

Business: Art Centre Sells Art Work. This task has some ideas about the sale of art work by the art centre.

What you will need



Artwork



Point of Sales



Customer

SAFETY: How to stay safe

Understand the tax laws which affect your income.
Keep records of all income and expenses.
Never ask for or sign for some one else's money.

GLOSSARY: Words you need to understand

Contract	The agreement about sale, price, length of exhibition, payment, and protection of intellectual, community, moral and copy rights.
Price	The cost of something.
Retail price	This is the cost that the Gallery or Art Centre sells the painting for.

Wholesale price	The business price of something when it is sold by a supplier: For example, the price the art centre sets for the art work when selling it up front to a shop or gallery.
Up front	Money paid by the art centre or gallery as soon as they get the work from the artist.
Commission	This is the price that the art centre gets, after the Gallery takes their share. It is a price added onto the artwork in order to cover the costs of the art centre and art gallery.
GST	Goods and Services Tax: a Federal Government tax on most things we buy and sell that adds 10% onto the cost.
Bank transfer	When money is moved into or out of a bank account directly into another bank account, usually using computer.
Signatories	The people who are authorized (registered with the bank) to sign a cheque.
Cheque	A paper money order from a bank with the name of the person who the money is for and the name of who it is from.
Quality	Well-made.
Exhibition program	The plan of exhibitions an art centre makes with galleries and artists for a length of time, maybe one or two years.
Discount	An amount or % taken off the price. Sometimes this is for people who travel all the way to the art centre to buy some art. They get a special price, a discount price.
Artefact	An object or decorative piece of craft or art such as a spear, Coolamon, woven basket or pūnu.
Loan	Something borrowed from someone else, which must be returned to them. Money can be given as a loan, and then repaid when artwork sells.
Obliged	When an art centre provides materials, work room and business for artists then the artists are obliged to sell their artworks through their art centre, not on the side. It is a duty which is owed because of something given.
Debit	To take out of one account: the money you owe is debited from your account.

Legal way	The way that is right by law. A contract is a legal document that keeps everyone's interest in the agreement safe, provides the rules and protections.
Pie chart	The round circle drawing which shows how big a money slice looks. Mostly in financial reports.
Dollar	\$ is money.
Percent	% is a way of looking at things as a part of the whole picture.
Artist	The person who made the art work.
Art centre	The studio and business place on your community for making and selling you art work.
Annual budget	The costs and incomes for the whole art centre for the whole financial year. A financial year is from July 1 st to June 30 th .
Profit and loss report	The financial report which shows the list of things the art centre paid for and the list of things the art centre got paid for.
Expenses	The things which cost money when the art centre is doing business.
Income:	The money which is paid into the art centre business or to the artist.

Art centre selling art work

Sales agreement - Why do we use art centres?

When an art work is put for sale and sold in an art centre there is an **agreement** or a **contract** between the art centre and the artist which guides how much money the artist is paid and how much **commission** the art centre is paid.

These rules are both built on the art centre's legal rules. The art centre's legal rules are guided by the law for governance and membership. Rules for governance and membership are set in law for both Aboriginal Corporations and for Companies. If the art centre receives government funding there is further obligation for the art centre to make sure the artists are paid fair money for their art work.

Why do we use art centres?

Incorporated Aboriginal Art Centres should be controlled by their Directors who form the board of management and the Manager, the person employed by the committee to make sure the everyday running of the art centre business is professional and fair, representing all the art centre membership.

- An art centre can negotiate for exhibitions, make direct sales, and purchase bulk art materials.
- Art centres can provide a point of sales for visitors, through running a shop or gallery area.
- Arts centres can apply for funding, grants and donations because they represent a community group and not just an individual.
- Arts centres often set up a website and advertise and sell art works over the internet.
- Art centres form a business and can build their market share through development and sale of high quality, authentic and original artworks made by their members.
- Art centres can make and manage contracts and agreements on behalf of an individual such as royalty payments, international exports, art gallery exhibitions, consignments or commissions.

Art Centre Income

What happens when a sale is made at the art centre?

A customer chooses an art work to buy. They may do this:

- When visiting the art centre and looking at the work on display there. Often the visitor likes to meet some of the artists at the art centre.
- Through the internet by:
 1. receiving a photo sent to them in an email.
 2. visiting the art centre web page and viewing the art work for sale,

The customer pays the art centre for the art work.

Activity Generated Income

The price that the art centre asks will often include enough to pay for:

- the artist's work in making the art.
- some money to the art centre which will pay for art centre bills.
- freight, postage and packaging to get the art work wherever the customer wants it to go.

The customer pays and the money goes into the art centre's bank account. This is a bank account for all the money that the art centre gets from selling art works.

The money from the sale of artwork is called **income** in the financial reports. If you look at your art centre's financial report you will be able to find the line where all the art work sales are added together over the year. This is the annual income generated by artwork sales. The other name for this, which the government funding agency often uses is, **activity generated income**.

Art centre Expenses

From this activity generated **income** the art centre will pay for various things.

Some of these things are called **cost of sales**. You can find a cost of sales list in the art centre's financial report.

- The biggest amount in the cost of sales will be the **artist's payments**. Other amounts will be freight, packaging, bulk materials and art supplies. Anything which is connected to the creation and then the completion of the sale of the art work is called a cost of sales. Your art centre bookkeeper will guide you to make sure the list is correct.

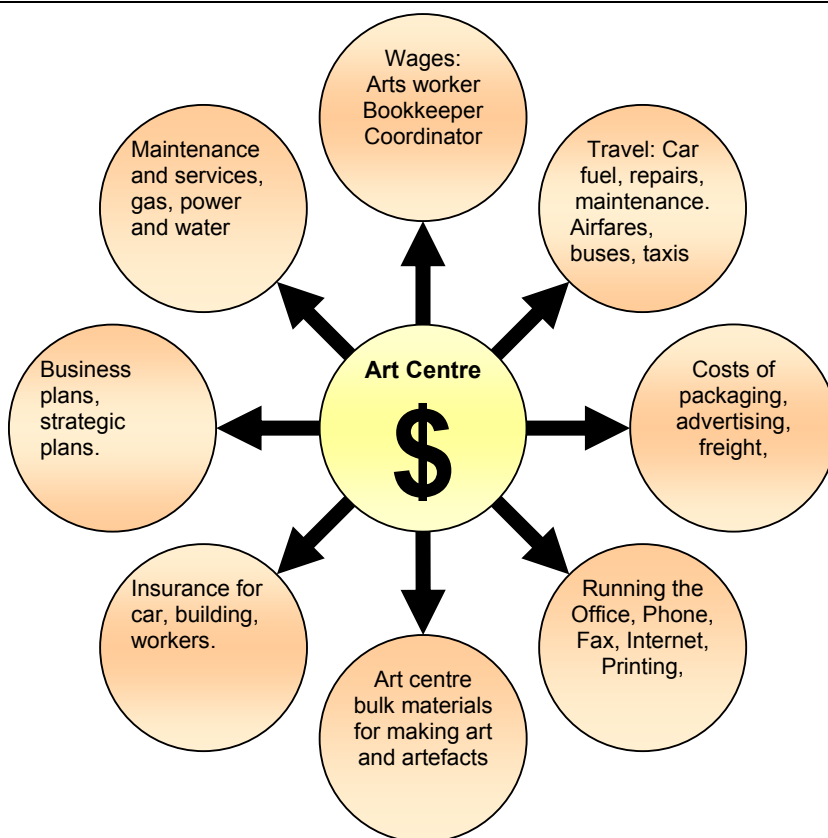
Other expenses:

The art centre needs enough money from generated income to pay other bills too. This is how the art centre buys all the things the artists need to keep making art and runs the business for the members.

Some of these expenses are:

- Telephones, internet and fax.
- Staff wages.
- Travel and travel allowance.
- Memberships and subscriptions.
- Fuel and vehicle costs.
- Insurances.
- Computers.
- Marketing, advertising.

You can find these expenses and more listed on the art centre's financial report.



Government Tax

Every time there is a sale at the art centre the government gets paid some tax money. This money is called **GST** and is calculated against the amount of the sale which is the **art centre commission**.

People can register their income as a hobby, which alters the amount of income they can earn before they are taxed. This is for earnings up to a particular amount. You should check this income amount on the ATO website as it changes from year to year:

<http://www.ato.gov.au/>

Until the artist is earning at least this much money, the GST is always 10% of the **art centre's commission**.

Artist's \$



Art Centre \$



GST \$

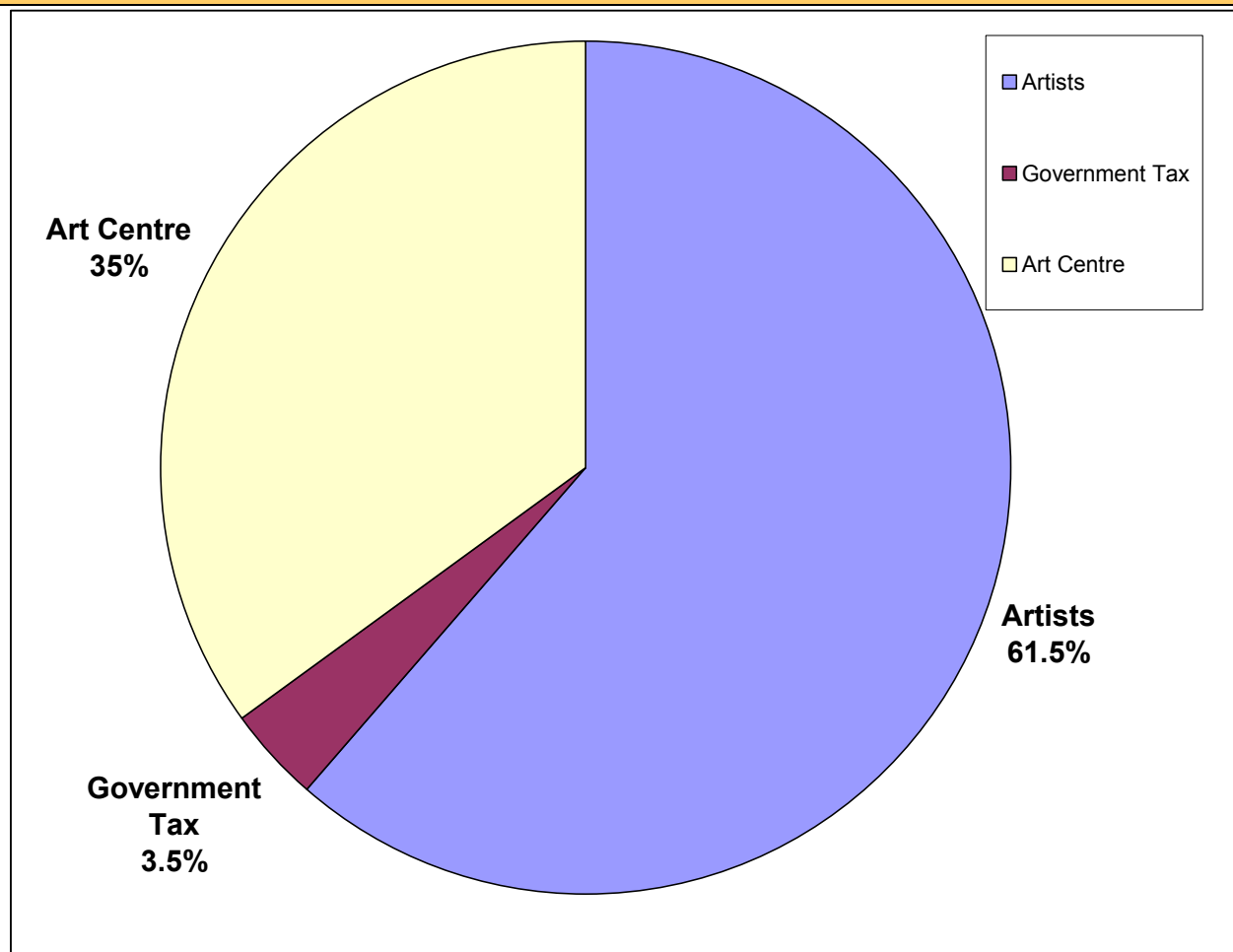


Artist's Payments

The artist gets paid a price for their artwork which is agreed upon before the sale is made. Many art centres and artists work on this partnership by using the idea of a pie. Each expense needs to be represented within the pie, and as we have already seen the art centre has many expenses to pay for from its pie slice. Here is an example of the pie which = a sale of \$1000.00.

The pie or sale price	=	100%	or	\$1000.00
Art Centre	=	35%	or	\$350.00
GST	=	3.5%	or	\$35.00
Artist Payment	=	61.5%	or	\$615.00

Sales Pie



Here's how a pie chart looks for this art work sale:

<i>Artists</i> gets	\$615.00
Government Tax	\$35.00
<i>Art Centre</i> gets	\$350.00
Sale Total:	\$1,000.00

Here's how a table looks for the \$1000 painting sale

TIPS: About the Art Centre Commission

Art centre business is expensive. The money to 'run' the business needs to come from the sales of the art works. This is the commission % (percent) that the art centre keeps when an art work is sold.

This is the same for all art centres. The amount of money, or commission, will be different in different places. Some art centres can pay for art work up front, others can not. Either way, your art centre can provide a good strong business for you and your community.

Being able to work together to a run strong and healthy art centre business is important.

Ask your manager about all the ways the art centre uses the money in its business.

You can ask the art centre manager about how the art centre business looks. Every month or every three months your art centre gets a financial statement from the bookkeeper or accountant. This shows the sales and expenses (income and expenditure) for that time. It can be called a Profit and Loss Report.

Financial Reports are hard to read at first, so ask lots of questions if you need help to read yours.

Look at the money resource sheet. It will give you an idea for ways to look at your art centre finances and see how the money gets spent.
