

Southland Museum & Art Gallery Trust Board Inc

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019



southland
MUSEUM & ART GALLERY
NIHO O TE TANIWHA

Southland Museum & Art Gallery Trust Board Inc

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Southland Museum & Art Gallery Trust Board Inc

ENTITY INFORMATION

Structure of the Trust's operations, including governance arrangements

The Trust comprises a board of ten trustees who oversee the governance of the Trust.

	<i>Current Trustee(s) appointment</i>
3 trustees are appointed by Invercargill City Council	Cr Biddle (Chairperson) Cr Ludlow Cr Amundsen
2 trustees are appointed by Southland District Council	Cr Macpherson Cr Patterson
2 trustees are appointed by trustees appointed by Invercargill City Council & Southland District Council	G Neave R Eagles <i>appointed 6 Sep 2018</i>
1 trustee is appointed by Tangata Whenua	Vacant J Davis <i>resigned 14 Feb 2019</i>
1 trustee is appointed by Friends of the Southland Museum & Art Gallery	J Watson
1 trustee is appointed by Gore District Council	Vacant

The Trust has a management contract with Invercargill City Council for the operations of the museum facilities.

Main source of Trust's cash and resources

Grants received from Southland Regional Heritage Committee and service contract revenue from Invercargill City Council are the primary sources of funding to the Trust.

Registered office: 108 Gala Street, P O Box 1012, Invercargill

Postal address: 108 Gala Street, P O Box 1012, Invercargill, Phone (03) 219 9069

Solicitors: Preston Russell Law, 45 Yarrow Street, Invercargill

Bankers: Westpac, 62 Kelvin Street, Invercargill

Auditor: Audit New Zealand on behalf of the Auditor - General

Southland Museum & Art Gallery Trust Board Inc

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR ENDED 30 JUNE 2019

	<i>Note</i>	2019 \$	2018 \$
Revenue			
Grant - Invercargill City Council		15,000	649,407
Grant - Southland Regional Heritage Committee		1,187,429	1,119,055
Revenue from providing services	1	972,179	12,777
Donations		-	8,334
Bequests		3,841	10,000
Interest revenue		7,465	7,403
Total revenue	2	2,185,914	1,806,976
Expenses			
Cost of providing services	3	2,194,819	1,783,527
Depreciation of property, plant, and equipment	8	9,489	70,529
Impairment loss	8	-	1,519,036
Audit fees	4	7,458	7,322
Total expenses		2,211,766	3,380,414
Surplus / (Deficit) for the year		(25,852)	(1,573,438)
Other comprehensive revenue and expenses			
		-	-
Total other comprehensive revenue and expenses for the year		-	-
Total comprehensive revenue and expense for the year		(25,852)	(1,573,438)
Surplus / (Deficit) attributable to:			
Owners of the parent entity		(25,852)	(1,573,438)
		(25,852)	(1,573,438)
Total comprehensive revenue and expense attributable to:			
Owners of the parent entity		(25,852)	(1,573,438)
		(25,852)	(1,573,438)

The Statement of Accounting Policies and Notes are an integral part of, and should be read in conjunction with, these financial statements.

Southland Museum & Art Gallery Trust Board Inc

STATEMENT OF CHANGES IN NET ASSETS/EQUITY AS AT 30 JUNE 2019

	Attributable to owners of the parent entity			Total equity \$
	Retained surplus \$	Restricted reserve \$	Special purpose reserve \$	
Balance at 1 July 2017	2,909,765	-	11,269	2,921,034
Surplus / (Deficit) for the year	(1,573,438)			(1,573,438)
Total other comprehensive revenue and expenses for the year	-			-
Transfers	-	-	-	-
Balance at 30 June 2018	1,336,327	-	11,269	1,347,596
Balance at 1 July 2018	1,336,327	-	11,269	1,347,596
Surplus / (Deficit) for the year	(25,852)			(25,852)
Total other comprehensive revenue and expenses for the year	-			-
Transfers	(289,454)	262,232	27,222	-
Balance at 30 June 2019	1,021,021	262,232	38,491	1,321,744

The Statement of Accounting Policies and Notes are an integral part of, and should be read in conjunction with, these financial statements.

Southland Museum & Art Gallery Trust Board Inc


STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	<i>Note</i>	2019 \$	2018 \$
Assets			
Current assets			
Cash and cash equivalents	5	179,849	293,663
Receivables	6	59,546	51,204
Other financial investments	7	218,874	211,949
Total current assets		458,269	556,816
Non-current assets			
Property, Plant and Equipment	8	924,726	914,855
Total Non-current assets		924,726	914,855
TOTAL ASSETS		1,382,995	1,471,671
Liabilities			
Current Liabilities			
Payables and accrued expenses	9	8,482	17,206
Unused grants with conditions	10	52,769	106,869
TOTAL LIABILITIES		61,251	124,075
NET ASSETS		1,321,744	1,347,596
Equity			
Retained surplus		1,021,021	1,336,327
Restricted reserve	11	262,232	-
Special purpose reserve	11	38,491	11,269
		1,321,744	1,347,596



Toni Biddle
CHAIRPERSON

4 September 2019



Darren Ludlow
TRUSTEE

The Statement of Accounting Policies and Notes are an integral part of, and should be read in conjunction with, these financial statements.

Southland Museum & Art Gallery Trust Board Inc

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

	<i>Note</i>	2019 \$	2018 \$
<i>Cash flows from operating activities</i>			
Receipts from grants and donations		1,156,706	1,840,613
Receipts from providing services		972,179	12,777
Interest receipts		7,468	7,364
Payments to suppliers		(2,209,845)	(1,787,716)
GST (net)		(14,037)	(2,356)
Net cash flows from operating activities		(87,529)	70,681
<i>Cash flows from investing activities</i>			
Payments to acquire property, plant and equipment		(19,360)	(10,324)
Payments to acquire investments		(6,925)	(6,807)
Net cash flows from investing activities		(26,285)	(17,131)
Net increase/(decrease) in cash & cash equivalents		(113,814)	53,551
Cash & cash equivalents at the beginning of the financial year		293,663	240,112
Cash & cash equivalents at the end of the financial year	5	179,849	293,663

The Statement of Accounting Policies and Notes are an integral part of, and should be read in conjunction with, these financial statements.

Southland Museum & Art Gallery Trust Board Inc

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2019

REPORTING ENTITY

The reporting entity is Southland Museum & Art Gallery Trust Board Inc (the "Trust"). The Trust is domiciled in New Zealand and is a charitable organisation incorporated in New Zealand under the Charitable Trusts Act 1957.

The purpose of the Trust is to ensure prudent administration of the Museum facilities and collections within that facility and to monitor the management contract, which is currently with the Invercargill City Council.

The financial statements were approved and authorised for issue by the board of Trustees on 4 September 2019.

STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with NZ GAAP. They comply with Tier 2 PBE (RDR) accounting standards on the basis the Trust is not considered publically accountable or large with expenditure under \$30 million per annum. All available disclosure concessions have been applied.

CHANGES IN ACCOUNTING POLICIES

These financial statements are the first to be presented under Tier 2 PBE (RDR) accounting standards. All accounting policies have been consistently applied throughout the period covered by these financial statements.

BASIS OF PREPARATION

The preparation of financial statements in conformity with Tier 2 PBE accounting standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

The financial statements have been prepared on the basis of historical cost, except for heritage assets and the revaluation of certain financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. Heritage assets are valued as per Property Plant and Equipment, Heritage Assets policy.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The financial statements have been prepared on a going concern basis, and the accounting policies set out below have been applied consistently to all periods presented in these financial statements.

New Zealand dollars are the Trust's functional and presentation currency.

The trustees of the Trust do not have the power to amend the financial statements after issue.

Southland Museum & Art Gallery Trust Board Inc

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2019

The following accounting policies which materially affect the measurement of results and financial position have been applied:

SIGNIFICANT ACCOUNTING POLICIES

REVENUE

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and GST.

Grants and Donations

Council, government, and non-government grants are recognised as revenue when the funding is receivable unless there is an obligation to return the funds if conditions of the grant are not met ("use or return condition"). If there is such an obligation, the grant is initially recorded as a liability and recognised as revenue when conditions of the grant are satisfied.

Interest revenue

Interest revenue is recognised on an accrual basis.

Revenue from providing services

Revenue from services rendered is recognised when it is probable that the economic benefits associated with the transaction will flow to the entity. The stage of completion at balance date is assessed based on the value of services performed to date as a percentage of the total services to be performed.

Donated Services

The work of the museum is dependent on the voluntary service of many individuals and organisations. Since these services are not normally purchased by the museum and because of the difficulty of determining their value with reliability, donated services are not recognised in these financial statements.

TAXATION

The Trust is exempt from the payment of income tax. Accordingly no charge for income tax applies or has been provided for.

GOODS AND SERVICES TAX

Revenues, expenses, assets and liabilities are recognised net of the amount of goods and services tax (GST), except for receivables and payables which are recognised inclusive of GST. Where GST is not recoverable as an input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from, the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Southland Museum & Art Gallery Trust Board Inc

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2019

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the Trust's Statement of Financial Position when the Trust becomes a party to contractual provisions of the instrument. The Trust is party to financial instruments as part of its normal operations. These financial instruments include cash and cash equivalents (including bank overdraft), trade and other receivables, other financial assets, trade and other payables and borrowings. The relevant accounting policies are stated under separate headings.

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs, except for those financial assets classified as fair value through profit or loss which are initially valued at fair value.

(1) Financial Assets

Financial assets within the scope of NFP PBE IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets. The classifications of the financial assets are determined at initial recognition.

The category determines subsequent measurement and whether any resulting income and expense is recognised in surplus or deficit or in other comprehensive revenue and expenses. The Trust's financial assets are classified as financial assets at fair value through surplus or deficit, loans and receivables or as available for sale financial assets. The Trust's financial assets include: cash and cash equivalents, short-term investments and receivables.

All financial assets except for those at fair value through surplus or deficit are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

(2) Financial assets at fair value through surplus or deficit

Financial assets at fair value through surplus or deficit include items that are either classified as held for trading or that meet certain conditions and are designated at fair value through surplus or deficit upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments or a derivative that is a financial guarantee contract.

(3) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less any allowance for impairment. The Trust's cash and cash equivalents, receivables transactions fall into this category of financial instruments.

(4) Available for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

Southland Museum & Art Gallery Trust Board Inc

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2019

(5) Impairment of financial assets

The Trust assesses at the end of reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For financial assets carried at amortised cost, if there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the surplus or deficit for the reporting period.

In determining whether there are any objective evidence of impairment, the Trust first assesses whether there are objective evidence of impairment for financial assets that are individually significant, and individually or collectively significant for financial assets that are not individually significant. If the Trust determines that there is no objective evidence of impairment for an individually assessed financial asset, it includes the asset in a group of financial asset with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment for impairment.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. If the reversal results in the carrying amount exceeding its amortised cost, the amount of the reversal is recognised in surplus or deficit.

(6) Financial liabilities

The Trust's financial liabilities include trade and other creditors.

All financial liabilities are initially recognised at fair value (plus transaction cost for financial liabilities not at fair value through surplus or deficit) and are measured subsequently at amortised cost using the effective interest method except for financial liabilities at fair value through surplus or deficit.

PROPERTY, PLANT AND EQUIPMENT

The Trust has the following classes of property, plant and equipment:

- (A) Land and buildings assets
- (B) Heritage assets

(A) LAND AND BUILDINGS ASSETS

Cost / Valuation

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. The Trust has elected not to revalue property plant and equipment and record the asset value on the cost basis.

Southland Museum & Art Gallery Trust Board Inc

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2019

Additions

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Trust and the cost of the item can be measured reliably.

Cost includes expenditure that is directly attributable to the acquisition of the assets. In most instances, an item of property, plant and equipment is recognised at cost. Where an asset is acquired through a non-exchange transaction, or for a nominal cost, it is recognised at fair value at the date of acquisition.

Depreciation

Depreciation is calculated as detailed below:

Operational Assets	Rate
Buildings	2% SL
Fit-out	9 - 40% DV

Expenditure incurred to maintain these assets at full operating capability is charged to the Statement of Financial Performance in the year incurred.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

Disposals

An item of property, plant and equipment is derecognised upon disposal or recognised as impaired when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Financial Performance in the period the asset is derecognised.

(B) HERITAGE ASSETS

The Southland Museum & Art Gallery Trust Board owns an extensive collection of material and information relating to natural, cultural and scientific heritage.

Heritage assets are valued at cost or fair value at the date of acquisition and are not depreciated.

All assets acquired are recognised at cost at the date of acquisition. As a large number of the Heritage assets are donated or subsidised generally such cost will be nil unless they have been acquired as a result of a purchase by the Trust.

The bulk of the Trust's collection is represented by unrealisable or irreplaceable items and it is impracticable and cost prohibitive to value them on a "Market Based" or "Depreciated Replacement Cost" basis. As a consequence the Trust's collection is undervalued in these financial statements.

The result of this accounting policy means that the vast majority of the Museum's collection is effectively valued for accounting purposes at nil, or at historical cost for those few items purchased.

The primary function and purpose of the Southland Museum is the preservation and display of the extensive collection of heritage assets. These are the tasks that make up the bulk of the Southland Museum's activities.

Southland Museum & Art Gallery Trust Board Inc

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2019

This means that much of the collection is valued at nil, or very old historical cost for those few items purchased. The Board is confident that if the collection, however unlikely, was to be sold, its market value would be very substantial.

The fact that most of the collection has a nil, or low, value for accounting purposes in no way reduces the true value of the collection or the care that is exercised in its conservation and exhibition.

The collection is valued at \$10,000,000 for insurance purposes.

IMPAIRMENT OF NON-FINANCIAL ASSETS

At each reporting date, the Trust reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Trust estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset is not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential. In assessing value in use for cash-generating assets, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the Statement of Financial Performance immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

RESERVES

Reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or established by the Trust.

Restricted reserves are subject to specific conditions. Expenditure or transfers from these reserves may be made only for certain specified purposes.

Special purpose reserves are reserves established by decisions made by the Trust. The Trust may alter them without reference to any third party. Expenditure or transfers to and from these reserves is based on established policy.

SIGNIFICANT ESTIMATES AND ASSUMPTIONS

In preparing these financial statements, the Trust has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Key Sources of Estimation Uncertainty

Judgements made by management in the application of Tier 2 PBE accounting standards that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements. Key Sources of Estimation Uncertainty include:

- Estimating the remaining useful life of various items of property, plant and equipment. If the useful life does not reflect the actual consumption of benefits of the asset, the Trust could be over or under estimating the depreciation charge recognised as an expense in the Statement of Financial Performance.

- Determining whether the conditions of a grant has been satisfied, to determine whether the grant should be recognised as revenue in the Statement of Financial Performance. This judgement will be based on the facts and circumstances that are evident for each contract.

Estimates and judgements are continually evaluated and are based on historical experience and other functions, including expectations of future events that are believed to be measurable under the circumstances.

Southland Museum & Art Gallery Trust Board Inc

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1 REVENUE FROM PROVIDING SERVICES	2019	2018
	\$	\$
Service contract - Invercargill City Council	972,179	-
Rental revenue	-	12,777
<i>Total revenue from providing services</i>	972,179	12,777

2 REVENUE

For financial reporting purposes, Grant revenue received from Invercargill City Council & Southland Regional Heritage Committee, Bequests, Donations & Interest revenue are considered non-exchange revenue. These amount to \$1,213,735 in 2018/19 (\$1,794,199 in 2017/18).

Revenue from providing services are considered exchange revenue and amount to \$972,179 in 2018/19 (\$12,777 in 2017/18).

3 COST OF PROVIDING SERVICES	2019	2018
	\$	\$
Operating costs	133,181	22,962
Management Fee - Invercargill City Council	2,061,638	1,760,565
<i>Total cost of providing services</i>	2,194,819	1,783,527

4 REMUNERATION OF AUDITORS	2019	2018
	\$	\$
Audit fees for Financial Statements Audit	7,458	7,322
<i>Total cost of providing services</i>	7,458	7,322

The audit of the Southland Museum & Art Gallery Trust Board is Audit New Zealand on behalf of the Auditor-General.

5 CASH AND CASH EQUIVALENTS	2019	2018
	\$	\$
Westpac Cheque account	39,548	72,679
Westpac Redevelopment Account	73,364	139,564
Bank accounts		
- Bequest	63,826	63,527
- Baird Library	741	738
- Capital acquisition	2,370	17,155
<i>Total cash and cash equivalents</i>	179,849	293,663

Some restrictions exist on the cash reserve funds which are set aside for special purposes at the discretion of the Trustees.

Southland Museum & Art Gallery Trust Board Inc

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

6 RECEIVABLES	2019 \$	2018 \$
Donations - Invercargill City Council	-	4,536
GST - Inland Revenue	59,491	46,610
Accrued interest - Westpac	55	58
<i>Total Receivables</i>	59,546	51,204

All Receivables above are recognised as non-exchange transactions

7 OTHER FINANCIAL INVESTMENTS	2019 \$	2018 \$
<i>Available-for-sale at fair value</i>		
Term deposits (Bequest) Current	218,874	211,949
<i>Total Other financial investments</i>	218,874	211,949

8 PROPERTY, PLANT AND EQUIPMENT

	Land & buildings Assets \$	Heritage Assets \$	Total \$
Cost amount at 1 July 2017	3,767,626	796,222	4,563,848
Accumulated depreciation amount at 1 July 2017	2,065,448	-	2,065,448
Carrying amount at 1 July 2017	1,702,178	796,222	2,498,400
<i>Additions</i>	6,020	-	6,020
<i>Disposals (net of accumulated depreciation)</i>	-	-	-
<i>Depreciation expense</i>	(70,529)	-	(70,529)
<i>Impairment loss</i>	(1,519,036)	-	(1,519,036)
Cost amount at 30 June 2018	3,773,646	796,222	4,569,868
Accumulated depreciation amount at 30 June 2018	3,655,013	-	3,655,013
Carrying amount at 30 June 2018	118,633	796,222	914,855
Cost amount at 1 July 2018	3,773,646	796,222	4,569,868
Accumulated depreciation amount at 1 July 2018	3,655,013	-	3,655,013
Carrying amount at 1 July 2018	118,633	796,222	914,855
<i>Additions</i>	-	19,360	19,360
<i>Disposals (net of accumulated depreciation)</i>	-	-	-
<i>Depreciation expense</i>	(9,489)	-	(9,489)
<i>Impairment loss</i>	-	-	-
Cost amount at 30 June 2019	3,773,646	815,582	4,589,228
Accumulated depreciation amount at 30 June 2019	3,664,502	-	3,664,502
Carrying amount at 30 June 2019	109,144	815,582	924,726

Southland Museum & Art Gallery Trust Board Inc

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

The Trust has not recognised exhibits and donated art works because the value of these are not readily available. However the direct purchase costs of exhibits and art collections acquired during the year have been capitalised.

During 2018, Win Clark peer reviewed the seismic assessment undertaken by Opus International in 2013 of the buildings at 108 Gala Street. The review determined the original assessment was fair, and concluded the museum buildings were "probably earthquake-prone". The Trust closed the museum buildings to the public on the 12 April 2018 as they could not provide a safe workplace under the Health and Safety at Work Act 2015. The Trust has impaired the buildings value to nil in 2017/18 as the buildings currently do not supply economic benefit; repairing the buildings is likely to cost more than the building's previous cost value and is unlikely to be repaired to the same floor & wall layout.

9 PAYABLES AND ACCRUED EXPENSES

	2019 \$	2018 \$
Audit fee	7,458	7,322
Invercargill City Council.	-	3,720
Other payables	1,024	6,164
<i>Total payables and accrued expenses</i>	<u>8,482</u>	<u>17,206</u>

10 UNUSED GRANTS WITH CONDITIONS

	2019 \$	2018 \$
Invercargill City Council - Redevelopment Grant	52,769	52,769
Southland Regional Heritage Committee Grant	-	54,100
<i>Total unused grants with conditions</i>	<u>52,769</u>	<u>106,869</u>

The grant from the Invercargill City Council requires the Trust to spend the funds on the museum redevelopment project and has a "use or return" condition.

The grant from the Southland Regional Heritage Committee requires the Trust to spend the funds on the strategic review and development plan for the Southland Museum & Art Gallery project and has a "use or return" condition.

Southland Museum & Art Gallery Trust Board Inc

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

11 RESERVES

	2019 \$	2018 \$
A) RESTRICTED RESERVES		
<u>Estate C F Broadley - Tuatara</u>		
Balance as at 1 July	-	-
Transfer to reserve	47,954	-
Interest revenue	-	-
Purchases	-	-
Balance at 30 June	47,954	-

The bequest requires the Trust to spend the funds on Tuatara related expenses. Although the bequest is for a specific purpose, there is no obligation to return unspent funds, so no liability has been recorded for the unspent amount.

Estate D I Alloo - Tuatara

Balance as at 1 July	-	-
Transfer to reserve	55,642	-
Interest revenue	-	-
Purchases	-	-
Balance at 30 June	55,642	-

The bequest requires the Trust to spend the funds on Tuatara related expenses. Although the bequest is for a specific purpose, there is no obligation to return unspent funds, so no liability has been recorded for the unspent amount.

Estate D I Alloo - Natural History

Balance as at 1 July	-	-
Transfer to reserve	158,636	-
Interest revenue	-	-
Purchases	-	-
Balance at 30 June	158,636	-

The bequest requires the Trust to spend the funds on Natural History Gallery related expenses. Although the bequest is for a specific purpose, there is no obligation to return unspent funds, so no liability has been recorded for the unspent amount.

Southland Museum & Art Gallery Trust Board Inc

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 \$	2018 \$
B) SPECIAL PURPOSE RESERVES		
<u>Education Service Reserve</u>		
Balance as at 1 July	11,269	11,269
Transfer to reserve	-	-
Interest revenue	-	-
Transfer from reserve	-	-
Balance at 30 June	11,269	11,269
<i>The Education Service reserve comprises the remains of a grant from the Ministry of Education for the delivery of Curriculum Support Programmes. This grant is for the Learning Experiences Outside The Classroom (LEOTC) program.</i>		
<u>Baird Library</u>		
Balance as at 1 July	-	-
Transfer to reserve	741	-
Interest revenue	-	-
Transfer from reserve	-	-
Balance at 30 June	741	-
<i>The Baird Library reserve comprises for funds to be used for the purchase of books for the museum's collection</i>		
<u>Collection acquisitions</u>		
Balance as at 1 July	-	-
Transfer to reserve	26,481	-
Interest revenue	-	-
Transfer from reserve	-	-
Balance at 30 June	26,481	-
<i>The Collection acquisitions reserve comprises for funds to be used for the purchase of items for the museum's collection</i>		
Total Reserves	Balance at 30 June	
		300,723
		11,269

Southland Museum & Art Gallery Trust Board Inc

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

12 RELATED PARTY TRANSACTIONS		2019	2018
		\$	\$
<i>The Trust paid a management fee and other expenses to Invercargill City Council (3 trustees are part of the Invercargill City Council)</i>	Value for year Balance outstanding	(2,089,266) 52,769	(1,760,565) 56,489
<i>The Trust received revenue from providing services from Invercargill City Council (3 trustees are part of the Invercargill City Council)</i>	Value for year Balance outstanding	972,179 -	- -
<i>The Trust received grants from Invercargill City Council (3 trustees are part of the Invercargill City Council)</i>	Value for year Balance outstanding	15,000 -	649,407 -
<i>Invercargill City Council banks donations on the Trusts' behalf which are paid to the Trust twice a year (3 trustees are part of the Invercargill City Council)</i>	Value for year Balance outstanding	- -	8,334 4,536
<i>The Trust received grants from Southland Regional Heritage Committee (2 trustees are members of the Southland Regional Heritage Committee)</i>	Value for year Balance outstanding	1,133,329 -	1,173,155 54,100
<i>The Trust received rental revenue from Venture Southland for the iSite premises (2 trustees are members of the Venture Southland Committee)</i>	Value for year Balance outstanding	- -	12,777 -

The Southland Museum & Art Gallery is an entity dependent on local authority funding for ongoing operations. The Trust leases the land for the museum site from the Invercargill City Council for less than normal business rates.

13 COMMITMENTS

There are no capital or operating commitments at 30 June 2019 (2018: Nil).

14 CONTINGENCIES

There are no known contingent liabilities or contingent assets at 30 June 2019 (30 June 2018: nil).

15 SUBSEQUENT EVENTS

There have been no significant events between year end and the signing of the Financial Statements.

Southland Museum & Art Gallery Trust Board Inc

STATEMENT OF SERVICE PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

OUTPUTS & OUTCOMES FOR THE YEAR ENDED 30 JUNE 2019

Below are the outputs planned by the organisation and the strategies that will be used to achieve these.

The Collections:

Caring for, developing, and researching collections.

Outputs	Strategies to achieve Outputs	2018/19 Outcome	2018/19 Target	2017/18 Outcome
The collection is developed to enable the Museum to document, illustrate and explore Southland's unique natural and cultural heritage	<ul style="list-style-type: none"> Collection management policies are reviewed as required. New acquisitions are considered according to the Collection Management Policy. (minimal acquisitions desired while museum building is closed) 	Kōiwi Tangata, Natural History and Hazardous Materials policies developed	One review annually	kōiwi tangata policy to iwi for endorsement
	<ul style="list-style-type: none"> New acquisitions are entered into Vernon CMS (Collection Management System). 	Collection policy applied to all new acquisitions	100% of objects acquired are considered	Collection policy followed, 600 items acquired
	<ul style="list-style-type: none"> Existing CMS records are to be reviewed and updated. 	10% entered with a backlog of 2,120 items	100% entered & minimal backlog of items	500 items entered [^]
	<ul style="list-style-type: none"> Collections items to have digital images made. 	Stage One: 1,072 items completed in 2018/19 (6,445 total items completed)	Stage One: 15,000 items.	5,373 items completed
		Stage Three: 0 items completed in 2018/19 (595 total items completed)	Stage Three: 0 items (focus on stages one & two)	595 items completed

[^] Figures are estimated as the total number of items recorded cannot be determined until all acquisitions are processed.

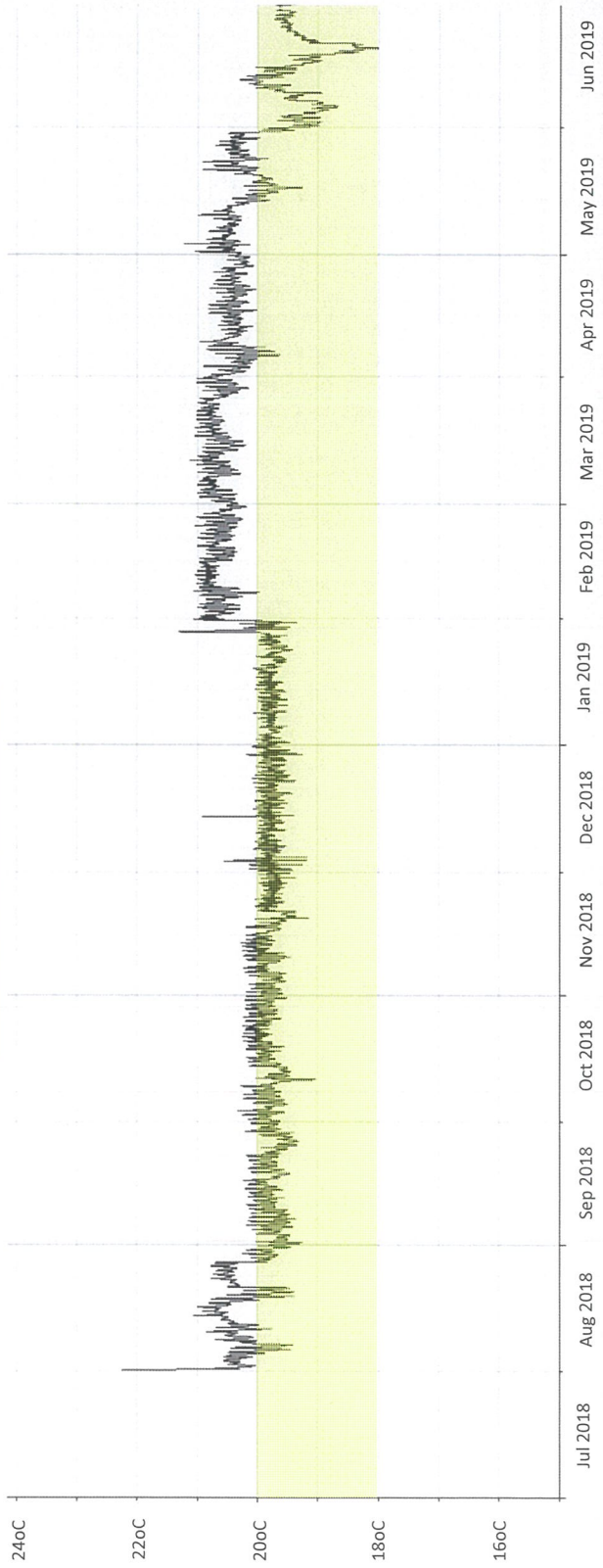
Southland Museum & Art Gallery Trust Board Inc

STATEMENT OF SERVICE PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

OUTPUTS & OUTCOMES FOR THE YEAR ENDED 30 JUNE 2019

Below are the outputs planned by the organisation and the strategies that will be used to achieve these.

The Collections:	Strategies to achieve Outputs		
Outputs	2018/19 Outcome	2018/19 Target	2017/18 Outcome
The collection is prepared for removal from the building by 2021/22 (4 years)	Stage Two: 7,114 items completed in 2019/20 (11,516 total items completed)	Stage Two: 15,000 items.	4,402 items completed
Collections are maintained in optimal conditions for their long term preservation.	50% of time	100%	95% of the time



STATEMENT OF SERVICE PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

OUTPUTS & OUTCOMES FOR THE YEAR ENDED 30 JUNE 2019

Below are the outputs planned by the organisation and the strategies that will be used to achieve these.

The Collections:	Strategies to achieve Outputs					
Outputs	2018/19 Outcome	2018/19 Target	2018/19 Outcome	2018/19 Target	2017/18 Outcome	2017/18 Outcome
Collections are maintained in optimal conditions for their long term preservation. <ul style="list-style-type: none"> • Storage space is kept at humidity of 50%±5%, percentage of time in range 	26% of the time	100%	100%	24% of the time		
<ul style="list-style-type: none"> • Storage space is monitored for infestation by pests and moulds. • A procedure to minimise deterioration by light is followed. • A procedure to avoid loss or damage to objects in the collection or on loan is followed. 	Few sightings Achieved (Followed)	Minimum pests, moulds and pollutants found. Followed	Few sightings Achieved	Few sightings Achieved		
	Achieved (Followed)	Followed	Followed	N/A		

Southland Museum & Art Gallery Trust Board Inc

STATEMENT OF SERVICE PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

OUTPUTS & OUTCOMES FOR THE YEAR ENDED 30 JUNE 2019

The Community: Engaging communities, including iwi, in exploring the culture and heritage of Southland				
Outputs	Strategies to achieve Outputs	2018/19 Outcome	2018/19 Target	2017/18 Outcome
Maintain strong relationships with iwi over issues relating to the collections, exhibitions and tuatara management	<ul style="list-style-type: none"> Iwi Liaison Komiti (representing the four Southland runanga; Waihopai, Oraka-Aparima, Hokonui, Awarua) meets regularly. 	Four meetings	Four meetings	Four meetings
Promotion of a museum presence	<ul style="list-style-type: none"> Develop a marketing strategy for a museum presence Promotion by website and Facebook and print media. 	Communications strategy prepared and presented June 2019	Complete by June 2019	N/A
	<ul style="list-style-type: none"> Provide outreach to other museums and related organisations in the region and community. 	Postponed until branding launch (estimated to be in November 2019)	No target	82 print media & 79 Facebook posts *
		233 hrs	No target	205 hrs *

* up to the closure of the museum to the public (12 April 2018).

Southland Museum & Art Gallery Trust Board Inc

STATEMENT OF SERVICE PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

OUTPUTS & OUTCOMES FOR THE YEAR ENDED 30 JUNE 2019

The Experience: Providing access to the collections and telling the Story of Southland through exhibitions, events, publications and learning programmes.				
Outputs	Strategies to achieve Outputs	2018/19 Outcome	2018/19 Target	2017/18 Outcome
Establish a temporary museum presence within the city.	<ul style="list-style-type: none"> Open a temporary museum presence within the city. 	Not achieved. Awaiting building consent for potential venue. Exhibition planning is well advanced with potential opening of venue by December 2019.	Complete by Dec 2018	N/A
	<ul style="list-style-type: none"> Deliver short-term exhibitions within the museum presence. 	Nil as museum presence is not open	Two	N/A
Development and delivery of inspiring education programmes to school children for the Ministry of Education contract for LEOTC (Learning Experiences Outside the Classroom).	<ul style="list-style-type: none"> No. of students participating annually No. of schools participating annually. No. of new education programmes delivered annually. 	1409 **	4,000	4,159 pupils
		27 Primary ** 5 Secondary **	50 Primary 8 Secondary	53 schools
		N/A **	20	N/A

** LEOTC contract expired on the 31 December 2018 and was not renewed.

STATEMENT OF SERVICE PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

OUTPUTS & OUTCOMES FOR THE YEAR ENDED 30 JUNE 2019

The Development: Planning, consulting and establishing a future direction.				
Outputs	Strategies to achieve Outputs	2018/19 Outcome	2018/19 Target	2017/18 Outcome
Establish a clear strategic direction for the SMAGTB and the future of the museum (including collection opportunities and realistic expectations and building on the current site)	<ul style="list-style-type: none"> Commission a review of the resources of SMAGTB, the expectations placed on SMAGTB and identify gaps, priorities, and building on the current site) 	Consultant's report and recommendations received in June 2019.	Complete by Dec 2018	Consultant commissioned to help develop a 10-year vision and 5-year strategic plan with board and stakeholders
	<ul style="list-style-type: none"> Conduct a review of the governance of SMAGTB 	Independent report commissioned by Invercargill City Council and presented to SMAGTB in February 2019. Currently being considered by Board and funding partners.	Complete by Dec 2018	N/A
	<ul style="list-style-type: none"> Carry out consultation with the community to generate a future vision for a museum 	Completed and the resulting report entitled 'Our Tale' was presented in August 2018.	Complete by Dec 2018	N/A
	<ul style="list-style-type: none"> Begin developing plans for a future museum on the current site 	Subject to ratification by the SMAGTB and funding partners.	In process by Jun 2019	N/A

Independent Auditor's Report

To the readers of Southland Museum and Art Gallery Trust Board's financial statements and statement of service performance for the year ended 30 June 2019

The Auditor-General is the auditor of Southland Museum and Art Gallery Trust Board (the Trust Board). The Auditor-General has appointed me, Andy Burns, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the statement of service performance of the Trust Board on his behalf.

We have audited:

- the financial statements of the Trust Board on pages 4 to 20, that comprise the statement of financial position as at 30 June 2019, statement of comprehensive revenue and expense, statement of changes in net assets/equity, cash flow statement and statement of accounting policies for the year ended on that date, and the notes to the financial statements that include other explanatory information; and
- the statement of service performance of the Trust Board on pages 21 to 26.

Qualified opinion

Qualified opinion on the financial statements because of non-recognition of certain heritage assets

In our opinion, except for the effect of the non-recognition of certain heritage assets, described in the *Basis for our qualified opinion* section of our report, the financial statements of the Trust Board on pages 4 to 20:

- present fairly, in all material respects:
 - its financial position as at 30 June 2019; and
 - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity Reporting Standards Reduced Disclosure Regime.

Unmodified opinion on the statement of service performance

In our opinion, the statement of service performance of the Trust Board on pages 21 to 26 presents fairly, in all material respects, the Trust Board's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Trust Board's objectives for the year ended 30 June 2019.

Our audit was completed on 5 September 2019. This is the date at which our qualified opinion is expressed.

The basis for our qualified opinion is explained below. In addition, we outline the responsibilities of the Board and our responsibilities relating to the financial statements and the statement of service performance, we comment on other information, and we explain our independence.

Basis for our qualified opinion

As explained in the accounting policies on pages 8 to 14, the Trust Board has not recognised certain heritage assets in the statement of financial position or donated asset revenue in the statement of comprehensive revenue and expense. These are departures from Public Benefit Entity International Public Sector Accounting Standard 17: *Property, Plant and Equipment*, which generally requires assets to be recognised, and the fair value of donated assets to be included as revenue. There are no practical audit procedures that we have been able to apply, to quantify the effect of these departures from the accounting standards. It is our opinion that the heritage assets make up a significant proportion of the Trust Board's total assets. The comparative information in the financial statements also departs from PBE IPSAS 17 for the same reasons.

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Responsibilities of the auditor* section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

Responsibilities of the Board for the financial statements and the statement of service performance

The Board is responsible on behalf of the Trust Board for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board also responsible for preparing the statement of service performance for the Trust Board.

The Board is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and the statement of service performance that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the statement of service performance, the Board is responsible on behalf of the Trust Board for assessing the Trust Board's ability to continue as a going concern. The Board is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board intends to liquidate the Trust Board or to cease operations, or has no realistic alternative but to do so.

The Board's responsibilities arise from the Local Government Act 2002 and the Southland Museum and Art Gallery Trust Deed.

Responsibilities of the auditor for the audit of the financial statements and the statement of service performance

Our objectives are to obtain reasonable assurance about whether the financial statements and the statement of service performance, as a whole, are 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 carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts and disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements and the statement of service performance.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the statement of service performance, 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.
- We 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 Trust Board's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- We evaluate the appropriateness of the reported performance information within the Trust Board's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust Board'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 statements and the statement of service performance 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 Trust Board to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the statement of service performance, including the disclosures, and whether the financial statements and the statement of service performance represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board 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.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board is responsible for the other information. The other information comprises the information included on page 3, but does not include the financial statements and the statement of service performance, and our auditor's report thereon.

Our opinion on the financial statements and the statement of service performance does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the statement of service performance, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the statement of service performance or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, 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.

Independence

We are independent of the Trust Board in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1(Revised): *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the Trust Board.



Andy Burns
Audit New Zealand
On behalf of the Auditor-General
Dunedin, New Zealand