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Examination Of
Financial Statements Of
Gorgas Memorial Institute
Of Tropical And Preventive
Medicine, Incorporated
Fiscal Year 1971 B-114867

**BY THE COMPTROLLER GENERAL
OF THE UNITED STATES**

~~700918~~ 096708

JAN. 7: 1972



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

The General Accounting Office has made an examination of 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, 1971, pursuant to the act of May 7, 1928 (22 U.S.C. 278a).

Our review included an examination of the Institute's statement of assets, liabilities, and fund balances as of June 30, 1971, and the related statements of contributions and other income and expenditures and changes in equity for the year then ended. Our examination was made 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 3), subject to the comments in the following paragraph, present fairly the assets and liabilities of the Gorgas Memorial Institute of Tropical and Preventive Medicine, Incorporated, at June 30, 1971, and the contributions and other income and expenditures and changes in equity 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 after giving effect to a change, with which we concur, in the policy accounting for accrued employee leave, severance pay, and certain prepaid operating expenses described in note B1 to the financial statements.

The Institute records and reports the amounts of undelivered orders for goods and services at year-end as accounts payable. As a result, the Institute's accounts payable at June 30, 1971 and 1970, included about \$22,000 and \$39,000, respectively, for goods and services ordered but not delivered. The amount of such orders represents a commitment and should not be included in financial statements as a liability

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until the goods have been received or the services have been provided. Institute officials have informed us that, in the future, as recommended by us, the amount of such orders will be disclosed as a commitment in the notes to the financial statements.

The financial statements for fiscal year 1970 were audited by Price Waterhouse & Co.

A handwritten signature in cursive script, reading "James B. Axtell".

Comptroller General
of the United States

FINANCIAL STATEMENTS

GORGAS MEMORIAL INSTITUTE
OF TROPICAL AND PREVENTIVE MEDICINE, INCORPORATED

COMPARATIVE STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
JUNE 30, 1971 AND 1970

A S S E T S

	<u>1971</u>	<u>1970</u>
CURRENT ASSETS:		
Cash in banks and on hand	\$ 144,205	\$ 67,898
U.S. Treasury bills, at cost which approximates market value	-	98,232
Accounts receivable	41,092	50,390
Materials and supplies, at cost	38,469	31,553
Prepaid expenses	<u>7,016</u>	<u>10,380</u>
Total current assets	<u>230,782</u>	<u>258,453</u>
ENDOWMENT FUND:		
Savings account	5,816	2,800
Investments, at cost (schedule 4)	98,511	96,585
Loan to student	2,000	3,150
Accrued interest and dividends receivable	<u>402</u>	<u>15</u>
Total endowment funds	<u>106,729</u>	<u>102,550</u>
FIXED ASSETS (note B2):		
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	664,192	664,192
Laboratory and other equipment, at cost	<u>368,446</u>	<u>359,068</u>
Total fixed assets	<u>1,369,388</u>	<u>1,360,010</u>
DEFERRED CHARGES FOR EMPLOYEE SEVERANCE PAY (note B1)		
	<u>90,623</u>	<u>81,269</u>
Total assets	<u>\$1,797,522</u>	<u>\$1,802,282</u>

The notes on pages 5 and 6 are an integral part of this schedule.

LIABILITIES AND FUND BALANCES

	<u>1971</u>	<u>1970</u>
CURRENT LIABILITIES:		
Accounts payable (note B3)	\$ 56,753	\$ 61,704
Unexpended balances of research grants received from the Department of Health, Education, and Welfare and the U.S. Army Medical Service	-	554
Accrued employee leave (note B1)	<u>69,136</u>	<u>77,369</u>
Total current liabilities	<u>125,889</u>	<u>139,627</u>
ESTIMATED LIABILITY FOR EMPLOYEE SEVERANCE PAY (note B1)		
	<u>90,623</u>	<u>81,269</u>
Total liabilities	<u>216,512</u>	<u>220,896</u>
FUND BALANCES (schedule 3):		
Operating fund	104,893	118,826
Endowment fund	106,729	102,550
Plant funds:		
Donated by Republic of Panama	336,750	336,750
Other	<u>1,032,638</u>	<u>1,023,260</u>
Total fund balances	<u>1,581,010</u>	<u>1,581,386</u>
Total liabilities and fund balances	<u>\$1,797,522</u>	<u>\$1,802,282</u>

SCHEDULE 2

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, 1971 AND 1970

	<u>1971</u>	<u>1970</u>
CONTRIBUTIONS AND OTHER INCOME:		
Contributions--U.S. Government appropriations (note D)	\$ 500,000	\$ 500,000
Research grants and contracts	<u>555,725</u>	<u>522,985</u>
Total contributions	1,055,725	1,022,985
Interest and miscellaneous income	<u>4,537</u>	<u>12,085</u>
Total contributions and other income	<u>1,060,262</u>	<u>1,035,070</u>
OPERATING EXPENDITURES (note B1):		
Panama:		
Employee costs	797,371	758,371
Travel costs	15,464	14,535
Consultant fees and travel costs	7,723	4,358
Supplies	99,587	121,189
Library journals and books	6,212	11,627
Fieldwork	11,833	10,721
Publishing costs	3,432	4,418
Maintenance and operation of plant and equipment	<u>81,403</u>	<u>106,766</u>
Total for Panama	<u>1,023,025</u>	<u>1,031,985</u>
Washington:		
Employee costs	26,236	30,737
Rent	4,475	4,026
Publication of history of Institute	-	10,801
Miscellaneous	<u>6,361</u>	<u>7,024</u>
Total for Washington	<u>37,072</u>	<u>52,588</u>
Total operating expenditures	<u>1,060,097</u>	<u>1,084,573</u>
EXCESS OR DEFICIENCY (-) OF CONTRIBUTIONS AND INCOME OVER OPERATING EXPENDITURES	165	-49,503
AMOUNT TRANSFERRED TO PLANT FUND OF EXPENDITURES FOR FIXED ASSETS	<u>-14,098</u>	<u>-36,795</u>
EXCESS OR DEFICIENCY (-) OF CONTRIBUTIONS AND INCOME OVER OPERATING EXPENDITURES AND TRANSFERS (schedule 3)	<u>\$ -13,933</u>	<u>\$ -86,298</u>

The notes on pages 5 and 6 are an integral part of this schedule.

GORGAS MEMORIAL INSTITUTE
 OF TROPICAL AND PREVENTIVE MEDICINE, INCORPORATED
 COMPARATIVE STATEMENT OF CHANGES IN FUND BALANCES (EQUITY)
 FISCAL YEARS ENDED JUNE 30, 1971 AND 1970

	Unexpended contributions and income (operating) fund	
	1971	1970
BALANCE AT BEGINNING OF YEAR	\$118,826	\$205,124 ^a
ADDITIONS:		
Interest and dividends	-	-
Transfers from operating fund equal to amount expended for laboratory and other equipment	-	-
Total	118,826	205,124
DEDUCTIONS:		
Deficiency of income over operating expenditures and transfers (schedule 2)	13,933	86,298
Lister Hill fellowship expense	-	-
Laboratory equipment written off	-	-
BALANCE AT END OF YEAR (schedule 1)	\$104,893	\$118,826

^aThe operating fund balance at July 1, 1969, has been restated to reflect the liability of \$78,051 for the annual leave earned by the Institute's employees prior to fiscal year 1970.

SCHEDULE 3

Endowment fund		Plant funds			
		Donated by Republic of Panama		Other	
<u>1971</u>	<u>1970</u>	<u>1971</u>	<u>1970</u>	<u>1971</u>	<u>1970</u>
\$102,550	\$ 94,943	\$336,750	\$336,750	\$1,023,260	\$ 988,469
6,979	7,896	-	-	-	-
-	-	-	-	14,098	36,795
109,529	102,839	336,750	336,750	1,037,358	1,025,264
-	-	-	-	-	-
2,800	289	-	-	-	-
-	-	-	-	4,720	2,004
<u>\$106,729</u>	<u>\$102,550</u>	<u>\$336,750</u>	<u>\$336,750</u>	<u>\$1,032,638</u>	<u>\$1,023,260</u>

GORGAS MEMORIAL INSTITUTE
OF TROPICAL AND PREVENTIVE MEDICINE, INCORPORATED

ENDOWMENT FUND INVESTMENTS

JUNE 30, 1971

	<u>Cost</u>	<u>Market or redemption value</u>
INVESTMENTS--STOCKS:		
1,064 shares, Adams Express Co., par \$1	\$13,872	\$ 13,965
624 shares, Boston Fund Inc., par \$1	4,238	5,126
320 shares, Fundamental Investors, Inc., par \$2	2,202	2,973
1,197 shares, Lehman Corporation, par \$1	16,375	19,751
956 shares, Loomis-Sayles Capital Development Fund, par \$1	12,015	11,363
339 shares, Loomis-Sayles Mutual Fund, Inc., par \$1	4,433	5,004
647 shares, Massachusetts Investors Growth Stock Fund, par \$1	2,795	8,563
710 shares, Massachusetts Investors Trust, par \$1	6,551	10,162
349 shares, Madison Fund, Inc., par \$1	8,899	5,584
473 shares, State Street Investment Corporation, no par	21,979	23,035
213 shares, T. Rowe Price Growth Stock Fund, Inc., par \$1	<u>5,152</u>	<u>5,938</u>
Total investments (schedule 1)	<u>\$98,511</u>	<u>\$111,464</u>

NOTES TO FINANCIAL STATEMENTS--JUNE 30, 1971

A. Organization

The Gorgas Memorial Institute of Tropical and Preventive Medicine, Incorporated, is a nonprofit, tax-exempt corporation organized in 1921 to conduct biomedical research in tropical diseases. The research is conducted at the Institute's Gorgas Memorial Laboratory located in Panama City, Republic of Panama.

B. Basis of accounting

1. In fiscal year 1971 the Institute adopted the policy of accounting for employee leave, severance pay, and certain other prepaid operating expenses on an accrual basis in lieu of the prior policy of accounting for these costs on a cash basis.

The Institute's liability for accrued annual leave amounted to about \$69,100 and \$77,400 at June 30, 1971 and 1970, respectively. The Institute's estimated liability, under certain circumstances, for severance pay to its Panamanian employees amounted to about \$90,600 and \$81,300 at June 30, 1971 and 1970, respectively. These liabilities are offset by deferred charges which are amortized annually by charges to operations in amounts equal to the actual cash payments in each year.

The above-noted changes in accounting, when compared with the previous method of accounting, resulted in reducing the fiscal year 1971 operating expenditures and deficiency by about \$7,600 and the fiscal year 1970 operating expenditures and deficiency by about \$3,400. To facilitate a comparison of the financial statements for fiscal years 1971 and 1970, the statements for fiscal year 1970 have been restated to give effect to the changes in accounting.

2. The Institute does not record depreciation of its fixed assets.

3. The Institute maintains its accounting records in accordance with generally accepted accounting principles for nonprofit organizations, except that at year-end the amount of undelivered purchase orders for goods and services from non-Panamanian vendors is recorded as accounts payable with offsetting charges to inventory and/or expense accounts. As a result, the accounts payable at June 30, 1971 and 1970, included about \$22,000 and \$39,000, respectively, for goods and services ordered but not received.

C. Land and building donated by Republic of Panama

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

The Institute's title to land donated in 1969 by the Republic of Panama (appraised value of \$210,000) is contingent upon the construction of a regional medical library by April 1974 and its continued use for research activities.

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 laboratory in Panama. Under this authorization the Institute received an appropriation of \$500,000 during the year ended June 30, 1971.

Copies of this report are available from the U. S. General Accounting Office, Room 6417, 441 G Street, N W., Washington, D.C., 20548.

Copies are provided without charge to Members of Congress, congressional committee staff members, Government officials, members of the press, college libraries, faculty members and students. The price to the general public is \$1.00 a copy. Orders should be accompanied by cash or check.