

**ARTS
PROJECT
AUSTRALIA**



**2020
Financial
Statements**

Lionel Grijalva
Great Horn Lizard Beast
13 x 24 x 11.5 cm
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Represented by Arts Project
Australia, Melbourne

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

FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 / \$	2019 / \$
Revenue from Continuing Operations			
Government Funding:			
Commonwealth grants	13	355,515	72,877
State grants		9,625	60,842
Fundraising:			
Other grants		8,076	11,750
Sponsorship		54,436	12,273
Donations		256,248	193,600
Exhibition/artwork sales		209,563	241,253
Artist's fees	13	1,575,453	1,528,744
Leasing of artworks		27,914	30,188
Membership fees		2,252	3,150
Other Income:			
Interest received		19,512	17,091
Miscellaneous income		9,733	21,940
Total Income	3	2,528,327	2,193,708
Administration expenses		140,978	135,144
Advertising/public relations		79,290	51,699
Building and equipment		75,139	75,738
Commission on art sales		155,285	141,139
Depreciation		67,270	44,213
Employee expenses	4	1,567,702	1,353,166
Finance and interest		1,595	3,048
Gallery		52,729	46,113
Postage and telecommunications		27,182	27,012
Minor asset purchases		33,535	29,275
Studio		66,485	67,461
Total Expenses		2,267,190	1,974,008
Net surplus for the year/Total comprehensive income for the year		261,137	219,700

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

**STATEMENT OF
FINANCIAL POSITION**

FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 / \$	2019 / \$
Assets			
Current assets			
Cash and cash equivalents	5	586,167	537,471
Term Deposits		1,059,743	737,789
Trade and other receivables	6	230,808	206,828
Total current assets		1,876,718	1,482,089
Non-current assets			
Property, plant and equipment	7	1,580,469	1,599,088
Total non-current assets		1,580,469	1,599,088
Total assets		3,457,187	3,081,176
Current Liabilities			
Trade creditors and other payables	8	173,569	146,164
Provisions	9	105,854	107,671
Other liabilities	10	179,020	100,000
Total current liabilities		458,443	353,835
Non-current liabilities			
Provisions	9	17,670	7,404
Other		-	-
Total non-current liabilities		17,670	7,404
Total liabilities		476,113	361,239
Net Assets		2,981,075	2,719,938
Funds			
Retained Funds	12	2,652,315	2,391,178
Bequest Reserve	12	328,760	328,760
Total Funds		2,981,075	2,719,938

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

**STATEMENT OF
CASH FLOWS**

FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 / \$	2019 / \$
Cash Flows from Operating Activities			
Receipts from:			
Government Grants		365,140	133,719
Sales of artwork		209,563	241,253
Interest Received		19,512	17,091
Memberships		2,252	3,150
Fund raising		318,761	217,623
Other operations		1,589,120	1,516,091
Cash payments to suppliers and employees		(2,085,046)	(1,943,809)
Net cash flows from operating activities	11	419,301	185,118
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(48,651)	(36,658)
Purchase of term deposits		(321,954)	(12,818)
Net cash used in investing activities		(370,605)	(49,476)
Net Increase (decrease) in cash held		48,696	135,642
Cash at the beginning of the financial year		537,471	401,829
Cash and cash equivalents at the end of the financial year	5	586,167	537,471

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

**STATEMENT OF CHANGES
IN FUNDS**

FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 / \$	2019 / \$
Statement of Changes in Funds			
Opening retained results from operations		2,391,178	2,171,478
Amount transferred from capital reserve		-	-
Net surplus attributable to the association		261,137	219,700
Amount transferred to bequest reserve		-	-
Closing retained results		2,652,315	2,391,178
Bequest Reserve			
Opening bequest reserve		328,760	328,760
Amount transferred to bequest reserve including accrued interest		-	-
Amount utilised from bequest reserve		0	0
Closing bequest reserve		328,760	328,760
Closing retained results and reserves		2,981,075	2,719,938

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. ASSOCIATION INFORMATION

The financial statements of the not-for-profit association, Arts Project Australia Inc., for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the board on 17th August 2020.

Arts Project Australia Inc. is an Incorporated Association in Victoria, registered under the *Australian Charities and Not-for-profits Commission Act 2012*.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* and Australian Accounting Standards – Reduced Disclosure Requirements of the Australian Accounting Standards Board. The Association is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

(B) Significant Accounting Judgements, Estimates and Assumptions

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

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

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

(C) Revenue Recognition

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Association expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue as and when control of the performance obligations is transferred

Government funding

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

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

Revenue from fundraising

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

Sale of goods

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

Interest Income

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

Fees from artists

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

(D) Expenditure

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

(E) Cash and Cash Equivalents

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

Bequest Reserve

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

(F) Trade and Other Receivables

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

NOTES Continued

(G) Property, Plant and Equipment

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

Land and buildings are independently revalued every 5 years. A commercial valuation was received during the 2016/17 financial year. The valuation amount has not been included in the financial statements at 30 June 2020. Refer to Note 7.

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

Buildings are depreciated over their useful lives which has been assessed at 40 years.

Impairment

The carrying amounts of property, plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying amount may be impaired. No impairment was required during 2019 and 2020.

(H) Trade Creditors and Payables

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

(I) Other Current Liabilities

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

(J) Employee Benefits

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

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

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

From 1 January 2020, the Portable Long Service Scheme came into effect which had an impact on the Association's employees leave entitlements. The employees impacted by the act are no longer provided long service entitlements. The Association pay a levy to the Authority of 1.65% based on the employees' ordinary pay.

The association pays contributions to certain accumulation superannuation plans. Contributions are recognised in the statement of comprehensive income when they are due. The association has no obligation to pay further contributions to these plans.

(K) Taxation

Income tax

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

Goods and Services Tax

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

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

(L) Adoption of New and Revised Accounting Standards

During the current year, the Association adopted all of the new and revised Australian Accounting Standards and interpretations applicable to its operations which became mandatory. The adoption of these Standards (including AASB 16) has not had a significant impact on the recognition, measurement and disclosure of transactions.

(M) Contingencies

In the opinion of the Board, the Association did not have any contingencies at 30 June 2020 (30 June 2019: None).

(N) Events Effecting the Reporting Period

During the year the World Health Organisation declared the COVID-19 coronavirus a pandemic and the Association is managing the potential impacts on operations. At the date of the report, an estimate of the financial impact of these events cannot be made. The Association has developed initiatives to mitigate risks associated with the event.

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

NOTES Continued

	2020 / \$	2019 / \$
3. Revenue		
Sale of goods	209,563	241,253
Government grants	365,140	133,719
Donations, gifts, sponsorships	318,761	217,623
Interest Income	19,512	17,091
Studio fees	1,575,453	1,528,744
Leasing of Artwork	27,914	30,188
Other	11,985	25,090
Total revenue	2,528,327	2,193,708

4. Employee Benefits Expense

Wages and salary	1,531,573	1,353,483
Workers compensation	8,401	12,664
Movement in employee benefits provision	27,727	(12,981)
Total employee benefits expense	1,567,702	1,353,166

5. Cash and Cash Equivalents

Bank Accounts		
Operating Account	87,137	52,829
Gifts Account	54,332	61,589
Short Term Deposits	463,213	422,550
Clearing Account	(19,019)	-
Petty Cash	504	504
Total cash and cash equivalents	586,167	537,471

Cash at bank and term deposits earn interest at market rates

6. Trade and Other Receivables

Prepayments	6,610	8,406
Trade debtors	233,859	215,653
Less provision for doubtful debts	(9,661)	(17,501)
Total trade and other receivables	230,808	206,558

NOTES Continued

	2020 / \$	2019 / \$
7. Property, Plant and Equipment		
Land – at cost	264,000	264,000
Building – at cost	1,367,068	1,354,318
Building – accumulated depreciation	(112,748)	(78,827)
Plant and Equipment – at cost	279,704	243,803
Plant and Equipment – accumulated depreciation	(219,181)	(185,831)
Motor Vehicle – at cost	21,431	21,431
Motor Vehicle – accumulated depreciation	(21,431)	(21,431)
Permanent Art Collection – at cost	1,625	1,625
Total property, plant and equipment	1,580,469	1,599,088

Asset Reconciliation	Land	Building	Plant & Equipment
Opening balance 2019	264,000	1,251,937	89,080
Additions	–	36,658	–
Depreciation	–	(13,104)	(31,109)
Closing balance 2019	264,000	1,275,491	57,972
Opening balance 2020	264,000	1,275,491	57,972
Additions	–	12,750	35,901
Depreciation	–	(33,920)	(33,350)
Closing balance 2020	264,000	1,254,321	60,523

NOTES Continued

	2020 / \$	2019 / \$
8. Trade Creditors and Payables		
Unsecured:		
Trade Creditors	19,903	32,094
GST Payable/(Receivable)	(4,730)	(10,324)
PAYG Payable	29,846	32,839
Accruals	23,919	6,203
Provision for Parental Leave	2,780	2,780
Annual leave provision	101,850	82,572
Total trade creditors and payables	173,569	146,164
9. Provisions		
Long Service Leave – Current	105,854	107,671
Long Service Leave – Non current	17,670	7,404
Total Provisions	123,524	115,075
10. Other Liabilities		
Other liabilities	79,020	–
Deferred Income	100,000	100,000
Total Other Liabilities	179,020	100,000
11. Cash Flow Information		
Operating Result	261,137	219,700
Cash Flows excluded from operating results attributable to operating activities		
Non-cash flows in operating result		
Depreciation	67,270	44,213
Changes in assets and liabilities		
(Increase)/Decrease in trade debtors and other current assets	(23,980)	(64,781)
Increase/(Decrease) in trade creditors and other payables	106,425	(26,830)
Increase/(Decrease) in provisions	8,449	12,816
Net cash flows from operations	419,301	185,118

NOTES Continued

12. Details of Reserves

Retained Earnings

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

Bequest Reserve

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

13. Details of changes to accounting for payments from artists

Income from NDIA plans in prior years has been attributed to Government Funding. In 2019–20 the Board reallocated this to Artist Fees due to the funds being invoiced directly to the Artists rather than the NDIA

	2020 / \$	2019 / \$
14. Key Management Personnel		
Compensation for key management personnel		
Short term employee benefits	455,589	439,465
Post employment benefits*	43,281	40,495
Total employee benefits	498,870	479,960

RESPONSIBLE PERSONS' DECLARATION FOR THE YEAR ENDED 30 JUNE 2019

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

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

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

(b) give a true and fair view of the financial position as at 30 June 2020 and of its financial performance for the year then ended

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

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



Virginia Lovett
PRESIDENT



Rami Eltchelebi
TREASURER

Dated this 17th August 2020

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF ARTS PROJECT AUSTRALIA

ARTS PROJECT AUSTRALIA INC
ABN: 99 804 795 393



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

Opinion

We have audited the financial report of Arts Project Australia Inc (the Association), which comprises the statement of financial position as at 30 June 2020, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the declaration by those charged with governance.

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

- (i) giving a true and fair view of the Association's financial position as at 30 June 2020 and of its financial performance and its cash flows for the year then ended; and
- (ii) that the financial records kept by the association are such as to enable financial statements to be prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Australian Charities and Not-for-profits Commission Act 2012*.

Basis for Opinion

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

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

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

The committee is responsible for the other information. The other information obtained at the date of this auditor's report is information included in the committee report for the year ended 30 June 2020.

Our opinion on the financial report comprises the statement of financial position as at 30 June 2020, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the committee's declaration. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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

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

Responsibilities of Management and Those Charged with Governance

The committee of the Association is responsible for the preparation and fair presentation of the financial report in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, and for such internal control as management determines is necessary to enable the preparation of the financial report is free from material misstatement, whether due to fraud or error.

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

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

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF ARTS PROJECT AUSTRALIA

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the committee.
- Conclude on the appropriateness of the committee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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



ACCRU MELBOURNE (AUDIT) PTY LTD

17 August 2020



A N SAMADI
Director