

**DOCUMENT RESUME**

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[Examination of Financial Statements of Gorgas Memorial Institute of Tropical and Preventive Medicine, Inc.]. ID-78-38; B-114867. May 11, 1978. 2 pp. + 4 enclosures (8 pp.).

Report to Board of Directors, Gorgas Memorial Inst. of Tropical and Preventive Medicine, Inc.; by Elmer B. Staats, Comptroller General.

Issue Area: Accounting and Financial Reporting (2800).  
Contact: International Div.  
Budget Function: Health: Prevention and Control of Health Problems (553).  
Authority: 22 U.S.C. 278a.

The financial statements of the Gorgas Memorial Institute of Tropical and Preventive Medicine, Inc., for the fiscal year ended September 30, 1977, and the transitional quarter ended September 30, 1976, were examined. The institute is a private nonprofit organization which was incorporated in Delaware, registered in the Republic of Panama, and has its headquarters in Washington, D.C. It is governed by a 47-member Board of Directors which includes officials of the United States and Panama Governments, representatives of national and international agencies, and leading United States and Latin American scientists and professionals. The Gorgas Memorial Laboratory, the biomedical research facility, is operated by the Institute and is funded by the U.S. Congress and the Panamanian National Assembly. Findings/Conclusions: The examination of the Institute's statement of assets, liabilities, and fund balances as of September 30, 1977, and September 30, 1976, and the related statements of contributions, income, expenditures, transfers of operating funds, and changes in fund balances were made in accordance with generally accepted accounting procedures and included such tests of accounting records and other auditing procedures as were considered necessary. The statements present fairly the assets and liabilities of the Gorgas Memorial Institute at September 30, 1977, and September 30, 1976, and the contributions, income, expenditures, transfers of operating funds, and changes in fund balances in conformity with generally accepted accounting principles for nonprofit organizations applied on a consistent basis. The Panama Canal Treaty surrendering American control over the Panama Canal and the Canal Zone to Panama by the year 2000 will apparently have no impact on the laboratory's facilities. (RRS)

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COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

B-114867

May 11, 1978

To the Board of Directors  
Gorgas Memorial Institute of Tropical  
and Preventive Medicine, Incorporated

Pursuant to the act of May 7, 1928 (22 U.S.C. 278a), we have examined the financial statements of the Gorgas Memorial Institute of Tropical and Preventive Medicine, Incorporated, for the fiscal year ended September 30, 1977, and the transitional quarter ended September 30, 1976.

The Institute, a private nonprofit organization, was incorporated in Delaware and registered in the Republic of Panama in 1921, and has its headquarters in Washington, D.C. The Institute is governed by a 47-member Board of Directors, which includes officials of the United States and Panama Governments, representatives of national and international agencies, and leading U.S. and Latin American scientists and professionals. Institute officers and Board members serve without compensation. The Gorgas Memorial Laboratory, the biomedical research facility, has been operated since 1929 by the Gorgas Memorial Institute and is funded by the two governments and by other independent agencies. The Laboratory was established by the U.S. Congress, which authorized an annual contribution for its maintenance and operation, and the Panamanian National Assembly, which ceded the land and building in Panama City in perpetuity, provided they were used for a research facility. In addition, the Laboratory conducts research in the Canal Zone at Building 265, Ancon, the Juan Mina Plantation, and Abogado and Aojeta Islands in Gatun Lake.

GAO conducts biennial audits of the Institute's financial records and reports and an independent public accounting firm conducts audits for the alternate years.

IMPACT OF PANAMA CANAL TREATY ON  
OPERATIONS OF GORGAS MEMORIAL  
LABORATORY

In 1977, the United States and Panama signed a treaty surrendering American control over the Panama Canal and its surrounding Zone to the Republic of Panama by the year 2000.

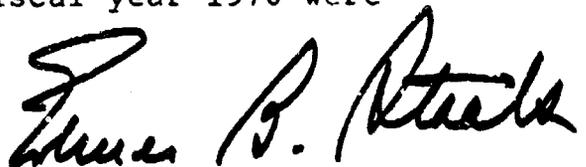
Under an agreement implementing this treaty, the Laboratory will continue to have exclusive use, without charge, of Building 265, Juan Mina Plantation, and Abogado and Aojeta Islands for a period of 5 years, renewable at the Institute's request. The treaty will have no impact on the Laboratory's Panama City Facilities since the Laboratory was established by and operates under Panamanian law.

OPINION ON FINANCIAL STATEMENTS

We have examined the Institute's statement of assets, liabilities, and fund balances as of September 30, 1977, and September 30, 1976, and the related statements of contributions, income, expenditures and transfers of operating funds, and changes in fund balances for the fiscal year ending September 30, 1977, and the transitional quarter ending September 30, 1976. We made our examination in accordance with generally accepted auditing standards and included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statements (schedules 1 through 4) present fairly the assets and liabilities of the Gorgas Memorial Institute of Tropical and Preventive Medicine, Incorporated, at September 30, 1977, and September 30, 1976, and the contributions, income, expenditures, transfers of operating funds, and changes in fund balances for the year ending September 30, 1977, and the 3-month transitional period ending September 30, 1976, in conformity with generally accepted accounting principles for nonprofit organizations applied on a consistent basis with that of the preceding year.

The financial statements for fiscal year 1976 were audited by Touche Ross & Co.



Comptroller General  
of the United States

**GORGAS MEMORIAL INSTITUTE OF**  
**TROPICAL AND PREVENTIVE MEDICINE, INCORPORATED**  
**COMPARATIVE STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES**  
**SEPTEMBER 30, 1977 AND 1976 AND JUNE 30, 1976**

## A S S E T S

	<u>9/30/77</u>	<u>9/30/76</u>	<u>6/30/76</u>
<b>OPERATING FUND:</b>			
Cash in banks and on hand	\$ 196,316	\$ 145,804	\$ 145,160
Cash in savings	381,016	77,489	200,522
U.S. Treasury bills, at cost which approximates net value	-o-	249,359	249,359
Accrued receivables	76,600	215,529	148,285
Material and supplies at average cost	119,772	114,357	113,123
Prepaid expenses	11,613	12,339	9,910
Deferred retirement benefits (Note A)	-o-	3,619	3,619
<b>Total Operating Fund Assets</b>	<u>785,317</u>	<u>818,496</u>	<u>869,978</u>
<b>ENDOWMENT FUND:</b>			
Savings account	24,216	12,314	8,877
Investments at cost (Sch. 4)	144,398	120,956	120,956
Interest receivable	245	7,712	4,119
Due from operating fund	6,016	2,489	3,541
<b>Total Endowment Fund Assets</b>	<u>174,875</u>	<u>143,471</u>	<u>137,493</u>
<b>PLANT FUND: (Note A)</b>			
Land and building donated by the Republic of Panama, at appraised value at date donated (Note B)	126,750	126,750	126,750
Other buildings and building im- provements, at cost	709,162	706,506	668,959
Laboratory and other equipment, at cost (Note A)	948,095	883,641	878,359
<b>Total Plant Fund Assets</b>	<u>1,784,007</u>	<u>1,716,897</u>	<u>1,674,068</u>
<b>TOTAL ASSETS</b>	<u>\$2,744,199</u>	<u>\$2,678,864</u>	<u>\$2,681,539</u>

The notes on pages 8 through 10 are an integral part of this schedule.

GORGAS MEMORIAL INSTITUTE OF  
TROPICAL AND PREVENTIVE MEDICINE, INCORPORATED  
COMPARATIVE STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
SEPTEMBER 30, 1977 AND 1976 AND JUNE 30, 1976

L I A B I L I T I E S   A N D   F U N D   B A L A N C E S

	<u>9/30/77</u>	<u>9/30/76</u>	<u>6/30/76</u>
<b>LIABILITIES, OPERATING FUND:</b>			
Accounts payable	\$ 94,398	\$ 94,000	\$ 64,926
Accrued vacation pay	68,347	66,223	60,525
Accrued retirement pay (Note A)	52,626	50,290	52,447
Unearned grant/contract revenue	21,703	7,161	20,348
Due to Endowment Fund	<u>6,016</u>	<u>2,489</u>	<u>3,541</u>
Total Liabilities, Operating Fund	<u>243,090</u>	<u>220,163</u>	<u>201,787</u>
<b>LIABILITIES, ENDOWMENT FUND:</b>			
Accounts payable	<u>-0-</u>	<u>-0-</u>	<u>900</u>
Total Liabilities, Endowment Fund	<u>-0-</u>	<u>-0-</u>	<u>900</u>
<b>FUND BALANCES:</b>			
Operating Fund			
Appropriated (Note E)	250,000	250,000	250,000
Unappropriated	<u>292,227</u>	<u>348,333</u>	<u>418,191</u>
Total Operating Fund	542,227	598,333	668,191
Endowment Fund	174,875	143,471	136,593
Plant Fund			
Donated by the Republic of Panama	126,750	126,750	126,750
Other (See Plant Fund Assets)	<u>1,657,257</u>	<u>1,590,147</u>	<u>1,547,318</u>
Total Plant Fund	1,784,007	1,716,897	1,674,068
Total Fund Balances	<u>2,501,109</u>	<u>2,458,701</u>	<u>2,478,852</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$2,744,199</u>	<u>\$2,678,864</u>	<u>\$2,681,539</u>

The notes on pages 8 through 10 are an integral part of this schedule.

GORGAS MEMORIAL INSTITUTE OF  
TROPICAL AND PREVENTIVE MEDICINE, INCORPORATED  
COMPARATIVE STATEMENT OF CONTRIBUTIONS, INCOME,  
EXPENDITURES, AND TRANSFERS OF OPERATING FUNDS

FISCAL YEARS ENDED SEPTEMBER 30, 1977 AND JUNE 30, 1976  
AND THE TRANSITION QUARTER ENDED SEPTEMBER 30, 1976

	<u>1977</u>	<u>Transition Quarter</u>	<u>1976</u>
<b><u>CONTRIBUTIONS AND INCOME</u></b>			
Contribution by the United States (Note C)	\$1,400,000	\$250,000	\$1,360,000
Research grants and contracts	400,764	139,086	485,455
Other	1,334	-	3,389
Total Contributions and Income	<u>\$1,802,098</u>	<u>\$389,086</u>	<u>\$1,845,054</u>
<b><u>OPERATING EXPENDITURES</u></b>			
Gorgas Memorial Laboratory - Panama and Canal Zone:			
Personnel costs (Note D)	1,087,888	260,229	934,998
Employee travel	55,336	1,172	9,930
Consultant fees and travel	53,463	24,686	22,905
Supplies	161,845	37,314	89,412
Library journals and books	13,016	4,339	11,109
Fieldwork	42,749	13,855	37,133
Publishing costs	5,418	1,819	2,956
Maintenance of plant and equipment	258,213	55,889	232,134
Total-Gorgas Memorial Laboratory	<u>1,688,428</u>	<u>399,303</u>	<u>1,340,577</u>
Gorgas Memorial Institute - Washington, D. C.:			
Personnel costs (Note D)	57,397	7,887	61,911
Rent	12,840	3,139	12,064
Consultant fees and travel	10,878	2,683	1,859
Miscellaneous	14,215	1,893	7,308
Total-Gorgas Memorial Institute	<u>95,330</u>	<u>15,602</u>	<u>83,142</u>
<b>TOTAL OPERATING EXPENDITURES</b>	<u>\$1,783,758</u>	<u>\$414,905</u>	<u>\$1,423,719</u>
<b>EXCESS OF CONTRIBUTIONS AND INCOME OVER (UNDER) OPERATING EXPENDITURES</b>	\$ 18,340	\$(25,819)	\$ 425,335
<b>CAPITAL EXPENDITURES TRANSFERRED TO PLANT FUND</b>	<u>(74,446)</u>	<u>(42,829)</u>	<u>(10,004)</u>
<b>EXCESS OF CONTRIBUTIONS AND INCOME OVER (UNDER) OPERATING AND CAPITAL EXPENDITURES</b>	<u>\$ (56,106)</u>	<u>\$(68,648)</u>	<u>\$ 415,331</u>

The notes on pages 8 through 10 are an integral part of this schedule.



GORGAS MEMORIAL INSTITUTE OF  
TROPICAL AND PREVENTIVE MEDICINE, INCORPORATED

ENDOWMENT FUND INVESTMENTS

SEPTEMBER 30, 1977

<u>Security</u>	<u>Number of Shares</u>	<u>Cost</u>	<u>Market value</u>
Adams Express Company	1,405	\$ 17,978	\$ 16,860
Fundamental Investors, Inc.	378	2,455	2,465
The Lehman Corporation	1,696	23,204	17,172
Loomis-Sayles Capital Development Fund	987	12,369	10,363
Loomis-Sayles Mutual Fund	357	4,698	4,577
Madison Fund, Inc.	412	9,603	5,098
Massachusetts Investors Growth Stock Fund	747	3,965	6,282
Massachusetts Investors Trust	889	8,722	8,570
T. Rowe Price Growth Stock Fund, Inc.	782	10,861	8,031
State Street Investment Corporation	550	25,509	22,759
Vance, Sanders Investors Fund, Inc.	731	5,034	5,183
<b>TOTAL STOCKS OF INVESTMENT TRUST</b>	<b>8,934</b>	<b>\$124,398</b>	<b>\$107,360</b>
Certificate of Deposit		<u>20,000</u>	
<b>TOTAL INVESTMENTS AT COST</b>		<b><u>\$144,398</u></b>	

SEPTEMBER 30, 1976

<u>Security</u>	<u>Number of Shares</u>	<u>Cost</u>	<u>Market value</u>
Adams Express Company	1,334	\$ 17,144	\$ 15,341
Fundamental Investors, Inc.	367	2,455	2,702
The Lehman Corporation	1,553	21,614	18,248
Loomis-Sayles Capital Development Fund	987	12,369	10,531
Loomis-Sayles Mutual Fund	357	4,698	4,859
Madison Fund, Inc.	404	9,504	4,747
Massachusetts Investors Growth Stock Fund	726	3,779	7,013
Massachusetts Investors Trust	872	8,533	9,784
T. Rowe Price Growth Stock Fund, Inc.	782	10,861	8,907
State Street Investment Corporation	540	25,059	23,155
Vance, Sanders Investors Fund, Inc.	718	4,940	5,220
<b>TOTAL STOCKS OF INVESTMENT TRUST</b>	<b>8,640</b>	<b><u>\$120,956</u></b>	<b><u>\$110,507</u></b>

The notes on pages 8 through 10 are an integral part of this schedule.

GORGAS MEMORIAL INSTITUTE OF  
TROPICAL AND PREVENTIVE MEDICINE INCORPORATED  
NOTES TO FINANCIAL STATEMENTS  
FISCAL YEAR ENDED SEPTEMBER 30, 1977  
3-MONTH TRANSITIONAL PERIOD ENDED SEPTEMBER 30, 1976  
AND FISCAL YEAR ENDED JUNE 30, 1976

A. Accounting Policies

1. Basis of Accounting - The Institute maintains its accounts on the accrual method and fund accounting basis using three funds. Current assets, liabilities and operating accounts are maintained in an operating fund, investments in an endowment fund and fixed assets in a plant fund.

Revenues under cost reimbursement contracts and grants are recorded as costs are incurred. The Institute includes in revenues the differences between contractual provisional overhead billing rates and allowable rates as defined in the contracts. Accounts receivable at September 30, 1977, and June 30, 1976, include approximately \$2,400 and \$3,500 respectively, representing the excess of the allowable rate over provisional billing rates. No overhead adjustments were made for the transitional quarter.

2. Plant Fund Assets - It is the Institute's policy to charge the operating fund for the cost of assets acquired and to subsequently record the acquisition in the plant fund.

Laboratory and other equipment purchased by the Institute are recorded at cost. Except as described below, donated equipment is recorded at appraised value at the date received. No donated equipment was received in fiscal year 1977 or during the transitional quarter, but equipment donated by the National Institutes of Health and the U.S. Army in fiscal year 1976 was recorded at its original cost of \$455,890 and \$83,892 respectively, as the best estimate of the value this property at the date the property was transferred.

Plant fund assets are written off after 20 years of service.

3. Depreciation - Although no depreciation is recorded on plant fund assets, a use allowance is included in the Institute's overhead pool as a means of recovering compensation for the contribution to direct research programs which are made by the indirect plant fund assets. The use allowance is 6-2/3 percent of the acquisition cost for furniture and equipment acquired since fiscal year 1975 and 2 percent of the acquisition cost for buildings and improvements in accordance with the provisions of the Federal Procurement Regulation. The increase in income resulting from the inclusion of this use allowance in the overhead pool amounted to \$2,218 in fiscal year 1977 and \$476 in the transition quarter.

4. Employment Termination and Severance Indemnity Benefits - The Institute recognizes a liability for compensation (seniority bonus) that is due under the Panamanian Labor Code to all employees over a specified age with 10 or more years of continuous service upon termination of employment. As of September 30, 1977, September 30, 1976, and June 30, 1976, the Institute estimated this liability net of deferred charges at \$52,626, \$50,290, and \$52,447, respectively. The portion of these benefits relating to service prior to fiscal year 1972 had been deferred and was charged ratably to operating expenditures over a 5-year period ending September 30, 1977. Seniority bonus benefits, including the deferred portion, totaling \$4,860 and \$20,597 were charged to operations in fiscal year 1977 and 1976, respectively. Seniority bonus benefits were not charged to operations during the transitional quarter.

Under a 1975 Panamanian law, employers are liable not only for the current estimated liability for earned seniority bonus benefits of eligible employees but also for the estimated cost for such benefits to employees not currently eligible (i.e., those under the age specified by the Panamanian Labor Code and with less than 10 years of continuous service). Over a 10-year period beginning February 15, 1978, the Institute has agreed to pay \$82,927 into a fund for the past service cost of all employees at the Gorgas Memorial Laboratory. This sum will be charged to operating expenditures as the employees become eligible for the seniority bonus benefits. The Panamanian Labor Code also provides that an indemnity shall be paid to all employees with service of 3 months or more if such employees are terminated without "justifiable cause"

(severance indemnity). Due to the inability to estimate the amount of this severance indemnity, the Institute has adopted the policy of recording a liability only when it is incurred. At September 30, 1977, the total contingent liability for severance indemnity benefits was approximately \$397,800.

B. Land and Building Donated  
by the Republic of Panama

The Institute's title to the land and building donated in 1930 (appraised value \$126,750) is contingent upon its continued use for biomedical research.

C. Appropriation from the  
U.S. Government

Section 278 of 22 U.S.C., as amended, authorizes an annual appropriation to be paid to the Institute to maintain and operate the Gorgas Memorial Laboratory. Under this appropriation, the Institute received \$1,400,000 and \$1,360,000 during the years ended September 30, 1977, and June 30, 1976, respectively. In addition, the Institute received \$250,000 during the 1976 transitional quarter.

D. Pension Plan

The Institute participates in a defined contribution pension plan. Coverage under the plan is limited to those employees not covered by Panamanian social security. Under the plan, the Institute makes contributions based upon a specified percentage of earnings of participating employees. There are no unfunded past service costs. The Institute's contributions under the plan were \$12,239 and \$11,232 for the years ended September 30, 1977, and June 30, 1976, respectively, and \$1,893 for the 1976 transitional quarter.

E. Appropriation of Operating Fund Balance

In 1976, the Executive Committee of the Institute authorized the appropriation of \$250,000 of the general fund balance for plant renovation of the Gorgas Memorial Laboratory and for employee termination costs as described in note A4. In 1977, the Executive Committee reauthorized the \$250,000, eliminating the portion allocated to renovation and assigning the entire amount to employee termination costs. These monies are to be invested to maximum advantage, as judged by the Institute Treasurer and financial advisors.