Southland Museum & Art Gallery Trust Board Inc

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2018

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 FOR THE YEAR ENDED 30 JUNE 2018

Legal name
Southland Museum & Art Gallery Trust Board (the Trust)

Type of entity and legal basis
The Trust is incorporated in New Zealand under the Charitable Trusts Act 1957 and is domiciled in New Zealand

The Trust's purpose
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.

Structure of the Trust's operations, including governance arrangements
The Trust comprises a board of ten trustees who oversee the governance of the Trust.
3 trustees are appointed by Invercargill City Council
2 trustees are appointed by Southland District Council
2 trustees are appointed by trustees appointed by Invercargill City Council & Southland District Council
1 trustee is appointed by Tangata Whenua
1 trustee is appointed by Friends of the Southland Museum & Art Gallery
1 trustee is appointed by Gore District Council
The current trustees are:

Cr Biddle (Chairperson)	*Invercargill City Council*	
Cr Ludlow	*Invercargill City Council*	
Cr Amundsen	*Invercargill City Council*	*appointed 7 November 2017*
Cr Esler	*Invercargill City Council*	*resigned 2 November 2017*
Cr Macpherson	*Southland District Council*	
Cr Patterson	*Southland District Council*	
G Neave	*Community Representative*	
Vacant	*Community Representative*	
W Jack	*Community Representative*	*resigned 2 November 2017*
J Davis	*Tangata Whenua*	
J Watson	*Friends of the Southland Museum & Art Gallery*	
Vacant	*Gore District Council*	

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 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

CHAIRPERSONS' REPORT

The 2017/18 year will go down as being one of the most challenging year's the Southland Museum & Art Gallery Trust Board (The Board) has ever faced, with the decision to close the museum building to the public on the 12 April 2018. This decision was not taken lightly by the Board.

In 2013, a seismic assessment was undertaken by Opus International Consultants. The report described the Museum as consisting of three older buildings which are enclosed by a fourth building, the pyramid. The assessment found the seismic ratings of all four of the buildings were less than 34 per cent of the New Building Standard.

With the introduction of new health and safety legislation and amendment of the Building Act in regard to earthquake-prone buildings, the Board requested a peer review of the original seismic assessment. This was undertaken by structural engineer Win Clark, an advisor to Heritage New Zealand in 2018. His review determined the original assessment was fair, and concluded the Museum buildings were "probably earthquake-prone".

While the Museum buildings have received a seismic assessment of less than 34 per cent of the New Building Standard, that does not mean they are automatically assessed as "earthquake prone". The determination of a building as "earthquake prone" must be undertaken by a territorial authority, and in this case is likely to be considered by Invercargill City Council (Council) staff by 2020. The process for identification of a building as "earthquake prone" is likely to be that Council staff assesses the engineer's report against a check list to determine if the building is earthquake prone.

Nonetheless, Council seeks to role-model appropriate behaviours as a responsible organisation, and will not hide behind this technicality. In 2017, Invercargill City was identified as a "medium risk" seismic area. This means building owners will have 12.5 years to fix or demolish their building after receiving a notice from Council that it is earthquake-prone.

The Board owns the Museum buildings and the collection within and in 2004 entered into a contract with the Invercargill City Council to manage the Museum operations on its behalf therefore the Invercargill City Council Chief Executive is ultimately accountable for staff at the Museum and I-Site, which were based there.

The Chief Executive of Invercargill City Council must provide a safe workplace under the Health and Safety at Work Act 2015. Legal commentators have observed that if serious harm resulted from an earthquake, and the Chief Executive had not taken all practicable steps to ensure the safety of employees or people in or near the building, the Chief Executive could face enforcement under the Act.

After considering all the facts and legislation, The Board, with the support of the Invercargill City Council, decided to close the museum building.

The Board has also decided to impair the buildings value to nil and recognised an impairment loss of $1.5 million due to the buildings currently not suppling economic benefits; repairing the buildings will likely cost more than the building's previous cost value and it is unlikely the building will be repaired to the same floor & wall layout.

CHAIRPERSONS' REPORT

Looking ahead, the 2018/19 year will be a pivotal one for the Board and the future position of the museum. The Board has commissioned Tim Walker Associates to help develop a 10-year vision and 5-year strategic plan with the Board and stakeholders of the museum. This includes public consultation through community workshops and online platforms.

A redeveloped museum will take time to complete with a number of factors to consider including future storage options for the collection, determining the best way for the Story of Southland to be told and how to fund the redevelopment. Hopes are high to have the museum redeveloped and re-opened by the 2023/24 year. In the interim, the Board still wants to have a presence within the city and are investigating options of having a temporary exhibition venue to continue to tell the Story of Southland.

The Board are excited about the future and are looking forward to working with everyone to produce a museum each Southlander is proud of.

Toni Biddle
Chairperson

OUTPUTS FOR THE YEAR ENDED 30 JUNE 2018

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

The Collections: **A) Caring for Collections - Collections are managed and preserved in accordance with established standards and cultural requirements.** **B) Developing Collections - The collections are developed & researched to enable the Museum to document, illustrate and explore Southland's unique natural and cultural heritage.**	
2017/18 Outputs	**Strategies to achieve Outputs**
The collection is developed to enable the Museum to document, illustrate and explore Southland's unique natural and cultural heritage	Collection is developed in accordance with collection management policies.
	Collection management policies are reviewed as required
	New acquisitions are considered according to the Collection Management Policy.
	New acquisitions are entered into Vernon CMS (Collection Management System).
	Existing CMS records are to be reviewed and updated in the future when funds are available.
	Collections items to have digital images made in the future when funds are available.
Collections are maintained in optimal conditions for their long term preservation.	Storage space environment is kept at controlled temperature.
	Storage space environment is kept at controlled humidity.
	Storage space is monitored for infestation by pests, moulds and pollutants.
	Deterioration by light is minimised.
Prepare for building refurbishment and extension to enable internal environmental conditions to meet national/international guidelines.	Prepare Redevelopment plans for consideration.
	Prepare the collection for shifting when the redevelopment project begins.

OUTPUTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

The Community: **To recognise the Museum and Art Gallery as a place where our heritage is valued and promoted by engaging communities, including iwi/Maori, in exploring the culture and heritage of Southland.**	
2017/18 Outputs	**Strategies to achieve Outputs**
Maintain strong relationships with iwi/Maori over issues relating to the collections, exhibitions and tuatara management.	Iwi Liaison Komiti meet four times each year.
Promotion of the Southland Museum and Art Gallery as a quality venue to visit for residents and visitors.	Visitor numbers exceed 200,000 per year
	Promotion of museum attractions and activities by website and Facebook and print media.
	Provide outreach to other museums and related organisations in the region

The Experience: **To provide an inspiring, informed and rich programme of exhibitions, events, publications and learning opportunities through access to the collections and telling the Story of Southland.**	
2017/18 Outputs	**Strategies to achieve Outputs**
Development and implementation of an annual visitor experience programme.	3 semi-permanent exhibitions are delivered.
	A minimum of 12 short-term exhibitions, including 8 in the community access gallery, are presented annually.
Development and delivery of inspiring education programmes to school children audiences for the Ministry of Education contract for LEOTC (Learning Experiences Outside the Classroom).	Over 25 new education programmes delivered to 4000 school students each year, including curriculum-linked and exhibition-related programmes.

STATEMENT OF SERVICE PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

OUTCOMES DELIVERED FOR THE YEAR ENDED 30 JUNE 2018

Below are the comparisons of the organisation's actual outcomes against planned outcomes as contained in the Statement of Intent for the 2017 / 2018 financial year.

The Collections: **A) Caring for Collections - Collections are managed and preserved in accordance with established standards and cultural requirements.** **B) Developing Collections - The collections are developed & researched to enable the Museum to document, illustrate and explore Southland's unique natural and cultural heritage.**			
Strategies to achieve Outputs	**2017-18 Outcome**	**2017-18 Target**	**2016-17 Outcome**
Collection is developed and new acquisitions considered in accordance with collection management policies.	Collection policy followed, 600 items acquired	Collection policy followed	Collection policy followed, 152 items acquired
Collection management policies are reviewed as required	kōiwi tangata policy to iwi for endorsement	Ongoing review of policies	kōiwi tangata policy in final review; development of digital access policy
New acquisitions are entered into Vernon CMS (Collection Management System).	500 items entered^	100%	10%^
Existing CMS records are to be reviewed and updated in the future when funds are available.	5,373 items completed	71,650 to do, 1.2M likely	Stage 1: Full documentation = 1,617 of 74,828 items completed
Collections items to have digital images made in the future when funds are available.	4,402 items completed	71,650 to do, 1.2M likely	
	595 items completed		Stage 3: Pack & photograph for collections online = 150 of 74,828

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

OUTCOMES DELIVERED FOR THE YEAR ENDED 30 JUNE 2018 (continued)

The Collections:
A) Caring for Collections - Collections are managed and preserved in accordance with established standards and cultural requirements.
B) Developing Collections - The collections are developed & researched to enable the Museum to document, illustrate and explore Southland's unique natural and cultural heritage.

Strategies to achieve Outputs	2017-18 Outcome	2017-18 Target	2016-17 Outcome
Storage space is kept at controlled temperature.	95% of the time	Temp: $19^0C \pm 1^0C$.	Within range
Storage space is kept at controlled humidity.	24% of the time	Relative Humidity: 50% ± 5%	Within range
Storage space is monitored for infestation by pests, moulds and pollutants.	Few sightings	Minimum pests, moulds and pollutants found.	Few sightings
Deterioration by light is minimised.	Achieved	Operation of lights is minimised	Achieved in collection storage and new displays; work required in old displays
Prepare Redevelopment plans for consideration.	Consultant commissioned to help develop a 10-year vision and 5-year strategic plan with board and stakeholders	Developed Concept report completed.	Plans to be reconsidered when SoRDS* projects feasibility reports received.
Prepare the collection for shifting when the redevelopment project begins.	Increase staffing focus on collection preparation. Plans in place to get Stages 1&2 completed before redevelopment construction begins	Reports & fund application for re-catalogue of collection.	$170k added to operational budget. Stage 2 rehoused for transport / Long term storage = 941 of 74,828 items

OUTCOMES DELIVERED FOR THE YEAR ENDED 30 JUNE 2018 (continued)

The Community: **To recognise the Museum and Art Gallery as a place where our heritage is valued and promoted by engaging communities, including iwi/Maori, in exploring the culture and heritage of Southland.**			
Strategies to achieve Outputs	**2017-18 Outcome**	**2017-18 Target**	**2016-17 Outcome**
Iwi Liaison Komiti (representing the four Southland runanga; Waihopai, Oraka-Aparima, Hokonui, Awarua) meet four times / year.	4 meetings	4 meetings	3 meetings (1 meeting delayed for health reasons)
Visitor numbers exceed 200,000/annum.	186,058*	200,000	232,580
Promotion of museum attractions and activities by website and Facebook and print media.	82*	No target	99 print media
	79*	No target	151 F'book posts
Provide outreach to other museums and related organisations in the region	205 hrs *	No target	325 hrs

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

The Experience: **To provide an inspiring, informed and rich programme of exhibitions, events, publications and learning opportunities through access to the collections and telling the Story of Southland.**			
Strategies to achieve Outputs	**2017-18 Outcome**	**2017-18 Target**	**2016-17 Outcome**
3 semi-permanent exhibitions are delivered.	3 Semi-permanent*	3 Semi-permanent	3 Semi-permanent
A minimum of 12 short-term exhibitions, including 8 in the community access gallery, are presented annually.	2 Main*	4 Main	5 Main
	4 Comm. Gallery*	8 Comm. Gallery	8 Comm. Gallery
Over 25 new education programmes delivered to 4000 school students each year, including curriculum-linked and exhibition-related programmes.	53 schools	25 schools	48 schools
	4,159 pupils	4,000 pupils	3,913 pupils

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

Southland Museum & Art Gallery Trust Board Inc

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 $	2017 $
Revenue			
Grants and donations revenue	1	1,786,796	1,748,438
Interest revenue		7,403	6,477
Revenue from providing services	2	12,777	16,000
Total Revenue		1,806,976	1,770,915
Expenses			
Cost of providing services	3	1,783,527	2,022,032
Depreciation of property, plant, and equipment	4	70,529	72,709
Impairment loss	4	1,519,036	-
Audit fees		7,322	7,223
Total Expenses		3,380,414	2,101,964
Total Surplus / (Deficit)		**(1,573,438)**	**(331,049)**

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 2018

	Note	2018 $	2017 $
Assets			
Current assets			
Bank accounts and cash	5	293,663	240,112
Debtors	6	51,204	48,096
Investments	7	211,949	205,142
Total current assets		556,816	493,350
Non-current assets			
Property, Plant and Equipment	4	914,855	2,498,400
Total Non - current assets		914,855	2,498,400
TOTAL ASSETS		**1,471,671**	**2,991,750**
Liabilities			
Current Liabilities			
Creditors and accrued expenses	8	17,206	17,947
Unused donations and grants with conditions	9	106,869	52,769
TOTAL LIABILITIES		**124,075**	**70,716**
TOTAL ASSETS less TOTAL LIABILITIES		**1,347,596**	**2,921,034**
Total Trust Equity			
Accumulated surpluses	10	1,336,327	2,909,765
Reserves	10	11,269	11,269
TOTAL TRUST EQUITY		**1,347,596**	**2,921,034**

Toni Biddle
CHAIRPERSON

Darren Ludlow
TRUSTEE

6 September 2018

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 CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 $	2017 $
Cash flows from operating activities			
Receipts from grants and donations		1,840,613	1,752,050
Receipts from providing services		12,777	16,000
Interest receipts		7,364	6,459
Payments to suppliers		(1,787,716)	(1,748,959)
GST (net)		(2,356)	(5,060)
Net cash flows from operating activities		70,681	20,490
Cash flows from investing and financing activities			
Payments to acquire property, plant and equipment		(10,324)	(6,042)
Payments to acquire investments		(6,807)	(205,142)
Net cash flows from investing and financing activities		(17,131)	(211,184)
Net increase/(decrease) in cash for the year		53,551	(190,694)
Add opening bank balance and cash balance		240,112	430,806
Closing bank accounts and cash balance	5	**293,663**	**240,112**

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

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2018

ACCOUNTING POLICIES APPLIED

BASIS OF PREPARATION

The Board has elected to apply PBE SFR-A (PS) Public Benefit Entity Simple Format Reporting - Accrual (Public Sector) Standard on the basis that the Trust does not have public accountability (as defined) and had total annual expenses of less than $2 million in the previous reporting period.

All transactions in the financial statements are reported using the accrual basis of accounting.

The financial statements are prepared under the assumption that the Trust will continue to operate in the foreseeable future.

The Trust is a reporting entity for the purposes of the Charitable Trusts Act 1957 and its financial statements comply with that Act.

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

The financial statements were authorised for issue by the Trust on 6 September 2018.

GOODS AND SERVICES TAX (GST)

The Trust is registered for GST. All amounts in the financial statements are recorded exclusive of GST, except for debtors and creditors, which are stated inclusive of GST.

SIGNIFICANT ACCOUNTING POLICIES

REVENUE

Grants and Donations

Council, government, and non-government grants are recognised as revenue when the funding is received 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 as it is earned during the year.

Other Revenue

Revenue is measured at the fair value of consideration received.

EXPENDITURE

All expenditure is recognised in the Statement of Financial Performance in the period in which it is incurred and expensed when the related services has been received.

INCOME TAX

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

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.

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2018

BANK ACCOUNTS AND CASH

Bank accounts and cash comprise cash on hand, cheque or savings accounts, and deposits held at call with banks.

DEBTORS

Debtors are initially recorded at the amount owed. When it is likely the amount owed (or some portion) will not be collected, a provision for impairment is recognised and the loss is recorded as a bad debt expense.

INVESTMENTS

Investments comprise investments in term deposits. Deposits with banks are initially recorded at the amount paid. If it appears that the carrying amount of the investment will not be recovered, it is written down to the expected recoverable amount.

CREDITORS AND ACCRUED EXPENSES

Creditors and other payables are measured at the amount owed.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recorded on the cost basis, 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.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, 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.

Depreciation

Depreciation has been charged in the Financial Statements on the basis of the useful life. The useful lives and associated depreciation rates have been estimated as follows:

Buildings	2%	SL
Fit-out	9 - 40%	DV

Impairment

Property, plant, and equipment with a finite useful life is reviewed for impairment at each balance date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised if the value to the entity in using the asset falls below the carrying amount of the asset. The total impairment loss, or reversal of an impairment loss, is recognised in the surplus or deficit.

Exhibits and Collections

The Trust has not recognised significant exhibits and donated assets 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. The collection is valued at $10,000,000 for insurance purposes.

TIER 2 PBE ACCOUNTING STANDARDS APPLIED

The Trust has not applied any Tier 2 Accounting Standards in preparing its financial statements.

CHANGES IN ACCOUNTING POLICIES

There are no changes in accounting policies during the period. All accounting policies have been consistently applied throughout the period covered by these financial statements.

1 *GRANTS AND DONATIONS REVENUE*

	2018 $	2017 $
Grant - Invercargill City Council	649,407	649,407
Grant - Southland Regional Heritage Committee	1,119,055	1,090,015
Bequests received - cash	10,000	1,250
Donations received - cash	8,334	7,766
Total grants and donations revenue	1,786,796	1,748,438

Grants and donation revenue with conditions which have not been recorded as a liability:

Description	Original amount		Not fulfilled amount
Estate C F Broadley - Bequests received - cash	$37,904		$37,904
Purpose and nature of the conditions: 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 - Bequests received - cash	$248,400		$195,748
Purpose and nature of the conditions: The bequest requires the Trust to spend the funds 2/3 on Natural History Gallery and 1/3 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.			

2 *REVENUE FROM PROVIDING SERVICES*

	2018 $	2017 $
Rental revenue	12,777	16,000
Total revenue from providing services	12,777	16,000

3 *COST OF PROVIDING SERVICES*

	2018 $	2017 $
Operating costs	22,962	1,515
Write down of Redevelopment Capital Work in Progress	-	280,095
Management Fee - Invercargill City Council	1,760,565	1,740,422
Total cost of providing services	**1,783,527**	**2,022,032**

4 *PROPERTY, PLANT AND EQUIPMENT*

	Land & Buildings $	Art Works $	Total $
Carrying amount at 1 July 2016	**1,764,541**	**796,222**	**2,560,763**
Additions	10,346	-	10,346
Disposals (net of accumulated depreciation)	-	-	-
Depreciation expense	(72,709)	-	(72,709)
Impairment loss	-	-	-
Carrying amount at 30 June 2017	**1,702,178**	**796,222**	**2,498,400**
Carrying amount at 1 July 2017	**1,702,178**	**796,222**	**2,498,400**
Additions	6,020	-	6,020
Disposals (net of accumulated depreciation)	-	-	-
Depreciation expense	(70,529)	-	(70,529)
Impairment loss	(1,519,036)	-	(1,519,036)
Carrying amount at 30 June 2018	**118,633**	**796,222**	**914,855**

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 and recognised an impairment loss of $1,519,036 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.

5 *BANK ACCOUNTS AND CASH*

	2018 $	2017 $
Westpac Cheque account	72,679	26,506
Westpac Redevelopment Account	139,564	139,421
Bank accounts		
- Bequest	63,527	60,165
- Baird Library	738	734
- Capital acquisition	17,155	13,286
Total cash and cash equivalents	293,663	240,112

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

		Note	2018 $	2017 $
6	***DEBTORS***			
	Donations - Invercargill City Council		4,536	4,253
	GST - Inland Revenue		46,610	43,824
	Accrued interest - Westpac		58	19
	Total Debtors		51,204	48,096

		2018 $	2017 $
7	***INVESTMENTS***		
	Current portion		
	Term deposits (Bequest)	211,949	205,142
	Total investments	211,949	205,142

		2018 $	2017 $
8	***CREDITORS AND ACCRUED EXPENSES***		
	Audit fee	7,322	7,223
	Invercargill City Council.	3,720	5,664
	Other payables	6,164	5,060
	Total creditors and accrued expenses	17,206	17,947

		2018 $	2017 $
9	***UNUSED DONATIONS AND GRANTS WITH CONDITIONS***		
	Invercargill City Council - Redevelopment Grant	52,769	52,769
	Southland Regional Heritage Committee Grant	54,100	-
	Total unused donations and grants with conditions	106,869	52,769

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.

10 *TRUST FUNDS*

	2018 $	2017 $
Accumulated surpluses		
Balance as at 1 July	2,909,765	3,240,814
Total Surplus / (Deficit) for the year	(1,573,438)	(331,049)
Balance at 30 June	1,336,327	2,909,765
Reserves		
*Education Service Reserve **	11,269	11,269
Total Trust funds	1,347,596	2,921,034

* 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.

11 *RELATED PARTY TRANSACTIONS*

		2018 $	2017 $
The Trust paid a management fee and other expenses to Invercargill City Council (3 trustees are part of the Invercargill City Council)	Value for year	(1,760,565)	(1,740,422)
	Balance outstanding	56,489	58,433
The Trust received grants from Invercargill City Council (3 trustees are part of the Invercargill City Council)	Value for year	649,407	649,407
	Balance outstanding	-	-
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)	Value for year	8,334	7,766
	Balance outstanding	4,536	4,253
The Trust received grants from Southland Regional Heritage Committee (2 trustees are members of the Southland Regional Heritage Committee)	Value for year	1,173,155	1,090,015
	Balance outstanding	54,100	-
The Trust received rental revenue from Venture Southland for the iSite premises (2 trustees are members of the Venture Southland Committee)	Value for year	12,777	16,000
	Balance outstanding	-	-

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.

12 *COMMITMENTS*

There are no capital or operating commitments at 30 June 2018 (2017: Nil).

13 *CONTINGENCIES*

There are no known contingent liabilities or contingent assets at 30 June 2018 (30 June 2017: nil).

14 *POST BALANCE DATE EVENTS*

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

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Southland Museum and Art Gallery Trust Board's financial statements and performance information for the year ended 30 June 2018

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

Opinion

We have audited:

- the financial statements of the Trust on pages 11 to 20, that comprise the statement of financial position as at 30 June 2018, the statement of financial performance, the statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Trust on pages 5 to 10.

In our opinion:

- the financial statements of the Trust on pages 11 to 20:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2018; 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 Public Benefit Entity Simple Format Reporting Standard – Accrual (Public Sector) Standard; and
- the performance information of the Trust on pages 5 to 10 presents fairly, in all material respects, the Trust's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Trust's objectives for the year ended 30 June 2018

Our audit was completed on 6 September 2018. This is the date at which our opinion is expressed.

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

Basis for opinion

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 opinion.

Responsibilities of the Board for the financial statements and the performance information

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

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

In preparing the financial statements and the performance information, the Board are responsible on behalf of the Trust for assessing the Trust's ability to continue as a going concern. The Board are 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 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 performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, 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 or 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 performance information.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

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 performance information, 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'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'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'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 performance information 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 to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information 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 of Directors is responsible for the other information. The other information comprises the information included on pages 3 to 5, but does not include the financial statements, and our auditor's report thereon.

Our opinion on the financial statements 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, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements 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 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.

Ian Lothian
Audit New Zealand
On behalf of the Auditor-General
Dunedin, New Zealand