



HEIDE MUSEUM OF MODERN ART

FINANCIAL
STATEMENTS
2022

FINANCIAL STATEMENTS

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Directors' Report

The Directors present this report on Heide Park and Art Gallery (the Company) for the financial year ended 31 December 2022.

Directors

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

- Alane Fineman (appointed May 2022)
- Lisa Gorman
- John Lee (through August 2022)
- Cassy Liberman
- Steven Skala AO
- James van Smeerdijk
- Sue Smith (resigned December 2022)
- Nancy Underhill
- Sharni Zoch (through May 2022)

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

Principal activities

The principal activities of the Company during the financial year were to research and deliver outstanding exhibitions, publications, education and public programs that profiled artists central to Heide's history and contemporary art practice, and that displayed and interpreted Heide's nationally significant collection.

Although the museum reopened out of lock-down in October 2021 the effects of the ongoing COVID-19 pandemic continued in 2022. Visitors to the galleries were slow to return at the beginning of the year with many people choosing to avoid public spaces and gatherings. The result was reduced operational revenue from admissions, public and learning programs and retail operations.

In 2022 the State Government, through Creative Victoria, provided financial assistance grants to various cultural institutions, including Heide, to assist with financial sustainability and resilience to counter the effects of the pandemic.

Short-term objectives

Heide's short-term objectives are:

- Artistic leadership—as an art museum to further develop its reputation as a leader of standards of excellence, innovation and outreach through exhibitions and programs embracing modern and contemporary art drawn from its Collection and external sources;
- Optimisation of Place—expand on operational integration of Heide's three discrete exhibition buildings with the sculpture park and gardens and public amenities; through events and programs, presenting Heide as a whole-of-site diverse experience for visitors;
- Securing the future—ensure financial, operational and environmental sustainability through asset maintenance and by diversifying sources of income across commercial operations, corporate and private philanthropy; and
- Audience engagement—expand brand awareness and enhance engagement and communication with staff, volunteers, partners, supporters and the general public.

Long-term objectives

The Company's long-term objectives are:

- Continue to offer an inspiring, educational and thought-provoking experience of modern and contemporary art, architecture, gardens and social history;
- Improve the facilities of a major museum and heritage site with a redevelopment that includes a new building incorporating increased gallery and public spaces, ensuring Heide's financial, operational and environmental sustainability; and
- Integrate Heide's strategic focus areas with the Victorian Creative State Government's Creative Enterprises Program principles and priorities:
 - every Victorian can take up their right to participation in the cultural and creative life of the state;
 - outer-metropolitan and regional areas have improved and more equitable access to cultural experiences, creative expression and creative careers;
 - stronger and enduring partnerships are forged with First Peoples creative communities;
 - provide a range of health and wellbeing benefits for our staff, volunteers, artists and visitors; and
 - that the creative industries reduce their environmental impact.

Strategy for achieving short and long-term objectives

To achieve these objectives, the Company has adopted the following strategies:

- Present a diverse program of exhibitions that promotes Heide as a major cultural venue;
- Develop the Heide Collection and optimise public and education access to acquired artworks;
- Optimise Heide's unique story and spaces to increase local, national and international audiences;
- Develop financially sustaining partnerships and long-term relationships with government to realise the masterplan redevelopment, and support core operations and asset maintenance;
- Maintain strong governance, and compliance with financial and risk management requirements; and
- Attract and retain quality staff and volunteers committed to offering high standards of customer service to engage a broad diverse audience.

Directors' Profiles

Alane Fineman (appointed May 2022)
Qualifications
Special Responsibilities

Group Financial Controller, Bupa Asia Pacific
B.Sc., Chartered Accountant, MAICD
Chair: Finance, Audit and Risk Management Committee (appointed May 2022)

Lisa Gorman
Qualifications
Special Responsibilities

Founder of Gorman Clothing
BNSc
Retail Advisor

John Lee (through August 2022)
Qualifications
Special Responsibilities

Executive Director, PMDL Architecture and Design Pty Ltd
and Director, ME Arch Pty Ltd (formerly McGlashan Everist Pty Ltd)
BArch, Registered Architect Victoria, FRAIA
Heritage Committee

Cassy Liberman
Qualifications
Special Responsibilities

Owner/operator LJCB Investment Group and 5 Pillars Capital
BA LLB
Investment Committee

Steven Skala AO
Qualifications
Special Responsibilities

Vice Chairman Australia, Deutsche Bank AG
BA LLB (Hons), BCL
Chairman

James van Smeerdijk
Qualifications
Special Responsibilities

Managing Director, atticusnow Pty Ltd,
B.Sc. (Hons), MBA
Investment Committee

Sue Smith (resigned 19 December 2022)
Qualifications
Special Responsibilities

Executive Director, Human Resources, Simplot Australia
BA, Post Graduate Diploma
Chair: Governance, People and Culture Committee (resigned 19 December 2022)

Nancy Underhill
Qualifications
Special Responsibilities

Deputy to Lisa Gasteen, The Lisa Gasteen National Opera Program
BA, MPhil., PhD
Governance, People and Culture Committee

Sharni Zoch (through May 2022)
Qualifications
Special Responsibilities

General Manager, Internal Audit and Risk Governance, Origin Energy
BComm, Chartered Accountant
Chair: Finance, Audit and Risk Management Committee (through May 2022)

Directors' Meetings

The number of meetings of Directors held during the year and the number of meetings attended by each Director, is as follows:

AGM & Board meetings

	Number eligible to attend	Number attended
Alane Fineman (appointed May 2022)	4	3
Lisa Gorman	7	7
John Lee (through August 2022)	5	5
Cassy Liberman	7	6
Steven Skala AO	7	7
James van Smeerdijk	7	6
Sue Smith	7	5
Nancy Underhill	7	7
Sharni Zoch (through May 2022)	3	3

Contribution in winding up

The Company is incorporated under the Corporations Act 2001 and is a Company limited by guarantee. If the Company is wound up, the constitution states that each member is required to contribute a maximum of \$50 each towards meeting any outstanding obligations of the Company. At 31 December 2022 the total amount that members of the Company are liable to contribute if the Company is wound up is \$1,600 (2021: \$1,650).

Reporting obligations

As a company limited by guarantee the entity is registered with the Australian Charities and Not-for-profits Commission. The consequences of this registration are that (1) the previous reporting obligations under the Corporations Act 2001 no longer apply, and (2) the Company now needs to comply with the various reporting requirements contained in the Australian Charities and Not-for-profits Commission Act 2012.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under Division 60.40 of the Australian Charities and Not-for-profits Commission Act 2012 is included as page 6 of this financial report and forms part of the Director's Report.

Signed in accordance with a resolution of the Directors.



Alane Fineman
Director



Steven Skala AO
Chairman

Dated 8 May 2023

Heide Park and Art Gallery

ABN: 60 005 712 943

Auditor's Independence Declaration

In accordance with the requirements of section 60.40 of the *Australian Charities and Not-for-Profits Commission Act 2012*, as auditor of Heide Park and Art Gallery for the year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of section 60.40 of the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit; and
- b. No contraventions of any applicable code of professional conduct in relation to the audit.


Saward Dawson

Jeffrey Tulk
Partner

Blackburn VIC

Dated: 8 May 2023

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	Note	2022 \$	2021 \$
Operating activities			
Revenue from operating activities	2	5,335,528	4,602,196
Programming expenses		(1,146,500)	(677,055)
Marketing expenses		(433,304)	(344,420)
Collection expenses		(99,850)	(118,541)
Commercial operations expenses		(60,850)	(23,006)
Costs of goods sold		(232,625)	(190,012)
Repairs and maintenance		(293,091)	(282,460)
Grounds and gardens		(61,199)	(71,755)
Utilities		(168,103)	(169,897)
Insurance		(98,375)	(99,702)
Depreciation, amortisation and impairment	3; 8	(261,023)	(278,801)
Employee benefits expense		(2,266,416)	(2,394,772)
Other expenses from operating activities		(352,579)	(213,345)
Total operating expenses		(5,473,915)	(4,863,766)
Net deficit from operating activities		(138,387)	(261,570)
Investing activities			
Brokerage costs		(3,263)	(7,915)
Net deficit from investing activities		(3,263)	(7,915)
Capital activities			
Donated works of art (at market value)	2	770,070	500,400
Net surplus from capital activities		770,070	500,400
Net surplus for the year from all activities		628,420	230,915
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Revaluation gain from Works of Art		31,000	-
Revaluation gain from Land and Buildings		-	3,828,940
Movement in fair value of financial instruments		(112,156)	183,001
Total comprehensive income		547,264	4,242,856

Statement of Financial Position

As at 31 December 2022

	Note	2022 \$	2021 \$
Assets			
Current assets			
Cash and cash equivalents	4	746,228	1,308,859
Trade and other receivables	5	37,521	88,790
Inventories	6	137,465	106,753
Other current assets	9	323,562	212,349
Current financial assets	7	758,357	769,932
Total Current assets		2,003,133	2,486,683
Non-current assets			
Property, plant and equipment	8	12,338,278	11,872,910
Other non-current assets	9	74,535,634	73,667,109
Total Non-current assets		86,873,912	85,540,019
Total Assets		88,877,045	88,026,702
Liabilities			
Current liabilities			
Trade and other payables	10	932,443	564,002
Borrowings	11	6,169	2,036
Provisions	12	266,883	311,031
Total Current liabilities		1,205,495	877,069
Non-current liabilities			
Provisions	12	29,726	55,073
Total Non-current liabilities		29,726	55,073
Total Liabilities		1,235,221	932,142
Net Assets		87,641,824	87,094,560
Equity			
Accumulated surpluses		10,199,940	10,298,584
Reserves	13	77,441,884	76,795,976
Total Equity		87,641,824	87,094,560

Statement of Changes in Equity

For the year ended 31 December 2022

	Accumulated Surplus \$	Asset Revaluation Reserve \$	Donated Artworks Reserve \$	Financial Assets Revaluation Reserve \$	Financial Assets Gain/ (Loss) on Disposal Reserve \$	Equipment Replacement Reserve \$	Total \$
2022							
Balance at 1 January 2022	10,298,584	45,832,703	30,286,024	93,007	471,180	113,062	87,094,560
Surplus for the year	628,420	-	-	-	-	-	628,420
Revaluation increments (decrements)							
Artworks	-	31,000	-	-	-	-	31,000
Financial Assets	-	-	-	(112,156)	-	-	(112,156)
Transfers to and from reserves							
Donated Artworks Reserve	(770,070)	-	770,070	-	-	-	-
Equipment Replacement Reserve	43,006	-	-	-	-	(43,006)	-
Financial Assets Revaluation Reserve	-	-	-	(87,933)	87,933	-	-
Balance at 31 December 2022	10,199,940	45,863,703	31,056,094	(107,082)	559,113	70,056	87,641,824

	Accumulated Surplus \$	Asset Revaluation Reserve \$	Donated Artworks Reserve \$	Financial Assets Revaluation Reserve \$	Financial Assets Gain/(Loss) on Disposal Reserve \$	Equipment Replacement Reserve \$	Total \$
2021							
Balance at 1 January 2021	10,494,563	42,003,763	29,785,624	129,693	251,493	186,568	82,851,704
Surplus for the year	230,915	-	-	-	-	-	230,915
Revaluation increments (decrements)							
Property, Freehold and Leasehold Improvements	-	3,828,940	-	-	-	-	3,828,940
Financial Assets	-	-	-	183,001	-	-	183,001
Transfers to and from reserves							
Donated Artworks Reserve	(500,400)	-	500,400	-	-	-	-
Equipment Replacement Reserve	73,506	-	-	-	-	(73,506)	-
Financial Assets Revaluation Reserve	-	-	-	(219,687)	219,687	-	-
Balance at 31 December 2021	10,298,584	45,832,703	30,286,024	93,007	471,180	113,062	87,094,560

Statement of Cash Flows

For the year ended 31 December 2022

	Note	2022 \$	2021 \$
Cash from operating activities			
Receipts from customers, donations and sponsorship		2,484,962	2,049,587
Payments to suppliers and employees		(5,111,116)	(4,524,970)
Grant receipts		2,943,169	2,590,476
Dividends received (including imputation credits refunded)		73,771	38,107
Interest received		10,760	7,599
Net cash provided by operating activities	16	401,546	160,799
Cash flows from investing activities			
Proceeds from sale of investments		389,726	1,400,480
Acquisition of investments		(590,173)	(1,155,724)
Proceeds from redemption of term deposit		96,292	-
Acquisition of property, plant and equipment		(794,155)	(280,546)
Acquisition of other non-current assets		(70,000)	(30,000)
Net cash used in investing activities		(968,310)	(65,790)
Cash from financing activities			
New short term borrowings drawn		4,133	743
Net cash provided by financing activities		4,133	743
Net increase (decrease) in cash held		(562,631)	95,752
Cash and cash equivalents at beginning of year		1,308,859	1,213,107
Cash at end of financial year	4	746,228	1,308,859

Notes to the Financial Statements

For the year ended 31 December 2022

Note 1: Summary of Significant Accounting Policies

a. Basis of Preparation

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards — Simplified Disclosure Standard and the *Australian Charities and Not-for-profits Commission Act 2012*.

The financial report covers Heide Park and Art Gallery as a company limited by guarantee, incorporated and domiciled in Australia, a not-for-profit company for financial reporting purposes.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board (AASB) has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

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.

b. Income Tax

No current or deferred income tax assets or liabilities have been raised by the Company as it is exempt from income tax under Division 50 of the Income Tax Assessment Act. The Company has been endorsed by the Australian Taxation Office as a Charitable Institution and able to access various tax concessions including Income Tax Exemption.

The Company is also registered with the Australian Charities and Not-for-profits Commission.

c. Cash and Cash Equivalents

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

d. Inventories

Inventories of goods for resale are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less any applicable selling expenses.

e. Property, Plant and Equipment

Land and buildings

Freehold land and buildings are held at fair value. Leasehold improvements are held at fair value. It is the policy of the Company to have an independent valuation performed periodically, with annual appraisals being made by the Directors. The Company's Directors review the depreciated replacement cost of the buildings on an annual basis to ensure that the carrying values are not in excess of the valuation, as required by AASB 136 Impairment of Assets.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset class are charged against fair value reserves directly in equity; all other decreases are charged to the Statement of Comprehensive Income.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses. The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Leasehold improvements

The Company acts as a government appointed Committee of Management with respect to the property known as Heide Park and Art Gallery. The Directors are of the opinion that the custodianship over Heide Park and Art Gallery is permanent in nature and therefore they believe that it is appropriate to value the leasehold improvements on a basis consistent with *AASB 116: Property, Plant and Equipment (AASB 116)*. The value of capitalised leasehold improvements will be amortised over their expected useful life.

Depreciation

The depreciable amount of all property, plant and equipment including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the Company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Buildings	2.5%
Plant and Equipment	20%
Computer Equipment	40%
Leasehold improvements	2.5%

Impairment

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

Note 1: Summary of Significant Accounting Policies (continued)

f. Leases

At inception of a contract, the Company assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability is recognised by the Company where the Company is a lessee. However, all contracts that are classified as short-term leases (ie a lease with a remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially, the lease liability is measured at the present value of the lease payments still to be paid at commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Company uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives; variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability as mentioned above, any lease payments made at or before the commencement date, as well as any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest. Where a lease transfers ownership of the underlying asset, or the cost of the right-of-use asset reflects that the Company anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

Concessionary leases

For leases that have significantly below-market terms and conditions principally to enable the Company to further its objectives (commonly known as peppercorn/concessionary leases), the right-of-use assets are measured at cost on initial recognition at the date of commencement.

g. Financial instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Measurement

Financial assets at fair value through other comprehensive income comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Financial assets at fair value through other comprehensive income are recorded at fair value with any re-measurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into retained earnings.

Fair value

Equity investments are reflected at fair value and determined based on current bid prices for quoted investments. Fair value for listed equities is based on the ASX closing market bid value at balance date. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Impairment

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

h. Works of art

The Company undertook an independent valuation of the works of art in full as at 31 December 2020. The valuation was conducted by Charles Nodrum Gallery and Dwyer Fine Art. Further details of the valuation are provided as part of Note 19. Works of art are valued at fair market value and any changes to the market value of works of art held are reflected in Other Comprehensive Income. The Directors have determined that where the works of art are owned by the Company or provided to the Company under an enduring stewardship arrangement, their value should be disclosed as assets of the Company. Works of art on loan or provided to the Company under a non-enduring stewardship arrangement are not disclosed as assets of the Company. Industry standards stipulate that the Company must maintain and insure all works of art held.

i. Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Other employee benefits payable later than one year have been measured at present value. The Company has accounted for on costs on these provisions. Employer contributions to employee superannuation are charged as expenses when incurred.

j. Deferred income

Deferred income shown in the accounts will be recognised over the service delivery period based on the percentage of completion method. For further details refer to the revenue recognition policy that follows.

Note 1: Summary of Significant Accounting Policies (continued)

k. Revenue

Revenue Recognition

Contributed assets

The Company receives assets from the government and other parties for nil or nominal consideration in order to further its objectives. These assets are recognised in accordance with the recognition requirements of other applicable accounting standards (for example, AASB 9: Financial Instruments (AASB 9), AASB 16: Leases (AASB 16), AASB 116 and AASB 138: Intangible Assets (AASB 138)).

On initial recognition of an asset, the Company recognises related amounts (being contributions by owners, lease liability, financial instruments, provisions, revenue or contract liability arising from a contract with a customer).

The Company recognises income immediately in profit or loss as the difference between the initial carrying amount of the asset and the related amount.

Operating grants, donations and bequests

When the Company received operating grant revenue, donations or bequests, it assesses whether the contract is enforceable and has sufficient specific performance obligations in accordance with AASB 15: Revenue from Contracts with Customers.

When both these conditions are satisfied, the Company:

- identifies each performance obligation relating to the grant;
- recognises a contract liability for its obligations under the agreement; and
- recognises revenue as it satisfies its performance obligations.

Where the contract is not enforceable or does not have sufficiently specific performance obligations, the Company:

- recognises the asset received in accordance with the recognition requirements of other applicable accounting standards (for example AASB 9, AASB 16, AASB 116 and AASB 138);
- recognises related amounts (being contributions by owners, lease liability, financial instruments, provisions, revenue or contract liability arising from a contract with a customer); and
- recognises income immediately in profit or loss as the difference between the initial carrying amount of the asset and the related amount.

If a contract liability is recognised as a related amount above, the Company recognises income in profit or loss when or as it satisfies its obligations under the contract.

Government grants under the Australian Government COVID-19 JobKeeper wage subsidy program were recognised as revenue when the Company became entitled to receive the grants, which was assessed to be the time at which the salary and wages payments for the eligible JobKeeper fortnight were made to eligible employees.

Capital Grants

When the Company receives a capital grant, it recognises a liability for the excess of the initial carrying amount of the financial asset received over any related amounts (being contributions by owners, lease liability, financial instruments, provisions, revenue or contract liability arising from a contract with a customer) recognised under other Australian Accounting Standards.

The Company recognises income in profit or loss when or as the Company satisfies its obligations under the terms of the grant.

Donated works of art are recognised as revenue at market value at the time the works are donated.

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.

Other revenue is recognised when the right to receive the revenue has been established.

All revenue is stated net of the amount of goods and services tax (GST).

l. Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

m. Graeme Sturgeon Memorial Trust

The Graeme Sturgeon Memorial Trust is a trust established to promote the creation and appreciation of Australian contemporary sculpture. The trust funds are administered by Heide Park and Art Gallery but are excluded from the financial statements as the funds must be appropriated in accordance with the deed of trust. The financial statements of the trust have not been audited as at 31 December 2022. The unaudited financial statements of the trust disclose net available assets of \$1,721 (2021: \$1,721).

n. Comparative Figures

Comparative figures have been adjusted to conform to changes in presentation for the current financial year where required by accounting standards or as a result of a change in accounting policy.

o. Impairment of assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use or where appropriate depreciated replacement cost, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Profit or Loss.

p. Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Note 1: Summary of Significant Accounting Policies (continued)

Key estimates – provision for long service leave

For employee benefits that are expected to be settled more than one year after the end of the reporting period, the probability that the employee may satisfy vesting requirements have been measured based on historical employee movement and retention data over the past six years.

Key judgements – 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 Company expects to receive in exchange for those goods or services. The Company uses judgements in identifying the most appropriate input or output method for determining satisfaction of performance obligations over time and the time of revenue recognition for grant income on each grant agreement and information available.

Land and building valuation

Heide Cottage land and buildings are held by Heide and classified under Freehold Land and Buildings. Heide Modern and Galleries are situated on land owned by the State Government and the buildings are classified under Leasehold Improvements. The State Government conducted an independent valuation of land and buildings at 5-7 Templestowe Road in 2021. The previous State Government valuation was in 2016. The valuation method adopted by the Government's valuer establishes the fair value of the property on behalf of Creative Victoria for financial reporting purposes and Heide has determined that all Freehold land, Buildings and Leasehold improvements are to be revalued in accordance with the report. The Government's valuation used a market based valuation technique for land and a depreciated replacement cost for buildings.

The valuation method used in valuing all land and buildings under Heide's control aligns with the Government's valuation methodology and timeframes. This is appropriate as Heide acts as the Government's Committee of Management for 7 Templestowe Rd. This is also consistent with the social value approach.

The 2021 valuation for buildings and leasehold improvements resulted in a revaluation up by net \$3.8 million over all Land, Buildings and Leasehold Improvements which was taken to the Asset Valuation Reserve and other Comprehensive Income at 31 December 2021.

Land is held at fair value as determined by the revaluations. Building and leasehold improvements are held at fair value which has been determined as depreciated replacement cost value and are depreciated at a rate of 2.5%. The current use is considered the highest and best use. There are no other factors that would lead Heide to believe that any of the assets have been significantly impaired.

Works of art valuations

Heide's collection of works of art is held at fair value. Purchased works of art are initially carried at cost and subsequently revalued at fair value. Donated works of art are carried at fair value. Works of art are not depreciated as they do not have a finite useful life. Heide's collection is revalued in accordance with Heide's Collection Policy as detailed at Note 19: Fair value measurements.

Note 2: Revenue

		2022 \$	2021 \$
Operating activities			
Sale of goods	6	343,165	358,184
Retail Commission TDD x Heide Partnership	6	73,339	-
Admissions		725,613	412,490
Grants	A	2,577,828	2,377,928
Donations and sponsorship	B	1,014,121	907,961
Interest and dividends	(a) ; (b)	72,413	61,353
Other		529,049	484,280
Total Revenue from Operating activities		5,335,528	4,602,196
(a) Dividend revenue from other corporations		61,653	53,754
(b) Interest revenue from other persons		10,760	7,599
Significant revenue			
The following significant revenue items are relevant to explaining the financial performance:			
Creative Victoria - Multiyear Funding Enterprise Funding		1,404,660	1,404,660
Creative Victoria - R&M Grant		215,279	215,519
Creative Victoria - Capital Works Grant		376,600	193,080
Creative Victoria - Sustaining Creative Organisations Grant		500,000	-
Creative Victoria - Strategic Investment Fund Stage 2		-	179,373
Creative Victoria - Responding to COVID Grant		-	54,500
Federal Government - DFAT, Australia - Korea Foundation		4,000	-
Federal Government - JobKeeper		-	233,100
Victorian Government - Volunteering Innovation Fund, Parks Victoria		14,602	-
Victorian Government - Dept of Social Security - Diversity Training		4,946	-
Victorian Government - COVID Business Support Grant		-	52,400
Victorian Education Department		27,741	15,972
Local Government		30,000	29,324
	A	2,577,828	2,377,928
Donations and sponsorship (cash)		796,613	752,175
Donations and sponsorship (in kind)		217,508	155,786
	B	1,014,121	907,961
Donated works of art (at market value)	(c)	770,070	500,400
(c) Donated works of art are recognised in total comprehensive income			

Note 3: Surplus for the Year

	2022 \$	2021 \$
Surplus / (Deficit) for the year has been determined after:		
(a) Expenses from Ordinary Activities		
Depreciation of property, plant and equipment	129,450	147,188
Amortisation of leasehold improvements	131,573	131,613
Rental expense on low value leases	-	5,520

Note 4: Cash and Cash Equivalents

	2022 \$	2021 \$
Cash on hand	11,639	4,846
Cash at bank	734,589	1,304,013
	746,228	1,308,859

Note 5: Trade and Other Receivables

	2022 \$	2021 \$
Current		
Trade receivables	47,521	98,790
Expected credit loss (a)	(10,000)	(10,000)
	37,521	88,790

(a) Expected credit loss

Past experience indicates that no impairment allowance is necessary in respect of trade debtors 'past due 0 – 30 days'. The movement in the expected credit loss has been determined after a review of amounts outstanding at 31 December 2022.

Balance at 1 January	(10,000)	(10,000)
Net increase to expected credit loss	-	-
Balance at 31 December	(10,000)	(10,000)

Note 6: Inventories

	2022 \$	2021 \$
Current		
Goods for resale - at cost	137,465	106,753

The Company entered into a retail partnership with Third Drawer Down (TDD) on 1 November 2022. TDD will manage product development, the production, purchasing of retail merchandise and payment to suppliers under the partnership (except for Heide publications i.e. Exhibition catalogues, the Heide Collection book). Heide receives a commission on retail sales revenue sold by the partnership. The inventory balance at 31 December 2022 represents the carrying value of Heide publications and inventory products purchased by the Company prior to 1 November 2022, which continue to be sold in the retail shop. Products purchased for sale in the retail shop following the formation of the partnership, except for Heide Publications, are assets of TDD.

Note 7: Financial Assets

	2022 \$	2021 \$
Current financial assets		
Term deposit (i)	-	96,292
Equity investments - ASX listed entities (ii)	758,357	673,640
	758,357	769,932

- (i) The Heide Cafe Performance Bond held in Trust was invested in a term deposit that matured in November 2022. The licence agreement for the previous cafe operator for whom the performance bond was held, terminated in October 2022. Upon maturity of the term deposit, the performance bond funds were held in a Company bank account until the bond was refunded in accordance with the licence agreement.
- (ii) Fair value is based on the ASX closing market bid value at balance date.

Note 8: Property, Plant and Equipment

	2022 \$	2021 \$
Land and Buildings		
<i>Freehold land at fair value</i>		
Independent valuation – 2021	6,000,000	6,000,000
Total land	6,000,000	6,000,000
<i>Buildings at fair value</i>		
Independent valuation – 2021	508,768	508,768
Less accumulated depreciation	(11,501)	-
Total buildings	497,267	508,768
Plant and equipment		
<i>Plant and equipment</i>		
At cost	2,431,745	2,032,669
Less accumulated depreciation	(1,871,079)	(1,741,629)
Total plant and equipment	560,666	291,040
Leasehold improvements		
Independent valuation – 2021	5,073,102	5,073,102
At cost additions	327,315	-
Less accumulated depreciation	(120,072)	-
Total leasehold improvements	5,280,345	5,073,102
Total property, plant and equipment	12,338,278	11,872,910

	Freehold land \$	Buildings \$	Plant and equipment \$	Leasehold improvements \$	Total \$
Movements in carrying amounts					
2022					
Balance at the beginning of year	6,000,000	508,768	291,040	5,073,102	11,872,910
Additions	-	-	399,076	327,315	726,391
Depreciation/amortisation expense	-	(11,501)	(129,450)	(120,072)	(261,023)
Carrying amount at the end of year	6,000,000	497,267	560,666	5,280,345	12,338,278

Concessionary leases

The company classifies the property and building on Crown Land as concessionary leases (refer Note 1 f).

Note 9: Other Assets

	2022 \$	2021 \$
Current		
Prepayments	80,784	90,489
Accrued income	223,836	121,860
Other debtors	18,942	-
	323,562	212,349
Non-current		
Works of art	74,415,995	73,547,470
Archive materials (i)	119,639	119,639
	74,535,634	73,667,109

(i) In 2019 archive materials of the late Mirka Mora were acquired through auction and private sale.

Works of art—Directors' basis of valuation:

Opening balance at 1 January	73,547,470	73,017,070
Increase in valuation of existing artwork	31,000	-
Donations received based on independent valuation	770,070	500,400
Acquisition at cost—Works of art	67,455	30,000
Balance at 31 December	74,415,995	73,547,470

In addition to the works of art owned by the Company or subject to the enduring stewardship arrangement disclosed above, the value of works of art on long-term loan to the Company or subject to non-enduring stewardship arrangements total \$7,529,500, which has not been recorded as an asset of the Company.

Note 10: Trade and Other Payables

	2022 \$	2021 \$
Current		
Unsecured liabilities		
Trade payables	561,059	262,666
Other payables		
Deferred income	223,169	153,030
Other payables (GST)	-	-
Employee accruals	60,691	60,782
Cafe Heide Performance Bond (held in Trust) (i)	87,524	87,524
	932,443	564,002

- (i) Orletto Holdings operated the cafe through to 31 October 2022. The Heide Cafe performance bond was held in trust as at 31 December and refunded in accordance with the contract in January 2023. At year end the cafe was managed by The Mulberry Group operating as Heide Kitchen.

Note 11: Borrowings

	2022 \$	2021 \$
Current		
Credit card amounts payable	6,169	2,036
	6,169	2,036

Note 12: Provisions

	2022 \$	2021 \$
Current Provisions		
Annual Leave	148,405	205,526
Time in Lieu	14,171	6,640
Long Service Leave	104,307	98,865
	266,883	311,031
Non-Current Provision		
Long Service Leave	29,726	55,073
	29,726	55,073

Provision for long-term employee benefits

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1.

Note 13: Reserves

	2022 \$	2021 \$
a. Asset revaluation reserve	45,863,703	45,832,703
Records revaluations of non-current assets		
b. Donated artworks reserve	31,056,094	30,286,024
Represents the value of Works of art donated or bequeathed to the Company. Subsequent revaluations of the Works of art are recognised in the Asset Revaluation Reserve		
c. Financial asset revaluation reserve	(107,082)	93,007
Records the unrealised gain/(loss) on financial investments		
d. Financial asset gain/(loss) on sale reserve	559,113	471,180
Records the realised gain on financial investments		
e. Equipment replacement reserve	70,056	113,062
Represents funds to replace cafe equipment		
Total Reserves	77,441,884	76,795,976

Note 14: Economic Dependence

The Company is dependent upon the ongoing receipt of State and Local Government grants and community and philanthropic donations to ensure the ongoing continuance of its exhibition, education and public programs. At the date of this report, the Board of Directors has no reason to believe that this financial support will not continue.

Note 15: Related Parties

a. Key management personnel

Key management personnel are determined to be the Board of Directors, Executive Director, Artistic Director, Development Director and Senior Curator.

b. Transactions with key management personnel

i. Loans to Directors

During 2022, there were no new or existing loans to directors.

ii. Compensation for key management personnel

Directors of the Company have not been remunerated for the financial year. Other key management personnel compensation comprised the following:-

	2022 \$	2021 \$
Short term benefits	568,819	570,620

Compensation of the Company's key management personnel includes only salaries and eligible termination payments. Key management personnel do not receive any non-cash benefits, contributions to a post-employment defined benefit plan or other termination benefits. Key management personnel may receive long-term employment benefits when the requisite continuous service period of 7 years is attained.

iii. Key management personnel transactions

The Company's related parties include its Board of Directors as described below. The names of the persons who were Directors of the Company for all or part of the financial year are listed below.

- Alane Fineman
- Lisa Gorman
- John Lee
- Cassy Liberman
- Steven Skala AO
- James van Smeerdijk
- Sue Smith
- Nancy Underhill
- Sharni Zoch

Certain director related transactions occur within a normal customer or supplier relationship on terms and conditions no more favourable than those with which it is reasonable to expect the Company would have adopted if dealing with the director or director-related entity at arm's length in similar circumstances.

The aggregate value of transactions related to key management personnel and entities over which they have control or significant influence were as follows:

		2022 \$	2021 \$
Key management			
Personnel	Transaction		
Directors	Donations (cash)	55,400	40,000
Directors	Donations (in-kind)	-	-
Directors	Purchase of goods and services	3,650	1,400
Management	Donations (cash)	-	3,650
Management	Donations (in-kind)	-	-
Management	Purchase of goods and services	-	1,777

Note 16: Cash Flow Information

	2022 \$	2021 \$
Reconciliation of cashflow from operations with surplus for the year		
Net surplus for the year	628,420	230,915
Non-cash flows in surplus:		
Depreciation and amortisation of non-current assets	261,023	278,801
Brokerage costs	3,573	8,707
Works of art (donated)	(770,070)	(500,400)
Bad debts	-	-
Changes in assets and liabilities:		
Decrease in trade and term receivables	51,269	1,004,752
(Increase)/decrease in inventories	(30,712)	17,018
Increase in other assets	(111,213)	(164,769)
Increase in trade payables and accruals	368,612	144,055
Increase/(decrease) in other grants and advances	70,139	(917,307)
Increase/(decrease) in provisions	(69,495)	59,027
	401,546	160,799

Note 17: Financial Risk Management

The company's financial instruments consist mainly of deposits with banks, local money market instruments, accounts receivable and payables.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	2022 \$	2021 \$
Financial assets		
Cash and cash equivalents	746,228	1,308,859
Trade and other receivables	37,521	88,790
Term deposit	-	96,292
Equity investments	758,357	673,640
	1,542,106	2,167,581

The Heide Board has established an Investment Committee to assist the Board in the discharge of its statutory, regulatory and fiduciary responsibilities in relation to the prudent management and investment of the assets of Heide.

Financial liabilities

Financial liabilities at amortised cost

Trade and other payables	621,750	323,448
Borrowings	6,169	2,036
	627,919	325,484

Net fair values

- (i) For listed financial assets the fair values have been based on closing quoted bid prices at the end of the reporting period.

Note 18: Contra Sponsorship

Heide receives sponsorship in the form of graphic design, printing, catering, photography and advertising and pro bono legal advice in exchange for promoting the provider as a corporate supporter of the gallery. The value of contra sponsorship included in the financial statements at Note 2 Revenue: Donations and sponsorship (gifts in kind) is \$217,508 (2021: \$155,786).

Note 19: Fair Value Measurements

The Company has the following assets as set out in the table below that are measured at fair value on a recurring basis after their initial recognition. The Company does not subsequently measure any liabilities at fair value on a recurring basis and has no assets or liabilities that are remeasured at fair value on a non-recurring basis as per AASB 13.

		2022 \$	2021 \$
Recurring fair value measurements			
Financial assets			
Shares in listed corporations	(i)	758,357	673,640
Property, plant and equipment			
Freehold land at fair value	(ii)	6,000,000	6,000,000
Buildings at fair value			
Independent valuation - 2021		508,768	508,768
Less accumulated depreciation		(11,501)	-
Total buildings		497,267	508,768
Leasehold improvements			
Independent valuation - 2021		5,073,102	5,073,102
Additions at cost		327,315	-
Less accumulated depreciation		(120,072)	-
Total leasehold improvements		5,280,345	5,073,102

- (i) For investments in shares, the fair values have been determined based on closing bid prices at the end of the reporting period.
- (ii) For freehold land and buildings, the fair values are based on the State Government's valuation undertaken in 2021, which used comparable market data for similar properties.

Note 19: Fair Value Measurements (continued)

Works of art

Heide's collection of works of art is held at fair value. Purchased works of art are initially carried at cost and subsequently revalued at fair value. Donated works of art are carried at fair value. Works of art are not depreciated as they do not have a finite useful life. Heide's collection is revalued in accordance with Heide's Collection Policy.

Every three years Heide undertakes a full valuation of the collection. At minimum this entails:

- (a) All works over \$100,000 to be independently valued. Independent valuation may refer to a process of outsourcing all valuation research, documentation and review, to an external party or undertaking research and documentation in-house with an external review of revised valuations.
- (b) The balance of the collection being works valued at \$100,000 or less to be valued from quality images and catalogue details.

On an annual basis curatorial staff review any extraordinary issues arising which may reasonably be expected to affect possible impairment or escalation of value of works of art (e.g. damage, change in circumstances of the artist, market fluctuations etc.) and obtain additional valuations to address such circumstances as appropriate.

All works donated within the year are subject to valuation and presented to the Board in an Acquisition Proposal as part of the acquisition process.

Charles Nodrum, an approved valuer under the Cultural Gifts Program, undertook a valuation of the collection (except for four works transferred to Heide from the Albert & Barbara Tucker Foundation loan collection) as at 31 December 2020 and valued the collection at \$72,631,070. The four works transferred from the Albert & Barbara Tucker Foundation loan collection were valued by Dwyer Fine Art at \$386,000. This is reflected in the collection valuation (Note 9 Other Assets). In 2022 Heide received donated works of art at a value of \$770,070 (2021: \$500,400). This is reflected in the collection valuation (Note 9 Other Assets).

Note 20: Auditor's Remuneration

	2022 \$	2021 \$
Audit fee	20,100	16,050
	20,100	16,050

Note 21: Company Details

The registered office of the Company is:
Heide Park and Art Gallery
7 Templestowe Road
Bulleen VIC 3105

Directors' Declaration

In the opinion of the Directors of Heide Park and Gallery:

- (a) The financial statements and notes of Heide are in accordance with the Australian Charities and Not-for-profits Commission Act 2012, including:
 - (i) Giving a true and fair view of its financial position as at 31 December 2022 and of its performance for the financial year ended on that date; and
 - (ii) Complying with Australian Accounting Standards - Simplified Disclosure Standard (including the Australian Accounting Interpretations) and the Australian Charities and Not-for-profits Commission Act 2012; and
- (b) There are reasonable grounds to believe that Heide will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



Alane Fineman
Director



Steven Skala AO
Chairman

Dated 8 May 2023

Heide Park and Art Gallery

ABN: 60 005 712 943

Independent Audit Report to the members of Heide Park and Art Gallery

Report on the Audit of the Financial Report

Opinion

We have audited the accompanying financial report, being a general purpose financial report of Heide Park and Art Gallery (the Company), which comprises the statement of financial position as at 31 December 2022, the statement of profit or loss and other 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 directors' declaration.

In our opinion, the accompanying financial report presents fairly, in all material respects, including:

- (i) giving a true and fair view of the Company's financial position as at 31 December 2022 and of its financial performance for the year ended; and
- (ii) complying with Australian Accounting Standards (simplified disclosure standard), the Australian Charities and Not-for-profits Commission Act 2012 and Division 60 of the Australian Charities and Not-for-profits Commission Regulation 2022.

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 Company in accordance with the auditor independence requirements of Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012* and 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.

Responsibilities of Management and Those Charged with Governance

Management is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and Division 60 of 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 that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Heide Park and Art Gallery

ABN: 60 005 712 943

Independent Audit Report to the members of Heide Park and Art Gallery

Auditor's Responsibilities for the Audit of the Financial Report

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

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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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


Saward Dawson

Jeffrey Tulk
Partner

Blackburn VIC
Dated: 8 May 2023