

PACT centre for emerging artists Incorporated

(An incorporated association)

ABN 27 421 225 931

Annual report

for the year ended 31 December 2010

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Independent auditor's report

We have audited the accompanying financial report, being a general purpose financial report, of Pact centre for emerging artists (the association), which comprises the statement of financial position, statement of changes in equity as at 31 December 2010 for the year then ended, the statement of comprehensive income, notes to and forming part of the financial statements, other explanatory notes and the statement by members of the committee.

Committee's Responsibility for the Financial Report

The committee of the association is responsible for the preparation and fair presentation of the financial report and has determined that the accounting policies described in Note 3 to the financial statements, which form part of the financial report, are consistent with the financial reporting requirements of the Associations Incorporation Act NSW (1984) and are appropriate to meet the needs of the members. The committee's responsibilities also include designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 3, are appropriate to meet the needs of the members. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the committee, as well as evaluating the overall presentation of the financial report.

The financial report has been prepared for distribution to members for the purpose of fulfilling the committee's financial reporting obligations under the Associations Incorporation Act NSW (1984). We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.

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

Independence

In conducting our audit, we have complied with the independence requirements of Australian professional ethical pronouncements.

Independent auditor's report continued

Auditor's Opinion

In our opinion, the financial report of Pact centre for emerging artists presents fairly, in all material respects the financial position of Pact centre for emerging artists as at 31 December 2010 and of its financial performance for the year then ended in accordance with the accounting policies described in Note 3 to the financial statements and the Associations Incorporation Act NSW (1984).

Name of firm: Cowell Watts Panos

Name of partner: Bruce N. Cowell

Address: 70 Crown Street Sydney NSW

Dated this 29th day of March 2011

Statement by the members of the committee

The committee has determined that the association is a reporting entity and that this general purpose financial report should be prepared in accordance with the accounting policies outlined in Note 3 to the financial statements.

In the opinion of the committee the financial report as set out on pages 7 to 20:

1. Presents a true and fair view of the financial position of Pact centre for emerging artists as at 31 December 2010 and its performance for the year ended on that date.
2. At the date of this statement, there are reasonable grounds to believe that Pact centre for emerging artists will be able to pay its debts as and when they fall due.

This statement is made in accordance with a resolution of the committee and is signed for and on behalf of the committee by:



Chair

Andrew Symes



Treasurer

Brian Keogh

Dated this 24th day of March 2011

Certificate by the members of the committee

I, Andrew Symes of 17 Harrison Avenue, Bonnet Bay, NSW, and

I, Brian Keogh of 95 Riverview Road, Earlwood, NSW, certify that:

- a. We are members of the committee of Pact centre for emerging artists.
- b. We attended the annual general meeting of the association held on 18th April 2011.
- c. We are authorised by the attached resolution of the committee to sign this certificate.
- d. This annual statement was submitted to the members of the association at its annual general meeting.

Dated this 18th day of April 2011

.....
Andrew Symes (Committee Member, Chairperson)

.....
Brian Keogh (Committee Member, Treasurer)

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Statement of comprehensive income

for the year ending 31 December 2010

INCOME	Note	2010 \$	2009 \$
Income			
Performance income		12,319	14,163
Fees & services	4	13,843	26,480
Resource income	5	25,154	16,300
Sponsorship & donations	6	8,179	14,517
Interest		8,458	4,743
Other income		3,879	16,913
Subsidies & grants	7	274,708	269,733
Total Income		<u>346,540</u>	<u>362,849</u>
Expenditure			
Wages, fees & allowances		224,453	222,109
Program costs		12,886	18,718
Marketing costs		6,426	12,604
Infrastructure costs		101,611	109,023
Total expenditure		<u>345,376</u>	<u>362,454</u>
Surplus attributable to members of PACT INCORPORATED		<u>1,164</u>	<u>395</u>

Statement of financial position

as at 31 December 2010

ASSETS	Note	2010 \$	2009 \$
Current assets			
Cash and cash equivalents	8	152,178	215,188
Trade and other receivables	9	4,383	260
Prepayments		5,155	3,860
Total current assets		<u>161,716</u>	<u>219,308</u>
Non-current assets			
Intangibles	10	303	-
Plant and equipment	11	12,015	13,301
Total non-current assets		<u>12,318</u>	<u>13,301</u>
TOTAL ASSETS		<u>174,034</u>	<u>232,609</u>
LIABILITIES			
Current liabilities			
Trade and other payables	12	19,861	34,164
Provisions	13	9,436	8,102
Income in advance	14	46,227	87,025
Total current liabilities		<u>75,524</u>	<u>129,291</u>
Non-current liabilities			
Provisions	13	-	5,972
Total non-current liabilities		<u>-</u>	<u>5,972</u>
TOTAL LIABILITIES		<u>75,524</u>	<u>135,263</u>
NET ASSETS		<u>98,510</u>	<u>97,346</u>
EQUITY			
Reserves	15	3,832	3,832
Retained earnings		94,678	93,514
TOTAL EQUITY		<u>98,510</u>	<u>97,346</u>

Statement of changes in equity

for the year ending 31 December 2010

	Total equity \$
As at 1 January 2009	<u>96,951</u>
Profit attributable to members	<u>395</u>
As at 31 December 2009	<u>97,346</u>
Profit attributable to members	<u>1,164</u>
As at 31 December 2010	<u><u>98,510</u></u>

Statement of cash flows

for the period ending 31 December 2010

	Note	2010 \$	2009 \$
Cash flows from operating activities			
Cash received in the course of operations		68,032	89,218
Receipts from appropriations/grants		195,546	202,515
Interest received		5,862	4,743
Payments made to suppliers and employees		(326,917)	(296,248)
Net cash in from operating activities		(57,477)	228
Cash flows from investing activities			
Payments for property, plant & equipment		(5,061)	(14,803)
Payments for intangibles		(472)	-
Net cash used in investing activities		(5,533)	(14,803)
Net decrease in cash held		(63,010)	(14,575)
Cash and cash equivalents at beginning of the financial year		215,188	229,763
Cash and cash equivalents at the end of the financial year	8	152,178	215,188

Notes to and forming part of the financial statements

1 CORPORATE INFORMATION

The financial report is for PACT centre for emerging artists Incorporated (the “Association”) as an individual entity for the year ended 31 December 2010 and was authorised for issue in accordance with a meeting of the members of the association dated 18 April 2011.

2 BASIS OF PREPARATION

a) *Statement of compliance*

The Association early adopted AASB 1053 *Applications of Tiers of Australian Accounting Standards* and AASB 2010-02 *Amendments to Australian Standards arising from Reduced Disclosure Requirements* for the financial year beginning 1 January 2010 to prepare Tier 2 general purpose financial statements.

The financial report is a Tier 2 general purpose financial statement which has been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (AASB-RDRs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

b) *Basis of measurement*

The financial report has been prepared on an accrual basis and is based on historical cost convention. It does not take into account changing money value, or except where stated, current valuations of non-current assets. Cost is based on the fair value of the consideration given in exchange for assets.

The financial report is presented in Australian dollars.

c) *Significant accounting judgements, estimates and assumptions*

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

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

The key estimates and assumptions that have a significant risk of causing material adjustment to the carrying amount of certain assets and liabilities within the next annual reporting period are:

Provision for employee benefits

Provisions for employee benefits payable after 12 months from the reporting date are based on future

Notes to and forming part of the financial statements continued

wage and salary levels, experience of employee departures, and periods of service, as discussed in Note 3(f). The amount of these provisions would change should any of the employees change in the next 12 months.

d) Changes in accounting policies

Starting as of 1 January 2010, the Association has changed its accounting policies in the following area:

- Application of reduced disclosure requirements

3 SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

Revenue is recognised when the association is legally entitled to the income and the amount can be quantified with reasonable accuracy. Revenues are recognised net of the amounts of goods and services tax (GST) payable to the Australian Taxation Office.

Interest income

Interest income is recognised as it accrues, using the effective interest method.

Sponsorship and donations revenue

Sponsorship commitments are brought to account as income in the year in which sponsorship benefits are bestowed. All donations are brought to account as received.

Government funding

Grant revenue is recognised in the statement of comprehensive income when the association obtains control of the grant and it is probable that the economic benefits gained from the grant will flow to the association and the amount of the grant can be measured reliably.

If conditions are attached to the grant which must be satisfied before it is eligible to receive the contribution, the recognition of the grant as revenue will be deferred until those conditions are met.

When grant revenue is received whereby the association incurs an obligation to deliver economic value directly back to the contributor, this is considered a reciprocal transaction, and the grant revenue is recognised in the statement of financial position as a liability until the service has been delivered to the contributor, otherwise the grant is recognised as income on receipt.

Rent of the premises is recorded at the face rent value provided by the City of Sydney. The subsidised amount of the face rent value has been recorded as subsidy income.

Notes to and forming part of the financial statements continued

b) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectable amounts. Normal terms of settlement vary from seven to 90 days. The notional amount of the receivable is deemed to reflect fair value.

An allowance for doubtful debts is made when there is objective evidence that the association will not be able to collect the debts. Bad debts are written off when identified.

c) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Any plant and equipment donated to the association or acquired for nominal cost is recognised at fair value at the date the association obtains control of the assets.

Depreciation

Items of plant and equipment are depreciated over their useful lives to the association commencing from the time the asset is held ready for use. Depreciation is calculated on a straight line basis over the expected useful economic lives of the assets as follows:

Theatre and office equipment	3-5 years
Intangibles	2 years

Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. Depreciated replacement cost is used to determine value in use. Depreciated replacement cost is the current replacement cost of an item of plant and equipment less, where applicable, accumulated depreciation to date, calculated on the basis of such cost.

Impairment exists when the carrying value of an asset exceeds its estimated recoverable amount. The asset is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the statement of comprehensive income.

Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal, when the item is no longer used in the operations of the association or when it has no sale value. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

Any part of the asset revaluation reserve attributable to the asset disposed of or derecognised is transferred to general funds at the date of disposal.

Notes to and forming part of the financial statements continued

d) Trade creditors and other payables

These amounts represent liabilities for goods and services provided to the association prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. The notional amount of the payables is deemed to reflect fair value.

e) Deferred income

The liability for deferred income is the unutilised amounts of grants received on the condition that specified services are delivered or conditions are fulfilled. The services are usually provided or the conditions usually fulfilled within 12 months of receipt of the grant. Where the amount received is in respect of services to be provided over a period that exceeds 12 months after the reporting date, or the conditions will only be satisfied more than 12 months after the reporting date, the liability is discounted.

f) Employee benefits

Employee benefits comprise wages and salaries, annual and long service leave.

Liabilities for wages and salaries expected to be settled within 12 months of balance date are recognised in other payables in respect of employees' services up to the reporting date. Liabilities for annual leave in respect of employees' services up to the reporting date which are expected to be settled within 12 months of balance date are recognised in the provision for annual leave. Both liabilities are measured at the amounts expected to be paid when the liabilities are settled.

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

g) Taxation

Income tax

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

Goods and services tax (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 which case it is recognised as part of the cost of acquisition of an asset or as part of an item of expense. Receivables and payables are recognised inclusive of GST. The net amount of GST recoverable from or payable to the Australian Taxation Office is included as part of receivables or payables.

Notes to and forming part of the financial statements continued

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from or payable to the Australian Taxation Office is classified as operating cash flows.

h) Going concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal trading activities and the realisation of assets and settlement of liabilities in the normal course of business. The association's continued existence is ultimately dependent upon the success of future productions and government support.

If the association is unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and in amounts different from those stated in the financial report.

At the date of the report, the association has received notification that 2011 grant funding has been approved and it is expected the association will be able to continue in its normal capacity.

i) Comparative figures

When required by the Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

	2010	2009
	\$	\$
4 Fees & services		
KWP Workshop Fees	6,073	10,755
Auspice fee	1,200	1,033
Management Fee (Projects)	3,255	9,150
Membership fees	382	255
Program Participant Fees	2,933	5,287
	13,843	26,480
	13,843	26,480
5 Resource income		
Venue Hire	23,566	15,622
Venue Tech Support	1,035	505
Equipment Hire	553	173
	25,154	16,300
	25,154	16,300

Notes to and forming part of the financial statements continued

	2010	2009
	\$	\$
6 Sponsorship & donations		
General donations	179	1,517
BBM	8,000	8,000
Ian Potter Foundation	-	5,000
	<u>8,179</u>	<u>14,517</u>
7 Subsidies & grants		
ArtsNSW - Annual program	60,000	54,000
ArtsNSW - Capital works	-	10,000
Australia Council - Triennial funding	131,625	130,000
Australia Council - Project grant	6,942	-
City of Sydney - funding	20,000	20,000
City of Sydney - in-kind rental subsidy	56,141	55,733
	<u>274,708</u>	<u>269,733</u>
8 Cash and cash equivalents		
Cash on hand	200	200
Short-term deposits	151,978	214,988
	<u>152,178</u>	<u>215,188</u>
9 Trade and other receivables		
Trade receivables	998	440
Less Provision for Doubtful Debts	(30)	(180)
Accrued income	2,596	-
Net GST receivable	819	-
	<u>4,383</u>	<u>260</u>

Notes to and forming part of the financial statements continued

	2010	2010
	\$	\$
10 Intangible assets		
Gross carrying amount		
Opening balance	-	-
Additions	472	-
Closing balance	<u>472</u>	-
Accumulated amortisation		
Opening balance	-	-
Amortisation expense	(169)	-
Closing balance	<u>(169)</u>	-
Net book value		
As at 31 December	<u>303</u>	-

11 Plant & equipment

2010	Theatre equipment	Leasehold improvements	Office equipment	Total
Gross Carrying Amount				
Balance at 31 December 2009	9,243	214,577	15,102	238,922
Additions	2,774	-	2,287	5,061
Balance at 31 December 2010	<u>12,017</u>	<u>214,577</u>	<u>17,389</u>	<u>243,983</u>
Accumulated Depreciation				
Balance at 31 December 2009	(1,727)	(214,577)	(9,317)	(225,621)
Depreciation expense	(3,385)	-	(2,962)	(6,347)
Balance at 31 December 2010	<u>(5,112)</u>	<u>(214,577)</u>	<u>(12,279)</u>	<u>(231,968)</u>
Net Book Value				
As at 31 December 2010	<u>6,905</u>	<u>-</u>	<u>5,110</u>	<u>12,015</u>

Notes to and forming part of the financial statements continued

11 Plant & equipment continued

2009	Theatre equipment	Leasehold improvements	Office equipment	Total
Gross Carrying Amount				
Balance at 31 December 2008	305	214,577	9,237	224,119
Additions	8,938	-	5,865	14,803
Balance at 31 December 2009	<u>9,243</u>	<u>214,577</u>	<u>15,102</u>	<u>238,922</u>
Accumulated Depreciation				
Balance at 31 December 2008	(244)	(214,577)	(7,076)	(221,897)
Depreciation expense	(1,483)	-	(2,241)	(3,724)
Balance at 31 December 2009	<u>(1,727)</u>	<u>(214,577)</u>	<u>(9,317)</u>	<u>(225,621)</u>
Net Book Value				
As at 31 December 2009	<u>7,516</u>	<u>-</u>	<u>5,785</u>	<u>13,301</u>

	2010	2009
12 Trade and other payables	\$	\$
Unsecured trade creditors	3,015	4,718
Net GST payable	-	4,690
Sundry creditors & accruals	16,846	24,756
	<u>19,861</u>	<u>34,164</u>

13 Provisions

Provision for annual leave	9,436	8,102
Provision for long service leave	-	5,972
	<u>9,436</u>	<u>14,074</u>
<i>Analysis of total provision</i>		
Current	9,436	8,102
Non-current	-	5,972
	<u>9,436</u>	<u>14,074</u>

Notes to and forming part of the financial statements continued

	2010	2009
14 Income / grants in advance	\$	\$
<i>Grants in advance</i>		
Australia Council - Triennial funding	-	66,625
Australia Council - One-off donation	-	6,942
Australia Council - Incubate commission	25,000	-
Australia Council - Lara Thomas	10,300	-
<i>The Experts Project</i>		
Marrickville Council	-	4,000
BBM	8,000	8,000
<i>Other income in advance</i>		
Security bonds	1,000	500
Auspiced income - Quarterbred	1,927	958
	<u>46,227</u>	<u>87,025</u>

15 Permanent Reserves

The association maintains a Permanent Reserve for the purpose of accumulating capital to ensure its long-term viability and financial security. The reserve may be used at any time for PACT projects that contribute to the association's objectives.

Balance - 1 January	3,832	3,832
Transfer from accumulated funds	-	-
Balance - 31 December	<u>3,832</u>	<u>3,832</u>

16 Compensation of key management personnel

The aggregate compensation to members of key management personnel of the association is set out below:

Short-term	98,289	97,343
Other long-term benefits	8,346	8,550
	<u>106,635</u>	<u>105,893</u>

Notes to and forming part of the financial statements continued

	2010	2009
	\$	\$
17 Lease commitments		
Operating lease commitment - office rent		
Payable - minimum lease payments:		
- not later than 12 months	6,448	1,624
- between 12 months and five years	8,313	-
	<u>14,761</u>	<u>1,624</u>

The property lease is on a three year term expiring 1 April 2012 granted by the City of Sydney. The value of the rental subsidy provided by the City of Sydney is \$56,141 (2009: \$55,733)

Additional Financial Information – Auspiced Projects

Schedule 1 - Summarised financial results - Auspiced projects

<i>2010</i>	Ref	A Comedy	The Experts	Quarterbred	Mr Stranger
<i>Income</i>					
Earned income		-	-	475	-
Grants & subsidies	Sch 2	10,000	3,000	-	4,000
Total income		10,000	3,000	475	4,000
<i>Expense</i>					
Wages, salaries & fees		9,000	3,000	-	3,800
Other costs		1,000	-	-	200
Carried forward to next year		-	-	475	-
Total expense		10,000	3,000	475	4,000
<i>Net surplus / (deficit)</i>					
		-	-	-	-

Additional Financial Information – Auspiced Projects

Schedule 2: Auspiced project grants & subsidies

2010 Subsidies & Grants		Grants b/fwd	Grants received	Grants applied	Grants c/fwd
<i>Funding Body</i>	<i>Project</i>	2009	2010		2011
Australia Council - Theatre Board	Lara Thomas - <i>The Experts Project</i>	-	13,300	3,000	10,300
Arts NSW	Brown Council - <i>A Comedy</i>	-	10,000	10,000	-
Marrickville Council	<i>Mr Stranger</i>	4,000	-	4,000	-
<i>SUBTOTAL</i>		<i>4,000</i>	<i>23,300</i>	<i>17,000</i>	<i>10,300</i>