



# Australian Academy of Science Financial report

FOR THE YEAR ENDED 30 JUNE 2014

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**INDEPENDENT AUDITOR'S REPORT**  
**TO THE MEMBERS OF**  
**AUSTRALIAN ACADEMY OF SCIENCE**

We have audited the accompanying financial report of the Australian Academy of Science ("the registered entity"), which comprises the balance sheet as at 30 June 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the responsible entity's declaration.

*Responsible Persons' Responsibility for the Financial Report*

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

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. 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 about 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 judgement, 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 registered 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 registered entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the responsible persons, as well as evaluating the overall presentation of the financial report.

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 the Australian professional accounting bodies.

*Opinion*

In our opinion:

- (a) the financial report of the Australian Academy of Science is in accordance with the *Australian Charities and Not-for-profits Commissions Act 2012*, including:
  - (i) giving a true and fair view of the registered entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Australian Charities and Not-for-profits Commission Regulation 2013*.

**RSM BIRD CAMERON**



**GED STENHOUSE**  
Director

Canberra, ACT

Dated: 24 September 2014

# Australian Academy of Science

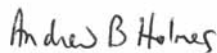
## STATEMENT BY COUNCIL

In the opinion of the Council of the Australian Academy of Science (the Academy):

- (a) the statements of financial performance for the General Funds, General Purpose Capital Funds, Special Purpose Capital Funds and Grant Funds are drawn up to give a true and fair view of the results of the Academy for the year ended 30 June 2014;
- (b) the balance sheet is drawn up to give a true and fair view of the financial position of the Academy as at 30 June 2014; and
- (c) there are reasonable grounds to believe that the Academy will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the council:

A. Holmes  
President



C. Jagadish  
Secretary Physical Sciences

CANBERRA  
24 September 2014

## BALANCE SHEET AS AT 30 JUNE 2014

	Note	2014 \$	2013 \$
<b>Current assets</b>			
Cash and cash equivalents	18	2,920,735	2,570,461
Investments	3	8,800,000	12,850,000
Receivables	4	15,177	30,683
Interest receivable		837,284	536,405
Other receivables and prepayments	5	251,192	303,084
Inventories	6	203,896	316,612
<b>Total current assets</b>		<u>13,028,284</u>	<u>16,607,245</u>
<b>Non-current assets</b>			
Investments	7	36,515,050	27,241,809
Land and buildings	8	2,306,976	2,453,931
Furniture and fittings and equipment	8	552,542	562,960
<b>Total non-current assets</b>		<u>39,374,568</u>	<u>30,258,700</u>
<b>Total assets</b>		<u>52,402,852</u>	<u>46,865,945</u>
<b>Current liabilities</b>			
Payables	9	846,859	711,019
Employee benefit provisions	10	608,924	640,358
Unexpended grants—projects	11	3,292,063	2,621,594
<b>Total current liabilities</b>		<u>4,747,846</u>	<u>3,972,971</u>
<b>Non-current liabilities</b>			
Employee benefit provisions	10	21,859	25,894
<b>Total non-current liabilities</b>		<u>21,859</u>	<u>25,894</u>
<b>Total liabilities</b>		<u>4,769,705</u>	<u>3,998,865</u>
<b>Net assets</b>		<u><b>47,633,147</b></u>	<u><b>42,867,080</b></u>
<b>Academy funds</b>			
Capital accumulation funds		6,418,782	6,418,782
Special purpose capital funds	13 (a)	14,015,470	12,093,421
General purpose capital funds	13 (b)	24,448,806	23,079,601
Available-for-sale investment reserve	13 (d)	2,504,371	268,615
General funds	13 (c)	245,718	1,006,661
<b>Total Academy funds</b>		<u><b>47,633,147</b></u>	<u><b>42,867,080</b></u>

The balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 7–20.

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 \$	2013 \$
<b>Revenue</b>			
Revenue			
Publication revenue	12	2,034,265	2,078,485
Government grants—grant-in-aid	19	1,689,775	1,640,558
Rent and building hire		195,772	271,884
Fellowship revenue		313,645	276,872
Academy special projects		262,188	400,218
Unexpended funds recognised in income		72,188	13,636
Grant income	17 (d)	3,568,694	4,257,325
Donations		2,035,352	654,885
Income			
Investment income	2 (g)	2,476,427	1,823,591
Profit on sale of investments		1,016,492	2,127,227
Other income		64,726	143,712
<b>Total revenue</b>		<u>13,729,524</u>	<u>13,688,393</u>
<b>Expenditure</b>			
Publication cost of sales		279,500	288,792
Primary Connections development		126,730	–
Publication—administration		2,086,490	1,135,224
Administration expenses	19	1,050,356	891,407
Building operations		459,040	489,523
Fellowship expenses		467,810	430,327
International and national relations		542,070	539,986
International exchange operations		221,708	134,855
Grant expenses	17 (d)	3,568,694	4,257,325
Library		76,145	94,365
Science policy		379,063	356,423
Awards and lectures administration costs		23,774	18,069
Events		109,625	100,151
Academy special projects		319,462	408,265
Other Academy funded activities		33,971	43,816
Loss on sale of fixed asset		–	2,483
Brokerage and management fees		96,112	51,482
Impairment loss	16	–	802,040
Depreciation	2 (b)	497,929	506,851
Projects, lectures, discussions, meetings, awards and administration fees		860,734	839,725
<b>Total expenditure</b>		<u>11,199,213</u>	<u>11,391,109</u>
<b>Total profit (loss) for the year</b>		<u><b>2,530,311</b></u>	<u><b>2,297,284</b></u>
<b>Other comprehensive income</b>			
Net change in fair value of available-for-sale financial assets		2,235,756	1,176,100
<b>Total comprehensive income/(loss) for the year</b>		<u><b>4,766,067</b></u>	<u><b>3,473,384</b></u>

The statement of comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 7–20.

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

	capital accumulation funds \$	special purpose funds \$	general purpose funds \$	available- for-sale investment reserve \$	general funds \$	total \$
<b>At 1 July 2012</b>	6,418,782	11,745,415	21,765,065	(907,485)	371,919	39,393,696
Profit/(loss) for the year	–	348,006	1,314,536	–	634,742	2,297,284
Transfers	–	–	–	–	–	–
Unrealised profit/(loss)	–	–	–	1,176,100	–	1,176,100
<b>At 30 June 2013</b>	<b>6,418,782</b>	<b>12,093,421</b>	<b>23,079,601</b>	<b>268,615</b>	<b>1,006,661</b>	<b>42,867,080</b>
Profit/(loss) for the year	–	1,922,049	1,369,205	–	(760,943)	2,530,311
Transfers	–	–	–	–	–	–
Unrealised profit/(loss)	–	–	–	2,235,756	–	2,235,756
<b>At 30 June 2014</b>	<b>6,418,782</b>	<b>14,015,470</b>	<b>24,448,806</b>	<b>2,504,371</b>	<b>245,718</b>	<b>47,633,147</b>
<b>Note</b>		13 (a)	13 (b)	13 (d)	13 (c)	

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 \$	2013 \$
<b>Cash flows from operating activities</b>			
Income from grants & donations		6,322,179	4,729,190
Other receipts		3,787,381	3,493,585
Expenditure on grants & donations		(3,568,694)	(4,257,325)
Expenditure on customers		(6,648,522)	(5,869,668)
Goods and services tax net amount received		(374,897)	(467,017)
<b>Net cash flows from operating activities</b>	18 (b)	<b>(482,553)</b>	<b>(2,371,235)</b>
<b>Cash flows from investing activities</b>			
Investment income received		3,130,023	4,185,339
Proceeds from sale of property, plant and equipment		–	–
Proceeds from sale of investments		30,378,192	42,092,226
Acquisition of property, plant and equipment		(340,556)	(113,032)
Acquisition of investments		(32,334,832)	(44,246,468)
<b>Net cash flows used in investing activities</b>		<b>832,827</b>	<b>1,918,065</b>
<b>Net increase/(decrease) in cash held</b>		<b>350,274</b>	<b>(453,170)</b>
<b>Add: Cash at beginning of financial year</b>		<b>2,570,461</b>	<b>3,023,631</b>
<b>Cash at end of financial year</b>	18 (a)	<b>2,920,735</b>	<b>2,570,461</b>

The statements of changes in equity and cash flows are to be read in conjunction with the notes to the financial statements set out on pages 7–20.



## NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2014

The Australian Academy of Science (the Academy) is a Body Corporate and Politic constituted by Royal Charter. The Academy is domiciled in Australia.

### NOTE 1: BASIS OF PREPARATION

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012* and the Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB).

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for available-for-sale financial assets which are measured at fair value.

(c) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Academy's functional currency.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and expenses. Actual results may differ from these estimates.

Estimates are used in determining the useful lives of assets to calculate the depreciation, 2.5 – 7 years for plant and equipment and 25 years for buildings.

The provision for short-term and long-term employee benefits make use of estimates. Discounted amounts expected to be paid when the obligation is settled are used. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures. Discount rates used are based on market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations.

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 and in any future periods affected.

### NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Certain comparative amounts have been reclassified to conform with the current year presentation.

(a) Financial instruments

Non-derivative financial instruments comprise investments in cash and cash equivalents, equity and debt securities, trade receivables, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

#### *Available-for-sale financial assets*

The Academy's investment in managed funds, listed shares and listed securities are classified as available-for-sale financial assets. After initial recognition, these assets are measured at fair value and changes there in, other than impairment losses, are recognised as a separate component of equity (the available-for-sale investment reserve). When an investment is derecognised the cumulative gain or loss in equity is transferred to profit and loss.

#### *Held-to-maturity investments*

The Academy's investments in commercial bills and term deposits held for greater than three months are classified as 'held-to-maturity' investments. They are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method, less any impairment losses.

#### *Other*

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(b) Property, plant and equipment

#### *Recognition and measurement*

Items of property, plant and equipment are valued on a cost basis less accumulated depreciation and impairment losses.

#### *Depreciation*

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives for the current and comparative periods are as follows:

- buildings 25 years
- plant and equipment 2.5 – 7 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(c) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principles.

(d) Impairment

#### *Financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered a loss event.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that show similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognition previously in equity is transferred into profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

#### *Non-financial assets*

The carrying amount of the Academy's non-financial assets is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised in profit or loss.

#### (e) Employee benefits

##### *Short-term employee benefits*

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (discounted) amounts expected to be paid when the obligation is settled.

##### *Other long-term employee benefits*

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures, and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Upon the remeasurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss as a part of employee benefits expense.

#### (f) Academy reserves

The Academy maintains a number of separate funds in order to meet payments for lectures, awards and other activities. They are as follows:

##### (i) special purpose capital funds

These funds were established following the receipt of donations and bequests to meet the cost of special purpose lectures, awards and other activities, in accordance with the standing order established for each fund.

##### (ii) general purpose capital funds

These funds were established following the receipt of donations and bequests where the Council of the Academy can at its discretion use the funds received, including interest earnings, to meet the cost of Academy activities.

##### (iii) general funds

These funds form the basis of the administration and operations of the Academy.

##### (iv) capital accumulation funds

These funds include the Academy's asset revaluation and capital input funds.

##### (v) available-for-sale investment reserve

This reserve fund comprises the unrealised profit or loss on the market value of the available-for-sale investments relative to their recognised cost.

#### (g) Revenue

##### *Services*

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

##### *Goods (publications)*

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

##### *Investment income*

Includes monies received from interest and dividends. Interest income is recognised as it accrues. Dividend income is recognised when the shareholder's right to receive is established.

##### *Grant income*

The Academy receives grants from the government and other sources. Grants are treated according to the specifications of the grant funding deed. Grant income and expenses are recognised as specified by each grant funding deed. Grants required to be returned to the funding provider due to specific circumstances are treated as unexpended grants which form

part of the liabilities in the balance sheet at the end of the financial year.

At the completion of the grant term where an unexpended balance remains and the Academy is no longer required to acquit the remaining balance to the grant provider, the amount is recognised as income. The amount is recognised in the year it is deemed not required to be repaid.

#### *Donations*

Donations are funds or in kind (i.e. shares) received from individuals, trusts and bequests and are recognised on receipt.

#### *Rental income*

Rental income is recognised in the income statement on a straight line basis over the term of the lease.

#### (h) Income tax

The Australian Academy of Science is exempt from paying income tax under S.50B of the *Income Tax Assessment Act 1997*.

#### (i) Goods and services tax

Income, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as a current asset or liability in the balance sheet.

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

	Note	2014 \$	2013 \$
<b>NOTE 3: INVESTMENTS (CURRENT)</b>			
Term deposits and bank bills	16	8,800,000	12,850,000
		<u>8,800,000</u>	<u>12,850,000</u>
<b>NOTE 4: RECEIVABLES</b>			
Gross receivables		15,177	30,683
		<u>15,177</u>	<u>30,683</u>
<b>NOTE 5: OTHER RECEIVABLES AND PREPAYMENTS</b>			
Other accounts receivable		181,362	245,113
Prepayments		69,830	57,971
		<u>251,192</u>	<u>303,084</u>
<b>NOTE 6: INVENTORIES</b>			
Publication stock at cost		228,099	380,138
Less: provision for obsolete stock		(24,203)	(63,526)
		<u>203,896</u>	<u>316,612</u>
<b>NOTE 7: INVESTMENTS (NON-CURRENT)</b>			
Listed securities		5,582,271	6,130,904
Shares in corporations listed on a prescribed stock exchange		27,283,400	17,471,401
Managed funds at 30 June 2014 unit price		3,649,379	3,639,504
		<u>36,515,050</u>	<u>27,241,809</u>

## NOTE 8: PROPERTY, PLANT AND EQUIPMENT

	land and buildings \$	furniture, fittings and equipment \$	total \$
<b>Cost or deemed cost</b>			
Balance at 1 July 2012	6,503,447	2,428,637	8,932,084
Additions	72,454	40,579	113,033
Disposals	–	(52,524)	(52,524)
Balance at 30 June 2013	<u>6,575,901</u>	<u>2,416,692</u>	<u>8,992,593</u>
Balance at 1 July 2013	6,575,901	2,416,692	8,992,593
Additions	144,152	196,404	340,556
Disposals	–	(41,753)	(41,753)
Balance at 30 June 2014	<u>6,720,053</u>	<u>2,571,343</u>	<u>9,291,396</u>
<b>Depreciation and impairment losses</b>			
Balance at 1 July 2012	3,841,489	1,677,402	5,518,891
Depreciation for the year	280,481	226,370	506,851
Disposals	–	(50,040)	(50,040)
Balance at 30 June 2013	<u>4,121,970</u>	<u>1,853,732</u>	<u>5,975,702</u>
Balance at 1 July 2013	4,121,970	1,853,732	5,975,702
Depreciation for the year	291,107	206,822	497,929
Disposals	–	(41,753)	(41,753)
Balance at 30 June 2014	<u>4,413,077</u>	<u>2,018,801</u>	<u>6,431,878</u>
<b>Carrying amounts</b>			
At 1 July 2012	<u>2,661,958</u>	<u>751,235</u>	<u>3,413,193</u>
At 30 June 2013	<u>2,453,931</u>	<u>562,960</u>	<u>3,016,891</u>
At 1 July 2013	<u>2,453,931</u>	<u>562,960</u>	<u>3,016,891</u>
At 30 June 2014	<u>2,306,976</u>	<u>552,542</u>	<u>2,859,518</u>

The Council procured an independent valuation of the land and buildings of the Academy as at 14 April 2011. The determined values were:

- The Shine Dome \$7,190,000
- Ian Potter House \$5,100,000

	2014 \$	2013 \$
<b>NOTE 9: PAYABLES</b>		
Trade creditors	40,317	61,882
Other creditors	631,132	508,112
Goods and services tax	175,410	141,025
	<u><b>846,859</b></u>	<u><b>711,019</b></u>
<b>NOTE 10: EMPLOYEE BENEFITS PROVISIONS</b>		
Annual leave	278,761	379,275
Long service leave (current)	330,163	261,083
	<u><b>608,924</b></u>	<u><b>640,358</b></u>
Long service leave (non-current)	21,859	25,894
	<u><b>21,859</b></u>	<u><b>25,894</b></u>

The Academy employed 49 full-time-equivalent employees as at 30 June 2014 (2013: 46 employees)

## NOTE 11: UNEXPENDED GRANTS—PROJECTS

	2013 \$	funds received \$	funds expenditure \$	transfers \$	2014 \$
Other international projects	1,976,845	1,390,966	(990,713)	–	2,377,098
International Geosphere-Biosphere Programme (IGBP) and World Climate Research Programme (WCRP)	46,383	377,903	(284,147)	–	140,139
Education	239,156	1,554,346	(1,590,473)	–	203,029
Externally funded projects	359,210	932,531	(672,280)	(47,664)	571,797
Other international relation	–	31,081	(31,081)	–	–
<b>Totals</b>	<b><u>2,621,594</u></b>	<b><u>4,286,827</u></b>	<b><u>(3,568,694)</u></b>	<b><u>(47,664)</u></b>	<b><u>3,292,063</u></b>

Grant projects were categorised into general activity types in 2006–07 to provide better transparency into the Academy's operations.

	Note	2014 \$	2013 \$
<b>NOTE 12: GAIN ON SALE OF PUBLICATIONS</b>			
Publications revenue		2,034,265	2,078,485
Less: Cost of sales			
Inventories at beginning of year		(316,612)	(273,098)
Writing and publication costs		(166,784)	(332,306)
		<u>(483,396)</u>	<u>(605,404)</u>
Add: Inventories at end of year		203,896	316,612
<b>Gain on sale of publications</b>		<b><u>1,754,765</u></b>	<b><u>1,789,693</u></b>

## NOTE 13: MOVEMENTS IN ACADEMY FUNDS

(a) Special purpose capital funds			
Balance at beginning of year		12,093,421	11,745,415
Transfer of capital funds		–	–
Profit for the year	17 (c)	1,922,049	348,006
<b>Balance at end of year</b>		<b><u>14,015,470</u></b>	<b><u>12,093,421</u></b>
(b) General purpose capital funds			
Balance at beginning of year		23,079,601	21,765,065
Profit for the year	17 (b)	1,369,205	1,314,536
<b>Balance at end of year</b>		<b><u>24,448,806</u></b>	<b><u>23,079,601</u></b>
(c) General funds			
Balance at beginning of year		1,006,661	371,919
Transfer of capital funds		–	–
Profit/(loss) for the year	17 (a)	(760,943)	634,742
<b>Balance at end of year</b>		<b><u>245,718</u></b>	<b><u>1,006,661</u></b>
(d) Unrealised profit or loss on available-for-sale investments has been shown as a reserve.			
Balance at beginning of year		268,615	(907,485)
Unrealised profit/(loss) for year		2,235,756	1,176,100
<b>Balance at end of year</b>		<b><u>2,504,371</u></b>	<b><u>268,615</u></b>

## NOTE 14: EXPENDITURE COMMITMENTS

### Capital commitments

Capital commitments are payable:

Within one year

Note	2014 \$	2013 \$
	–	32,704
	–	<b>32,704</b>

### Operating commitments

Operating lease commitments are payable:

Within one year

1 – 5 years

	37,264	68,671
	–	37,264
	<b>37,264</b>	<b>105,935</b>

## NOTE 15: FINANCIAL RISK MANAGEMENT

### Overview

The Academy has exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Academy's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Council has overall responsibility for the establishment and oversight of the risk management framework. The Council appoints the Finance Committee which is responsible for developing and monitoring risk management policies. The Treasurer, being a member of the Committee, reports to the Council on its activities.

Risk management policies are established to identify and analyse the risks faced by the Academy, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Academy's activities. The Academy, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

### Credit risk

Credit risk is the risk of financial loss to the Academy if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Academy's receivables from customers and investment securities.

#### Trade and other receivables

The Academy's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Academy's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. Approximately 35% (2013: 33%) of the revenue comes from the State and Commonwealth Governments in the form of grants and therefore the credit risk is negligible.

### Investments

The Academy limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have a credit rating of at least A2 from Standard & Poor's Ratings Services. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

### Liquidity risk

Liquidity risk is the risk that the Academy will not be able to meet its financial obligations as they fall due. The Academy's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Academy's reputation.

Apart from balances from unexpended grants, \$3.3m in 2014 (2013: \$2.62m), the Academy has limited exposure to financial liabilities. These unexpended grants are unspent funds related to ongoing projects and would not ordinarily be required to be paid back. The risk of paying back these unspent funds is extremely low. The Academy has no existing lines of credit although it does have access to an overdraft limit of \$100,000 with the Commonwealth Bank (2013: \$100,000).

### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Academy's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

#### Currency risk

The Academy has no exposure to currency risk.

#### Interest rate risk

The Academy has no interest-bearing borrowings.

#### Other market price risk

Equity price risk arises from available-for-sale equity securities held. The majority of equity based investments are in managed funds. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Finance Committee.

The primary goal of the Academy's investment strategy is to maximise investment returns in order to build a secure financial base and to provide annual income for current activities; management is assisted by external advisers in this regard. In accordance with this

strategy certain investments are designated at fair value through profit or loss because their performance is actively monitored and they are managed on a fair value basis.

## NOTE 16: FINANCIAL INSTRUMENTS

### Credit risk

#### Exposure to credit risk

The carrying amount of the Academy's financial assets represents the maximum credit exposure. The Academy's maximum exposure to credit risk at the reporting date was:

	Note	carrying amount	
		2014 \$	2013 \$
Available-for-sale financial assets	7	30,932,779	21,110,905
Held-to-maturity investments	3, 7	14,382,271	18,980,904
Receivables	4, 5	1,033,822	812,201
Cash and cash equivalents	18 (a)	2,920,735	2,570,461
		<b>49,269,607</b>	<b>43,474,471</b>

The Academy's maximum exposure to credit risk at the reporting date was \$15,177 (2013: \$30,683) for trade receivables and \$181,362 (2013: \$245,113) for other receivables, totalling \$196,539 (2013: \$275,796).

#### Impairment losses—financial instruments

	2014 \$	2013 \$
Domestic shares and listed securities	–	802,040
Total impairment losses	–	802,040

\$111,658 of the Academy's receivables are past due (2013: \$59,616). The ageing of the Academy's trade receivables at the reporting date was:

	gross 2014 \$	impairment 2014 \$	gross 2013 \$	impairment 2013 \$
Not past due	922,164	–	752,585	–
Past due 0–30 days	76,066	–	43,121	–
Past due 31–120 days	44,392	8,800	16,495	–
	<b>1,042,622</b>	<b>8,800</b>	<b>812,201</b>	–

An impairment allowance of \$8,800 was recognised in 2014 (2013: nil) for one invoice that was over 120 days overdue. A determination of its collectibility will be conducted in the first half of the 2014–15 financial year.

### Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	carrying amount \$	contractual cash flows \$	6 months or less \$	6–12 months \$	more than 1 year \$
Trade and other payables	846,859	–	846,859	–	–
	<b>846,859</b>	–	<b>846,859</b>	–	–

## Interest rate risk

### Profile

At the reporting date the interest rate profile of the Academy's interest-bearing financial instruments was:

	carrying amount	
	2014	2013
	\$	\$
Fixed rate instruments		
Financial assets	8,800,000	12,850,000
Financial liabilities	–	–
	<b>8,800,000</b>	<b>12,850,000</b>

### Fair value sensitivity analysis for fixed rate instruments

Interest rates range from 3.53% to 3.90% (2013: 4.05% – 4.60%). A change of 100 basis points in interest rates would have increased or decreased the Academy's equity by \$88,000 (2013: \$128,500).

### Sensitivity analysis—equity price risk

The Academy's equity investments include various managed funds. A change of 1% in the market where the investments operate translates into a movement of \$309,328 (2013: \$211,109) in the equity with the same impact on profit or loss. The analysis is performed on the same basis for 2013.

### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2013.

	profit or loss		equity	
	100bp increase	100bp decrease	100bp increase	100bp decrease
<b>30 June 2014</b>				
Variable rate instruments	55,823	(55,823)	–	–
Cash flow sensitivity	<u>55,823</u>	<u>(55,823)</u>	<u>–</u>	<u>–</u>
<b>30 June 2013</b>				
Variable rate instruments	61,309	(61,309)	–	–
Cash flow sensitivity	<u>61,309</u>	<u>(61,309)</u>	<u>–</u>	<u>–</u>

## Fair values

### Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	30 June 2014		30 June 2013	
	carrying amount	fair value	carrying amount	fair value
	\$	\$	\$	\$
Available-for-sale financial assets	30,932,779	30,932,779	21,110,905	21,110,905
Held-to-maturity investments	14,382,271	14,414,261	18,980,904	19,231,000
Receivables	1,033,822	1,033,822	812,201	812,201
Cash and cash equivalents	2,920,735	2,920,735	2,570,461	2,570,461
Trade and other payables	(846,859)	(846,859)	(3,332,613)	(3,332,613)
	<b>48,422,748</b>	<b>48,454,738</b>	<b>40,141,858</b>	<b>40,391,954</b>



### Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- *level 1*: quotes prices (unadjusted) in active markets for identical assets or liabilities
- *level 2*: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- *level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Note	level 1 \$	level 2 \$	level 3 \$	total \$
Available-for-sale financial assets	7	30,932,779	–	–	30,932,779
		<u>30,932,779</u>	<u>–</u>	<u>–</u>	<u>30,932,779</u>

	Note	2014 \$	2013 \$
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### NOTE 17: INCOME STATEMENT

The Academy operates several funds. The consolidated statement eliminates the transfers between funds [see Note 2 (f)].

#### (a) General funds

#### Income statement for general funds for the year ended 30 June 2014

##### Revenue

Publication revenue	2,034,265	2,078,485
Government grants—grant-in-aid	1,689,775	1,640,558
Investment income transferred in	782,242	740,580
Rent and building hire	195,772	271,884
Fellowship revenue	313,645	276,872
Academy special projects	262,188	400,218
Other income	64,726	143,712
Unexpended funds recognised in income	72,188	13,636
<b>Total revenue</b>	<u>5,414,801</u>	<u>5,565,945</u>

##### Expenditure

Publication cost of sales	279,500	288,792
Primary Connections development	126,730	–
Publication—administration	2,086,490	1,135,224
Administration expenses	1,050,356	891,407
International and national relations	542,070	539,986
International exchange operations	221,708	134,855
Building operations	459,040	489,523
Fellowship expense	467,810	430,327
Library	76,145	94,365
Science policy	379,063	356,423
Awards and lectures administration costs	23,774	18,069
Events	109,625	100,151
Academy special projects	319,462	408,265
Other Academy-funded activities	33,971	43,816
<b>Total expenditure</b>	<u>6,175,744</u>	<u>4,931,203</u>
<b>Operating profit/(loss) for the year</b>	<u>(760,943)</u>	<u>634,742</u>
<b>Total profit/(loss) for the year</b>	<u>(760,943)</u>	<u>634,742</u>

	Note	2014 \$	2013 \$
(b) General purpose capital funds			
<b>Income statement for general purpose capital funds for the year ended 30 June 2014</b>			
<b>Income</b>			
Investment income		2,476,427	1,823,591
Profit on sale of investments		1,016,492	2,127,227
Profit on sale of fixed assets		–	–
<b>Total income</b>		<u>3,492,919</u>	<u>3,950,818</u>
<b>Expenditure</b>			
Loss on sale of fixed asset		–	2,483
Brokerage and management fees		96,112	51,482
Impairment loss	16	–	802,040
Depreciation	2 (b)	497,929	506,851
Interest transferred out		1,529,673	1,273,426
<b>Total expenditure</b>		<u>2,123,714</u>	<u>2,636,282</u>
<b>Total profit for the year</b>		<u><u>1,369,205</u></u>	<u><u>1,314,536</u></u>
(c) Special purpose capital funds			
<b>Income statement for special purpose capital funds for the year ended 30 June 2014</b>			
<b>Income</b>			
Donations and sponsorships		2,035,352	654,885
Investment income transferred in		747,431	532,846
<b>Total income</b>		<u>2,782,783</u>	<u>1,187,731</u>
<b>Expenditure</b>			
Projects, lectures, discussions, meetings, awards and administration fees		860,734	839,725
<b>Total expenditure</b>		<u>860,734</u>	<u>839,725</u>
<b>Total profit for the year</b>		<u><u>1,922,049</u></u>	<u><u>348,006</u></u>

	Note	2014 \$	2013 \$
(d) Grant funds			
<b>Income statement for grant funds for the year ended 30 June 2014</b>			
<b>Grants received from government and other sources</b>			
Scientific exchanges—other income and grants		1,390,966	1,171,237
Education		1,554,346	2,380,000
Externally funded		963,612	523,068
IGBP and WCRP—government grant		377,903	–
<b>Total before transfer to unexpended grants</b>		<u>4,286,827</u>	<u>4,074,305</u>
Transfer to unexpended grants—projects		(718,133)	183,020
<b>Sub-total</b>		<u>3,568,694</u>	<u>4,257,325</u>
Investment income transferred in		–	–
<b>Total grant funds income</b>	11	<u>3,568,694</u>	<u>4,257,325</u>
<b>Expenditure</b>			
Scientific exchanges—government grant		–	(103)
Scientific exchanges—other grants		990,713	1,522,260
Education		1,590,473	2,147,341
Externally funded		703,361	462,687
IGBP and WCRP—government grant		284,147	125,140
<b>Total funds expenditure</b>	11	<u>3,568,694</u>	<u>4,257,325</u>
<b>Total profit/(loss) for the year</b>		<u>–</u>	<u>–</u>

	2014 \$	2013 \$
<b>NOTE 18: STATEMENT OF CASH FLOWS</b>		
(a) Reconciliation of the cash		
Cash balance comprises:		
Bank balances	1,158,261	1,098,641
Call deposits	1,762,474	1,471,820
<b>Cash on hand and at bank</b>	<b>2,920,735</b>	<b>2,570,461</b>

The Academy's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 15.

(b) Reconciliation of the operating result to the net cash flows from operations		
Operating profit/(loss)—general funds	(760,943)	634,742
Operating profit—general purpose capital funds	1,369,205	1,314,536
Operating profit—special purpose capital funds	1,922,049	348,006
Total operating profit	2,530,311	2,297,284
Depreciation of non-current assets	497,929	506,851
Investment income reinvested	(14,353)	(11,154)
Impairment loss	–	802,040
(Gain)/loss on sale of investments	(1,016,492)	(2,127,226)
(Gain)/loss on disposal of furniture, fittings and equipment	–	2,483
Interest distributed to unexpended grants—projects	(47,664)	(8,499)
Investment income classified as a financing activity	(3,130,023)	(4,185,339)
<b>Changes in assets and liabilities</b>		
Trade debtors	15,506	(27,778)
Other debtors and prepayments	(248,987)	316,390
Inventory	112,716	(43,515)
Trade and other creditors	101,455	130,848
Employee entitlements	(35,469)	169,971
Goods and services tax payable	34,385	(9,318)
Unexpended grants	718,133	(183,020)
Amounts held for other bodies	–	(1,253)
<b>Net cash flows from operating activities</b>	<b>(482,553)</b>	<b>(2,371,235)</b>

(c) Bank overdraft facility

The Academy has a bank overdraft facility available to the extent of \$100,000 (2013: \$100,000).

**NOTE 19: GOVERNMENT GRANTS**

The Academy received a grant in aid from the Department of Education totalling \$1,689,775 (\$1,640,558 in 2012/2013). Of this grant \$542,070 (2013: \$539,986) was expended on international relations activities and the balance of \$1,147,705 (2013: \$1,100,572) was used to cover administration expenditure of \$1,050,356 (2013: \$891,407) among other things.

	2014 \$	2013 \$
<b>NOTE 20: PERSONNEL EXPENSES</b>		
Wages and salaries	4,424,450	3,494,433
Other associated personnel expenses	148,907	78,515
Contributions to defined contribution superannuation funds	713,146	671,773
Increase (decrease ) in liability for annual leave	(100,514)	53,475
Increase (decrease) in liability for long-service leave	65,045	116,496
Termination benefit	5,604	–
	<u>5,256,638</u>	<u>4,414,692</u>

**NOTE 21: AUDITOR'S REMUNERATION**

Audit of financial statements	26,525	25,500
Other regulatory audit services	5,000	11,000
	<u>31,525</u>	<u>36,500</u>

**NOTE 22: KEY MANAGEMENT PERSONNEL DISCLOSURES**

(a) The members of the Academy's Council during the year were:

Professor S Cory (retired May 2014)

Professor AB Holmes

Dr O Mayo

Professor R Vincent

Professor JAM Graves (retired May 2014)

Professor I Frazer

Dr TJ Higgins (retired May 2014)

Professor P Koopman

Professor CE Praeger (elected May 2014)

Professor D de Kretser (elected May 2014)

Professor C Jagadish

Professor N Joshi

Professor PY Ladiges (elected May 2014)

Professor L Field

Professor M Raupach

Professor MB Renfree

Professor R Shine

Professor JS Williams

Professor SJ Simpson (retired May 2014)

Professor B Schmidt

Professor S Von Caemmerer (elected May 2014)

**Executives**

Dr Sue Meek

**Key management personnel**

Ben Patterson

Martin Callinan

Kylie Walker

Cheryl Peers

Nancy Pritchard

David Kellock

Denis Goodrum

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>Executive and key management personnel compensation</b>		
Short-term employee benefits	1,218,294	1,027,763
Other long-term benefits	–	–
Post-employment benefits	174,351	156,318
Termination benefits	–	–
Equity compensation benefits	–	–
	<u>1,392,645</u>	<u>1,184,081</u>

Council members did not receive remuneration for their services.

Expenses incurred by Council members on behalf of the Academy were reimbursed.

(b) No related party transactions occurred during the financial year.

#### **NOTE 23: MANAGEMENT AGREEMENT**

The Australian Academy of Science or Academy, represented by its President, is one of four members of the Australian Council of Learned Academies or ACOLA ABN 70 116 968 853, an unincorporated association. The ACOLA Secretariat Ltd or Secretariat ABN 40 143 536 805 is a public company limited by guarantee that manages ACOLA. A management agreement is in place between the Secretariat and ACOLA to oversee its operations. The Chief Executive of the Academy is a member of the Secretariat together with the other Chief Executives of the other three Learned Academies.

ACOLA does not receive any funding from the Academy. Any management decisions made by the Secretariat is independent of the Academy. The Academy does not receive any dividends or earnings from the operations of ACOLA however on wind-up, the Academy has equal rights (25%) to assets and liabilities. During normal ongoing operations of ACOLA, the Academy has no such rights to ACOLA's assets and/or liabilities. The Academy does not have control of 25% of ACOLA operations but acts with the other three Learned Academies to oversee 100% of its operations.





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