

ART GALLERY OF NEW SOUTH WALES FOUNDATION
ANNUAL REPORT 2007



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Cover images:

Maurice de Vlaminck, *Les voiles blanches à Chatou* 1906
(detail, front cover), oil on canvas, 91 x 73 cm
Purchased with funds provided by the Art Gallery of New South Wales
Foundation and the Margaret Hannah Olley Art Trust 2006
© Maurice de Vlaminck/ADAGP. Licensed by Viscopy, Australia

China, *Buddhist stele with Buddha and two bodhisattvas* 6th century,
limestone with traces of pigment, 68 cm (height)
Purchased with funds provided by the Art Gallery of New South Wales
Foundation, the Mary Eugene Tancred Bequest Fund, Jim & Janette Bain,
Nick Curtis, Rowena Danziger AM & Ken Coles AM, Chum & Belinda Darvall
and Isaac & Susan Wakil 2006

ART GALLERY OF NEW SOUTH WALES FOUNDATION

ART GALLERY OF NEW SOUTH WALES FOUNDATION

PATRON

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

PRESIDENT

The Hon Morris Iemma, BEc LLB MP,
Premier of New South Wales

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Mr Rupert Murdoch AC

CHAIRMAN

Mrs Rowena Danziger AM

DEPUTY CHAIRMAN

Ms Jillian Broadbent AO

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Ms Jillian Broadbent AO (deputy chairman)
Professor Michael Feneley
Mr Julien Playoust
Ms Denyse Spice

NSW STATE GOVERNMENT REPRESENTATIVES

Dr Mark Nelson
Mr Ray Wilson OAM

DONOR REPRESENTATIVES

Mr Geoffrey Ainsworth
Mr Brian France AM
Mr Fraser Hopkins
Mrs Catriona Mordant
Mr Reg Richardson
Mrs Susan Rothwell
Mr Isaac Wakil
Mr Peter Weiss AM

FINANCE COMMITTEE

Ms Jillian Broadbent AO (Chair)
Mr Geoffrey Ainsworth
Mr Brian France AM
Dr Mark Nelson
Mr Julien Playoust

DIRECTOR'S STATEMENT

Once again I can commence a foundation annual report not with statistics but with a painting. That of course is exactly as it should be for as we all know so well, the purpose of the foundation is to bring great works of art into the collections of our Gallery. It may have taken us close to 25 years to achieve this particular goal but at last we have a classic fauve painting, thanks to the foundation with the support of the indefatigable Margaret Olley. I remember well the moment that I first showed Margaret the painting, in our conservation studio; there it was on an easel freshly arrived from Paris and she took one look and without a moment's hesitation said 'Oh yes I'd like to help with that'.

When we launched the Art Gallery of New South Wales Foundation way back in early 1983, we did so with a campaign that clearly identified artists and movements that we desperately sought to represent in the permanent collections. I well remember that one of the objectives was to represent German expressionism and of course the foundation's very first purchase a year after the launch, in 1984, was Ernst Ludwig Kirchner's *Three bathers* of 1913, a great classic of German expressionist painting. One other of those identified targets has taken much longer to fulfil – our quest for a classic fauve painting. That quest gained a certain piquancy with our highly successful and popular *Fauves* exhibition in 1995.

In my introduction to the catalogue for the show I wrote:

The exuberant and colourful visual language of the fauve artists may have been short-lived but it was not an isolated aberration in the evolution of recent western art; it was an emotively dramatic response to the condition of artistic vision at the turn of the twentieth century, a condition perhaps best described by in the sentiment noted by Herbert Read 'take a step back in order to make a better leap forward' (*recule pour mieux sauter*). At the turn of the century the future of western art was undisputedly in the hands of the impressionists and the post-impressionists. Paris was the epicentre, the city to which every aspiring artist gravitated. But the great impressionist and post-impressionist figures were tiring, or dying, or like Gauguin heading off to exile in exotic places.

There was a pause in the momentum. Into this temporary hiatus poured artists such as Braque and Léger from the provinces, and from further afield Picasso, Brancusi, Kandinsky, Nolde, Boccioni and Modigliani, to join the locals Roualt, Picabia, Derain and Vlaminc. Little surprise, therefore, that Paris was the catalyst for a dramatic renaissance in artistic vision and for the sheer excitement generated by the influx of creative energy.

There was a challenger for artistic pre-eminence in Europe at the time as the Bavarian city of Munich, with its strong academic traditions attracted the German impressionists and then the highly influential Kandinsky and colleagues like Jawlensky, but its more philosophical spirit mitigated against that city achieving anything like the artistic prominence of Paris. Nonetheless one cannot help noticing that the artists in Munich, and the fauves in Paris and its environs, London and Collioure were simultaneously employing colour, pure colour, to express sensation and

feeling and doing so in ways that both excited and affronted. Subsequently the German expressionists in Dresden and Berlin, whilst retaining a firmly figurative tradition, adopted strong and often discordant colours that would have been unthinkable without the precedent set by the fauves.

Whilst there is, really, no such creature as an Australian 'fauve', the influence of this explosive movement was keenly felt in this country by modernist artists such as Roland Wakelin, Roy de Maistre and Grace Cossington Smith for whom colour remained 'the very song of life'. It is understandable, therefore, why a great fauve painting became such a priority for the Gallery. Strangely the fauves are poorly represented in Australian public collections. The National Gallery in Canberra owns the small almost pre-fauve Derain *Self-portrait in the studio* 1903 and another small Derain *Knight on a white horse* 1905. A later, post-fauve Vlaminc of a bridge over the Seine at Chatou is in the National Gallery of Victoria.

Over the years we have been offered or encountered the occasional fauve painting that would have fulfilled our aspirations but they were invariably well beyond our financial resources. A more recent plea to selected dealers and others around the world finally paid off when a Paris-based private dealer located Vlaminc's *Les voiles blanches à Chatou*, which represents both fauvism and Vlaminc at the very peak of their achievement. To appreciate the vivacity and originality of the fauve movement for those few brief years, one only has to compare this fresh, breezy, bright and colourful work with our later Vlaminc of the post-fauve period, *The red roofs* c1912–14. There is a world of difference between the two; the convincing credibility of the original initiative shines like a beacon in comparison with the later work.

One of the more intriguing snippets of information about Maurice de Vlaminc is that he very nearly became a professional racing cyclist instead of a painter but that opportunity was thwarted in 1896 by his contracting typhoid fever. However he did continue with the violin. The story goes that he met his great fauve colleague, Derain, when both were on a tram that happened to derail. Whatever the true circumstances, Vlaminc and Derain decided to share a studio on the Ile de Chatou, which happened, probably, around 1904 after Derain had returned from military service, a trial from which Vlaminc himself had returned in 1901. Matisse was another confidant of Vlaminc and Derain and the three became the undisputed leaders of the fauve movement. Others associated with the group include Braque, van Dongen, Raoul Dufy, Othon Friesz and Albert Marquet.

Our new acquisition was painted at the zenith of fauve activity and is therefore a perfect representation of the movement. It may not be as bright and varied in colour as some works, but the elemental tones are dramatic and contrasting. There are the characteristic brightly charged moments, such as the sudden red roof of the riverside cottage, the formidable white sail of the boat that confronts us as we approach the picture and that strange splash of orange in the river bank. Look closely at this painting and you will discover just about every colour of the spectrum, sometimes subdued, sometimes overt.

There too is the energetic and lively brushwork: those vertical stabs brimming with energy which give the water paradoxically a shimmering but reflective surface and the flourish of brusque strokes which bring air and breeze to the clouds and windswept trees. All are qualities of exuberance that are the very essence of the fauve genre. Equally fascinating is the existence of another, similar but not identical, painting by Vlaminck clearly depicting the same stretch of the Seine but with the red-roofed house on the other bank of the river. This work, which must have been painted at the same time although it is undated, is in the collection of the Hermitage Museum in St Petersburg.

Our work was formally unveiled at a reception in court 10 in February 2007, where it of course remains on splendid and permanent display. Thus far it has received no treatment; it is in fine condition, but there are currently murmurings about perhaps giving it just a hint of a clean as the varnish which was apparently applied in 1968 may by now have slightly tarnished its appearance. It is yet another wonderful addition to the Gallery's collections and a painting which, I have to say, gives me the greatest pleasure every time I see it – which is often.

From quite another place and time comes another great acquisition partially funded by the foundation together with a number of individual benefactors. This is a Buddhist sculpture from China, admittedly one of my favourite territories. This particular sculpture has been in a private collection in Japan since the early years of the 20th century; it is always reassuring to have a certain provenance these days of mischievous trafficking of antiquities. It was published long ago by the distinguished Japanese scholar of Buddhist art, Saburo Matsubara, which has again enhanced both its provenance and its authenticity. I first saw the work about three or more years ago in London and asked if it could, please, be put away in a cupboard until such time as we might find the necessary funds.

The late 5th to early 6th century was a critical moment in the history of Chinese Buddhist art. Out of the imported vernacular via Gandhara and Central Asia, which had determined artistic style in the first 400 years of Buddhism in China, there emerged a distinctive, more highly formalised and more independent Chinese style. It was the first great period of the art of Chinese Buddhist sculpture – and this stele is a classic, if modestly scaled, example of that achievement.

It is a typical format for a devotional Buddhist icon. A seated Buddha – almost certainly the historical Buddha Shakyamuni – has his right hand in the *abhaya* or reassurance mudra; and his left in the *varada* or liberating mudra. At this time, around 535–540 CE, Shakyamuni was the dominant figure in Chinese Buddhism in accordance with the tenets of the then dominant doctrine – the Lotus Sutra, often known as the gospel of half Asia and certainly of east Asia and of Mahayana Buddhism. The Buddha is flanked by a couple of bodhisattvas – always hard to identify accurately but most likely to be Avalokitesvara (*Guanyin*) and Samantabhadra (*Puxian*). They were Shakyamuni's usual attendants.

On the back is an incised image of a seated Buddha, Shakyamuni again, with a flame halo and the usual pair of bodhisattvas. This incised design has almost certainly been refreshed: some of the markings do not appear to be quite as old as the 6th century! But it is nonetheless rather beautiful and appealing in its sophisticated simplicity and sense of spontaneity. It is also an unusual feature as mostly such sculptures would have had a plain back for lengthy devotional inscriptions.

On the front, the outstanding feature is the cascade of draperies falling over the throne in the formalised style so characteristic of this first flourish of a purely Chinese form – one in which naturalism is forsaken for geometry, where iconographic and stylistic values supersede notions of reality. The serene and confidently composed face of the Buddha, the oversized hands, the stepped pleats of the robes over the shoulders are all characteristic features. Behind the head of the Buddha is a lotus motif and the usual flame halo; all symbols of infinite and radiating wisdom, compassion, reach and understanding.

On the sides are carved a number of characters which are the names of the various monks and donors who commissioned the sculpture. This is not unusual. Other similar sculptures often have devotional inscriptions which include a specific dedication date. Even without such a dedication, this sculpture can, on the evidence of style, quality of carving and the iconography, be assuredly dated to the very end of the Northern Wei dynasty, around 535–540 CE.

The stele is carved from a hard, dark grey limestone – and that gives a very clear indication that it came originally from Henan province in north central China. When you look at this rich and serene image – so solid, so certain, so convincing – and then consider its making some 1400 years ago by an unknown artisan working to a strictly prescribed style, you have to believe in it as a wonderful work of art, and a work of great spiritual dimension and fulfilment. It will continue to provide such succour and fulfilment in its place in the collections of the Gallery.

I take this opportunity to thank all those associated with the Foundation from its chair Rowena Danziger AM and her fellow trustees, the Gallery staff, in particular Jane Wynter, who support the Foundation's work and of course all the people who make up the membership of the Foundation. Your hard work and continued generosity is greatly appreciated; it annually provides the funds for the acquisition of great works of art for the Gallery's collection for present and future generations.

Edmund Capon AM OBE
Director, Art Gallery of New South Wales
22 November 2007

CHAIRMAN'S REPORT

I am pleased to report that the foundation has had a remarkably successful year.

CELEBRATIONS AND ACQUISITIONS

In November 2006 over 200 guests celebrated the *Goddess: divine energy* exhibition with a dinner held at the Gallery which was jointly supported by VisAsia and foundation donors. Proceeds were used to acquire a Japanese Noh theatre costume from about 1800. Several of the dinner guests joined with the foundation in acquiring *Buddhist stele with Buddha and two bodhisattvas*. This foundation contribution was made possible by the Mary Eugene Tancred Bequest Fund, in keeping with this donor's wishes that her bequest be directed towards acquisitions for the Asian collection.

During the year the foundation contributed to a major acquisition by Maurice De Vlaminck *Les voiles blanches à Chatou*, the Gallery's first fauve painting.

Last year you may recall, I told you about a proposal to acquire a half share in Tom Roberts's *Mosman's bay*, which is part of the Hinton Bequest and held by the Armidale and Dumaresq Council at the New England Regional Art Museum. In 2006 the foundation and Gallery secured 18 donors who each pledged \$100 000 over a 10-year period to fund this acquisition. At the time of writing this report, the University of New England had put forward an alternative proposal which, if successful, would sadly mean our proposal will not proceed. I would like to thank the donors for their commitments and assure them that an alternative acquisition is being considered and they will be given the opportunity of participating if they wish.

DONATIONS AND BEQUESTS

At June 2007, there were 808 donors, of which over 700 are current donors, contributing either to the foundation or to the Gallery for other purposes. The foundation received over \$443 000 in donations this year and \$402 000 in bequest income. Included in the latter item were bequests from the Patricia Englund Estate and Margaret Mary Jones and in appreciation of their generosity they have been made honorary foundation benefactor and governor respectively. Over the last five years we have received over \$5.7 million from bequests.

During the year we lost our dear friend and benefactor James Agapitos. Over 500 of James's friends and family attended the memorial service held at the Gallery. Thank you to all the donors who gave so generously in his honour, providing a lasting memorial to James, who cared so much about philanthropy and the Gallery. Over \$102 000 has been received so far which will be put towards the purchase of a work by a Papunya Tula artist.

FINANCIAL MATTERS

The equity markets continued to perform very strongly in 2006–07 adding income of \$3.304 million, a 13.2% return on funds. The foundation has three major investment classes namely cash deposits, listed securities and managed funds which provide a diversified portfolio. It is monitored by our eminently experienced Finance Committee, comprising Jillian Broadbent (chair), Geoff Ainsworth, Brian France, Mark Nelson and Julien Playoust. The management of the portfolio is intended to ensure a regular income stream whilst providing potential for capital growth.

The foundation has grown to \$26 million net worth at 30 June 2007, which is a staggering 69% (\$10.7 million) over the last five years of its 24-year history. This is in addition to \$7.6 million of contributions to art acquisitions over this same five-year period.

THE YEAR AHEAD

At the time of writing this report, plans are already underway for a fundraising dinner in November 2007 at the Gallery. It will be centred around the *Sidney Nolan retrospective* exhibition with funds raised directed towards an acquisition for the Gallery's permanent collection.

We have also started the year with a major commitment towards the acquisition of David Hockney's painting *A closer winter tunnel 2006*, which will be acquired with funds from the foundation as well as from one of our foundation trustees, Geoff Ainsworth and his wife, Vicki, and from a bequest to the Gallery from the late Florence Mae Crosby.

I am also pleased to advise of a bequest from Yvonne Buchanan May, whose estate included a property in Rose Bay. At the time of writing this report, the Gallery had sold the property via auction and expects to transfer the funds to the foundation on settlement, early in 2008. This will enhance the foundation's capital by approximately \$4.4m with a small amount set aside for the establishment of an annual art acquisition prize in honour of the donor's mother as requested in her will.

As always, we are greatly appreciative of such immensely generous gifts.

Our triennial general meeting was held in November 2007. Trustee Isaac Wakil stepped down and I would like to express my thanks for all his support over many years. I would also like to welcome our new trustee Vicki Clitheroe to the Foundation Board.

THANKS

On behalf of the foundation trustees, I would like to thank the premier Morris Iemma MP and the foundation's patron, Her Excellency Professor Marie Bashir, AC Governor of New South Wales, for their interest and support.

I would also like to thank the other trustees, Jillian Broadbent AO (deputy chairman), Geoffrey Ainsworth, Michael Feneley, Brian France AM, Fraser Hopkins, Catriona Mordant, Mark Nelson, Julien Playoust, Reg Richardson AM, Susan Rothwell, Denyse Spice, Peter Weiss AM, and Ray Wilson OAM. The success of the foundation would not be possible without their continuing dedication and support.

The achievements of the foundation are made possible by the enthusiasm, energy and very hard work of benefaction staff Jane Wynter, Barbara Cressall and Fiona Barbouttis and the financial and administrative support of Rosemary Senn and Jackie Bullions. The drive and inspiration comes from our director Edmund Capon, who continues to transform our Gallery into a temple of delight – he has our gratitude and thanks.

Thank you to all our supporters. Your understanding of our cause and your help to achieve it make not just the Gallery but Sydney a better place. Let us aim for new heights in 2008.

Rowena Danziger AM
Chairman
8 November 2007

FIVE-YEAR SUMMARY

Performance	\$'000				
	2002-03	2003-04	2004-05	2005-06	2006-07
Donations	621	572	367	441	443
Bequests	2,579	1,007	1,715	35	402
Net Investment Income	(436)	1,810	2,388	3,046	3,295
Art Acquisitions (for Art Gallery of NSW)	(17)	(727)	(2,810)	(2,000)	(2,072)
Expenses	(31)	(20)	(18)	(6)	(7)
Surplus	2,716	2,642	1,642	1,516	2,061

Donor contributions variable due to special fund raisings in prior years.

Major Bequests \$2.4m Mary Heseltine Estate and \$1.1m Mary Tancred Estate, Walter Hartwig Estate \$1.5m.

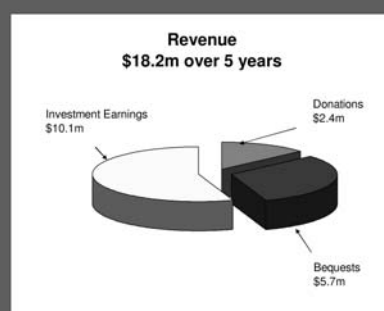
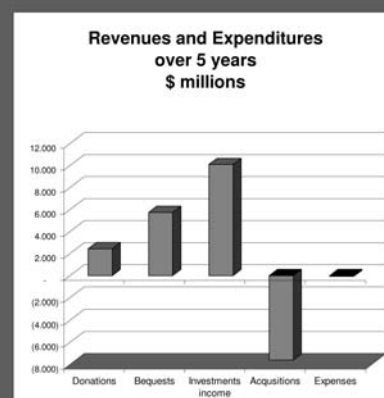
Investment returns were over 13% in 2007.

Acquisition in 2007 for Art Gallery of NSW

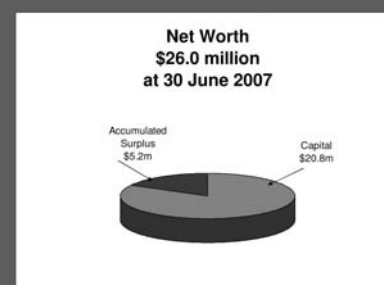
— a Fauves painting by Maurice De Vlaminck (France (1876-1958) *Les voiles blanches a Chatou*)

Net worth \$26.067m - 69% growth over five years.

Balance Sheet	\$'000				
as at 30 June	2003	2004	2005	2006	2007
Cash/Term Deposits	8,266	3,017	5,623	4,357	5,783
Net Receivables(payables)	71	18	(795)	1,272	1,459
Listed Securities	2,568	7,847	7,834	7,751	7,533
Managed Funds	7,196	9,980	9,828	10,626	11,292
NET WORTH	18,101	20,862	22,490	24,006	26,067
<i>Represented by:</i>					
Capital Funds	17,309	18,888	20,970	19,968	20,813
Fluctuation/other reserves	750	869	856	0	0
Accumulated Surplus(Deficit)	42	1,105	664	4,038	5,254



Investment Returns	2002-03	2003-04	2004-05	2005-06	2006-07
Term Deposits/Cash	4.6%	5.2%	5.5%	5.8%	6.5%
Managed Fund	-8.8%	13.1%	15.3%	22.5%	21.9%
Listed Securities	-	8.8%	6.8%	6.1%	6.7%
TOTAL ALL SECURITIES	-2.6%	9.9%	11.0%	13.3%	13.2%
Average Investment Value \$'000	16,708	19,437	21,675	22,847	25,041



Note: These tables have not been subject to audit.

FOUNDATION SUPPORTERS

As at 30 June 2007

Supporters of the Art Gallery of New South Wales Foundation are divided into categories determined by the amount donated, both pre and post 1994.

From 1983 to 1994 the categories were:

founder benefactors, governors, fellows and members

From 1994 to date the categories are:

- Life benefactors (\$1 million +)
- Benefactors (\$200 000 up to \$1 million)
- Governors (\$50 000 up to \$200 000)
- Fellows (\$20 000 up to \$50 000)
- Donors (\$10 000 up to \$20 000) in a five year period (category added 2005)
- Members (\$6000 up to \$10 000) in a four-year period (minimum contribution for this category increased from \$5000 on 1 January 2007)

SENIOR LEVEL MEMBERSHIP 1983–94

FOUNDER BENEFACTORS

Art Gallery Society of New South Wales
Caltex Australia Ltd
Government of the State of New South Wales

Vincent Fairfax Family Foundation
Mr C Lloyd Jones CMG
Mr & Mrs EPT Simpson
Westfield Holdings Ltd
Westpac Banking Corporation

GOVERNORS 1983–1994

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Ampol Ltd
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Australian Consolidated Press
The Australian Gas Light Company
Bond Street City Freeholds Ltd
Boral Ltd
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IBM Australia Ltd
James Hardie Industries Ltd
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Pancontinental Mining Ltd
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The Shell Company of Australia Ltd
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Mr & Mrs G M Thorp
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Anonymous

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Blue Circle Southern Cement Ltd
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Brenmoss Group Holdings Pty Ltd
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Dalgety Farmers Ltd
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Utah Foundation
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Mr B Walker
Mr & Mrs P Weiss
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Hugh Buchanan May
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Peter Elliott
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W J Sinclair
Sabrina & George Snow
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Bret Walker SC
Margaret Waller
S H W & E M Watson
Doreen & Geoffrey K Williams
Diana Yeldham
Steven Zador

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Mrs M C Ainsworth
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Robert O Albert AO RFD RD
Kate Anderson
Patsy Asch
Australian Galleries
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Gregory & Nicola Bundy
Paul & Karen Byrne
Joanna Capon OAM
Peter & Margaret Cary
Dr Malcolm Coppleson AO & Patricia
Coppleson
Bruce & Ann Corlett
Peter & Dee Court
Ian Darling
Vesta & Owen Davies
The Hon Mrs Ashley Dawson-Damer
Christopher & Fiona Day
Lauraine Diggins
Mr & Mrs GM Douglass
Zeny Edwards

Sandra & Paul Ferman
Terry & Lynn Fern
Rosemary Foot AO
Mr M A Gleeson-White AO
Maurice & Christina Green
Linda Gregoriou & Dale Jones-Evans
Mr Neville Gruzman AM & Mrs Gruzman
Hon Justice Ian V Gzell
Amanda Harkness
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Julian & Stephanie Grose
Kylie Thurston Grosser & Tim Grosser
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 Andrew Wright
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FINANCIAL STATEMENTS

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GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

ART GALLERY OF NEW SOUTH WALES FOUNDATION

To Members of the New South Wales Parliament

Report on the Financial Report

I have audited the accompanying financial report of the Art Gallery of New South Wales Foundation (the Foundation), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of recognised income and expense and cash flow statement for the year then ended, a summary of significant accounting policies, other explanatory notes and the Directors' statement.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Foundation as of 30 June 2007, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005
- is in accordance with the *Charitable Fundraising Act 1991* (CF Act), including showing a true and fair view of the Foundation's financial result of fundraising appeals for the year ended 30 June 2007

The Directors' Responsibility for the Financial Report

The Directors of the Foundation are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the PF&A Act and the CF Act. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

My opinion does *not* provide assurance:

- about the future viability of the Foundation,
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

Report on Other Aspects of the Charitable Fundraising Act 1991

I have audited the Foundation's operations in order to express an opinion on the matters specified at sections 24(2)(b), 24(2)(c) and 24(2)(d) of the CF Act for the year ended 30 June 2007.

Auditor's Opinion

In my opinion:

- the ledgers and associated records of the Foundation have been properly kept during the year in accordance with the CF Act and the Charitable Fundraising Regulation 2003 (the CF Regulation) (section 24(2)(b))
- money received as a result of fundraising appeals conducted during the year has been properly accounted for and applied in accordance with the CF Act and the CF Regulation (section 24(2)(c)), and
- there are reasonable grounds to believe that the Foundation will be able to pay its debts as and when they fall due (section 24(2)(d)).

The Directors' Responsibility for Compliance

The Directors of the Foundation are responsible for ensuring compliance with the CF Act and the CF Regulation. This responsibility includes:

- establishing and maintaining internal control relevant to compliance with the CF Act and CF Regulation
- ensuring that all assets obtained during, or as a result of, a fundraising appeal are safeguarded and properly accounted for, and
- maintaining proper books of account and records.

Auditor's Responsibility

My responsibility is to express an opinion on the matters specified at sections 24 (2)(b), 24 (2)(c), and 24 (2)(d) of the CF Act. I conducted my audit in accordance with Australian Auditing Standards applicable to assurance engagements. These Auditing Standards require that I comply with relevant ethical requirements relating to assurance engagements and plan and perform the audit to obtain reasonable assurance whether there were any material breaches of compliance by the Foundation.

An audit involves performing procedures to obtain audit evidence about the entity's compliance with the CF Act and CF Regulation and about its solvency. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material breaches of compliance. In making those risk assessments, the auditor considers internal control relevant to the entity's compliance 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 entity's internal control.

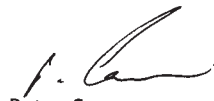
My procedures included examination, on a test basis, of evidence supporting the entity's solvency and its compliance with the CF Act and CF Regulation. These tests have not been performed continuously throughout the period, were not designed to detect all instances of non-compliance, and have not covered any other provisions of the CF Act and CF Regulation apart from those specified.

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

Independence

In conducting these audits, the Audit Office has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.



Peter Carr
Director, Financial Audit Services

24 October 2007
SYDNEY

DIRECTORS' STATEMENTS

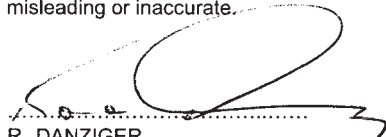
FOR THE YEAR ENDED 30 JUNE 2007

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


Pursuant to Section 41C (1C) of the Public Finance and Audit Act, 1983, and the Charitable Fundraising Act 1991, and in accordance with a resolution of the Board of Trustees of the Art Gallery of NSW Foundation, 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 Public Finance and Audit Regulation 2005, applicable Australian Accounting Standards and the Treasurer's Directions;
- (b) In our opinion, the financial statements and notes thereto exhibit a true and fair view of the financial position as at 30 June 2007 and the financial performance for the year then ended;
- (c) The provisions of the Charitable Fundraising Act 1991, the regulations under the Act and the conditions attached to the Foundation have been complied with;
- (d) In our opinion, the financial statements gives a true and fair view of all income and expenditure with respect to fundraising appeals;
- (e) The balance sheet gives a true and fair view of the state of affairs of the Foundation with respect to fundraising appeals; and
- (f) The internal controls exercised by the Foundation are appropriate and effective in accounting for all income received and applied by the Foundation from any of its fundraising appeals.

Further, we are not aware of any circumstances which would render any particulars included in the financial statements misleading or inaccurate.



R. DANZIGER
CHAIR
ART GALLERY OF NSW FOUNDATION



E. CAPON
DIRECTOR,
ART GALLERY OF NSW



R. SENN
SECRETARY & GENERAL MANAGER,
FINANCE & MANAGEMENT SERVICES

DATED: 23 OCTOBER 2007

ART GALLERY OF NEW SOUTH WALES FOUNDATION

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2007

	NOTES	2007 \$'000	2006 \$'000
Income			
Donations and Bequests	3(a)	845	476
Investment Income	3(b)	3,295	3,046
Total Income		<u>4,140</u>	<u>3,522</u>
Expenses			
Contributions to AGNSW	2(a)	2,072	2,000
Operating Expenses	2(b)	7	6
Total Expenses		<u>2,079</u>	<u>2,006</u>
SURPLUS FOR THE YEAR		<u>2,061</u>	<u>1,516</u>

ART GALLERY OF NEW SOUTH WALES FOUNDATION

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2007

Net Increase/(Decrease) in Asset Revaluation Reserve	-	-
TOTAL INCOME AND EXPENSES RECOGNISED DIRECTLY IN EQUITY	<u>-</u>	<u>-</u>
Surplus for the Year	<u>2,061</u>	<u>1,516</u>
TOTAL INCOME AND EXPENSES RECOGNISED FOR THE YEAR	8 <u>2,061</u>	<u>1,516</u>

The accompanying notes form part of these statements

BALANCE SHEET

FOR THE YEAR ENDED 30 JUNE 2007

	NOTES	2007 \$'000	2006 \$'000
ASSETS			
Current Assets			
Cash and Cash Equivalents	4	5,783	4,357
Trade and Other Receivables	5	1,466	1,279
Total Current Assets		<u>7,249</u>	<u>5,636</u>
Non-Current Assets			
Financial Assets at Fair Value Through Profit and Loss	6	18,825	18,377
Total Non-Current Assets		<u>18,825</u>	<u>18,377</u>
TOTAL ASSETS		<u>26,074</u>	<u>24,013</u>
LIABILITIES			
Current Liabilities			
Trade and Other Payables	7	7	7
TOTAL LIABILITIES		<u>7</u>	<u>7</u>
NET ASSETS		<u>26,067</u>	<u>24,006</u>
EQUITY			
Reserves	8	-	-
Accumulated Funds	8	26,067	24,006
TOTAL EQUITY		<u>26,067</u>	<u>24,006</u>

The accompanying notes form part of these statements

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2007

	NOTES	2007 \$'000	2006 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Donations and Bequests Received		845	476
Investment Income Received		2,507	1,549
Total Receipts		<u>3,352</u>	<u>2,025</u>
Payments			
Contributions and Other Expenses Paid		(2,079)	(3,291)
Total Payments		<u>(2,079)</u>	<u>(3,291)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES		<u>1,273</u>	<u>(1,266)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds of Sale of Investments		1,150	-
Purchase of Investments		(997)	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		<u>153</u>	<u>-</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,426	(1,266)
Opening Cash and Cash Equivalents		4,357	5,623
CLOSING CASH AND CASH EQUIVALENTS	4	<u>5,783</u>	<u>4,357</u>
RECONCILIATION OF SURPLUS TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the Year		2,061	1,516
Unrealised/(realised Gains)/Diminution Reversed		(601)	(715)
Decrease/(Increase) in Trade and Other Receivables		(187)	(782)
Increase/(Decrease) in Trade and Other Payables		-	(1,285)
Net Cash Flows from Operating Activities		<u>1,273</u>	<u>(1,266)</u>

The accompanying notes form part of these statements

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. The Foundation operates one program to raise donations, invest the capital and apply the income derived from such investments to the acquisition of works of art for the Art Gallery of New South Wales (AGNSW). It is a not-for-profit entity.

The Foundation hold authority number CFN18151 to fundraise under the provisions of the Charitable Fundraising Act, 1991(NSW).

The financial report has been authorised for issue by the Board on 23 October 2007.

(b) Basis of preparation

The Foundation's financial statements are a general purpose financial report, which has been prepared in accordance with:

- applicable Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AEIFRS) and interpretations; and
- the requirements for the Public Finance and Audit Act 1983 and the Public Finance and Audit Regulation 2005,

Financial assets at 'fair value through profit or loss' are measured at fair value. Other financial report items are prepared on an accrual basis and based on historical costs.

Judgements, key assumptions and estimations management has made are disclosed in the relevant notes to the financial report.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

(c) Statement of Compliance

The financial statements and notes comply with Australian Accounting Standards which include AEIFRS. The Foundation has adopted all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective from the current annual reporting period.

(d) Income Recognition

Income is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition of

(i) Donations and bequests

Donations and bequests are generally recognised as income, when the Foundation obtains control over the assets comprising donations and bequests. Control over these are normally obtained upon the receipt of cash.

(ii) Investment income

Investment income is recognised using the effective interest method as set out in AASB 139 Financial Instruments: Recognition and Measurement. Dividends and Distributions revenue is recognised in accordance with AASB 118 when the Foundation's right to receive payment is established. Unrealised gains and losses are brought to account in the Income Statement.

(e) Financial Instruments

The Foundation's financial instruments arise directly from the Foundation's operations or are required to finance its operations. The Foundation does not enter into or trade financial instruments for speculative purposes and does not use financial derivatives.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued...

(i) Cash

Cash comprises cash on hand and bank balances. Interest is earned on daily bank balances and paid monthly at the normal commercial rate.

(ii) Term Deposits

The Foundation has placed funds in bank deposits "at call" or for a fixed term. The interest rate payable is negotiated initially and is fixed for the term of the deposits. The deposits are usually held to maturity. Interest is accrued as at 30 June and brought to account in the Income Statement.

(iii) Trade and Other Receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are accounted for in the Income Statement when impaired, derecognised or through the amortisation process. The credit risk is the carrying amount (net of any allowance for impairment). No interest is earned on trade debtors. The carrying amount approximates fair value. Sales are made on 30 day terms.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(iv) Investments

In accordance with *AASB139 Financial Instruments under AEIFRS*, the Foundations investments are classified as "at fair value through profit or loss" and measured at fair value, which is equivalent to their carrying value.

The Foundation invests in a selection of listed interest rate securities and managed funds. Fair value is determined by reference to current bid prices at the close of business on balance date for interest rate securities and redemption price in the case of managed fund. The classification of its financial assets will be reviewed at each financial year end. The listed securities are quoted on the Australian Stock Exchange and are a mixture of floating and fixed interest securities. The managed funds are represented by the number of units in a selection of funds. Each fund has different investment horizons and comprises a mix of asset classes appropriate to the investment horizon. Each fund appoints and monitors fund managers and establishes and monitors the application of appropriate investment guidelines.

Investments are made in accordance with the provision of the Trustee Act 1925. They are generally able to be redeemable with 24 hours notice. The value of the investments held can decrease as well as increase depending upon market conditions. The value that best represents the maximum credit risk exposure is the fair value. The value of the investments represents the Foundation's share of the value of the underlying assets of the fund and is stated at fair value, based on the market value.

(v) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Foundation and other amounts, including interest. Trade and other payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued...

(f) Income Tax

The Foundation is a registered charitable fund and is entitled to an income tax exemption concession.

(g) Accounting Standards Issued but not yet Effective

The Foundation did not early adopt any new accounting standards and interpretations that are not yet effective. At the date of authorisation of the financial statements, the following Standards and Interpretations were on issue and applicable to the Foundation, but not yet effective:

- AASB 7 'Financial Instruments: Disclosure' that is operative for 31 December 2007 and 30
- AASB 8 'Operating Segments' that is operative for 31 December 2009 and 30 June 2010
- AASB 101 'Presentation of Financial Statements', that is operative for 31 December 2007
- AASB 123 'Borrowing Costs' that is operative for 31 December 2009 and 30 June 2010
- AASB 2007-4 'Amendments to Australian Accounting Standards arising from ED 151 and other Amendments' applicable to annual reporting periods beginning on or after 1 July 2007

The Foundation has assessed the impact of these new standards and interpretations and considers the impact to be insignificant.

	2007	2006
	\$'000	\$'000
2 EXPENSES		
<i>(a) Contributions to AGNSW</i>	<u>2,072</u>	<u>2,000</u>
<i>(b) Operating Expenses</i>		
Audit fees	<u>7</u>	<u>6</u>
	<u>7</u>	<u>6</u>
Audit fees are for the audit of the financial report. The Auditors received no other benefits.		
3 INCOME		
<i>(a) Donations and Bequests</i>		
Donations	443	441
Bequests	<u>402</u>	<u>35</u>
	<u>845</u>	<u>476</u>
<i>(b) Investment Income</i>		
Interest, Dividends & Distributions	2,694	2,331
Unrealised/realised Gains	601	375
Diminution Write Back	<u>340</u>	<u>340</u>
	<u>3,295</u>	<u>3,046</u>
Donations and Bequests received are generally preserved as capital unless otherwise requested by donor/benefactor.		

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2007 \$'000	2006 \$'000
4		
CURRENT ASSETS - CASH & CASH EQUIVALENTS		
Cash at Bank	103	57
Term Deposits	5,680	4,300
Total Cash & Cash Equivalents	5,783	4,357

For the purpose of the cash flow statement, cash includes cash at bank and short term deposits. Cash and cash equivalent assets recognised in the balance sheet are reconciled at end of the financial year to the cash flow statement as follows:

Cash and Cash Equivalents (per Balance Sheet)	5,783	4,357
Bank overdraft	-	-
Closing Cash and Cash Equivalents (per Cash Flow Statement)	5,783	4,357

5		
CURRENT ASSETS - TRADE AND OTHER RECEIVABLES		
Receivables	1,466	1,279

These primarily represent accrued income on investments.

6		
NON CURRENT ASSETS - FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS		
Listed Securities	7,533	7,751
Managed Funds	11,292	10,626
Total Non Current Financial Assets at Fair Value	18,825	18,377

Restricted Use Assets of \$20.813m (\$19.968m 2006) is included in cash, cash equivalents and other financial assets, representing the capital.

7		
CURRENT LIABILITIES - TRADE AND OTHER PAYABLES		
Payables	7	7

8			
CHANGES IN EQUITY	<i>Accumulated Funds</i>	<i>Revaluation Reserve</i>	<i>Total</i>
	\$'000	\$'000	\$'000
Balance as at 1 July 2005	22,384	106	22,490
<u>Changes in Equity-other than transactions with owners as owners</u>			
Surplus for the year	1,516	-	1,516
Transfer to(from) Reserve	106	(106)	-
<u>Total</u>	1,622	(106)	1,516
Balance as at 30 June 2006	24,006	-	24,006
Balance as at 1 July 2006	24,006	-	24,006
<u>Changes in Equity-other than transactions with owners as owners</u>			
Surplus for the year	2,061	-	2,061
<u>Total</u>	2,061	-	2,061
Balance as at 30 June 2007	26,067	-	26,067

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2007 \$'000	2006 \$'000
<i>Total Equity comprises:</i>		
Capital (Preserved Funds)		
Tancred Trust Fund	1,087	1,087
General Fund	19,726	18,881
Total Capital	20,813	19,968
Retained Investment Income	5,254	4,038
Total Equity	26,067	24,006

The Capital represent donations and bequests which are preserved as required under the Foundation's Trust Deed.

9

FINANCIAL INSTRUMENTS

The foundation's principal financial instruments are outlined below. These financial instruments arise directly from the foundation's operations or are required to finance its operations. The foundation does not enter into or trade financial instruments for speculative purposes and does not use financial derivatives.

Financial Assets

Cash at bank and on hand - at variable interest rate	103	57
Trade and other receivables - non-interest bearing	1,466	1,279
Term Deposits		

The foundation has placed funds in Trustee approved bank deposits for a fixed term. The interest rate payable on such deposits is negotiated initially and is fixed for a term of the deposit.

Less than one year	5,680	4,300
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The return on these deposits was 6.5% in 2007 (5.8 % 2006) on an average balance of \$5.833m (\$4.589 in 2006). The Carrying Amount is equal to Net Fair Value.

Financial Assets at Fair Value Through Profit and Loss

Listed Securities	7,533	7,751
Managed Funds	11,292	10,626

The return on the listed securities was 6.7% in 2007 (6.1% 2006) on an average balance of \$7.642m (\$7.797 in 2006) and the managed funds earned a return of 21.9% (22.5 % 2006) on an average investment of \$10.959m (\$10.227m 2006).

Overall, the Foundation earned 13.2% (13.3% 2006) on an average balance of \$25.041m (\$22.847m 2006), representing all its funds.

Financial Liabilities

Trade and other payables - non-interest bearing	7	7
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10

COMMITMENTS FOR EXPENDITURE

At the date of this report, the Foundation had made the following commitments to the Art Gallery for contributions to the acquisition of artworks:

A possible amount of up to \$1.75m for Drysdale's '*Mosmans Bay*' contingent on Court approval of a submission made by the Armidale and Dumersq Council for joint ownership of the artwork. The Gallery has already received commitments from donors for these funds so the contribution from the Foundation may only be necessary as a short term advance.

An amount of US \$1 million (A\$ equiv. 1.2m) due in March 2008 for David Hockney's *A closer winter tunnel 2006*, and a possible further US\$ 1 million (A\$ equiv. 1.2m) in the event that fundraising is not successful.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

11 CONTINGENT LIABILITIES & CONTINGENT ASSETS

At the date of this report, the Trustees are not aware of any material contingent liabilities (2006 - Nil).

At the date of this report, a contingent asset of approx \$4.9m exists. In June 2007, the AGNSW Foundation Trustees were advised of a bequest (Estate of the late Yvonne Buchanan May) of a real estate property (valued at \$4.9m) which was left to the Art Gallery of NSW. In 2007/08 the Gallery proposes to sell the property and transfer the proceeds to the AGNSW Foundation after making allowance for an annual prize award as required under the terms of the Will.

12 FUNDRAISING APPEALS

The Foundation did not undertake any specific fundraising appeals as defined under the Charitable Fundraising Act, 1991. However many of the Foundation supporters attend/support the fundraising activities held by the Art Gallery of NSW.

13 POST BALANCE DATE EVENT

There are no significant post balance date events that will impact the financial report, other than those mentioned at Notes 10 and 11.

14 TRUSTEE BENEFITS

No Trustee of the Foundation has received or become entitled to receive a benefit because of the contract made by the Foundation 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.

END OF AUDITED FINANCIAL STATEMENTS

