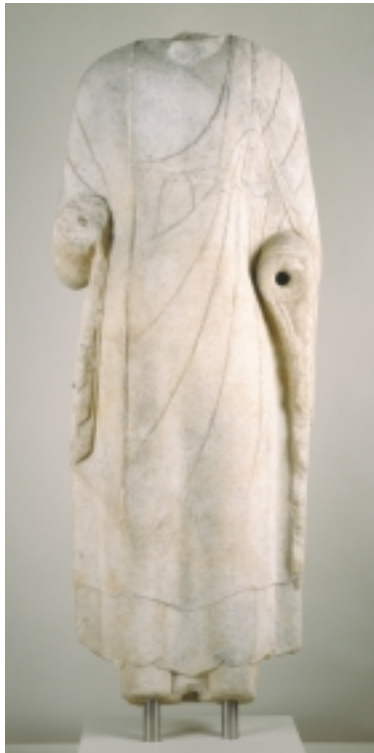




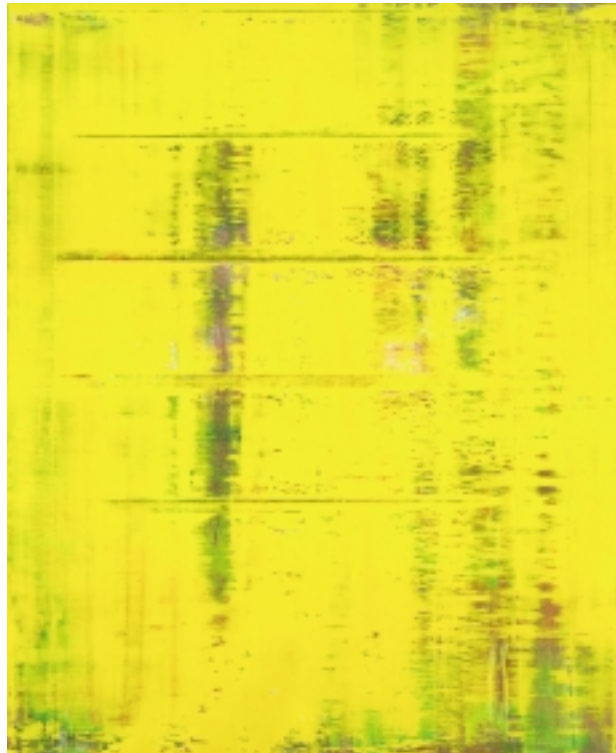
**Alberto Giacometti** (Switzerland 1901–1966),  
*Femme de Venise VII* 1956  
Purchased by the Art Gallery of New South Wales Foundation 1994  
© Estate of Alberto Giacometti, ADAGP Paris, Viscopy Ltd.



**Attributed to Wonggu**, Djapu, Yirrkala, North East Arnhem, NT  
*Untitled (Fishing Scene/Saltwater Story/Maccassan Story)*, circa 1930s  
Purchased by the Art Gallery of New South Wales Foundation 1998



**Unknown**  
*Standing Buddha*, Sui dynasty 581–618 CE  
Purchased by the Art Gallery of New South Wales Foundation 1997



**Gerhard Richter** (Germany b.1932)  
*Abstract painting (812)* 1994  
Purchased by the Art Gallery of New South Wales Foundation 1999  
© Gerhard Richter



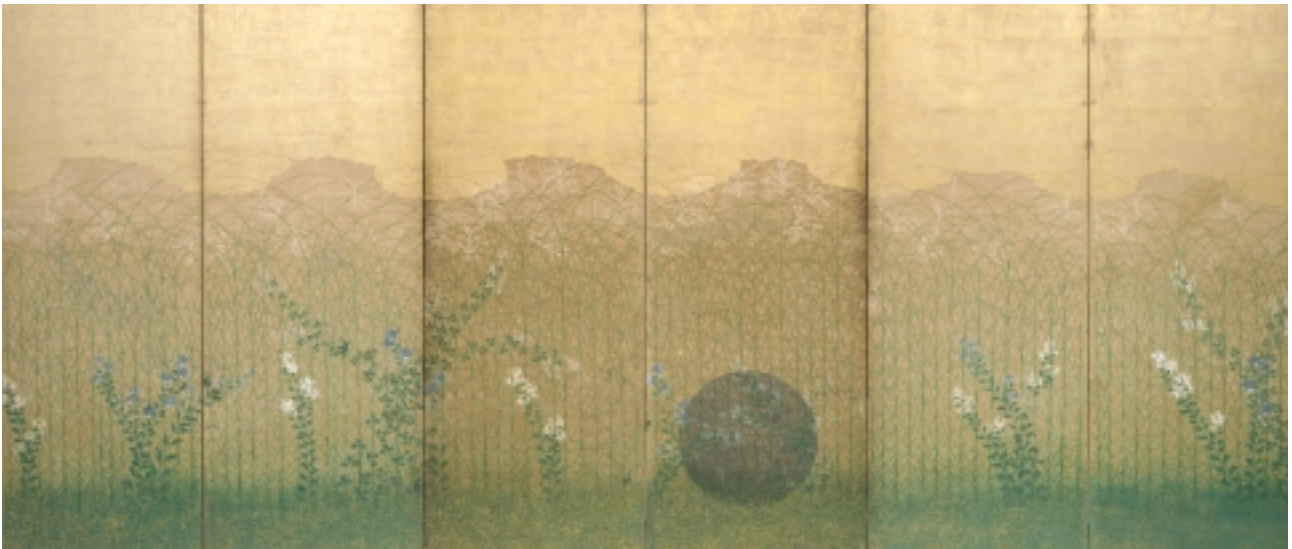
**Agnolo Bronzino** (Italy 1503–1572)  
*Duke Cosimo I de' Medici in Armour* 1540s  
 Purchased by the Art Gallery of New South Wales Foundation 1996



**Pierre Bonnard** (France, 1867–1947)  
*Bust in profile, red background (study)* c.1920  
 Purchased with funds provided by the Art Gallery of New South Wales Foundation and the Margaret Hannah Olley Trust 2000



**Rachel Whiteread** (England b.1963)  
*Untitled (elongated plinths)* 1998  
 Purchased by the Art Gallery of New South Wales Foundation 2000  
 © Rachel Whiteread



**Artist unknown** (Japan)  
*The Plain of Musashi* late 17th century – early 18th century  
 Purchased by the Art Gallery of New South Wales Foundation 2000

# FINANCIAL STATEMENTS

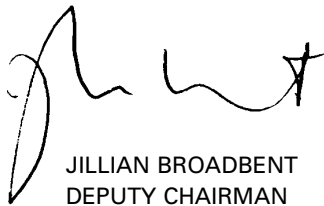
## STATUTORY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

ART GALLERY OF NEW SOUTH WALES FOUNDATION

STATEMENT IN ACCORDANCE WITH SECTION 41C(1C) OF THE PUBLIC FINANCE AND AUDIT ACT, 1983

In accordance with a resolution of the Board of Trustees of the Art Gallery of New South Wales we state that:

- (a) The accompanying financial statements have been prepared in accordance with the provisions of the Public Finance and Audit Act 1983, the Financial Reporting Code for Budget Dependent General Government Sector Agencies, the applicable clauses of the Public Finance and Audit (General) Regulation 2000, applicable Accounting Standards, other mandatory reporting requirements and the Treasurer's Directions
- (b) The financial statements and notes thereto exhibit a true and fair view of the financial position as at 30 June 2002 and the operations for the year then ended; and
- (c) At the date of signing we are not aware of circumstances that would render the financial statements misleading or inaccurate.



JILLIAN BROADBENT  
DEPUTY CHAIRMAN





GPO BOX 12  
SYDNEY NSW 2001

## **INDEPENDENT AUDIT REPORT**

### **ART GALLERY OF NEW SOUTH WALES FOUNDATION**

#### **To Members of the New South Wales Parliament Scope**

I have audited the accounts of the Art Gallery of New South Wales Foundation for the year ended 30 June 2002. The Trustees of the Foundation are responsible for the financial report consisting of the accompanying statement of financial position, statement of financial performance and statement of cash flows, together with the notes thereto, and the information contained therein. My responsibility is to express an opinion on the financial report to Members of the New South Wales Parliament based on my audit as required by the *Public Finance and Audit Act 1983* (the Act).

My audit has been conducted in accordance with the provisions of the Act and Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates.

These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the requirements of the Act, Accounting Standards and other mandatory professional reporting requirements, in Australia, so as to present a view which is consistent with my understanding of the Foundation's financial position, the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

#### **Audit Opinion**

In my opinion, the financial report of the Art Gallery of New South Wales Foundation complies with section 41B of the Act and presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements the financial position of the Foundation as at 30 June 2002 and the results of its operations and its cash flows for the year then ended.

A handwritten signature in black ink, appearing to read 'G J Gibson'.

G J Gibson FCPA  
Director of Audit

SYDNEY  
28 October 2002



**ART GALLERY OF NEW SOUTH WALES FOUNDATION**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
For the year ended 30 June 2002

	NOTES	2002 \$'000	2001 \$'000
Revenues from ordinary activities			
Grants & Contributions	3	746	860
Investment income		1,736	2,348
Gain on sale of investments		-	63
Total Revenues		<u>2,482</u>	<u>3,271</u>
Expenditure from ordinary activities			
Donations to AGNSW for purchase of works of art		-	2,101
Audit Fees	7(b)	3	3
Diminution in value of investments		2,439	1,165
Other sundry items		22	2
Total Expenditure		<u>2,464</u>	<u>3,271</u>
<b>SURPLUS FOR THE YEAR FROM ORDINARY ACTIVITIES</b>		<u>18</u>	<u>-</u>
Total revenues, expenses and valuation adjustments attributable to members of the Foundation recognised directly in Equity		-	-
Total changes in Equity other than those resulting from transactions with owners as owners		<u>18</u>	<u>-</u>

**ART GALLERY OF NEW SOUTH WALES FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
as at 30 June 2002

	NOTES	2002 \$'000	2001 \$'000
<b>ASSETS</b>			
Current Assets			
Cash at bank	4	110	31
Term Deposits		440	-
Receivables	5	3	6
Total Current Assets		<u>553</u>	<u>37</u>
Non-Current Assets			
Other Financial Assets	6	14,835	15,330
Total Non-Current Assets		<u>14,835</u>	<u>15,330</u>
<b>TOTAL ASSETS</b>		<u>15,388</u>	<u>15,367</u>
<b>LIABILITIES</b>			
Current Liabilities			
Payables	7	3	-
Total liabilities		<u>3</u>	<u>-</u>
<b>NET ASSETS</b>		<u>15,385</u>	<u>15,367</u>
<b>EQUITY</b>			
Reserves	8	-	-
Accumulated Funds	8	15,385	15,367
<b>TOTAL EQUITY</b>		<u>15,385</u>	<u>15,367</u>

**ART GALLERY OF NEW SOUTH WALES FOUNDATION**  
**STATEMENT OF CASH FLOWS**  
For the year ended 30 June 2002

	NOTES	2002 \$'000 INFLOW (OUTFLOW)	2001 \$'000 INFLOW (OUTFLOW)
Cash Flows from Operating Activities			
Receipts - revenue		2,485	3,265
Payments - expenses		(22)	(2,110)
<b>Net cash flows from Operating Activities</b>		<b>2,463</b>	<b>1,155</b>
Cash Flow from Investing Activities			
Sale of Investments		-	1,038
Net (Purchase) of Investments		(2,384)	(2,348)
<b>Net Cash Used in Investing Activities</b>		<b>(2,384)</b>	<b>(1,310)</b>
Net Increase/(Decrease) in Cash		79	(155)
Opening Cash Balance		31	186
<b>CLOSING CASH BALANCE</b>		<b>110</b>	<b>31</b>
<b>RECONCILIATION OF SURPLUS TO CASH USED IN OPERATING ACTIVITIES</b>			
Surplus from ordinary activities		18	-
Add Non Cash Items			
Add Decrement (Increment) in Value of Investments		2,439	1,165
Add Decrease (Increase) in Receivables		3	(6)
Add Increase (Decrease) in Creditors		3	(4)
<b>Net Cash from Operating Activities</b>		<b>2,463</b>	<b>1,155</b>

These accounts must be read in conjunction with the notes attached to the accounts.

# ART GALLERY OF NEW SOUTH WALES FOUNDATION

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

#### (a) Reporting entity

The Art Gallery of New South Wales Foundation was constituted by Trust Deed executed on 23 August, 1982. The Foundation comprises all operating activities under the control of the Trustees of the Foundation.

#### (b) Basis of accounting

These financial statements, which are a general purpose financial report, have been prepared on an accrual basis and in accordance with applicable Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board Urgent Issues Group Consensus Views, the requirements of the Public Finance and Audit Act and Regulation, and Treasurer's Directions.

Where there are inconsistencies with the above requirements, the legislative provisions have prevailed. Statements of Accounting Concepts are used as guidance in the absence of applicable Accounting Standards, other mandatory reporting requirements and legislative requirements. Except for certain property plant and equipment which are recorded at valuation, the financial statements are prepared in accordance with the historical cost convention. All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency. The accounting policies adopted are consistent with those of the previous year.

#### (c) Revenue Recognition

Revenue from the Foundation's activities is recognised on the contribution of donations provided and distribution of earnings from its investments.

#### (d) Acquisitions of assets

The cost method of accounting is used for the initial recording of all acquisitions of assets by the Foundation. Cost determined as the fair value of the assets given as consideration plus the costs incidental to the acquisition.

#### (e) Investments

The investment valuation policy adopted by the Foundation reflects market value, based on the unit redemption value of the Fund. The resultant increase is brought to account as a revaluation reserve. The comparative investments at cost are shown in Note 6 to the Financial Statements.

#### (f) Trustee benefits

No Trustee of the Foundation has received or become entitled to receive a benefit because of the contract made by the Gallery or a related body with the Trustee or with a firm of which the Trustee is a member, or with a company in which the Trustee has a substantial interest.

#### (g) Taxation status

The activities of the Foundation are exempt of income tax. The Foundation is also registered for GST/ABN and has gift deductible recipient status.

### 2 PROGRAMME STATEMENT

The Foundation operates one programme. The objective of this programme is to raise funds to be invested and to apply the income derived from such investments to the acquisition of works of art for the Art Gallery of New South Wales.

### 3 REVENUES - GRANTS AND CONTRIBUTIONS

Donations and contributions received cannot be used for general operations and must under the provisions of the Trust Deed be transferred to capital reserves which must be preserved.

**ART GALLERY OF NEW SOUTH WALES FOUNDATION**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**4 CURRENT ASSETS - CASH**

Interest is earned on daily balances at the rates prevailing from day to day on the Operating account and at fixed rates on the term deposits.

	<b>2002</b>	<b>2001</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at bank - operating account	110	31
Cash at bank - Term Deposit	440	
Total Cash	<u>550</u>	<u>31</u>

**5 CURRENT ASSETS - RECEIVABLES**

Receivable - Distribution from Investment Fund	<u>(3)</u>	<u>6</u>
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**6 OTHER FINANCIAL ASSETS**

	<b>MARKET VALUE 2002 \$'000</b>	<b>COST 2002 \$'000</b>	<b>MARKET VALUE 2001 \$'000</b>	<b>COST 2001 \$'000</b>
Investment Funds/Govt Securities	14,835	18,439	15,330	16,496
Total investments	<u>14,835</u>	<u>18,439</u>	<u>15,330</u>	<u>16,496</u>
Less: Provision for amortisation/diminution	<u>-</u>	<u>3,604</u>	<u>-</u>	<u>1,165</u>
	<u>14,835</u>	<u>14,835</u>	<u>15,330</u>	<u>15,330</u>
Represented by:				
Current assets	-		-	
Non-current assets	<u>14,835</u>		<u>15,330</u>	
	<u>14,835</u>		<u>15,330</u>	
Included in cash and investments are restricted use assets representing the Capital - Refer Note 8	<u>14,126</u>		<u>13,381</u>	

Investments are made in accordance with the provisions of the Trustee Act 1925, and Amendment of 1998. These amendments enabled the Foundation to invest in funds such the Westpac Pooled Investment Fund which holds a diverse range of investments including equities, property, fixed interest and cash. It is generally redeemable with 24 hours notice. Distributions are made on a quarterly basis. Due to the volatility of securities markets, the Foundation has set aside an amount for Investment Fluctuation (Note 8).

The Fund investments for the year earned a negative return of 4.7% (2001 +5.9%) on the average investment balance for the year \$15.083m (2001 \$15.425m)

**7 CURRENT LIABILITIES**

**(a) Payables**

The liabilities are recognised for amounts due to be paid in the future for goods and services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasurer's Direction 210.01. If trade terms are not specified, payment is made no later than the end of the month following in which the invoice or statement received. Treasurer's Direction 210.01 allows the Minister to award interest for late payment. No such award was made during the year.

**(b) AUDIT FEES**

Audit fees are for the audit of the financial report. The Auditors received no other benefits other than those disclosed in the Statement of Financial Performance.

**ART GALLERY OF NEW SOUTH WALES FOUNDATION**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

		<b>Asset</b>			
		<b>Revaluation</b>	<b>Accumulated</b>	<b>Accumulated</b>	<b>Accumulated</b>
		<b>Reserve</b>	<b>Funds</b>	<b>Funds</b>	<b>Funds</b>
					<b>Investment</b>
					<b>Fluctuation</b>
					<b>Reserve</b>
		<b>\$'000</b>	<b>Capital</b>	<b>General</b>	<b>\$'000</b>
			<b>\$'000</b>	<b>\$'000</b>	
8	CHANGES IN EQUITY				
	<b>Balance as at 1 July 2000</b>	336	12,520	1,847	1,000
	<b>Total Equity</b>				<b>\$'000</b>
					15,703
	<b>Changes in Equity-other than transactions with owners as owners</b>				
	Surplus for the year	-	-	-	-
	Transfer of donations	-	860	(860)	-
	Transfer to Investment	-	-	-	-
	Fluctuation Reserve	-	-	-	-
	Increment(decrement) on revaluation of Investments	-	-	-	-
		(336)	-	-	-
	<b>Total</b>	(336)	860	(860)	-
	<b>Balance as at 30 June 2001</b>	-	13,380	987	1,000
	<b>Total Equity</b>				<b>\$'000</b>
					15,367
	<b>Changes in Equity-other than transactions with owners as owners</b>				
	Surplus for the year	-	-	18	-
	Transfer of donations	-	746	(746)	-
	Transfer to Investment	-	-	-	-
	Fluctuation Reserve	-	-	-	-
	Increment(decrement) on revaluation of Investments	-	-	-	-
		-	-	-	-
	<b>Total</b>	-	746	(728)	-
	<b>Balance as at 30 June 2002</b>	-	14,126	259	1,000
	<b>Total Equity</b>				<b>\$'000</b>
					15,385

The Trust Deed prescribes that capital contributions must be invested with only the income derived from such investments being applied to meet expenses and fund the acquisitions of works of art.

9 UNCLAIMED MONIES

All amounts unclaimed are forwarded to the NSW Treasury for credit of Special Deposits Unclaimed Monies Account and are available for refund from that account. There were no unclaimed amounts in the period under review. No unclaimed amounts are held in the accounts of the Art Gallery Foundation in excess of two years.

10 COMMITMENTS FOR EXPENDITURE

At the date of this report, the Trustees are not aware of any material commitments for expenditure

11 CONTINGENT LIABILITIES

At the date of this report, the Trustees are not aware of any material contingent liabilities.

End of Audited Financial Statements

ART  
GALLERY  
NSW

FOUNDATION

Art Gallery Road The Domain Sydney NSW 2000 Telephone: (02) 9225 1700 Information Line: (02) 9925 1790 Email (general): [artmail@ag.nsw.gov.au](mailto:artmail@ag.nsw.gov.au)  
For information on current exhibitions and events, visit the Gallery's website [www.artgallery.nsw.gov.au](http://www.artgallery.nsw.gov.au)

