

# AUSTRALIAN ACADEMY OF SCIENCE **FINANCIAL REPORT**

FOR THE YEAR ENDED 30 JUNE 2021



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GPO Box 783  
Canberra ACT 2601

Tel +61 (0)2 6201 9400  
Fax +61 (0)2 6201 9494  
Email [aas@science.org.au](mailto:aas@science.org.au)  
[www.science.org.au](http://www.science.org.au)

[www.science.org.au/annual-and-financial-reports](http://www.science.org.au/annual-and-financial-reports)



**RSM Australia Pty Ltd**

Equinox Building 4, Level 2, 70 Kent Street Deakin ACT 2600  
GPO Box 200 Canberra ACT 2601

T +61 (0) 2 6217 0300

F +61 (0) 2 6217 0401

[www.rsm.com.au](http://www.rsm.com.au)

**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 2021, 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 2021 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 2021, 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.

**THE POWER OF BEING UNDERSTOOD**  
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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](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our auditor's report.

A handwritten signature in black ink that reads 'RSM'.

**RSM Australia Pty Ltd**

A handwritten signature in black ink that reads 'Ged Stenhouse'.

**Ged Stenhouse**  
Director

Canberra, Australian Capital Territory  
Dated: 25 October 2021

### **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 2021, 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.

A handwritten signature in black ink that reads 'RSM'.

**RSM Australia Pty Ltd**

A handwritten signature in black ink that reads 'Ged Stenhouse'.

**Ged Stenhouse**  
Director

Canberra, Australian Capital Territory  
Date: 25 October 2021

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# 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, 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 2021;

(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 2021; 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. Anderson  
Treasurer

CANBERRA

21 October 2021

# Australian Academy of Science

## Balance sheet as at 30 June 2021

	Note	2021 \$	2020 \$
<b>Current assets</b>			
Cash and cash equivalents	18	9,959,965	9,267,126
Investments	3	13,334,653	11,005,657
Receivables	4	202,879	1,377,024
Interest receivable		210,212	532,862
Other receivables and prepayments	5	144,125	95,399
Inventories	6	19,076	98,813
<b>Total current assets</b>		<b>23,870,910</b>	<b>22,376,881</b>
<b>Non-current assets</b>			
Investments	7	39,150,443	32,787,099
Land and buildings	8	3,188,205	587,835
Furniture and fittings and equipment	8	855,209	874,096
<b>Total non-current assets</b>		<b>43,193,857</b>	<b>34,249,030</b>
<b>Total assets</b>		<b>67,064,767</b>	<b>56,625,911</b>
<b>Current liabilities</b>			
Payables	9	810,710	887,714
Employee benefit provisions	10	728,045	780,139
Contract liabilities	11	1,171,149	1,838,700
Amounts held for other bodies	9	2,356,344	43,897
<b>Total current liabilities</b>		<b>5,066,248</b>	<b>3,550,450</b>
<b>Non-current liabilities</b>			
Employee benefit provisions	10	148,140	91,389
<b>Total non-current liabilities</b>		<b>148,140</b>	<b>91,389</b>
<b>Total liabilities</b>		<b>5,214,388</b>	<b>3,641,839</b>
<b>Net assets</b>		<b>61,850,379</b>	<b>52,984,072</b>
<b>Academy funds</b>			
Capital accumulation funds		-	6,418,782
Special purpose capital funds	13(a)	23,548,444	21,157,903
Grant funds	13(c)	1,585,686	2,131,205
General funds	13(b)	36,716,249	23,276,182
<b>Total Academy funds</b>		<b>61,850,379</b>	<b>52,984,072</b>

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 2021

	Note	2021 \$	2020 \$
<b>Revenue</b>			
Revenue			
Publication revenue	12	131,735	360,705
Government grants - grant-in-aid	19	1,903,265	1,869,613
Rent and building hire		124,334	361,185
Fellowship revenue		415,882	280,589
Academy special projects		109,298	45,883
Video production revenue		151,976	114,292
Unexpended funds recognised in income		-	228,578
Grant income	17 (c)	2,745,336	5,633,326
Donations		365,453	795,557
Income			
Investment income	2(g)	1,200,569	1,604,766
Gain on valuation of equity		6,381,303	-
Profit on sale of investments		775,077	187,131
Other income		3,737,300	813,114
Government subsidies	25	1,391,450	649,000
<b>Total revenue</b>		<b>19,432,978</b>	<b>12,943,738</b>
<b>Expenditure</b>			
Publication cost of sales		49,173	27,364
Primary Connections - administration		65,549	294,479
Publication - administration		959,961	1,057,171
Executive		468,449	624,746
Administration expenses		363,235	63,763
Information, communication and technology		518,740	566,600
Building operations		593,867	726,529
Fellowship expenses		300,659	390,957
Science at the Shine Dome		2,723	13,822
International and national relations		575,403	698,459
International exchange operations		116,423	189,550
Grant expenses	17 (c)	3,290,855	5,658,442
Library		-	2,585
Science policy		196,116	456,327
Diversity and inclusion		228,729	202,910
Awards and lectures administration costs		5,452	52,237
Events		168,663	210,733
Venue hire		249,803	424,616
Fundraising		229,522	266,037
Video production		309,083	423,688
Academy special projects		113,622	95,663
Other Academy funded activities		-	601,839
Loss on sale of investments		-	-
Loss on disposal of fixed asset		109,172	782
Brokerage and management fees		173,170	174,663
Impairment loss		-	131,378
Loss on valuation of equity		-	353,030
Depreciation and amortisation	2(b)	629,150	781,479
Projects, lectures, discussions, meetings, awards and administration fees		849,152	808,509
<b>Total expenditure</b>		<b>10,566,671</b>	<b>15,298,356</b>
<b>Total profit (loss) for the year</b>		<b>8,866,307</b>	<b>(2,354,618)</b>

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 2021

	capital accumulation funds \$	special purpose funds \$	grant funds \$	general funds \$	total \$
<b>At 1 July 2019</b>	6,418,782	19,997,699	-	26,765,888	53,182,369
<i>Adjustment to opening equity balance under AASB 15 and 1058</i>			2,156,321		2,156,321
<i>Profit/(loss) for the year</i>		548,204	(25,116)	(2,877,706)	(2,354,618)
<i>Transfers</i>		612,000		(612,000)	-
<b>At 30 June 2020</b>	<b>6,418,782</b>	<b>21,157,903</b>	<b>2,131,205</b>	<b>23,276,182</b>	<b>52,984,072</b>
<i>Profit/(loss) for the year</i>		2,390,541	(545,519)	7,021,285	8,866,307
<i>Transfers</i>	(6,418,782)			6,418,782	-
<b>At 30 June 2021</b>	<b>-</b>	<b>23,548,444</b>	<b>1,585,686</b>	<b>36,716,249</b>	<b>61,850,379</b>
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 2021

	Note	2021 \$	2020 \$
<b>Cash flows from operating activities</b>			
Income from grants & donations		3,110,789	6,428,883
Other receipts		9,279,568	4,335,383
Expenditure on grants & donations		(4,140,006)	(6,466,951)
Expenditure on customers		(4,001,713)	(6,977,298)
Goods and services tax net amount received		(223,253)	(362,400)
<b>Net cash flows used in operating activities</b>	18 (b)	<u>4,025,385</u>	<u>(3,042,383)</u>
<b>Cash flows from investing activities</b>			
Investment income received		1,500,045	1,827,513
Proceeds from sale of property, plant and equipment		-	273
Proceeds from sale of investments		17,583,868	27,176,524
Acquisition of property, plant and equipment		(3,319,805)	(383,433)
Acquisition of investments		(19,096,654)	(22,459,254)
<b>Net cash flows from investing activities</b>		<u>(3,332,546)</u>	<u>6,161,623</u>
<b>Net increase/(decrease) in cash held</b>		<u>692,839</u>	<u>3,119,240</u>
<b>Add: Cash at beginning of financial year</b>		<u>9,267,126</u>	<u>6,147,886</u>
<b>Cash at end of financial year</b>	18 (a)	<u><b>9,959,965</b></u>	<u><b>9,267,126</b></u>

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 2021

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 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, 2-10 years for furniture, 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.

#### (e) New or amended Accounting Standards and Interpretations adopted

The incorporated association has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

### 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.

#### *Financial assets at fair value through profit and loss*

The Academy's investment in managed funds, listed shares and listed securities are classified as financial assets at fair value through profit and loss. After initial recognition, these assets are measured at fair value and changes there in are recognised in profit and loss.

#### *Investments held at amortised cost*

The Academy's investments in commercial bills, hybrids and bonds 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
* furniture, plant and equipment	2 - 10 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 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.

*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 reserve

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.

*Grant funds*

This fund comprises the balance of active grants administered by the Academy net of any deferred grant revenue at the end of the financial year. This was established on the implementation of AASB 15 and 1058 to enable the Academy to track its grant activities as distinctly separate from its normal operations. At the conclusion of each grant, a determination is made on the surplus or deficit of the grant(s) on whether to transfer the balance to the General Funds, return to the fund provider or seek further funding for any shortfall, as applicable.

(g) Revenue

*Revenue from contracts with customers*

Revenue is recognised at an amount that reflects the consideration to which the company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

*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*

Grant funding that contain specific conditions and enforceable obligations on the use of those funds are recognised as and when the entity satisfies its performance obligations stated within the grant agreements. A contract liability is recognised for unspent grant funds for which a refund obligation exists in relation to the funding period. General grants that do not impose specific performance obligations on the entity are recognised as income when the entity obtains control of those funds, which is usually on receipt.

*Donations*

Donations and bequests that contain specific conditions and enforceable obligations on the use of those funds are recognised as and when the entity satisfies its performance obligations stated within the donation agreements. Otherwise, revenue from donations and bequests is recognised when the income is received.

*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	2021 \$	2020 \$
<b>Note 3: Investments (current)</b>		
Hybrids and bonds	13,334,653	11,005,657
	<u>13,334,653</u>	<u>11,005,657</u>
<b>Note 4: Receivables</b>		
Gross receivables	202,879	1,377,024
	<u>202,879</u>	<u>1,377,024</u>
<b>Note 5: Other receivables and prepayments</b>		
Other accounts receivable	-	-
Prepayments	144,125	95,399
	<u>144,125</u>	<u>95,399</u>
<b>Note 6: Inventories</b>		
Publication stock at cost	19,076	118,313
Less: provision for obsolete stock	-	(19,500)
	<u>19,076</u>	<u>98,813</u>
<b>Note 7: Investments (non-current)</b>		
Shares in corporations listed on a prescribed stock exchange	30,693,294	24,154,811
Managed funds at 30 June unit price	8,457,149	8,632,288
	<u>39,150,443</u>	<u>32,787,099</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 2019	6,957,304	2,917,460	9,874,764
Additions	41,686	341,747	383,433
Disposals	<u>(2,685,139)</u>	<u>(119,188)</u>	<u>(2,804,327)</u>
Balance at 30 June 2020	<u>4,313,851</u>	<u>3,140,019</u>	<u>7,453,870</u>
Balance at 1 July 2020	4,313,851	3,140,019	7,453,870
Additions	2,819,482	500,324	3,319,806
Disposals	<u>(27,310)</u>	<u>(737,886)</u>	<u>(765,196)</u>
Balance at 30 June 2021	<u>7,106,023</u>	<u>2,902,457</u>	<u>10,008,480</u>
<b>Depreciation and impairment losses</b>			
Balance at 1 July 2019	6,028,739	1,853,615	7,882,354
Depreciation for the year	323,562	440,838	764,400
Disposals	<u>(2,626,285)</u>	<u>(28,530)</u>	<u>(2,654,815)</u>
Balance at 30 June 2020	<u>3,726,016</u>	<u>2,265,923</u>	<u>5,991,939</u>
Balance at 1 July 2020	3,726,016	2,265,923	5,991,939
Depreciation for the year	217,779	406,938	624,717
Disposals	<u>(25,977)</u>	<u>(625,613)</u>	<u>(651,590)</u>
Balance at 30 June 2021	<u>3,917,818</u>	<u>2,047,248</u>	<u>5,965,066</u>
<b>Carrying amounts</b>			
At 1 July 2019	<u>928,565</u>	<u>1,063,845</u>	<u>1,992,410</u>
At 30 June 2020	<u>587,835</u>	<u>874,096</u>	<u>1,461,931</u>
At 1 July 2020	587,835	874,096	1,461,931
At 30 June 2021	<u>3,188,205</u>	<u>855,209</u>	<u>4,043,414</u>

The Council procured an independent valuation of the land and buildings of the Academy as at 30 June 2019. The determined values were:

- a. The Shine Dome \$6,850,000 (including land valued at \$950,000)
- b. Ian Potter House \$4,700,000 (including land valued at \$1,000,000)

The Ian Potter House building suffered extensive damage from the January 2020 hailstorm and the subsequent rain that followed. The damage rendered the building uninhabitable and with a net book value of only \$27,934, it was decided to write off the remaining balance in 2020. A number of furniture, equipment and fittings with a net book value of \$103,444 were damaged in the same event and were written off, bringing the total impairment cost to \$131,378. The building is undergoing major repairs and refurbishment. Once the repairs are completed (estimated to be around January 2022), an independent valuation will be undertaken to determine its value. This will then be the basis for its valuation in the Academy's books and depreciated accordingly. The additions to the cost/value of the buildings in the current year represent the cost of repairs to the roof of the two buildings paid for by the insurance company. Repairs to the Ian Potter House roof amounted to \$373,767. This was recognised as other income in the current financial year. An additional \$1M in settlement claims were received by the Academy in February 2021. The proceeds will be used for the refurbishment of the Ian Potter House.

The Shine Dome suffered roof damage in the same event although it remains operational. Repairs to its copper roof is expected to be completed in mid-2021 and the moat to be repaired by December 2021. Shine Dome roof repairs were \$1,754,546, covered by insurance. An independent valuation is also planned for the building on completion of the repairs.

	2021 \$	2020 \$
<b>Note 9: Payables and amounts held for other bodies</b>		
Trade creditors	250,314	393,356
Other creditors	545,040	310,752
Goods and services tax	15,356	183,606
	<u>810,710</u>	<u>887,714</u>
Amounts held for other bodies	<u>2,356,344</u>	<u>43,897</u>

Amounts held for other bodies represent funds collected on behalf of Watertrust Australia Ltd (ABN 99 648 287 852), an independent not-for-profit national policy centre that aims to improve the decision-making on Australia's inland waters and catchments. The funds are held by the Academy until such time that the organisation is fully operational, at which point, the funds will be returned to them. This is expected to happen in the first quarter of the 2021-2022 Financial Year. The amount, \$2,356,344 as at 30 June 2021, is held in cash by the Academy.

**Note 10: Employee benefits provisions**

Annual leave	337,941	368,302
Long service leave (current)	390,104	411,837
	<u>728,045</u>	<u>780,139</u>
Long service leave (non-current)	148,140	91,389
	<u>148,140</u>	<u>91,389</u>

The Academy employed 53 full-time equivalent employees (FTE) as at 30 June 2021 (2020: 68 FTE)

**Note 11: Contract liabilities**

	2021 \$	2020 \$
Unearned revenue - grants	755,912	1,363,911
Unearned revenue - Membership fees and others	384,878	474,789
Lease liability	30,359	-
<b>Total contract liabilities</b>	<u>1,171,149</u>	<u>1,838,700</u>

**Note 12: Gain on sale of publications**

	2021 \$	2020 \$
Publications revenue	131,735	360,705
Less: Cost of sales		
Inventories at beginning of year	(98,813)	(117,324)
Writing and publication costs	(9,769)	(8,853)
Inventory written off	40,333	-
	<u>(68,249)</u>	<u>(126,177)</u>
Add: Inventories at end of year	19,076	98,813
<b>Gain on sale of publications</b>	<u>82,562</u>	<u>333,341</u>



	Note	2021 \$	2020 \$
<b>Note 13: Movements in Academy funds</b>			
(a) Special purpose capital funds			
Balance at beginning of year		21,157,903	19,997,699
Transfer of capital funds		-	612,000
Profit for the year	17 (b)	2,390,541	548,204
<b>Balance at end of year</b>		<b><u>23,548,444</u></b>	<b><u>21,157,903</u></b>
(b) General funds			
Balance at beginning of year		23,276,182	26,765,888
Transfer of equity funds		6,418,782	(612,000)
Profit/(loss) for the year	17 (a)	7,021,285	(2,877,706)
<b>Balance at end of year</b>		<b><u>36,716,249</u></b>	<b><u>23,276,182</u></b>
(c) Grant funds			
Balance at beginning of year		2,131,205	-
Adjustment to opening equity balance under AASB 15 / 1058		-	2,156,321
Profit/(loss) for the year		(545,519)	(25,116)
<b>Balance at end of year</b>		<b><u>1,585,686</u></b>	<b><u>2,131,205</u></b>

**Note 14: Expenditure commitments**

There were no operating commitments for the year (2019: nil).

## 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 26% (2020: 44%) of the revenue comes from the State and Commonwealth Governments in the form of grants, fee for service, building hire income and therefore the credit risk is negligible. In addition, 43% (2020: 15%) of the revenue comes from investment activities where credit risk is not a factor.

### 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.

Liabilities include unexpended grants, \$2.3m in 2021 (2020: \$3.5m) and amounts held for other bodies, \$2.4m (2020: \$0.04m). 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 unexpended grants include the *Grant Funds* balance and the unexpended grants liability account. Amounts held for other bodies relate to funds temporarily held by the Academy on behalf of Watertrust Australia Ltd. As at 30 June, the balance was \$2.4m and is expected to be returned to Watertrust Australia Ltd. in September (refer to Note 9). These funds are held in cash. The Academy has no existing lines of credit although it does have access to an overdraft limit of \$100,000 with the Commonwealth Bank (2020: \$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 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	
		2021	2020
		\$	\$
Financial assets at fair value through profit and loss	3, 7	52,485,096	43,792,756
Receivables		413,091	1,909,886
Cash and cash equivalents	18 (a)	9,959,965	9,267,126
		<u>62,858,152</u>	<u>54,969,768</u>

The Academy's maximum exposure to credit risk at the reporting date was \$202,879 (2020: \$1,377,024) for trade receivables.

#### Impairment losses - financial instruments

The Academy did not record any impairment losses on financial instruments in 2021 (2020: nil).

\$97,267 of the Academy's receivables are past due (2020: \$105,611). The ageing of the Academy's trade receivables at the reporting date was:

	gross 2021	impairment 2021	gross 2020	impairment 2020
Not past due	315,824	-	1,804,275	-
Past due 0-30 days	16,631	-	-	-
Past due 31-120 days	80,636	-	105,611	-
	<u>413,091</u>	<u>-</u>	<u>1,909,886</u>	<u>-</u>

No impairment allowance was recognised in 2021 (2020: 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	3,582,291	-	3,582,291	-	-
	<u>3,582,291</u>	<u>-</u>	<u>3,582,291</u>	<u>-</u>	<u>-</u>

### Interest rate risk

#### Profile

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

	carrying amount	
	2021	2020
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	-	-
	<u>-</u>	<u>-</u>

### **Fair value sensitivity analysis for fixed rate instruments**

From 2018/19 to-date, the Australian Academy of Science has not invested in fixed rate instruments.

### **Sensitivity analysis - equity price risk**

The Academy's equity investments are invested in various equities and managed funds. A change of 1% in the market where the total investments operate translates into a movement of \$524,851 (2020: \$437,928) in the equity with the same impact on profit or loss. The analysis is performed on the same basis for 2020.

### **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 2020.

	<u>profit or loss</u>		<u>equity</u>	
	<u>100bp increase</u>	<u>100bp decrease</u>	<u>100bp increase</u>	<u>100bp decrease</u>
<b>30 June 2021</b>				
Variable rate instruments	133,347	(133,347)	-	-
Cash flow sensitivity	<u>133,347</u>	<u>(133,347)</u>	<u>-</u>	<u>-</u>
<b>30 June 2020</b>				
Variable rate instruments	110,057	(110,057)	-	-
Cash flow sensitivity	<u>110,057</u>	<u>(110,057)</u>	<u>-</u>	<u>-</u>

### **Fair values**

#### **Fair values versus carrying amounts**

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

	<u>2021</u>	<u>2020</u>
Financial assets at fair value through profit and loss	52,485,096	43,792,756
Investments at amortised cost	-	-
	<u>52,485,096</u>	<u>43,792,756</u>

#### **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).

	<u>Note</u>	<u>level 1</u>	<u>level 2</u>	<u>level 3</u>	<u>total</u>
Financial assets at fair value	3, 7	33,421,373	19,063,723	-	52,485,096
		<u>33,421,373</u>	<u>19,063,723</u>	<u>-</u>	<u>52,485,096</u>

**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 2021**

	Note	2021 \$	2020 \$
<b>Revenue</b>			
Publication revenue		131,735	360,705
Government grants - grant-in-aid		1,903,265	1,869,613
Investment income		1,200,569	1,604,766
Gain on valuation of equity		6,381,303	-
Profit on sale of investments		775,077	187,131
Rent and building hire		124,334	361,185
Fellowship revenue		415,882	280,589
Academy special projects		109,298	45,883
Video production revenue		151,976	114,292
Other income		3,737,300	813,114
Government subsidies		1,391,450	649,000
Unexpended funds recognised in income		-	228,578
<b>Total revenue</b>		<b>16,322,189</b>	<b>6,514,855</b>
<b>Expenditure</b>			
Publication cost of sales		49,173	27,364
Primary Connections – administration		65,549	294,479
Publication – administration		959,961	1,057,171
Executive expenses		468,449	624,746
Administration expenses		363,235	63,763
Information, communication and technology		518,740	566,600
International and national relations		575,403	698,459
International exchange operations		116,423	189,550
Building operations		593,867	726,529
Fellowship expense		300,659	390,957
Science at the Shine Dome		2,723	13,822
Library		-	2,585
Science policy		196,116	456,327
Diversity and inclusion		228,729	202,910
Depreciation	2(b)	624,717	764,400
Amortisation		4,433	17,079
Awards and lectures administration costs		5,452	52,237
Events		168,663	210,733
Venue hire		249,803	424,616
Fundraising		229,522	266,037
Video production		309,083	423,688
Loss on sale of investments		-	-
Loss on disposal of fixed asset		109,172	782
Brokerage and management fees		173,170	174,663
Impairment loss	8	-	131,378
Loss on valuation of equity		-	353,030
Interest transferred out		2,874,240	561,156
Academy special projects		113,622	95,663
Other Academy-funded activities		-	601,839
<b>Total expenditure</b>		<b>9,300,904</b>	<b>9,392,561</b>
<b>Operating profit/(loss) for the year</b>		<b>7,021,285</b>	<b>(2,877,706)</b>
<b>Total profit/(loss) for the year</b>		<b>7,021,285</b>	<b>(2,877,706)</b>

(b) Special purpose capital funds

**Income statement for special purpose capital funds  
for the year ended 30 June 2021**

	2021 \$	2020 \$
<b>Income</b>		
Donations and sponsorships	365,453	795,557
Investment income transferred in	2,874,240	561,156
<b>Total income</b>	<u>3,239,693</u>	<u>1,356,713</u>
<b>Expenditure</b>		
Projects, lectures, discussions, meetings, awards and administration fees	849,152	808,509
<b>Total expenditure</b>	<u>849,152</u>	<u>808,509</u>
<b>Total profit for the year</b>	<u><b>2,390,541</b></u>	<u><b>548,204</b></u>

(c) Grant funds

**Income statement for grant funds  
for the year ended 30 June 2021**

	2021 \$	2020 \$
<b>Grants received from government and other sources</b>		
Scientific exchanges – other income and grants	484,935	925,705
Education	1,292,072	2,361,963
Externally funded	968,329	2,345,658
<b>Total before transfer to Unexpended Grants</b>	<u>2,745,336</u>	<u>5,633,326</u>
Transfer to unexpended grants - projects		
<b>Total grant funds income</b>	<u>2,745,336</u>	<u>5,633,326</u>
<b>Expenditure</b>		
Scientific exchanges – other grants	736,814	1,262,037
Education	1,483,466	2,173,639
Externally funded	1,070,575	2,222,766
<b>Total funds expenditure</b>	<u>3,290,855</u>	<u>5,658,442</u>
<b>Total profit/(loss) for the year</b>	<u><b>(545,519)</b></u>	<u><b>(25,116)</b></u>

	2021 \$	2020 \$
<b>Note 18: Statement of cash flows</b>		
<b>(a) Reconciliation of the cash</b>		
Cash balance comprises:		
Bank balances and cash on hand	583,989	1,369,730
Call deposits	9,375,976	7,897,396
<b>Cash on hand and at bank</b>	<b><u>9,959,965</u></b>	<b><u>9,267,126</u></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	7,021,285	(2,877,706)
Operating profit/(loss) – grant funds	(545,519)	(25,116)
Operating profit – special purpose capital funds	2,390,541	548,204
<b>Total operating profit</b>	<b><u>8,866,307</u></b>	<b><u>(2,354,618)</u></b>
Depreciation and amortisation	629,150	781,479
Investment income reinvested	(23,174)	(26,809)
Gain on valuation of equity	(6,381,303)	353,030
(Increase)/Impairment loss on valuation of fixed assets	-	131,378
(Gain)/loss on sale of investments	(775,077)	(187,131)
(Gain)/loss on disposal of furniture, fittings and equipment	109,172	782
Adjustment to opening equity balance under AASB 15 and 1058	-	2,156,321
Investment income classified as a financing activity	(1,500,045)	(1,827,513)
<b>Changes in assets and liabilities</b>		
Trade debtors	1,174,145	(846,643)
Other debtors and prepayments	273,924	204,923
Inventory	79,737	18,511
Trade and other creditors	91,246	(215,005)
Employee entitlements	4,657	67,692
Goods and services tax payable	(168,250)	81,310
Contract liabilities	(667,551)	(1,423,987)
Amounts held for other bodies	2,312,447	43,897
<b>Net cash flows from operating activities</b>	<b><u>4,025,385</u></b>	<b><u>(3,042,383)</u></b>

**(c) Bank overdraft facility**

The Academy has a bank overdraft facility available to the extent of \$100,000 (2020: \$100,000)

**Note 19: Government grants**

The Academy received a grant in aid from the Department of Education totalling \$1,903,265 (\$1,869,613 in 2019/2020). Of this grant \$624,219 (2020: \$719,693) was expended on international relations activities and the balance of \$1,279,046 (2020: \$1,149,920) was used to partially cover administration expenditure of \$1,797,677 (2020: \$2,301,618).

**Note 20: Personnel expenses**

Wages and salaries	5,735,424	7,071,482
Other associated personnel expenses	3,918	9,614
Contributions to defined contribution superannuation funds	727,860	954,038
Increase (decrease ) in liability for annual leave	(30,361)	(54,919)
Increase (decrease) in liability for long-service leave	35,018	122,611
Termination benefit	35,561	36,117
	<b><u>6,507,420</u></b>	<b><u>8,138,943</u></b>

	2021	2020
	\$	\$
<b>Note 21: Auditor's remuneration</b>		
Audit of financial statements	31,900	30,141
Other regulatory audit services	3,000	3,720
	<u>34,900</u>	<u>33,861</u>

**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  
 Professor M Barber (to May 2021)  
 Professor I Marusic  
 Professor H Bachor  
 Professor L Beazley  
 Professor M Anderson  
 Professor B Graham (from May 2021)  
 Professor I Chubb  
 Professor S O'Reilly  
 Professor L Ryan  
 Professor E Sadler  
 Professor C Vinuesa (to May 2021)  
 Professor B Williamson  
 Professor M Sambridge  
 Professor D Day (to May 2021)  
 Dr J Kirkegaard (from May 2021)  
 Professor H Marsh  
 Professor P Mulvaney (from May 2021)  
 Professor C Raston (from May 2021)  
 Professor V Sahajwalla (from May 2021)  
 Professor J Sprent (from May 2021)  
 Professor W Hoy (to May 2021)  
 Professor H Rubinsztein-Dunlop (to May 2021)  
 Professor F Separovic (to May 2021)

*Executives*

Anna-Maria Arabia

*Key Management Personnel*

Melissa Abberton (from April 2021)  
 Christopher Anderson  
 Nancy Pritchard  
 Paul Richards  
 Claudette Bateup

*Executive and Key Management Personnel Compensation*

	2021	2020
	\$	\$
Short-term employee benefits	888,448	1,138,184
Other long-term benefits	-	-
Superannuation	128,381	164,376
Termination benefits	-	-
	<u>1,016,829</u>	<u>1,302,560</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 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 Limited or "ACOLA" ACN 625 939 540, a company limited by guarantee. The Chief Executive of the Academy is entitled to be a Director of ACOLA and together with the other Chief Executives of the other three Learned Academies, form part of the ACOLA Board.

ACOLA does not receive any funding from the Academy. Any management decisions made by the ACOLA Board is independent of the Academy. The Academy does not receive any dividends or earnings from the operations of ACOLA and will not receive anything on wind-up. As a member, the Academy's liability is limited to \$20. 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.

**Note 25: Government subsidies**

The Academy met the requirements to receive government subsidies as follows:

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
ATO Cash boost program	-	100,000
JobKeeper payment scheme	1,391,450	549,000
Total	<u>1,391,450</u>	<u>649,000</u>

The subsidies were made available by the government to assist businesses that were adversely affected by the pandemic.

