



094271

Examination Of
Financial Statements Of
Gorgas Memorial Institute
Of Tropical And Preventive
Medicine, Incorporated
Fiscal Year 1973

B-114867

*BY THE COMPTROLLER GENERAL
OF THE UNITED STATES*

~~710618~~

094271

JAN. 9, 1974



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

B-114867

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 examined the financial statements of the Gorgas Memorial Institute of Tropical and Preventive Medicine, Incorporated-- a private domestic nonstock corporation--for the fiscal year ended June 30, 1973.

Our examination included a review of the Institute's statement of assets, liabilities, and fund balances as of June 30, 1973, and the related statements of contributions and other income and expenditures and changes in fund balances for the year then ended. 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 (schs. 1 through 3) present fairly the assets and liabilities of the Gorgas Memorial Institute of Tropical and Preventive Medicine, Incorporated, at June 30, 1973, and the contributions and other income and expenditures and changes in fund balances for the year then ended, in conformity with generally accepted accounting principles for nonprofit organizations applied on a basis consistent with that of the preceding year.

The financial statements for fiscal year 1972 were audited by Price Waterhouse & Co.

A handwritten signature in cursive script, reading "James B. Stacks", is positioned above the title of the Comptroller General.

Comptroller General
of the United States

CONTENTS

	<u>Schedule</u>	<u>Page</u>
Financial statements	-	1
Comparative statement of assets, liabilities, and fund balances, June 30, 1973 and 1972	1	3
Comparative statement of con- tributions and other income, ex- penditures, and transfers of operating funds, fiscal years ended June 30, 1973 and 1972	2	5
Comparative statement of changes in fund balances, fiscal years ended June 30, 1973 and 1972	3	7
Endowment fund investments, June 30, 1973	4	8
Notes to financial statements	-	9

FINANCIAL STATEMENTS

GORGAS MEMORIAL INSTITUTE OF
TROPICAL AND PREVENTIVE MEDICINE, INCORPORATED

COMPARATIVE STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES

JUNE 30, 1973 AND 1972

A S S E T S

	<u>1973</u>	<u>1972</u>
OPERATING FUND:		
Cash in banks and on hand	\$ 295,643	\$ 159,893
U.S. Treasury bills, at cost which approximates market value	49,234	49,542
Accounts receivable	76,574	104,056
Materials and supplies, at average cost	31,458	42,478
Prepaid expenses	6,035	5,117
Deferred retirement benefits (Note B.3.)	<u>14,476</u>	<u>18,095</u>
Total Operating Fund Assets	<u>473,420</u>	<u>379,181</u>
ENDOWMENT FUND:		
Savings Account	3,925	2,273
Investments, at cost--market value at 6-30-73 = \$116,256 (sch. 4)	113,938	103,037
Dividends receivable	32	-
Due from operating fund	-	5,000
Loan to student	<u>-</u>	<u>526</u>
Total Endowment Fund Assets	<u>117,895</u>	<u>110,836</u>
PLANT FUND (Note B.2.):		
Land and building donated by Republic of Panama, at appraised value at date donated (Note C)	336,750	336,750
Other buildings and building improvements, at cost	668,629	664,532
Laboratory and other equipment, at cost (Note B.2.)	384,046	371,759
Library project costs (Note C)	<u>18,700</u>	<u>18,700</u>
Total Plant Fund Assets	<u>1,408,125</u>	<u>1,391,741</u>
TOTAL ASSETS	<u>\$1,999,440</u>	<u>\$1,881,758</u>

The notes on pages 9 through 11 are an integral part of this schedule.

LIABILITIES AND FUND BALANCES

	<u>1973</u>	<u>1972</u>
LIABILITIES, OPERATING FUND:		
Notes payable	\$ -	\$ 15,000
Accounts payable	47,873	36,566
Accrued vacation pay	68,030	70,453
Accrued retirement pay	29,680	20,570
Unearned grant/contract revenue	16,391	9,444
Due to endowment fund	-	5,000
	<u>161,974</u>	<u>157,033</u>
Total Liabilities		
	<u>161,974</u>	<u>157,033</u>
FUND BALANCES (sch. 3):		
Operating fund	311,446	222,148
Endowment fund	117,895	110,836
Plant fund:		
Donated by Republic of Panama	336,750	336,750
Other	<u>1,071,375</u>	<u>1,054,991</u>
	<u>1,837,466</u>	<u>1,724,725</u>
Total Fund Balances		
	<u>1,837,466</u>	<u>1,724,725</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$1,999,440</u>	<u>\$1,881,758</u>

GORGAS MEMORIAL INSTITUTE OF
TROPICAL AND PREVENTIVE MEDICINE, INCORPORATED

COMPARATIVE STATEMENT OF CONTRIBUTIONS AND OTHER INCOME,
EXPENDITURES, AND TRANSFERS OF OPERATING FUNDS

FISCAL YEARS ENDED JUNE 30, 1973 AND 1972

	<u>1973</u>	<u>1972</u>
CONTRIBUTIONS AND OTHER INCOME:		
Contributions--U.S. Government appropriations (Note D)	\$ 500,000	\$ 500,000
Research grants and contracts	1,418,714	709,397
Other income	<u>2,740</u>	<u>3,010</u>
Total contributions and other income	<u>\$1,921,454</u>	<u>\$1,212,407</u>
OPERATING EXPENDITURES:		
Gorgas Memorial Laboratory - Panama:		
Employee costs	\$ 854,115	\$ 788,019
Employee travel	15,806	7,961
Consultant fees and travel costs	11,980	4,552
Supplies	96,812	99,650
Library journal and books	11,141	6,922
Fieldwork	28,318	16,816
Publishing costs	2,432	2,295
Maintenance of plant and equipment	<u>96,813</u>	<u>88,731</u>
Total - Gorgas Memorial Laboratory	<u>1,117,417</u>	<u>1,014,946</u>
Gorgas Memorial Institute - Middle America Research Unit - Canal Zone (Note A):		
Employee costs	332,998	5,396
Employee travel	6,463	-
Supplies	97,907	7
Maintenance of plant and equipment	188,226	121
Equipment (Note B.2.)	<u>9,111</u>	<u>-</u>
Total - Middle America Research Unit	<u>634,705</u>	<u>5,524</u>
Gorgas Memorial Institute - Washington:		
Employee costs	39,982	26,634
Rent	4,794	4,899
Consultant fees and travel	7,696	9,084
Miscellaneous	<u>6,866</u>	<u>4,688</u>
Total - Gorgas Memorial Institute	<u>59,338</u>	<u>45,305</u>
TOTAL OPERATING EXPENDITURES	<u>\$1,811,460</u>	<u>\$1,065,775</u>
EXCESS OF CONTRIBUTIONS AND INCOME OVER OPERATING EXPENDITURES	\$ 109,994	\$ 146,632
AMOUNT TRANSFERRED TO PLANT FUND FOR EXPENDITURES OF FIXED ASSETS (Note B.2.)	<u>-20,696</u>	<u>-29,377</u>
EXCESS OF INCOME OVER OPERATING AND CAPITAL EXPENDITURES (sch. 3)	<u>\$ 89,298</u>	<u>\$ 117,255</u>

The notes on pages 9 through 11 are an integral part of this schedule.

GORGAS MEMORIAL INSTITUTE OF
TROPICAL AND PREVENTIVE MEDICINE, INCORPORATED

COMPARATIVE STATEMENT OF CHANGES IN FUND BALANCES

FISCAL YEARS ENDED JUNE 30, 1973 AND 1972

	Unexpended contributions and income (operating) fund	
	<u>1973</u>	<u>1972</u>
BALANCE AT BEGINNING OF YEAR	\$222,148	\$104,893
ADDITIONS AND DEDUCTIONS (-):		
Interest, dividends, and book sales	-	-
Capital expenditures from operating fund for equipment and improvements	-	-
Trade-in value of old equipment capital- ized on new equipment purchase	-	-
Donated equipment	-	-
Excess of income over operating and capital expenditures	89,298	117,255
Lister Hill fellowship expense	-	-
Laboratory equipment written off	-	-
BALANCE AT END OF YEAR (sch. 1)	<u>\$311,446</u>	<u>\$222,148</u>

The notes on pages 9 through 11 are an integral part of this schedule.

SCHEDULE 3

<u>Endowment fund</u>		<u>Plant funds</u>			
		<u>Donated by</u>		<u>Other</u>	
		<u>Republic of Panama</u>			
<u>1973</u>	<u>1972</u>	<u>1973</u>	<u>1972</u>	<u>1973</u>	<u>1972</u>
\$110,836	\$106,729	\$336,750	\$336,750	\$1,054,991	\$1,032,638
8,871	6,879	-	-	-	-
-	-	-	-	20,696	29,377
-	-	-	-	112	-
-	-	-	-	3,600	520
-	-	-	-	-	-
-1,812	-2,772	-	-	-	-
-	-	-	-	-8,024	-7,544
<u>\$117,895</u>	<u>\$110,836</u>	<u>\$336,750</u>	<u>\$336,750</u>	<u>\$1,071,375</u>	<u>\$1,054,991</u>

SCHEDULE 4

GORGAS MEMORIAL INSTITUTE OF
TROPICAL AND PREVENTIVE MEDICINE, INCORPORATED

ENDOWMENT FUND INVESTMENTS

JUNE 30, 1973

	<u>Cost</u>	<u>Market or redemption value</u>
INVESTMENTS--STOCKS:		
1,180 shares, Adams Express Co., par \$1	\$ 15,400	\$ 14,750
686 shares, Boston Fund, Inc., par \$1	4,735	5,854
354 shares, Fundamental Investors, Inc., par \$2	2,367	3,107
1,344 shares, Lehman Corporation, par \$1	18,909	19,320
956 shares, Loomis-Sayles Capital Development Fund, par \$1	12,015	11,860
357 shares, Loomis-Sayles Mutual Fund, Inc., par \$1	4,698	5,134
383 shares, Madison Fund, Inc., par \$1	9,336	3,591
699 shares, Massachusetts Investors Growth Stock Fund, par \$1	3,501	9,717
845 shares, Massachusetts Investors Trust, par \$1	8,262	10,058
513 shares, State Street Investment Corp., no par	24,030	23,085
766 shares, T. Rowe Price Growth Stock Fund, Inc., par \$1	<u>10,685</u>	<u>9,780</u>
Total investments (sch. 1)	<u>\$113,938</u>	<u>\$116,256</u>

NOTES TO FINANCIAL STATEMENTS--JUNE 30, 1973

A. The Organization and Its Operations:

The Gorgas Memorial Institute of Tropical and Preventive Medicine, Incorporated (Institute) is a nonprofit organization exempt from Federal income tax. It was organized in 1921 and is primarily involved in biomedical research in tropical diseases. The research is conducted at the Institute's Gorgas Memorial Laboratory located in Panama City, Republic of Panama, and the Gorgas Memorial Institute - Middle America Research Unit (GMI-MARU) laboratory located in the Canal Zone.

The Institute assumed responsibility for operation of the GMI-MARU laboratory under a cost-reimbursement contract with the National Institutes of Health (NIH) effective June 24, 1972. The period of the contract extends through December 23, 1974.

The operating expenditures shown for GMI-MARU on Schedule 2 do not include the cost of certain administrative and research services provided by the U.S. Army Medical Research Unit--Panama and NIH. The cost of these services during fiscal year 1973 was estimated to aggregate \$258,000. Additionally, NIH provided GMI-MARU access to a base inventory of materials and supplies valued at about \$28,000 which had been accumulated prior to June 24, 1972. Since GMI-MARU apparently has not obtained ownership of these inventories, their value is not reflected on the statement of assets, liabilities, and fund balances. The cost of materials and supplies acquired by GMI-MARU during fiscal year 1973 is included in its operating expenditures.

B. Accounting policies:

1. Basis of accounting

The Institute maintains its accounts on a 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.

2. Plant fund assets

Except for equipment purchased under the GMI-MARU contract, it is the Institute's policy to charge the operating fund for the cost of assets acquired and subsequently record the acquisitions in the plant funds. The GMI-MARU contract provides that NIH retain ownership of equipment acquired under the contract. Therefore, the Institute included the cost of equipment acquired by GMI-MARU during fiscal year 1973 in its operating expenditures and did not transfer these acquisitions to the plant funds.

Depreciation is not recorded on plant fund assets.

Laboratory and other equipment are valued at cost, except for donated equipment which was valued at an appraised value at the date received. Donated equipment valued at \$3,600 and \$520 was received in 1973 and 1972, respectively.

3. Deferred retirement benefits

The Institute recognizes a liability for compensation 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 June 30, 1973, this liability amounted to \$29,680. The portion of these benefits relating to service prior to fiscal year 1972 has been deferred and is being charged ratably to operating expenditures over a 5-year period. Benefits totaling \$12,729 and \$2,475 were charged to fiscal year 1973 and 1972 operations, respectively.

The labor code also provides that an indemnity 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 contingent nature of this severance indemnity, the Institute has adopted the policy of recording a liability only when it is incurred. At June 30, 1973, the total contingent liability for severance benefits was approximately \$223,500.

C. Land and building donated by 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.

The Institute's title to the land donated in 1969 (appraised value \$210,000) is contingent upon the construction of the Gorgas Memorial Regional Medical Library by April 1974. As of June 30, 1973, the Institute has expended \$18,700 on preliminary architectural and engineering plans for the medical library; however, as of September 15, 1973, the Institute is still seeking funds from the U.S. Government for construction of the library building.

D. Appropriation from the U.S. Government:

Section 278 of 22 U.S.C., as amended, authorizes a permanent annual appropriation to be paid to the Institute for the maintenance and operation by it of the Gorgas Memorial Laboratory. Under this appropriation, the Institute received \$500,000 during the year ended June 30, 1973.

E. 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 equal to a specified percentage of earnings of participating employees. There are no unfunded past service costs, and the Institute's contribution for the years ended June 30, 1973 and 1972 was approximately \$17,000 and \$15,600, respectively.

Copies of this report are available at a cost of \$1 from the U.S. General Accounting Office, Room 6417, 441 G Street, N.W., Washington, D.C. 20548. Orders should be accompanied by a check or money order. Please do not send cash.

When ordering a GAO report please use the B-Number, Date and Title, if available, to expedite filling your order.

Copies of GAO reports are provided without charge to Members of Congress, congressional committee staff members, Government officials, news media, college libraries, faculty members and students.

AN EQUAL OPPORTUNITY EMPLOYER

UNITED STATES
GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

OFFICIAL BUSINESS
PENALTY FOR PRIVATE USE, \$300

POSTAGE AND FEES PAID
U. S. GENERAL ACCOUNTING OFFICE



THIRD CLASS