Australian Academy of Science

AUSTRALIAN ACADEMY OF SCIENCE

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2018

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

AUSTRALIAN ACADEMY OF SCIENCE

Opinion

We have audited the financial report of Australian Academy of Science ('the entity'), which comprises the balance sheet as at 30 June 2018, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Statement by Council.

In our opinion, the financial report of Australian Academy of Science has been prepared in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

(a) giving a true and fair view of the registered entity's financial position as at 30 June 2018 and of its financial performance and cash flows for the year ended on that date; and

(b) complying with Australian Accounting Standards and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of Australian Academy of Science in accordance with the auditor independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the entity's annual report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our 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 our 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

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GStenhouse

GED STENHOUSE
Director

Canberra, Australian Capital Territory
Dated: 10 October 2018

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of the Australian Academy of Science for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements as set out in the *Australian Charities and Not-for-profits Commission Act* 2012 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

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RSM Australia Pty Ltd

G Stenhouse

Canberra, Australian Capital Territory
Date: 10 October 2018

GED STENHOUSE
Director

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 2018;

(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 2018; 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:

J. Shine
President

M. Barber
Treasurer

CANBERRA
10 October 2018

Australian Academy of Science

Balance sheet as at 30 June 2018

	Note	2018 $	2017 $
Current assets			
Cash and cash equivalents	18	5,057,882	3,424,396
Investments	3	12,951,338	11,855,000
Receivables	4	167,178	16,344
Interest receivable		1,029,876	952,897
Other receivables and prepayments	5	418,990	230,710
Inventories	6	120,866	126,927
Total current assets		19,746,130	16,606,274
Non-current assets			
Investments	7	37,765,857	40,457,682
Land and buildings	8	1,195,488	1,500,690
Furniture and fittings and equipment	8	1,140,435	1,063,607
Total non-current assets		40,101,780	43,021,979
Total assets		59,847,910	59,628,253
Current liabilities			
Payables	9	630,264	544,366
Employee benefit provisions	10	792,298	778,114
Unexpended grants – projects	11	5,675,609	7,634,730
Total current liabilities		7,098,171	8,957,210
Non-current liabilities			
Employee benefit provisions	10	60,688	54,821
Total non-current liabilities		60,688	54,821
Total liabilities		7,158,859	9,012,031
Net assets		**52,689,051**	**50,616,222**
Academy funds			
Capital accumulation funds		6,418,782	6,418,782
Special purpose capital funds	13(a)	19,130,646	16,577,634
Available-for-sale investment reserve	13(c)	6,767,834	6,375,978
General funds	13(b)	20,371,789	21,243,828
Total Academy funds		**52,689,051**	**50,616,222**

The balance sheet is to be read in conjunction with the notes to the financial statements.

Australian Academy of Science

Statement of comprehensive income for the year ended 30 June 2018

	Note	2018 $	2017 $
Revenue			
Revenue			
Publication revenue	12	522,919	794,488
Government grants - grant-in-aid	19	1,802,311	1,775,675
Rent and building hire		207,107	194,741
Fellowship revenue		483,534	285,459
Academy special projects		25,714	390,565
Video production revenue		265,714	-
Unexpended funds recognised in income		1,074	16,596
Grant income	17 (c)	9,601,588	8,195,267
Donations		2,124,209	484,541
Income			
Investment income	2(g)	2,786,371	2,701,280
Profit on sale of investments		855,968	47,025
Other income		184,917	147,232
Total revenue		18,861,426	15,032,868
Expenditure			
Publication cost of sales		60,746	72,816
Primary Connections development		-	149,757
Primary Connections - administration		559,457	1,124,427
Publication – administration		802,941	633,402
Administration expenses	19	689,124	538,562
Building operations		499,649	462,658
Fellowship expenses		514,289	481,081
Projects		-	222,397
International and national relations		666,003	484,663
International exchange operations		164,066	187,388
Grant expenses	17 (c)	9,601,588	8,195,267
Library		62,744	64,701
Science policy		520,246	227,773
Awards and lectures administration costs		55,387	53,803
Events		341,743	156,258
Fundraising		166,062	128,891
Video production		433,855	-
Academy special projects		250,282	284,554
Other Academy funded activities		39,720	15,102
Loss on sale of investments		-	-
Loss on disposal of fixed asset		18,387	985
Brokerage and management fees		125,870	115,571
Impairment loss	16	229,554	774,560
Depreciation and amortisation	2(b)	676,895	549,843
Projects, lectures, discussions, meetings, awards and administration fees		701,845	776,535
Total expenditure		17,180,453	15,700,994
Total profit (loss) for the year		**1,680,973**	**(668,126)**
Other comprehensive income			
Net change in fair value of available-for-sale financial assets		391,856	3,422,315
Total comprehensive income/(loss) for the year		**2,072,829**	**2,754,189**

The statement of comprehensive income is to be read in conjunction with the notes to the financial statements.

Australian Academy of Science

Statement of changes in equity
for the year ended 30 June 2018

	capital accumulation funds	special purpose funds	available-for-sale investment reserve	general funds	total
	$	**$**	**$**	**$**	**$**
At 1 July 2016	6,418,782	15,064,136	2,953,663	23,425,451	47,862,032
Profit/(loss) for the year		1,513,498		(2,181,623)	(668,125)
Transfers					-
Unrealised profit/(loss)			3,422,315		3,422,315
At 30 June 2017	**6,418,782**	**16,577,634**	**6,375,978**	**21,243,828**	**50,616,222**
Profit/(loss) for the year	-	2,553,012	-	(872,039)	1,680,973
Transfers		-		-	-
Unrealised profit/(loss)			391,856		391,856
At 30 June 2018	**6,418,782**	**19,130,646**	**6,767,834**	**20,371,789**	**52,689,051**
Note		13(a)	13(c)	13(b)	

The statement of changes in equity is to be read in conjunction with the notes to the financial statements.

Australian Academy of Science

Statement of cash flows
for the year ended 30 June 2018

	Note	2018 $	2017 $
Cash flows from operating activities			
Income from grants & donations		9,766,676	9,681,881
Other receipts		3,443,624	4,966,229
Expenditure on grants & donations		(9,601,588)	(8,195,267)
Expenditure on customers		(6,358,458)	(6,102,759)
Goods and services tax net amount received		(437,563)	(926,842)
Net cash flows used in operating activities	18 (b)	(3,187,309)	(576,758)
Cash flows from investing activities			
Investment income received		2,692,012	2,637,073
Proceeds from sale of property, plant and equipment		-	-
Proceeds from sale of investments		26,452,483	20,208,100
Acquisition of property, plant and equipment		(502,355)	(675,234)
Acquisition of investments		(23,821,345)	(20,815,969)
Net cash flows from investing activities		4,820,795	1,353,970
Net increase/(decrease) in cash held		1,633,486	777,212
Add: Cash at beginning of financial year		3,424,396	2,647,184
Cash at end of financial year	18 (a)	**5,057,882**	**3,424,396**

The statement of cash flows is to be read in conjunction with the notes to the financial statements.

Notes to the financial statements
30 June 2018

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 and amortisation
Depreciation and amortisation are 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 and amortisation 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:

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.

General Funds

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

Capital accumulation funds

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

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.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the company for the annual reporting period ended 30 June 2018. The company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the company, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The company will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the company.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The company will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the company.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The company will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the company.

AASB 1058 Income of Not-for-Profit Entities

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 1004 Contributions and clarifies the treatment of the receipt of income by not-for-profit entities.

Income received where there is an associated performance obligation should be recognised in line with the principles of AASB 15, whereas donations with no future obligation may be recognised immediately. In cases where assets or services that were received below market value, such assets or services should be recognised at fair value. When an entity receives volunteer services and can reliably measure the fair value of those services, the entity may elect to recognise the services as an asset (provided the relevant asset recognition criteria are met) or an expense. Local governments, government departments, general government sectors (GGSs) and whole of governments are required to recognise volunteer services if they would have been purchased if not provided voluntarily and the fair value of those services can be measured reliably. The company will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the company.

	Note	2018 $	2017 $
Note 3: Investments (current)			
Term deposits,bank bills and other interest bearing deposits	16	9,083,570	11,855,000
Hybrids and bonds	16	3,867,768	-
		12,951,338	11,855,000

Note 4: Receivables

	2018 $	2017 $
Gross receivables	167,178	16,344
	167,178	16,344

Note 5: Other receivables and prepayments

	2018 $	2017 $
Other accounts receivable	300,862	126,593
Prepayments	118,128	104,117
	418,990	230,710

Note 6: Inventories

	2018 $	2017 $
Publication stock at cost	140,366	146,427
Less: provision for obsolete stock	(19,500)	(19,500)
	120,866	126,927

Note 7: Investments (non-current)

	2018 $	2017 $
Listed securities	-	2,947,879
Shares in corporations listed on a prescribed stock exchange	34,705,114	35,667,850
Managed funds at 30 June unit price	3,060,743	1,841,953
	37,765,857	40,457,682

Note 8: Property, plant and equipment

	land and buildings	furniture, fittings and equipment	total
Cost or deemed cost			
Balance at 1 July 2016	6,811,427	3,073,192	9,884,619
Additions	38,433	634,726	673,159
Disposals		(64,879)	(64,879)
Balance at 30 June 2017	6,849,860	3,643,039	10,492,899
Balance at 1 July 2017	6,849,860	3,643,039	10,492,899
Additions	21,494	288,256	309,750
Disposals		(1,347,425)	(1,347,425)
Balance at 30 June 2018	6,871,354	2,583,870	9,455,224
Depreciation and impairment losses			
Balance at 1 July 2016	5,030,688	2,414,040	7,444,728
Depreciation for the year	318,482	231,361	549,843
Disposals		(65,969)	(65,969)
Balance at 30 June 2017	5,349,170	2,579,432	7,928,602
Balance at 1 July 2017	5,349,170	2,579,432	7,928,602
Depreciation for the year	333,817	343,078	676,895
Disposals	(7,121)	(1,479,075)	(1,486,196)
Balance at 30 June 2018	5,675,866	1,443,435	7,119,301
Carrying amounts			
At 1 July 2016	1,780,739	659,152	2,439,891
At 30 June 2017	1,500,690	1,063,607	2,564,297
At 1 July 2017	1,500,690	1,063,607	2,564,297
At 30 June 2018	1,195,488	1,140,435	2,335,923

The Council procured an independent valuation of the land and buildings of the Academy as at 30 June 2016.
The determined values were:

a. The Shine Dome $7,050,000 (including land valued at $950,000)
b. Ian Potter House $4,700,000 (including land valued at $760,000)

	2018	2017
	$	$
Note 9: Payables		
Trade creditors	17,866	29,852
Other creditors	482,225	452,299
Goods and services tax	130,173	62,215
	630,264	**544,366**

Note 10: Employee benefits provisions

Annual leave	464,433	364,832
Long service leave (current)	327,865	413,282
	792,298	**778,114**
Long service leave (non-current)	60,688	54,821
	60,688	**54,821**

The Academy employed 65 full-time equivalent employees (FTE) as at 30 June 2018 (2017: 67 FTE)

Note 11: Unexpended grants – projects

	2017	funds received	funds expenditure	transfers	2018
	$	$	$	$	$
Other international projects	2,888,809	1,065,769	1,392,209	-	2,562,369
Education	3,138,410	3,116,549	4,525,991	-	1,728,968
Externally funded projects	1,546,779	2,975,918	3,299,808	-	1,222,889
Other International Relation	6,449	-	341	-	6,108
Others	54,283	484,232	383,240	-	155,275
Totals	**7,634,730**	**7,642,468**	**9,601,589**	**-**	**5,675,609**

Note 12: Gain on sale of publications	2018	2017
	$	$
Publications revenue	522,919	794,488
Less: Cost of sales		
Inventories at beginning of year	(126,927)	(135,531)
Writing and publication costs	(54,685)	(64,212)
	(181,612)	(199,743)
Add: Inventories at end of year	120,866	126,927
Gain on sale of publications	**462,173**	**721,672**

	Note	2018 $	2017 $
Note 13: Movements in Academy funds			
(a) Special purpose capital funds			
Balance at beginning of year		16,577,634	15,064,136
Transfer of capital funds		-	-
Profit for the year	17 (b)	2,553,012	1,513,498
Balance at end of year		**19,130,646**	**16,577,634**
(b) General funds			
Balance at beginning of year		21,243,828	23,425,451
Transfer of capital funds			-
Profit/(loss) for the year	17 (a)	(872,039)	(2,181,623)
Balance at end of year		**20,371,789**	**21,243,828**

(c) Unrealised profit or loss on available-for-sale investments has been shown as a reserve.

	2018 $	2017 $
Balance at beginning of year	6,375,978	2,953,663
Unrealised profit/(loss) for year	391,856	3,422,315
Balance at end of year	**6,767,834**	**6,375,978**

Note 14: Expenditure commitments

Operating Commitments	2018 $	2017 $
Operating lease commitments payable:		
Within one year	-	40,309
1 – 5 years		-
	-	**40,309**

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 55% (2017: 58%) 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, $5.7m in 2018 (2017: $7.6m), 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 (2017: $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 2018	2017
		$	$
Available-for-sale financial assets	3, 7	41,633,625	40,457,682
Held-to-maturity investments	3	9,083,570	11,855,000
Receivables	4,5	1,497,916	1,095,834
Cash and cash equivalents	18 (a)	7,141,452	3,424,396
		59,356,563	**56,832,912**

The Academy's maximum exposure to credit risk at the reporting date was $167,178 (2017: $16,344) for trade receivables and $300,862 (2017: $126,593) for other receivables, totalling $468,040 (2017: $142,937).

Impairment losses - financial instruments

	2018	2017
Domestic shares and listed securities	229,554	774,560
Total impairment losses	229,554	774,560

$267,706 of the Academy's receivables are past due (2017: $90,233). The ageing of the Academy's trade receivables at the reporting date was:

	gross 2018	impairment 2018	gross 2017	impairment 2017
Not past due	1,230,210	-	1,005,601	-
Past due 0-30 days	192,880	-	32,880	-
Past due 31-120 days	74,826	-	57,353	-
	1,497,916	**-**	**1,095,834**	**-**

No impairment allowance was recognised in 2018 (2017: nil).

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	630,264	-	630,264	-	-
	630,264	**-**	**630,264**	**-**	**-**

Interest rate risk

Profile

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

	carrying Amount 2018	2017
Fixed rate instruments		
Financial assets	9,083,570	11,855,000
Financial liabilities	-	-
	9,083,570	**11,855,000**

Fair value sensitivity analysis for fixed rate instruments

Interest rates range from 2.50% to 2.70% (2017: 2.6% - 3.05%). A change of 100 basis points in interest rates would have increased or decreased the Academy's equity by $90,836 (2017: $118,550).

Sensitivity analysis - equity price risk

The Academy's equity investments are invested in various managed funds. A change of 1% in the market where the investments operate translates into a movement of $416,336 (2017: $404,577) in the equity with the same impact on profit or loss. The analysis is performed on the same basis for 2017.

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 2017.

	profit or loss		equity	
	100bp increase	100bp decrease	100bp increase	100bp decrease
30 June 2018				
Variable rate instruments	38,678	(38,678)	-	-
Cash flow sensitivity	38,678	(38,678)	-	-
30 June 2017				
Variable rate instruments	29,479	(29,479)	-	-
Cash flow sensitivity	29,479	(29,479)	-	-

Fair values

Fair values versus carrying amounts

The carrying amounts of financial assets and liabilities in the balance sheet are at fair values:

	2018	2017
Available-for-sale financial assets	41,633,625	40,457,682
Held-to-maturity investments	9,083,570	11,855,000
Receivables	1,497,916	1,095,834
Cash and cash equivalents	7,141,452	3,424,396
Trade and other payables	(630,264)	(544,366)
	58,726,299	**56,288,546**

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	40,116,897	1,516,728	-	41,633,625
Held-to-maturity investments	3	9,083,570	-	-	9,083,570
		49,200,467	**1,516,728**	**-**	**50,717,195**

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 2018

	Note	2018 $	2017 $
Revenue			
Publication revenue		522,919	794,488
Government grants - grant-in-aid		1,802,311	1,775,675
Investment income		2,786,371	2,701,280
Profit on sale of investments		855,968	47,025
Rent and building hire		207,107	194,741
Fellowship revenue		483,534	285,459
Academy special projects		25,714	390,565
Video production revenue		265,714	-
Other income		184,917	147,232
Unexpended funds recognised in income		1,074	16,596
Total revenue		7,135,629	6,353,061
Expenditure			
Publication cost of sales		60,746	72,816
Primary Connections development		-	149,757
Primary Connections – administration		559,457	1,124,427
Publication – administration		802,941	633,402
Administration expenses		689,124	538,562
International and national relations		666,003	484,663
International exchange operations		164,066	187,388
Building operations		499,649	462,658
Fellowship expense		514,289	481,081
Projects		-	222,397
Library		62,744	64,701
Science policy		520,246	227,773
Depreciation	2(b)	592,090	450,630
Amortisation		84,805	99,213
Awards and lectures administration costs		55,387	53,803
Events		341,743	156,258
Fundraising		166,062	128,891
Video production		433,855	-
Loss on sale of fixed asset		18,387	985
Brokerage and management fees		125,870	115,571
Impairment loss	16	229,554	774,560
Interest transferred out		1,130,648	1,805,492
Academy special projects		250,282	284,554
Other Academy-funded activities		39,720	15,102
Total expenditure		8,007,668	8,534,684
Operating profit/(loss) for the year		(872,039)	(2,181,623)
Total profit/(loss) for the year		**(872,039)**	**(2,181,623)**

(b) Special purpose capital funds

Income statement for special purpose capital funds for the year ended 30 June 2018

	Note	2018 $	2017 $
Income			
Donations and sponsorships		2,124,209	484,541
Investment income transferred in		1,130,648	1,805,492
Total income		3,254,857	2,290,033
Expenditure			
Projects, lectures, discussions, meetings, awards and administration fees		701,845	776,535
Total expenditure		701,845	776,535
Total profit for the year		**2,553,012**	**1,513,498**

(c) Grant funds

Income statement for grant funds for the year ended 30 June 2018

	Note	2018 $	2017 $
Grants received from government and other sources			
Scientific exchanges – other income and grants		1,065,769	2,009,741
Education		3,116,549	4,224,887
Externally funded		3,460,149	2,962,712
IGBP & WCRP – government grant		-	-
Total before transfer to Unexpended Grants		7,642,467	9,197,340
Transfer to unexpended grants - projects		1,959,121	(1,002,073)
Sub-total		9,601,588	8,195,267
Investment income transferred in		-	-
Total grant funds income	11	9,601,588	8,195,267
Expenditure			
Scientific exchanges – other grants		1,392,208	1,723,278
Education		4,525,991	3,713,282
Externally funded		3,683,389	2,758,707
IGBP & WCRP – government grant		-	-
Total funds expenditure	11	9,601,588	8,195,267
Total profit/(loss) for the year		-	-

	2018 $	2017 $
Note 18: Statement of cash flows		

(a) Reconciliation of the cash

	2018 $	2017 $
Cash balance comprises:		
Bank balances	2,342,445	994,830
Call deposits	2,715,437	2,429,567
Cash on hand and at bank	**5,057,882**	**3,424,396**

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

	2018 $	2017 $
Operating profit/(loss) – general funds	(872,039)	(2,181,623)
Operating profit – special purpose capital funds	2,553,012	1,513,498
Total operating profit	1,680,973	(668,125)
Depreciation and amortisation	676,895	549,843
Investment income reinvested	(17,381)	-
Impairment loss	229,554	774,560
(Gain)/loss on sale of investments	(855,968)	(47,025)
(Gain)/loss on disposal of furniture, fittings and equipment	53,834	985
Interest distributed to unexpended grants - projects	-	-
Investment income classified as a financing activity	(2,692,012)	(2,637,073)
Changes in assets and liabilities		
Trade debtors	(150,834)	(3,305)
Other debtors and prepayments	(265,259)	516,422
Inventory	6,061	8,604
Trade and other creditors	17,941	140,110
Employee entitlements	20,051	21,769
Goods and services tax payable	67,958	(235,596)
Unexpended grants	(1,959,122)	1,002,073
Amounts held for other bodies	-	-
Net cash flows from operating activities	**(3,187,309)**	**(576,758)**

(c) **Bank overdraft facility**

The Academy has a bank overdraft facility available to the extent of $100,000 (2017: $100,000)

Note 19: Government grants

The Academy received a grant in aid from the Department of Education totalling $1,802,311 ($1,775,675 in 2016/2017). Of this grant $666,003 (2017: $484,663) was expended on international relations activities and the balance of $1,136,308 (2017: $1,291,012) was used to partially cover administration expenditure of $1,976,911 (2017: $1,763,794).

Note 20: Personnel expenses

	2018 $	2017 $
Wages and salaries	7,232,840	5,865,173
Other associated personnel expenses	124,687	116,294
Contributions to defined contribution superannuation funds	1,028,476	871,114
Increase (decrease) in liability for annual leave	99,601	28,705
Increase (decrease) in liability for long-service leave	(79,550)	(6,936)
Termination benefit	28,403	186,008
	8,434,457	**7,060,358**

	2018 $	2017 $
Note 21: Auditor's remuneration		
Audit of financial statements	31,400	30,500
Other regulatory audit services	3,090	4,120
	34,490	**34,620**

Note 22: Segment information

The Academy operates predominantly in a single business segment and it promotes, declares and disseminates scientific knowledge both nationally and internationally. The Academy's operational headquarters are located in the ACT, Australia.

Note 23: Key management personnel disclosures

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

Professor J Shine (from May 2018)
Professor A B Holmes (to May 2018)
Professor M Barber
Dr T J Higgins
Professor C E Praeger (to May 2018)
Professor H Bachor (from May 2018)
Professor P Y Ladiges (to May 2018)
Professor M Anderson (from May 2018)
Professor J S Williams
Professor I Chubb (from May 2018)
Professor S O'Reilly
Dr S Rintoul
Professor E Sadler (from May 2018)
Professor S Sloan
Professor M Srinivasan (to May 2018)
Professor S Berkovic
Professor I Hume (to May 2018)
Professor J Mattick (to May 2018)
Professor D Day
Professor M Coltheart
Professor H Marsh
Professor W Hoy (from May 2018)
Professor H Rubinsztein-Dunlop (from May 2018)
Professor F Separovic (from May 2018)

Executives
Anna-Maria Arabia

Key Management Personnel
David Perceval
Christopher Hatherly
Melanie Bagg
Ben Patterson (to October 2017)
Cheryl Peers
Nancy Pritchard
Denis Goodrum
Wafa El-Adhami
Stephen Thornton
Claudette Bateup

Executive and Key Management Personnel Compensation	2018 $	2017 $
Short-term employee benefits	1,585,376	1,416,781
Other long-term benefits	21,778	17,765
Superannuation	251,554	228,685
Termination benefits	69,831	143,135
	1,928,539	1,806,366

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 24: Joint arrangement

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 the 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 the ACOLA operations but acts with the other three Learned Academies to oversee 100% of its operations.

AUSTRALIAN ACADEMY OF SCIENCE

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

Cover image from *A vision for space science and technology in Australia: Securing and advancing Australia's interests through space research*: On 12–13 October 2015, NASA astronaut Scott Kelly took a series of 17 photographs from the International Space Station during a single flyover of Australia. Image Credit: NASA