



Australian Academy of Science Financial report



For the year ended 30 June 2019



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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 2019, 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 2019, 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. This description forms part of our auditor's report.

A handwritten signature in black ink, appearing to read 'RSM'.

RSM Australia Pty Ltd

A handwritten signature in black ink, appearing to read 'Rodney Miller'.

Rodney Miller
Director

Canberra, Australian Capital Territory
Dated: 10 October 2019

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 2019, 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 appears to be 'Rodney Miller'.

RODNEY MILLER
Director

Canberra, Australian Capital Territory
Date: 10 October 2019

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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, 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 2019;

(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 2019; 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 2019

Australian Academy of Science

Balance sheet as at 30 June 2019

	Note	2019 \$	2018 \$
Current assets			
Cash and cash equivalents	18	6,147,886	5,057,882
Investments	3	13,003,119	12,951,338
Receivables	4	530,381	167,178
Interest receivable		732,418	1,029,876
Other receivables and prepayments	5	100,766	418,990
Inventories	6	117,324	120,866
Total current assets		20,631,894	19,746,130
Non-current assets			
Investments	7	35,645,997	37,765,857
Land and buildings	8	928,565	1,195,488
Furniture and fittings and equipment	8	1,063,845	1,140,435
Total non-current assets		37,638,407	40,101,780
Total assets		58,270,301	59,847,910
Current liabilities			
Payables	9	1,021,409	630,264
Employee benefit provisions	10	730,420	792,298
Unexpended grants – projects	11	3,262,687	5,675,609
Total current liabilities		5,014,516	7,098,171
Non-current liabilities			
Employee benefit provisions	10	73,416	60,688
Total non-current liabilities		73,416	60,688
Total liabilities		5,087,932	7,158,859
Net assets		53,182,369	52,689,051
Academy funds			
Capital accumulation funds		6,418,782	6,418,782
Special purpose capital funds	13(a)	19,997,699	19,130,646
Investment reserve	13(c)	-	6,767,834
General funds	13(b)	26,765,888	20,371,789
Total Academy funds		53,182,369	52,689,051

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 2019

	Note	2019 \$	2018 \$
Revenue			
Revenue			
Publication revenue	12	458,897	522,919
Government grants - grant-in-aid	19	1,836,554	1,802,311
Rent and building hire		520,515	207,107
Fellowship revenue		546,165	483,534
Academy special projects		92,600	25,714
Video production revenue		416,063	265,714
Unexpended funds recognised in income		17,222	1,074
Grant income	17 (c)	8,029,935	9,601,588
Donations		301,264	2,124,209
Income			
Investment income	2(g)	2,554,717	2,786,371
Gain on valuation of equity		2,090,067	-
Profit on sale of investments		-	855,968
Other income		264,312	184,917
Total revenue		17,128,311	18,861,426
Expenditure			
Publication cost of sales		54,742	60,746
Primary Connections - administration		311,916	559,457
Publication – administration		952,447	802,941
Executive		826,474	-
Administration expenses	19	69,989	689,124
Information, communication and technology		459,454	-
Building operations		538,995	499,649
Fellowship expenses		307,328	514,289
Science at the Shine Dome		252,348	-
International and national relations		677,687	666,003
International exchange operations		127,106	164,066
Grant expenses	17 (c)	8,029,935	9,601,588
Library		3,100	62,744
Science policy		371,326	520,246
Awards and lectures administration costs		71,716	55,387
Events		169,166	341,743
Venue hire		409,756	-
Fundraising		135,652	166,062
Video production		612,711	433,855
Academy special projects		92,412	250,282
Other Academy funded activities		10,425	39,720
Loss on sale of investments		535,163	-
Loss on disposal of fixed asset		3,224	18,387
Brokerage and management fees		158,666	125,870
Impairment loss	16	-	229,554
Depreciation and amortisation	2(b)	765,406	676,895
Projects, lectures, discussions, meetings, awards and administration fees		687,849	701,845
Total expenditure		16,634,993	17,180,453
Total profit (loss) for the year		493,318	1,680,973
Other comprehensive income			
Net change in fair value of financial assets		-	391,856
Total comprehensive income/(loss) for the year		493,318	2,072,829

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 2019

	capital accumulation funds \$	special purpose funds \$	investment reserve \$	general funds \$	total \$
At 1 July 2017	6,418,782	16,577,634	6,375,978	21,243,828	50,616,222
<i>Profit/(loss) for the year</i>		2,553,012		(872,039)	1,680,973
<i>Transfers</i>					-
<i>Unrealised profit/(loss)</i>			391,856		391,856
At 30 June 2018	6,418,782	19,130,646	6,767,834	20,371,789	52,689,051
<i>Profit/(loss) for the year</i>	-	867,053	-	(373,735)	493,318
<i>Transfers</i>		-	(6,767,834)	6,767,834	-
<i>Unrealised profit/(loss)</i>			-		-
At 30 June 2019	6,418,782	19,997,699	-	26,765,888	53,182,369
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 2019

	Note	2019 \$	2018 \$
Cash flows from operating activities			
Income from grants & donations		5,918,278	9,766,676
Other receipts		4,649,278	3,443,624
Expenditure on grants & donations		(8,029,936)	(9,601,588)
Expenditure on customers		(7,108,584)	(6,358,458)
Goods and services tax net amount received		(389,073)	(437,563)
Net cash flows used in operating activities	18 (b)	<u>(4,960,037)</u>	<u>(3,187,309)</u>
Cash flows from investing activities			
Investment income received		2,830,154	2,692,012
Proceeds from sale of property, plant and equipment		-	-
Proceeds from sale of investments		49,781,278	26,452,483
Acquisition of property, plant and equipment		(425,117)	(502,355)
Acquisition of investments		(46,136,274)	(23,821,345)
Net cash flows from investing activities		<u>6,050,041</u>	<u>4,820,795</u>
Net increase/(decrease) in cash held		<u>1,090,004</u>	<u>1,633,486</u>
Add: Cash at beginning of financial year		<u>5,057,882</u>	<u>3,424,396</u>
Cash at end of financial year	18 (a)	<u><u>6,147,886</u></u>	<u><u>5,057,882</u></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 2019

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, 2.5-7 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.

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
* 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 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.

Investment reserve

This reserve fund comprises the unrealised profit or loss on the market value of the investments relative to their recognised cost. This was transferred to general funds on the adoption of AASB 9.

(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 or amended Accounting Standards and Interpretations adopted

The Australian Academy of Science 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.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the organisation.

The following Accounting Standards and Interpretations are most relevant to the organisation:

AASB 9 Financial Instruments

The organisation has adopted AASB 9 from 1 July 2018. The standard introduced 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 that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are 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 or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, 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 use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using 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. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

Impact of adoption

AASB 9 was adopted using the modified retrospective approach and as such comparatives have not been restated. There was no impact on opening retained profits as at 1 July 2018.

	Note	2019 \$	2018 \$
Note 3: Investments (current)			
Term deposits, bank bills and other interest bearing deposits	16	-	9,083,570
Hybrids and bonds	16	13,003,119	3,867,768
		<u>13,003,119</u>	<u>12,951,338</u>
Note 4: Receivables			
Gross receivables		530,381	167,178
		<u>530,381</u>	<u>167,178</u>
Note 5: Other receivables and prepayments			
Other accounts receivable		481	300,862
Prepayments		100,285	118,128
		<u>100,766</u>	<u>418,990</u>
Note 6: Inventories			
Publication stock at cost		136,824	140,366
Less: provision for obsolete stock		(19,500)	(19,500)
		<u>117,324</u>	<u>120,866</u>
Note 7: Investments (non-current)			
Shares in corporations listed on a prescribed stock exchange		32,818,290	34,705,114
Managed funds at 30 June unit price		2,827,707	3,060,743
		<u>35,645,997</u>	<u>37,765,857</u>

Note 8: Property, plant and equipment

	land and buildings	furniture, fittings and equipment	total
Cost or deemed cost			
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	<u>6,871,354</u>	<u>2,583,870</u>	<u>9,455,224</u>
Balance at 1 July 2018	6,871,354	2,583,870	9,455,224
Additions	85,950	339,167	425,117
Disposals	-	(5,577)	(5,577)
Balance at 30 June 2019	<u>6,957,304</u>	<u>2,917,460</u>	<u>9,874,764</u>
Depreciation and impairment losses			
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	<u>5,675,866</u>	<u>1,443,435</u>	<u>7,119,301</u>
Balance at 1 July 2018	5,675,866	1,443,435	7,119,301
Depreciation for the year	352,873	412,533	765,406
Disposals	-	(2,353)	(2,353)
Balance at 30 June 2019	<u>6,028,739</u>	<u>1,853,615</u>	<u>7,882,354</u>
Carrying amounts			
At 1 July 2017	<u>1,500,690</u>	<u>1,063,607</u>	<u>2,564,297</u>
At 30 June 2018	<u>1,195,488</u>	<u>1,140,435</u>	<u>2,335,923</u>
At 1 July 2018	<u>1,195,488</u>	<u>1,140,435</u>	<u>2,335,923</u>
At 30 June 2019	<u>928,565</u>	<u>1,063,845</u>	<u>1,992,410</u>

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)

	2019 \$	2018 \$
Note 9: Payables		
Trade creditors	450,291	17,866
Other creditors	468,822	482,225
Goods and services tax	102,296	130,173
	<u>1,021,409</u>	<u>630,264</u>

Note 10: Employee benefits provisions

Annual leave	423,221	464,433
Long service leave (current)	307,199	327,865
	<u>730,420</u>	<u>792,298</u>
Long service leave (non-current)	73,416	60,688
	<u>73,416</u>	<u>60,688</u>

The Academy employed 68 full-time equivalent employees (FTE) as at 30 June 2019 (2018: 65 FTE)

Note 11: Unexpended grants – projects

	2018 \$	funds received \$	funds expenditure \$	transfers \$	2019 \$
Other international projects	2,562,369	1,003,548	1,808,126	-	1,757,791
Scientific exchanges	-	-	-	-	-
IGBP and WCRP	-	-	-	-	-
Academy Projects	-	-	-	-	-
Education	1,728,968	1,110,536	2,462,449	-	377,055
Externally funded projects	1,222,889	3,144,208	3,384,066	43,948	1,026,979
Other International Relation	6,108	-	-	-	6,108
Others	155,275	358,721	375,294	(43,948)	94,754
Totals	<u>5,675,609</u>	<u>5,617,013</u>	<u>8,029,935</u>	<u>-</u>	<u>3,262,687</u>

Note 12: Gain on sale of publications

	2019 \$	2018 \$
Publications revenue	458,897	522,919
Less: Cost of sales		
Inventories at beginning of year	(120,866)	(126,927)
Writing and publication costs	(51,200)	(54,685)
	<u>(172,066)</u>	<u>(181,612)</u>
Add: Inventories at end of year	117,324	120,866
Gain on sale of publications	<u>404,155</u>	<u>462,173</u>

	Note	2019 \$	2018 \$
Note 13: Movements in Academy funds			
(a) Special purpose capital funds			
Balance at beginning of year		19,130,646	16,577,634
Transfer of capital funds		-	-
Profit for the year	17 (b)	867,053	2,553,012
Balance at end of year		<u>19,997,699</u>	<u>19,130,646</u>
(b) General funds			
Balance at beginning of year		20,371,789	21,243,828
Transfer of investment reserve		6,767,834	-
Profit/(loss) for the year	17 (a)	(373,735)	(872,039)
Balance at end of year		<u>26,765,888</u>	<u>20,371,789</u>
(c) Unrealised profit or loss on available-for-sale investments has been shown as a reserve.			
Balance at beginning of year		6,767,834	6,375,978
Unrealised profit/(loss) for year		-	391,856
Transfer of investment reserve to general funds		(6,767,834)	-
Balance at end of year		<u>-</u>	<u>6,767,834</u>

Note 14: Expenditure commitments

There were no operating commitments for the year (2018: 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 35% (2018: 55%) of the revenue comes from the State and Commonwealth Governments in the form of grants and therefore the credit risk is negligible. In addition, 42% (2018: 19%) 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.

Apart from balances from unexpended grants, \$3.3m in 2019 (2018: \$5.7m), 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 (2018: \$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	
		2019	2018
		\$	\$
Financial assets at fair value through profit and loss	3, 7	48,649,116	41,633,625
Investments at amortised cost	3	-	9,083,570
Receivables	4,5	1,263,280	1,497,916
Cash and cash equivalents	18 (a)	6,147,886	7,141,452
		<u>56,060,282</u>	<u>59,356,563</u>

The Academy's maximum exposure to credit risk at the reporting date was \$530,381 (2018: \$167,178) for trade receivables and \$481 (2018: \$300,862) for other receivables, totalling \$530,862 (2018: \$468,040).

Impairment losses - financial instruments

	2019	2018
Domestic shares and listed securities	-	229,554
Total impairment losses	<u>-</u>	<u>229,554</u>

\$213,678 of the Academy's receivables are past due (2018: \$267,706). The ageing of the Academy's trade receivables at the reporting date was:

	gross		gross	
	2019	2019	2018	2018
Not past due	1,049,602	-	1,230,210	-
Past due 0-30 days	178,890	-	192,880	-
Past due 31-120 days	34,788	-	74,826	-
	<u>1,263,280</u>	<u>-</u>	<u>1,497,916</u>	<u>-</u>

No impairment allowance was recognised in 2019 (2018: 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	1,021,409	-	1,021,409	-	-
	<u>1,021,409</u>	<u>-</u>	<u>1,021,409</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	
	2019	2018
Fixed rate instruments		
Financial assets	-	9,083,570
Financial liabilities	-	-
	<u>-</u>	<u>9,083,570</u>

Fair value sensitivity analysis for fixed rate instruments

For 2018/19, the Australian Academy of Science no longer invested in fixed rate instruments (2018: \$9.1m with interest ranging from 2.50% to 2.70%).

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 \$486,491 (2018: \$416,336) in the equity with the same impact on profit or loss. The analysis is performed on the same basis for 2018.

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 2018.

	profit or loss		equity	
	100bp increase	100bp decrease	100bp increase	100bp decrease
30 June 2019				
Variable rate instruments	130,031	(130,031)	-	-
Cash flow sensitivity	<u>130,031</u>	<u>(130,031)</u>	<u>-</u>	<u>-</u>
30 June 2018				
Variable rate instruments	38,678	(38,678)	-	-
Cash flow sensitivity	<u>38,678</u>	<u>(38,678)</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:

	2019	2018
Financial assets at fair value through profit and loss	48,649,116	41,633,625
Investments at amortised cost	-	9,083,570
	<u>48,649,116</u>	<u>50,717,195</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).

	Note	level 1	level 2	level 3	total
Financial assets at fair value	3, 7	37,496,900	11,152,216	-	48,649,116
Investments at amortised cost	3	-	-	-	-
		<u>37,496,900</u>	<u>11,152,216</u>	<u>-</u>	<u>48,649,116</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 2019

	Note	2019 \$	2018 \$
Revenue			
Publication revenue		458,897	522,919
Government grants - grant-in-aid		1,836,554	1,802,311
Investment income		2,554,717	2,786,371
Gain on valuation of equity		2,090,067	-
Profit on sale of investments		-	855,968
Rent and building hire		520,515	207,107
Fellowship revenue		546,165	483,534
Academy special projects		92,600	25,714
Video production revenue		416,063	265,714
Other income		264,312	184,917
Unexpended funds recognised in income		17,222	1,074
Total revenue		8,797,112	7,135,629
Expenditure			
Publication cost of sales		54,742	60,746
Primary Connections – administration		311,916	559,457
Publication – administration		952,447	802,941
Executive expenses		826,474	-
Administration expenses		69,989	689,124
Information, communication and technology		459,454	-
International and national relations		677,687	666,003
International exchange operations		127,106	164,066
Building operations		538,995	499,649
Fellowship expense		307,328	514,289
Science at the Shine Dome		252,348	-
Library		3,100	62,744
Science policy		371,326	520,246
Depreciation	2(b)	723,657	592,090
Amortisation		41,749	84,805
Awards and lectures administration costs		71,716	55,387
Events		169,166	341,743
Venue hire		409,756	-
Fundraising		135,652	166,062
Video production		612,711	433,855
Loss on sale of investments		535,163	-
Loss on sale of fixed asset		3,224	18,387
Brokerage and management fees		158,666	125,870
Impairment loss	16	-	229,554
Interest transferred out		1,253,638	1,130,648
Academy special projects		92,412	250,282
Other Academy-funded activities		10,425	39,720
Total expenditure		9,170,847	8,007,668
Operating profit/(loss) for the year		(373,735)	(872,039)
Total profit/(loss) for the year		(373,735)	(872,039)

(b) Special purpose capital funds

**Income statement for special purpose capital funds
for the year ended 30 June 2019**

	Note	2019 \$	2018 \$
Income			
Donations and sponsorships		301,264	2,124,209
Investment income transferred in		1,253,638	1,130,648
Total income		<u>1,554,902</u>	<u>3,254,857</u>
Expenditure			
Projects, lectures, discussions, meetings, awards and administration fees		687,849	701,845
Total expenditure		<u>687,849</u>	<u>701,845</u>
Total profit for the year		<u><u>867,053</u></u>	<u><u>2,553,012</u></u>

(c) Grant funds

**Income statement for grant funds
for the year ended 30 June 2019**

	Note	2019 \$	2018 \$
Grants received from government and other sources			
Scientific exchanges – other income and grants		1,362,269	1,065,769
Education		1,110,536	3,116,549
Externally funded		3,144,208	3,460,149
Total before transfer to Unexpended Grants		<u>5,617,013</u>	<u>7,642,467</u>
Transfer to unexpended grants - projects		2,412,922	1,959,121
Total grant funds income	11	<u>8,029,935</u>	<u>9,601,588</u>
Expenditure			
Scientific exchanges – other grants		2,183,420	1,392,208
Education		2,462,449	4,525,991
Externally funded		3,384,066	3,683,389
Total funds expenditure	11	<u>8,029,935</u>	<u>9,601,588</u>
Total profit/(loss) for the year		<u><u>-</u></u>	<u><u>-</u></u>

	2019	2018
	\$	\$
Note 18: Statement of cash flows		
(a) Reconciliation of the cash		
Cash balance comprises:		
Bank balances	1,051,732	2,342,445
Call deposits	5,096,154	2,715,437
Cash on hand and at bank	<u>6,147,886</u>	<u>5,057,882</u>

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	(373,735)	(872,039)
Operating profit – special purpose capital funds	867,053	2,553,012
Total operating profit	<u>493,318</u>	<u>1,680,973</u>
Depreciation and amortisation	765,406	676,895
Investment income reinvested	(22,021)	(17,381)
Gain on valuation of equity	(2,090,067)	-
Impairment loss	-	229,554
(Gain)/loss on sale of investments	535,163	(855,968)
(Gain)/loss on disposal of furniture, fittings and equipment	3,224	53,834
Investment income classified as a financing activity	(2,830,154)	(2,692,012)
Changes in assets and liabilities		
Trade debtors	(363,203)	(150,834)
Other debtors and prepayments	615,682	(265,259)
Inventory	3,542	6,061
Trade and other creditors	419,022	17,941
Employee entitlements	(49,150)	20,051
Goods and services tax payable	(27,877)	67,958
Unexpended grants	(2,412,922)	(1,959,122)
Amounts held for other bodies	-	-
Net cash flows from operating activities	<u>(4,960,037)</u>	<u>(3,187,309)</u>

(c) Bank overdraft facility

The Academy has a bank overdraft facility available to the extent of \$100,000 (2018: \$100,000)

Note 19: Government grants

The Academy received a grant in aid from the Department of Education totalling \$1,836,554 (\$1,802,311 in 2017/2018). Of this grant \$677,687 (2018: \$666,003) was expended on international relations activities and the balance of \$1,158,867 (2018: \$1,136,308) was used to partially cover administration expenditure of \$2,413,378 (2018: \$1,976,911).

Note 20: Personnel expenses

Wages and salaries	7,019,148	7,232,840
Other associated personnel expenses	10,742	124,687
Contributions to defined contribution superannuation funds	975,260	1,028,476
Increase (decrease) in liability for annual leave	(41,212)	99,601
Increase (decrease) in liability for long-service leave	(7,938)	(79,550)
Termination benefit	152,293	28,403
	<u>8,108,293</u>	<u>8,434,457</u>

	2019	2018
	\$	\$
Note 21: Auditor's remuneration		
Audit of financial statements	33,293	31,400
Other regulatory audit services	4,664	3,090
	<u>37,957</u>	<u>34,490</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
 Dr T J Higgins (to May 2019)
 Professor I Marusic (from May 2019)
 Professor H Bachor
 Professor B Williamson (from May 2019)
 Professor M Anderson
 Professor J S Williams
 Professor I Chubb
 Professor S O'Reilly
 Dr S Rintoul (to May 2019)
 Professor E Sadler
 Professor S Sloan (to May 2019)
 Professor C Vinuesa (from May 2019)
 Professor S Berkovic (to May 2019)
 Professor M Sambridge (from May 2019)
 Professor D Day
 Professor M Coltheart
 Professor H Marsh
 Professor W Hoy
 Professor H Rubinsztein-Dunlop
 Professor F Separovic

Executives

Anna-Maria Arabia

Key Management Personnel

David Perceval
 Christopher Hatherly
 Melanie Bagg
 Cheryl Peers
 Nancy Pritchard
 Wafa El-Adhami
 Stephen Thornton (to March 2019)
 Claudette Bateup

Executive and Key Management Personnel Compensation

	2019	2018
	\$	\$
Short-term employee benefits	1,321,850	1,585,376
Other long-term benefits	13,500	21,778
Superannuation	195,529	251,554
Termination benefits	15,952	69,831
	<u>1,546,831</u>	<u>1,928,539</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.

