



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

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

*Budget Code*  
*CP 900078*  
*0558*

*CP 900078*  
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, 1979.

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 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.

EARNINGS ON FEDERAL GRANT  
FUNDS SHOULD NOT BE RETAINED

Interest earned by public or private grantees on funds granted by the United States belongs to the United States rather than to the grantee. The Institute, unaware of this



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prohibition, earned more than \$8,000 on its grant funds during fiscal year 1979 and transferred these earnings to its endowment fund. In the future, the Institute should return earnings on its grant funds to the Federal government.

OPINION ON FINANCIAL STATEMENTS

We have examined the Institute's statement of assets, liabilities, and fund balances as of September 30, 1979, and the related statements of contributions, income, expenditures, transfers of operating funds, and changes in fund balances for the fiscal year ending September 30, 1979. We made our examination in accordance with Comptroller General standards for financial and compliance audits, and included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The financial statements for fiscal year 1978 were audited by Touche Ross & Co.

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, 1979, and the contributions, income, expenditures, transfers of operating funds, and changes in fund balances for the year ending September 30, 1979, in conformity with generally accepted accounting principles for nonprofit organizations applied on a consistent basis with that of the preceding year.



Comptroller General  
of the United States

GORGAS MEMORIAL INSTITUTE OFTROPICAL AND PREVENTIVE MEDICINE, INCORPORATEDCOMPARATIVE STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCESSEPTEMBER 30, 1979 AND 1978**A S S E T S**

	<u>9/30/79</u>	<u>9/30/78</u>
<b>OPERATING FUND:</b>		
Cash in banks and on hand	\$ 204,021	\$ 206,809
Cash in savings	158,237	22,220
Accrued receivables	115,482	78,267
Materials and supplies at average cost	123,958	115,496
Prepaid expenses	<u>24,913</u>	<u>21,712</u>
<b>Total Operating Fund Assets</b>	<u>626,611</u>	<u>444,504</u>
<b>ENDOWMENT FUND:</b>		
Savings account	14,217	34,692
Investments at cost (Sch. 4)	183,412	147,181
Interest receivable	1,239	258
Due from operating fund	<u>2,830</u>	<u>10,894</u>
<b>Total Endowment Fund Assets</b>	<u>201,698</u>	<u>193,025</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
Other buildings and building improvements, at cost	709,162	709,162
Laboratory and other equipment, at cost (Note A)	<u>1,078,944</u>	<u>1,032,429</u>
<b>Total Plant Fund Assets</b>	<u>1,914,856</u>	<u>1,868,341</u>
<b>TOTAL ASSETS</b>	<u>\$2,743,165</u>	<u>\$2,505,870</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, 1979 AND 1978

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>9/30/79</u>	<u>9/30/78</u>
<b>LIABILITIES, OPERATING FUND:</b>		
Accounts payable	\$ 67,133	\$ 64,411
Accrued vacation pay	99,766	103,903
Accrued retirement pay (Note A)	64,127	58,449
Unearned grant and contract revenue	57,248	26,962
Due to Endowment Fund	<u>2,830</u>	<u>10,894</u>
Total Liabilities, Operating Fund	<u>291,104</u>	<u>264,619</u>
<b>LIABILITIES, ENDOWMENT FUND:</b>		
Accounts payable	<u>-0-</u>	<u>9,129</u>
<b>FUND BALANCES:</b>		
Operating Fund		
Appropriated (Note E)	-0-	250,000
Unappropriated	<u>335,507</u>	<u>(70,115)</u>
Total Operating Fund	335,507	179,885
Endowment Fund	201,698	183,896
Plant Fund		
Donated by Republic of Panama	126,750	126,750
Other	<u>1,788,106</u>	<u>1,741,591</u>
Total Plant Fund	1,914,856	1,868,341
Total Fund Balances	<u>2,452,061</u>	<u>2,232,122</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$2,743,165</u>	<u>\$2,505,870</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, 1979 AND 1978

	<u>1979</u>	<u>1978</u>
<u>CONTRIBUTIONS AND INCOME</u>		
Contributions by the United States (Note C)	\$ 1,700,000	\$ 1,400,000
Research grants and contracts	698,456	484,454
Other	<u>1,020</u>	<u>1,088</u>
Total Contributions and Income	<u>2,399,476</u>	<u>1,885,542</u>
<u>OPERATING EXPENDITURES</u>		
Gorgas Memorial Laboratory - Panama:		
Personnel Costs (Note D)	1,472,338	1,439,666
Employee travel	35,053	35,299
Consultant fees and travel	56,783	38,590
Supplies	184,063	192,487
Library journals and books	12,138	13,073
Field work	34,024	29,527
Publishing costs	3,210	6,564
Maintenance of plant and equipment	<u>286,435</u>	<u>291,538</u>
Total-Gorgas Memorial Laboratory	<u>2,084,044</u>	<u>2,046,744</u>
Gorgas Memorial Institute-Washington, D.C.:		
Personnel costs (Note D)	85,389	71,066
Rent	14,087	14,874
Consultant fees and travel	3,180	11,610
Miscellaneous	<u>10,639</u>	<u>14,755</u>
Total-Gorgas Memorial Institute	<u>113,295</u>	<u>112,305</u>
TOTAL OPERATING EXPENDITURES	<u>2,197,339</u>	<u>2,159,049</u>
EXCESS OF CONTRIBUTIONS AND INCOME OVER (UNDER) OPERATING EXPENDITURES.	\$ 202,137	\$ (273,507)
CAPITAL EXPENDITURES TRANSFERRED TO PLANT FUND	(46,515)	(88,835)
EXCESS OF CONTRIBUTIONS AND INCOME OVER (UNDER) OPERATING AND CAPITAL EXPENDITURES	<u>\$ 155,622</u>	<u>\$ (362,342)</u>

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

Schedule 3

GORGAS MEMORIAL INSTITUTE OF TROPICAL AND PREVENTIVE MEDICINE, INCORPORATED

COMPARATIVE STATEMENT OF CHANGES IN FUND BALANCES  
 Periods ended September 30, 1979 and 1978

	OPERATING FUND				ENDOWMENT FUND		PLANT FUND			
	APPROPRIATED		UNAPPROPRIATED		9/30/79	9/30/78	DONATED BY REP. OF PANAMA		OTHER	
	9/30/79	9/30/78	9/30/79	9/30/78			9/30/79	9/30/78	9/30/79	9/30/78
Balance at beginning of period	\$250,000	\$250,000	\$(70,115)	\$292,227	\$183,896	\$174,875	\$126,750	\$126,750	\$1,741,591	\$1,637,257
<b>Additions/(Deductions):</b>										
Excess of revenue over/ (under) operating and capital expenditures	--	--	155,622	(362,342)	--	--	--	--	--	--
Capital expenditures from operating fund for equipment and improvements	--	--	--	--	--	--	--	--	46,315	88,839
Interest, dividends and other	--	--	--	--	23,145	20,383	--	--	--	--
Lister Hill fellowship expenses	--	--	--	--	--	(1,109)	--	--	--	--
50th Anniversary expenses	--	--	--	--	(5,343)	(9,835)	--	--	--	--
Fred L. Soper Lecture Series expenses	--	--	--	--	--	( 620)	--	--	--	--
Capital expenditures from endowment fund for equipment	--	--	--	--	--	--	--	--	--	150
Donated equipment	--	--	--	--	--	--	--	--	--	300
Equipment written off	--	--	--	--	--	--	--	--	--	(4,851)
Funds appropriated for employee termination costs transferred to unappropriated	(250,000)	--	250,000	--	--	--	--	--	--	--
Balance at end of period	\$ --	\$250,000	\$335,907	\$(70,115)	\$201,498	\$183,898	\$126,750	\$126,750	\$1,788,106	\$1,741,591

GORGAS MEMORIAL INSTITUTE OF  
TROPICAL AND PREVENTIVE MEDICINE, INCORPORATED  
ENDOWMENT FUND INVESTMENTS

SEPTEMBER 30, 1979

<u>Security</u>	<u>Number of Shares</u>	<u>Cost</u>	<u>Market Value</u>
Adams Express Company	1559	\$ 19,737	\$ 19,877
The Lehman Corporation	1926	25,400	23,594
Loomis-Sayles Capital Development Fund	987	12,369	15,143
Madison Fund, Inc.	430	9,840	7,256
Massachusetts Investors Growth Stock Fund	797	4,381	8,236
Massachusetts Investors Trust	918	9,000	10,164
T. Rowe Price Growth Stock Fund, Inc.	782	10,861	9,493
State Street Investment Corporation	572	26,470	31,489
Vance, Sanders Investors Fund, Inc.	799	5,482	6,094
<b>TOTAL STOCKS OF INVESTMENT TRUST</b>	<b>8770</b>	<b>\$123,540</b>	<b>\$ 131,346</b>
Money Market Certificates and Treasury Bills		<u>59,872</u>	
<b>TOTAL INVESTMENTS AT COST</b>		<u>\$183,412</u>	

GORGAS MEMORIAL INSTITUTE OF  
TROPICAL AND PREVENTIVE MEDICINE, INCORPORATED  
NOTES TO FINANCIAL STATEMENTS  
FISCAL YEAR ENDED SEPTEMBER 30, 1979

A. Accounting Principles

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 difference between contractual provisional overhead billing rates and allowable rates as defined in the contracts. Accounts receivable at September 30, 1979 and 1978 have been reduced by \$564 and increased by \$6,100 respectively for the differences between the allowable and provisional billing rates.

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 1979.

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 \$946 in fiscal year 1979.

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, 1979 and September 30, 1978, the Institute estimated this liability net of deferred charges at \$64,127 and \$58,449, respectively. Seniority bonus benefits, including the deferred portion, totaling \$25,171 and \$23,922 were charged to operations in fiscal years 1979 and 1978, respectively.

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" (service 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, 1979, the total contingent liability for severance indemnity benefits was approximately \$598,000.

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 \$1,700,000 and \$1,400,000 during the years ended September 30, 1979, and 1978, respectively.

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 \$47,375 and \$28,483 for the years ended September 30, 1979, and 1978, respectively.

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. In 1979, the Executive Committee directed that the \$250,000 be transferred to the unappropriated operating fund balance. It is the Committee's opinion that the size of the legal obligation makes any attempt to escrow contingency funds futile.