

**HOTA GOLD COAST PTY LTD**  
**ACN 060 787 466**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2020**

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**Contents**

DIRECTORS' REPORT .....	3
AUDITOR'S INDEPENDENCE DECLARATION.....	5
STATEMENT OF COMPREHENSIVE INCOME .....	6
STATEMENT OF FINANCIAL POSITION .....	7
STATEMENT OF CHANGES IN EQUITY.....	8
STATEMENT OF CASH FLOWS.....	9
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS .....	10
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES .....	10
2. REVENUE AND OTHER INCOME.....	17
3. EXPENSES.....	17
4. CASH AND CASH EQUIVALENTS.....	17
5. TRADE AND OTHER RECEIVABLES.....	17
6. OTHER CURRENT ASSETS .....	18
7. OTHER FINANCIAL ASSETS.....	18
8. PLANT AND EQUIPMENT and INTANGIBLES.....	18
9. ARTWORKS .....	18
10. TRADE AND OTHER PAYABLES.....	20
11. EMPLOYEE BENEFITS .....	20
12. OTHER CURRENT LIABILITIES .....	20
13. BORROWINGS.....	21
14. CONTRIBUTED EQUITY.....	21
15. RESERVES .....	21
16. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES.....	22
17. COMMITMENTS.....	22
18. CONTINGENT LIABILITIES AND CONTINGENT ASSETS .....	22
19. RELATED PARTY DISCLOSURES .....	23
20. ECONOMIC DEPENDENCY.....	24
21. EVENTS AFTER THE REPORTING PERIOD .....	24
22. COMPANY DETAILS .....	24
DIRECTORS' DECLARATION.....	25
INDEPENDENT AUDITOR'S REPORT .....	26

## HOTA GOLD COAST PTY LTD DIRECTORS' REPORT

### DIRECTORS' DETAILS

The names of the directors holding office at any time during or since the end of the year, and the number of times a Director has attended meetings are listed below:

	Board	Finance, Risk, Audit & Governance	Precinct Development & Infrastructure	Fundraising & Strategic Development	TOTAL
<b>Total Meetings</b>	<b>9</b>	<b>4</b>	<b>2</b>	<b>3</b>	<b>18</b>
Ned Pankhurst	9	4	N/A	N/A	13
Kate Brennan	8	N/A	2	N/A	10
Cameron Henry	8	4	N/A	N/A	12
Thea Jeanes-Cochrane	9	N/A	2	N/A	11
Fady Hanna	9	N/A	N/A	3	12
Airlie Maclachlan	6	2	N/A	3	11
Tracey Vieira	8	N/A	1	N/A	9
Tracey Woodbry	5	N/A	N/A	2	7

*N/A Director is not a member of the committee*

Directors have been in office since 1 July 2019 to the date of this report unless otherwise stated.

### PRINCIPAL ACTIVITIES

The principal activities of the company during the course of the financial year were:

- The management of the operations of the HOTA, Home of the Arts as per the licence agreement with the Council of the City of Gold Coast, and
- The presentation and promotion of performing and visual arts for the benefit of residents and visitors to Gold Coast City.

### REVIEW OF OPERATIONS AND RESULTS

The operating profit of the company for the financial year ended 30 June 2020 was \$1,255,411 (2019 \$1,353,219). This result was preceded by the COVID-19 closure of the venue to the public on 24 March and then a progressive stand down of the workforce on 3 May, as the Company was not eligible for the Jobkeeper subsidy.

In response to and as a direct result of the COVID-19 pandemic, various services and events were either reduced, suspended or closed from 13 March 2020 to the end of June 2020. This has affected the ticketed events and exhibitions as well as the progressive stand down of the workforce on 3 May.

In the 2021 financial year, HOTA expects to continue to be affected by the impacts of COVID-19, with reduced income from sponsorship, education, engagement programs and retail. The HOTA centre re-opened on 06 June 2020 operating with reduced services.

The final result of \$1,255,411 is derived after recognising as income, the capital expenditure grant payments totaling \$987,381 for items of capital expenditure included in the budget, and the Grant received in advance from the City of Gold Coast totaling \$681,558, required to make payments for Gallery exhibitions that will be held in ensuing financial years.

### SUBSEQUENT EVENTS

No matter or circumstance has arisen since the end of the financial year that has significantly affected or may significantly affect the operation or results of the company or the state of affairs of the company in subsequent financial years.

**HOTA GOLD COAST PTY LTD  
DIRECTORS' REPORT**

**LIKELY FUTURE DEVELOPMENTS AND RESULTS**

The company is a wholly owned entity of the Council of the City of Gold Coast. The principal activities for the year ended 30 June 2020 have been those described as above. The construction of a new City Gallery has commenced with practical completion expected in late 2020. HOTA will operate this facility on behalf of the City of Gold Coast, in accordance with the licence agreement. The Company regularly reports and assesses the impacts of the COVID-19 pandemic and present and future business operations, through its risk management framework.

**ENVIRONMENTAL REGULATIONS**

The entity is not subject to any significant environmental regulations. The company's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

**DIVIDENDS OR DISTRIBUTIONS**

In accordance with the company's Constitution, no dividends were paid, recommended or declared during the financial year to the company's ultimate controlling entity.

**OPTIONS**

No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

**INDEMNIFICATION AND INSURANCE OF DIRECTORS**

During the financial year ended 30 June 2020, the company was covered by the Council of the City of Gold Coast Insurance Company Limited insurance contracts in respect of the directors and executive officers for liability and legal expenses for the period ended 30 June 2020, for which no premiums were payable. Such insurance contracts insure against certain liability (subject to specific exclusions) for persons who are or have been the directors or executive officers of the company.

**PROCEEDINGS ON BEHALF OF COMPANY**

No person has applied for leave to bring proceedings against the company. No person has applied for leave of court to bring proceedings on behalf of the company or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company has continued to be covered by the Council of the City of Gold Coast Insurance Company Limited in respect of such contracts for the year ended 30 June 2020.

**THE JOSEPHINE ULRICK AND WIN SCHUBERT FOUNDATION FOR THE ARTS**

In 2015 HOTA Gold Coast Pty Ltd was appointed the Trustee of The Josephine Ulrick and Win Schubert Foundation for the Arts. This fund is not public money and therefore is not included within these accounts and is audited by an independent accounting firm.

**AUDITOR INDEPENDENCE**

Refer to page five for the auditors' independence declaration made to the directors of HOTA Gold Coast Pty Ltd.

Signed in accordance with a resolution of the Directors.



\_\_\_\_\_  
Neville Pankhurst, Chair  
Director

Date 13 October 2020  
\_\_\_\_\_



\_\_\_\_\_  
Cameron Henry  
Director

Date 13 October 2020  
\_\_\_\_\_

## AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of HOTA Gold Coast Pty Ltd

This auditor's independence declaration has been provided pursuant to s.60-40 of the *Australian Charities and Not-for-profits Commission Act 2012*.

### Independence declaration

As lead auditor for the audit of HOTA Gold Coast Pty Ltd for the financial year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

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



13 October 2020

Melissa Read  
as delegate of the Auditor-General

Queensland Audit Office  
Brisbane

**HOTA GOLD COAST PTY LTD  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2020**

	Notes	<u>2020</u> \$	<u>2019</u> \$
<b>INCOME</b>			
Revenue	2	20,988,421	20,911,479
		20,988,421	20,911,479
<b>EXPENSES</b>			
Theatre and venue expenses		9,996,010	8,612,039
Functions and events expenses		4,999,894	4,087,611
Administration expenses		3,349,000	4,360,679
Marketing expenses		1,260,085	1,544,728
Other expenses		128,021	953,203
		19,733,010	19,558,260
<b>SURPLUS</b>			
		1,255,411	1,353,219
<b>TOTAL COMPREHENSIVE INCOME</b>			
		1,255,411	1,353,219

The above statement should be read in conjunction with the accompanying notes.  
The comparatives have not been restated on adoption of AASB 15 / 1058 and AASB 16 and therefore the comparative information is presented using the previous standards relating to revenue and leases.

**HOTA GOLD COAST PTY LTD**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2020**

	<u>Notes</u>	<u>2020</u> \$	<u>2019</u> \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	7,396,421	7,697,029
Trade and other receivables	5	203,625	335,273
Inventories		93,169	71,988
Other current assets	6	681,558	524,988
Other financial assets	7	106,407	114,358
<b>TOTAL CURRENT ASSETS</b>		<u>8,481,180</u>	<u>8,743,636</u>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment	8	1,458,035	1,445,449
Intangible assets	8	247,493	132,989
Artworks	9	24,616,604	24,423,408
<b>TOTAL NON-CURRENT ASSETS</b>		<u>26,322,132</u>	<u>26,001,846</u>
<b>TOTAL ASSETS</b>		<u>34,803,312</u>	<u>34,745,482</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	983,780	1,154,160
Employee benefits	11	678,157	500,521
Unearned revenue		154,557	1,348,993
Other current liabilities	12	595,500	624,773
Borrowings	13	-	10,695
<b>TOTAL CURRENT LIABILITIES</b>		<u>2,411,994</u>	<u>3,639,142</u>
<b>NON-CURRENT LIABILITIES</b>			
Employee benefits	11	218,580	189,015
Borrowings	13	11,253	11,253
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>229,833</u>	<u>200,268</u>
<b>TOTAL LIABILITIES</b>		<u>2,641,827</u>	<u>3,839,410</u>
<b>NET ASSETS</b>		<u>32,161,485</u>	<u>30,906,072</u>
<b>EQUITY</b>			
Asset revaluation surplus		475,727	475,727
Contributed equity	14	2	2
Reserves	15	4,114,786	3,907,301
Retained earnings		27,570,970	26,523,042
<b>TOTAL EQUITY</b>		<u>32,161,485</u>	<u>30,906,072</u>

The above statement should be read in conjunction with the accompanying notes.  
The comparatives have not been restated on adoption of AASB 15 / 1058 and AASB 16 and therefore the comparative information is presented using the previous standards relating to revenue and leases.

**HOTA GOLD COAST PTY LTD  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2020**

	<u>Asset Revaluation Surplus</u> \$	<u>Contributed Equity</u> (note 14) \$	<u>Reserves</u> (note 15) \$	<u>Retained Earnings</u> \$	<u>Total</u> \$
<b>Balance as at 1 July 2018</b>	<b>475,727</b>	<b>2</b>	<b>3,646,068</b>	<b>25,431,056</b>	<b>29,552,853</b>
Operating result for year	-	-	-	1,353,219	1,353,219
Reserve transfers	-	-	261,233	(261,233)	-
<b>Balance as at 30 June 2019</b>	<b>475,727</b>	<b>2</b>	<b>3,907,301</b>	<b>26,523,042</b>	<b>30,906,072</b>

	<u>Asset Revaluation Surplus</u> \$	<u>Contributed Equity</u> (note 14) \$	<u>Reserves</u> (note 15) \$	<u>Retained Earnings</u> \$	<u>Total</u> \$
<b>Balance as at 1 July 2019</b>	<b>475,727</b>	<b>2</b>	<b>3,907,301</b>	<b>26,523,042</b>	<b>30,906,072</b>
Operating result for year	-	-	-	1,255,411	1,255,411
Reserve transfers	-	-	207,483	(207,483)	-
<b>Balance as at 30 June 2020</b>	<b>475,727</b>	<b>2</b>	<b>4,114,786</b>	<b>27,570,970</b>	<b>32,161,485</b>

The above statement should be read in conjunction with the accompanying notes.  
The comparatives have not been restated on adoption of AASB 15 / 1058 and AASB 16 and therefore the comparative information is presented using the previous standards relating to revenue and leases.



**HOTA GOLD COAST PTY LTD  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2020**

	<u>Notes</u>	<u>2020</u> \$	<u>2019</u> \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Council of the City of Gold Coast		12,365,022	10,922,224
Receipts from customers		7,422,363	10,285,632
Interest received		82,723	150,750
Payments to suppliers and employees		(20,176,278)	(20,376,912)
<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>	16	<u>(306,170)</u>	<u>981,694</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for plant and equipment		(22,608)	(235,842)
Proceeds from disposal of plant and equipment		30,911	67,656
Payments for investments		7,952	(50,726)
<b>NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES</b>		<u>16,255</u>	<u>(218,912)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of borrowings		(10,695)	(10,164)
<b>NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES</b>		<u>(10,695)</u>	<u>(10,164)</u>
Net decrease in cash and cash equivalents		(300,608)	752,618
Cash and cash equivalents at beginning of financial year		7,697,029	6,944,411
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>	4	<u>7,396,421</u>	<u>7,697,029</u>

The above statement should be read in conjunction with the accompanying notes.

**HOTA GOLD COAST PTY LTD**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2020**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Reporting entity**

HOTA Gold Coast Pty Ltd is a not-for-profit company limited by shares, incorporated and domiciled in Australia. The company's ultimate controlling entity is the Council of the City of Gold Coast. On 3 September 2018, Gold Coast Arts Centre Pty. Ltd. changed its name to HOTA Gold Coast Pty Ltd.

**(b) Basis of preparation**

These general purpose financial statements have been prepared in accordance with the requirements of the *Australian Charities and Not-for-profits Commission Act 2012* and the *Australian Charities and Not-for-profits Commission Regulation 2013*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. A statement of compliance with the International Financial Reporting Standards (IFRS) cannot be made due to the company applying not-for-profit specific requirements contained in the Australian Accounting Standards

Except where otherwise stated, these financial statements have been prepared under the historical cost convention.

The financial statements were authorised for issue by the Board of Directors on the date the Directors' Declaration was signed.

**(c) Currency and rounding**

All balances are stated in Australian dollars and rounded to their nearest dollar.

**(d) Comparatives**

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

**(e) Critical accounting estimates and judgements**

The preparation of the financial statements requires the determination and use of certain critical accounting estimates, assumptions and management judgements about the carrying amounts of assets and liabilities. Such estimates, judgements and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods as relevant.

Estimates and assumptions that have a potential significant effect are outlined in the following notes:

- Valuation of Plant and Equipment and Artworks – Note 1(j)
- Depreciation – Note 1(j)
- Employee benefits – Note 1(l).

**(f) Revenue recognition**

Grants, sponsorships, contributions and donations

Where the funding agreement is enforceable and contains sufficiently specific performance obligations, the revenue is recognised when control of each performance obligations is satisfied in accordance with AASB 15 Revenue from Contracts with Customers.

Otherwise, the transaction is accounted for under AASB 1058 Income of Not-for-Profit Entities, whereby revenue is recognised upon receipt of the funding, except for special purpose capital grants received to construct non-financial assets to be controlled by the entity. Special purpose capital grants are recognised as unearned revenue when received, and subsequently recognised progressively as revenue as the entity satisfies its obligations under the grant through construction of the asset. Where assets are donated or purchased for significantly below fair value, the revenue is recognised when the asset is acquired and controlled by the entity.

**HOTA GOLD COAST PTY LTD**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2020**

Goods and services received below fair value

Contributions of goods and services are recognised only if the goods or service would have been purchased if they had not been donated and their fair value can be measured reliably. Where this is the case, an equal amount is recognised as revenue and expense.

Sale of goods and services

Revenue from sale of goods or rendering of services is recognised upon delivery of goods or services to customers.

**(g) Cash and cash equivalents**

Cash and cash equivalents include cash on hand and deposits held at call with banks that are readily convertible to known amounts of cash.

**(h) Trade and other receivables**

Trade receivables and other receivables are recognised at the amounts due at the time of sale or service delivery, that is, the agreed purchase price / contract price.

The collectability of receivables is assessed periodically with allowance being made for impairment. Bad debts are written off when identified.

**(i) Other current assets**

Other current assets include prepaid expenses for shows, exhibitions and events which will be expected to be delivered within the next twelve months.

**(j) Plant and equipment, Intangibles and Artworks**

*Recognition and measurement*

Plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

Items of plant and equipment are capitalised provided their value on acquisition exceeds the following thresholds:

Asset class	Threshold
Plant and equipment	\$5,000
Artworks and any other asset classes	\$1

Items with a lesser value are expensed in the year of acquisition.

*Depreciation & Amortisation*

Plant and equipment are depreciated on a straight line basis over their useful lives to the company commencing from the time the asset is held ready for use.

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

Asset class	Rate
Plant and equipment	10-20%
Intangibles	20%

The residual values and useful lives of plant and equipment assets are reviewed and adjusted if appropriate on an annual basis.

**HOTA GOLD COAST PTY LTD**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2020**

*Artworks*

Artworks is not depreciated as these assets are heritage and cultural assets. The company has a strong curatorial process to safeguard, protect and maintain artworks to current condition.

Artworks are valued using market analysis using a fair market valuation which is given as the average estimated reasonable and realisable value of an item for non-forced sale between knowledgeable, willing and not anxious parties in an arm's length transaction deducting for anticipated selling costs. The fair market valuation is based on retail (primary) and auction (secondary) market prices for comparable material at an indicative date. A review of the art values is conducted each year with a major valuation conducted each three years.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised as income in profit and loss in the period in which they arise.

**HOTA GOLD COAST PTY LTD**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2020**

**(k) Trade and other payables**

Trade and other payables are recognised upon receipt of the goods or services ordered and are measured at the agreed purchase/contract price net of applicable discounts. Amounts owing are unsecured and are generally settled on 30-day terms.

**(l) Employee benefits**

Liabilities are recognised for employee benefits such as annual leave and long service leave in respect of services provided by the employees up to the reporting date. Liabilities for employee benefits are assessed at each reporting date.

Amounts expected to be settled within 12 months are calculated on current wage and salary levels and include related employee on-costs.

Amounts not expected to be settled are calculated on projected future wage and salary levels and related employee on-costs and are discounted to present values.

The obligations are presented as current liabilities if the company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Superannuation contributions are made by the company to an employee's superannuation fund and are recorded as expenses when incurred.

**(m) Financial instruments**

*Recognition*

Financial assets and financial liabilities are recognised in the statement of financial position when the company becomes party to the contractual provisions of the financial instrument.

*Classification*

Financial instruments are classified and measured as follows:

- (i) Cash and cash equivalents – held at amortised cost
- (ii) Receivables – held at amortised cost less impairment
- (iii) Payables – held at amortised cost.

The company does not enter into transactions for speculative purposes.

**(n) Unearned revenue and Other current liabilities**

Unearned revenue is from ticket sales paid in advance. Unearned revenue is recognised as earned revenue when the event or services which the advance payments relate to has been completed. This usually occurs within twelve months of receipt of the monies.

Other current liabilities include monies held in trust for ticket sales revenue held for outside parties and monies received in advance from City of Gold Coast for specific projects.

**(o) Borrowings**

Borrowings are measured and disclosed in the Statement of Financial Position at amortised cost of the principal outstanding. Interest is recognised as it accrues.

**HOTA GOLD COAST PTY LTD**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2020**

**(p) Leases**

Where the company assesses that an agreement contains a lease, a right of use asset and a lease liability is recognised on inception of the lease. Right of use assets are included in plant and equipment in the Statement of Financial Position.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises: the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration, less any lease incentives received. The right-of-use is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of asset accounting policy.

The lease liability is initially recognised at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the company's incremental borrowing rate for a similar term with similar security is used.

The company has applied the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. The company recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

**HOTA GOLD COAST PTY LTD**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2020**

**(q) Income tax**

No provision for income tax has been raised as the company is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997*.

**(r) 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 (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

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

Cash flows are presented in the statement of cashflows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**(s) New and revised Accounting Standards**

During the year ended 30 June 2020, the company adopted AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-profit Entities* and AASB 16 *Leases* using the modified retrospective (cumulative catch-up) method. As such, the comparative information for the year ended 30 June 2019 has not been restated and continues to comply with previous existing accounting pronouncements. Any adjustments on adoption of AASB 15, AASB 1058 and AASB 16 have been taken to retained earnings at 1 July 2019. The impacts of adopting these standards and associated transition disclosures are provided below:

Accounting Standard	Nature of Change	Impact
AASB 15 <i>Revenue from Contracts with Customers</i>	AASB 15 replaces AASB 118 <i>Revenue</i> , AASB 11 <i>Construction Contracts</i> and some revenue related interpretations. It contains a comprehensive and robust framework for the recognition, measurement and disclosure of revenue from contracts with customers.	HOTA revenue streams primarily consist of grants from the parent entity (council) and sales including from tickets, food and beverage related to cinema, shows and events. Any related contracts and agreements held were assessed and none were determined to be within the scope of AASB 15 for the 2019-20 financial year. No material impacts or transitional adjustments were noted or required.
AASB 1058 <i>Income of Not-for-Profit Entities</i>	AASB 1058 replaces AASB 1004 <i>Contributions</i> . It establishes revenue recognition principles for not-for-profit entities where the consideration provided to acquire an asset is significantly less than the fair value of that asset. It will also defer income recognition in some circumstances for not-for-profit entities, particularly where there is a performance obligation or any other liability.	Generally grant income for HOTA is received from the parent entity (council) and falls within the scope of AASB 1058 since there is no enforceable performance obligations associated with the agreements and therefore income is recognised as revenue when received. This also applies to donations and sales revenue where not determined as falling within the scope of AASB15. No material impacts on revenue recognition or transitional adjustments were noted or required.
AASB 16 <i>Leases</i>	AASB 16 replaces AASB 117 <i>Leases</i> and some lease-related interpretations. It requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases. It also requires new and different disclosures about leases.	HOTA assessed that no leases are within scope of AASB 16 and therefore no material impacts or transitional adjustments were noted or required. Refer to note 9 for further details on lease liabilities.

Certain other Australian Accounting Standards and Interpretations have been issued but are not yet effective and have not been early adopted by the company. These standards are not expected to have a material impact on the company's current or future reporting periods.

**HOTA GOLD COAST PTY LTD  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
YEAR ENDED 30 JUNE 2020**

**(t) Impact of the Corona Virus**

In response to and as a direct result of the COVID-19 pandemic, various services and events were either reduced, suspended or closed from 14 March 2020 to 30 June 2020. This has affected all ticket events including cinema, indoor and outdoor performances, venue hires and functions and events as well as the progressive stand down of the workforce from 3 May.

In the 2021 financial year, HOTA expects to continue to be affected by the impacts of COVID-19, with reduced income from the same areas including sponsorship, retail and visitor attendance at the precinct including the gallery. HOTA re-opened on 6 June 2020 operating with significantly reduced operations.



**HOTA GOLD COAST PTY LTD**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2020**

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
		\$	\$
<b>2. REVENUE AND OTHER INCOME</b>			
Revenue			
Grants from Council of the City of Gold Coast		12,365,022	10,922,224
Contributed artwork		-	330,395
Sales		7,061,440	8,699,151
Interest received		82,724	150,750
Grants received		336,006	113,364
Transfer of non-current assets from Council of City of Gold Coast		860,038	615,894
Donations received		283,191	79,701
		20,988,421	20,911,479
 <b>3. EXPENSES</b>			
Employee benefits		10,214,755	9,800,522
Depreciation & Amortisation		531,448	521,853
Auditor's remuneration for audit of financial statements		41,998	34,000
 <b>4. CASH AND CASH EQUIVALENTS</b>			
Cash on hand		28,884	64,925
Cash at bank		2,696,838	798,643
Short term deposits		4,670,699	6,833,461
		7,396,421	7,697,029
 <b>5. TRADE AND OTHER RECEIVABLES</b>			
Trade receivables		114,892	243,168
Other receivables		88,733	92,105
		203,625	335,273
 Ageing of trade and other receivables is as follows:			
Not past due		109,892	166,151
Past due 1-30 days		2,200	122,153
Past due 31-60 days		4,500	4,991
Past due 61-90 days		60,713	2,430
Past due over 90 days		26,320	39,548
Total		203,625	335,273

**HOTA GOLD COAST PTY LTD**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2020**

	<u>2020</u>	<u>2019</u>
	\$	\$
<b>6. OTHER CURRENT ASSETS</b>		
Prepaid Operational Exhibition Hire and Artist Fees	681,558	524,988
	<u>681,558</u>	<u>524,988</u>
<b>7. OTHER FINANCIAL ASSETS</b>		
Term deposits with a term of 3 months or greater	106,407	114,358
	<u>106,407</u>	<u>114,358</u>
<b>8. PLANT AND EQUIPMENT and INTANGIBLES</b>		
Plant and equipment – at cost	4,541,817	3,883,279
Accumulated depreciation	(2,836,288)	(2,304,840)
	<u>1,705,529</u>	<u>1,578,439</u>
<b>Movements in carrying amounts</b>		
<b>Plant and equipment</b>		
Carrying amount at the beginning of the year	1,445,449	1,432,751
Transfer of assets from Council of the City of Gold Coast	490,680	273,461
Acquisitions	-	227,842
Depreciation expense	(478,094)	(488,605)
Carrying amount at the end of the year	<u>1,458,035</u>	<u>1,445,449</u>
<b>Intangible assets</b>		
Carrying amount at the beginning of the year	132,989	-
Transfer of assets from Council of the City of Gold Coast	167,859	166,236
Amortisation expense	(53,355)	(33,247)
Carrying amount at the end of the year	<u>247,493</u>	<u>132,989</u>
<b>Total</b>		
Carrying amount at the beginning of the year	1,578,438	1,432,751
Transfer of assets from Council of the City of Gold Coast	658,538	439,698
Acquisitions	-	227,842
Depreciation and amortisation expense	(531,447)	(521,852)
Carrying amount at the end of the year	<u>1,705,529</u>	<u>1,578,439</u>
<b>9. ARTWORKS</b>		
Carrying amount at the beginning of the year	24,423,408	24,160,793
Transfer of assets from Council of the City of Gold Coast	201,500	176,196
Contributed artwork	-	330,395
Deaccessioned artwork	(30,912)	(67,656)
Acquisitions (excluding contributed artworks)	22,608	8,000
Movement in collection value following valuation	-	(184,320)
Carrying amount at the end of the year	<u>24,616,604</u>	<u>24,423,408</u>

**HOTA GOLD COAST PTY LTD**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2020**

**Fair value measurements**

HOTA Gold Coast Pty Ltd measure and recognises artwork at fair value on a recurring basis.

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date taking account of characteristics that are specific to that asset, including an asset's highest and best use. On initial recognition of an asset, fair value can equate to historic cost. Valuation techniques and inputs used to develop fair value measurements are provided in the accounting policy notes below.

For asset classes subject to regular revaluation processes, the following fair value hierarchy is applied (in order of priority), which reflects the significance of inputs used in measuring the asset values:

Level 1 - Fair values reflect unadjusted quoted prices in active markets for identical assets;

Level 2 - Fair values based on inputs that are directly or indirectly observable for the asset (other than unadjusted quoted prices);

Level 3 - Fair values derived from data not observable in a market.

The following table shows HOTA Gold Coast Pty Ltd.'s assets classified as per the above fair value hierarchy.

	2020 - Level 2	2019 - Level 2
Artworks	\$24,616,604	\$24,423,408
Total	\$24,616,604	\$24,423,408

*Specific valuation techniques used to value Artworks*

Artworks are valued using market analysis using a fair market valuation which is given as the average estimated reasonable and realisable value of an item for non-forced sale between knowledgeable, willing and not anxious parties in an arm's length transaction deducting for anticipated selling costs. The fair market valuation is based on retail (primary) and auction (secondary) market prices for comparable material at an indicative date.

Artworks were comprehensively revalued to fair market value as at 30 June 2017. An independent valuation was conducted by Warren Joel Auction & Valuation Services in compliance with AASB13. In the intervening years HOTA Gold Coast Pty Ltd conduct internal reviews of the collection, if there are any significant market changes the collection is revalued accordingly. A full onsite valuation and audit is conducted every three to five years, with the next due in June 2021. In every other year, the Company undertakes a valuation update that provides details on new art acquisitions and deaccessions for the reporting period in accordance with AASB 13. A comprehensive valuation of the collection is scheduled to occur prior to the move into the new gallery in 2020. The artwork was estimated to be valued at \$24,746,737 under AASB 13. This is \$130,133 greater than the 30 June 2020 measurement, however the Directors resolved not to book this increment.

**HOTA GOLD COAST PTY LTD**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2020**

	<u>2020</u>	<u>2019</u>
	\$	\$
<b>10. TRADE AND OTHER PAYABLES</b>		
Trade payables	514,866	915,811
Other creditors and accruals	468,914	238,349
	983,780	1,154,160
<b>11. EMPLOYEE BENEFITS</b>		
Current		
Annual leave	383,915	398,267
Long service leave	98,860	102,254
Wage Provision	195,382	-
	678,157	500,521
Non-current		
Long service leave	218,580	189,015
	218,580	189,015
Total employee benefits – current and non-current	896,737	689,536
<b>12. OTHER CURRENT LIABILITIES</b>		
Functions deposits received in advance	256,985	317,137
Monies held in trust	338,515	307,636
	595,500	624,773

**HOTA GOLD COAST PTY LTD**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2020**

	<u>2020</u>	<u>2019</u>
	\$	\$
<b>13. BORROWINGS</b>		
Current		
Bank loan secured	-	10,695
Non-current		
Bank loan secured	11,253	11,253
Total borrowings – current and non-current	11,253	21,948

The entity entered into a loan arrangement with Bendigo Bank in July 2017 to purchase a vehicle to facilitate the movement of the Gallery Collection. The facility was for a period of 48 months and was for an initial amount of \$41,950 and is secured by a first mortgage over the vehicle. The entity was not in default of any loans payable recognised at year end.

**14. CONTRIBUTED EQUITY**

Authorised capital		
1,000,000 ordinary shares of \$1 each	1,000,000	1,000,000
Issues and paid up capital		
2 ordinary shares of \$1 each fully paid	2	2

**15. RESERVES**

The Arts Future Fund	3,847,074	3,632,566
Gold Coast Art Gallery gift fund	128,170	135,193
The Arts Cultural Reserve	139,542	139,542
	4,114,786	3,907,301

**Movements in reserves**

The Arts Future Fund		
Opening balance	3,632,565	3,441,190
Transfer from / (to) retained earnings	214,509	191,376
Closing balance	3,847,074	3,632,566
Gold Coast Art Gallery Gift Fund		
Opening balance	135,193	65,336
Transfer from/ (to) retained earnings	(7,023)	69,857
Closing balance	128,170	135,193
The Arts Cultural Reserve		
Opening balance	139,542	139,542
Closing balance	139,542	139,542

**Nature and Purpose of Reserves**

*The Arts Future Fund (previously named 'Gold Coast Arts Centre Fund') and Gold Coast Art Gallery Gift Fund.*

All general public donations and pledged donations received are transferred to this reserve from retained earnings until allocated to a specific purpose by the Board. Actual funds on hand at year end are reported as part of the cash and cash equivalents (refer Note 4).

*The Arts Cultural Reserve*

The arts cultural reserve covers losses that may arise from events such as musicals/exhibitions organised by HOTA Gold Coast Pty Ltd or for planned future expenses related to the building.

**HOTA GOLD COAST PTY LTD**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2020**

<b>16. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>2020</u>	<u>2019</u>
	\$	\$
Surplus	1,255,411	1,353,219
Non-cash items		
Contributed artwork	-	(330,395)
Transfer of non-current assets	(860,038)	(615,894)
Loss on disposal of assets	-	184,320
Depreciation	531,448	521,853
Change in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	131,648	(181,694)
(Increase)/decrease in inventories	(21,181)	11,975
(Increase)/decrease in other current assets	(156,570)	(222,118)
Increase/(decrease) in trade and other payables	(170,379)	(612,637)
Increase in employee benefits	207,201	135,364
Increase/(decrease) in unearned income	(1,194,437)	529,580
Increase/(decrease) in other current liabilities	(29,273)	208,120
Net cash flows from operating activities	<u>(306,170)</u>	<u>981,693</u>

**17. COMMITMENTS**

The company has entered into two contracts with foreign entities to exhibit collections to be held in the new gallery when open. The first contract is for the value of USD\$1.5m for an exhibition to be held in second quarter 2021/22 financial year. The second contract is for the value of Euro 235,000 for an exhibition to be held in the 2022/23 financial year.

As at 30 June 2020, the company had firm capital commitments to the value of \$224,068.

**18. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

There are certain matters being considered by the company that may result in financial settlement being made by HOTA. It is not possible to provide an estimate of these matters as to do so may prejudice consideration of them.

**HOTA GOLD COAST PTY LTD**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2020**

**19. RELATED PARTY DISCLOSURES**

The company's related parties include its key management personnel and related entities as described below.

Unless otherwise stated, transactions with related parties are on normal commercial terms and conditions no more favourable than those available to other parties.

**Ultimate controlling entity**

The Council of the City of Gold Coast is the ultimate controlling entity.

**Transactions with ultimate controlling entity**

The following transactions occurred with the Council of the City of Gold Coast:

	<u>2020</u>	<u>2019</u>
	\$	\$
Grant revenue	12,365,022	10,000,000
Other revenue	307,476	922,224
Assets transferred from Council of the City of Gold Coast	860,038	615,894
Purchases	412,712	373,642
Amounts owed to Council of the City of Gold Coast	322,445	147,297
Amounts owed by Council of the City of Gold Coast	9,900	98,564

With the exception of the Artwork Collection and the Gallery Van, the Council of the City of Gold Coast maintains and manages all insurance policies as required by the entity including Directors and Officers, Public Liability and Workers Compensation.

The company operates on premises owned by the Council of the City of Gold Coast for which no consideration is paid.

**Key management personnel compensation**

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the company, being members of the Board and the Chief Executive Officer.

	<u>2020</u>	<u>2019</u>
	\$	\$
Short term employee benefits	302,717	280,614
Post employment benefits	29,371	25,291
Termination benefits	-	-
	<u>332,088</u>	<u>305,905</u>

The directors are compensated for their services.

**HOTA GOLD COAST PTY LTD**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2020**

**Transactions with key management personnel**

During the 2020 financial year, the entity did not engage with key management personnel.

During the 2019 financial year the Company engaged a professional services firm of which a director is a partner of to perform a number of specific tasks. Competitive quotes were obtained from a comparable organisation confirming the engagement occurred on no less favourable terms. In addition, the engagement was tabled with the Board. The total value of the engagements was \$10,000.

There were no other transactions between the company and key management personnel.

**Other related party transactions**

During the 2020 financial year, the entity did not engage with a related party.

During the 2019 financial year, the entity engaged with a related party for the production of events at HOTA with payments made by HOTA to the related entity to the value of \$111,214 and payments made by the related entity to HOTA to the value of \$67,465.

**20. ECONOMIC DEPENDENCY**

The continuation of the company is dependent on the ongoing financial commitment from the Council of the City of Gold Coast. For the 2020-21 financial year, Council has approved funding of \$15,068,966.

**21. EVENTS AFTER THE REPORTING PERIOD**

In July 2020, the Company received a bequest from a deceased estate in form of Australian Equity Blue Chip shares for a market value of approximately \$524,000. This amount was recognised as earned revenue in the July 2020 reporting period and measured in the Balance Sheet as a non-current investment. This investment will be managed in accordance with the Company's Investment Policy. The Company expects to receive a further amount from the same estate for a value of up to approximately \$500,000 from the sale of real estate. There are no other subsequent events that impact on these financial statements.

**22. COMPANY DETAILS**

The Company's registered office and principal place of business is at:  
135 Bundall Road, Surfers Paradise, Queensland 4217



**HOTA GOLD COAST PTY LTD  
DIRECTORS' DECLARATION**

In the directors' opinion:

- (a) the financial statements and notes are in accordance with the *Australian Charities and Not for Profits Commission Act 2012* and *Australia Charities and Not-for-profits Commission Regulation 2013*, including:
- (i) complying with Australian Accounting Standards (including Australian Accounting Interpretations); and
  - (ii) giving a true and fair view of the company's financial position as at 30 June 2020 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the financial statements and notes satisfy the requirements of the *Australian Charities and Not-for-profit Commissions Act 2012* signed in accordance with the subsection 60.15 of the *Australian Charities and Not-for-profit Commission regulation 2013*.

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

On behalf of the Board



\_\_\_\_\_  
Neville Pankhurst, Chair  
Director

Date 13 October 2020



\_\_\_\_\_  
Cameron Henry  
Director

Date 13 October 2020

## INDEPENDENT AUDITOR'S REPORT

To the Members of HOTA Gold Coast Pty Ltd

### Report on the audit of the financial report

#### Opinion

I have audited the accompanying financial report of HOTA Gold Coast Pty Ltd (the company).

In my opinion, the financial report:

- a) gives a true and fair view of the company's financial position as at 30 June 2020, and its financial performance and cash flows for the year then ended
- b) complies with the *Australian Charities and Not-for-profits Commission Act 2012*, the *Australian Charities and Not-for-profits Commission Regulation 2013* and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the directors' declaration.

#### Basis for opinion

I conducted my audit in accordance with the *Auditor-General Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of my report.

I am independent of the company in accordance with the auditor independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012* and with 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 my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General Auditing Standards*.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Other information

Other information comprises the information included in the directors' report for the year ended 30 June 2020 but does not include the financial report and my auditors report thereon.

The company's directors are responsible for the other information.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

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

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### **Responsibilities of the company for the financial report**

The company's directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, the Australian Charities and Not-for-profits Commission Regulation 2013 and Australian Accounting Standards, and for such internal control as the company's directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The company's directors are also responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters relating 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.

### **Auditor's responsibilities for the audit of the financial report**

My 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I 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 my 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 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 company.

- Conclude on the appropriateness of the company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my 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.

I communicate with the company's 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 I identify during my audit.



15 October 2020

Melissa Read  
as delegate of the Auditor-General

Queensland Audit Office  
Brisbane