



**MENZIES SCHOOL OF HEALTH RESEARCH**  
**Northern Territory Australia**

# **1999-2000**

# **Financial Statements**

**Mission Statement :**

To help improve the health of the people of northern and central Australia and regions to the near north through multidisciplinary research and education.



## Menzies School of Health Research Financial Statements 1999 - 2000

In the financial year ended 30<sup>th</sup> June 2000 the Menzies School of Health Research achieved an operating surplus of \$626,643 against a predicted budget surplus of \$191,850. This surplus was the direct consequence of successfully attracting capital equipment grants worth in excess of \$250,000, international grants that contributed to the School's overheads, and \$300,000 recognised as Income in this financial year for expenditure in the financial year 2000 – 2001.

In acknowledging the effects of the above on the operating result, the operating surplus was approximately \$70,000.

Researchers competed for capital equipment grants both nationally and internationally, and the income thereof is recognised as revenue in the Income and Expenditure Statement. The expenditure on capital equipment, however, is recognised in the Balance Sheet as Property Plant and Equipment.

Nationally, the National Health and Medical Research Council continues to be one of our major sources of research funding.

Grants from the Cooperative Research Centre for Aboriginal and Tropical Health have increased by approximately 50%, whilst income from the Wellcome Trust (UK) and United Nations Children's Fund (UNICEF) have increased international grants by approximately 66%.

The result of this increased research activity is also reflected in grant-related expenditures such as Computing, Consultants, Laboratory Expenses, Public Relations (Printing etc) and Salaries. Salaries are at 62% of total expenditure, well below the industry standard of 70%.

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# **Menzies School of Health Research**

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## **Financial Statements for the Year Ended 30 June 2000**

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### **Statement on Behalf of the Board of Governors**

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In our opinion the attached Income and Expenditure Statement and Balance Sheet including Notes to and Forming Part of the Financial Statements of the Menzies School of Health Research are properly drawn up so as to give a true and fair view of :

- (a) the financial affairs of the Menzies School of Health Research as at 30 June 2000; and
- (b) the Receipts and Expenditure of the organisation for the year ended on that date.

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RV Ryan AO  
Chair  
Board of Governors  
August 2000

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LV Asche  
Member  
Board of Governors  
August 2000

## Menzies School of Health Research Balance Sheet as at 30 June 2000

	1999/00 \$	1998/99 \$
<b>Current Assets</b>		
Cash on Hand (Note 2)	700	700
Cash at Bank (Note 2)	3,600,458	3,277,440
Trust Account (Note 4)	1,519,378	1,230,159
Trade Debtors (Note 3)	422,536	296,486
Prepaid Assets (Note 5)	0	32,240
Prepaid Expenses (Note 6)	50,093	49,357
Accrued Revenue (Note 7)	165,442	115,660
Investment (Note 8)	3,540	3,540
<b>Total Current Assets</b>	<b>5,762,147</b>	<b>5,005,582</b>
<b>Non-Current Assets</b>		
Property, Plant and Equipment (Note 9)	1,092,091	868,265
<b>Total Non-Current Assets</b>	<b>1,092,091</b>	<b>868,265</b>
<b>Total Assets</b>	<b>6,854,238</b>	<b>5,873,847</b>
<b>Current Liabilities</b>		
Trust Account (Note 4)	1,519,378	1,230,159
Accrued Expenses (Note 10)	300,085	158,226
Trade Creditors (Note 11)	6,332	134,033
Receipts in Advance (Note 12)	1,939,202	1,785,671
Provision for Long Service Leave (Note 1d)	79,647	104,932
Provision for Recreation Leave (Note 1d)	377,479	468,964
Provision for Leave Fares (Note 1d)	2,800	2,800
<b>Total Current Liabilities</b>	<b>4,224,923</b>	<b>3,884,785</b>
<b>Non-Current Liabilities</b>		
Provision for Long Service Leave (Note 1d)	117,136	103,526
<b>Total Non-Current Liabilities</b>	<b>117,136</b>	<b>103,526</b>
<b>Total Liabilities</b>	<b>4,342,059</b>	<b>3,988,311</b>
<b>Net Assets</b>	<b>2,512,179</b>	<b>1,885,536</b>
<b>Accumulated Funds</b>		
Surplus/(Deficit) at Beginning of Financial Year	1,885,536	1,483,565
Surplus/(Deficit) at the End of June 2000	626,643	401,971
<b>Total Accumulated Funds</b>	<b>2,512,179</b>	<b>1,885,536</b>

**NOTE :** The Balance Sheet should be read in conjunction with the accompanying notes.

## Menzies School of Health Research Income and Expenditure Statement for the Year Ended 30 June 2000

	1999/00 \$	1998/99 \$
<b>Income</b>		
Commonwealth Government Grants	1,588,663	1,749,481
NT Government Grants	2,982,384	2,702,693
Menzies Foundation	100,000	100,000
Non-Government Grants	617,704	532,196
Cooperative Research Centre (Note 4)	1,000,007	666,662
Overseas Grants	519,903	313,036
Donations	60,706	35,664
Interest and Dividends	206,053	168,494
Reimbursements	642,476	452,178
Sundry Income	46,658	52,943
Profit on Sale of Asset	4,354	3,915
	<b>7,768,908</b>	<b>6,777,262</b>
<b>Expenditure</b>		
Administration - Darwin	96,924	70,755
Administration - Alice Springs	2,290	11,962
Board Expenses	2,520	4,022
Building Maintenance	268,091	286,694
Computing	221,619	56,687
Consultants	205,065	78,960
Cooperative Research Centre Contribution (Note 4)	100,000	100,000
Depreciation	389,840	353,016
Equipment (Minor)	29,872	4,610
Field Expenses	269,453	237,246
Insurance	76,589	57,745
Laboratory Expenses	533,769	332,643
Legal Expenses	5,740	12,635
Library	76,344	67,287
Personnel Expenses	103,842	34,810
Loss on Sale of Asset	13,519	941
Public Relations (Printing etc)	69,409	44,839
Safety	5,823	2,892
Staff Salaries	4,434,830	4,338,551
Telephone/Facsimile	89,223	95,087
Travel	102,502	120,860
Vehicles	23,147	26,902
Visitors and Seminars	9,209	25,655
Visual Aids	12,645	10,492
	<b>7,142,265</b>	<b>6,375,291</b>
<b>Net Surplus/(Deficit)</b>	<b>626,643</b>	<b>401,971</b>

**NOTE :** The Income and Expenditure Statement should be read in conjunction with the accompanying notes.

## Menzies School of Health Research Statement of Cash Flows for the Year Ended 30 June 2000

	1999/00 \$	1998/99 \$
<b>Cash Flows from Operating Activities</b>		
Payments		
Salaries and On-Costs	(4,398,853)	(4,222,006)
Suppliers	(2,492,093)	(2,048,372)
Receipts		
Donations	75,696	47,807
Interest and Dividends	193,545	179,250
Reimbursements	738,018	393,087
Sundry Income	31,527	54,548
Net Cash Flows Used in Operating Activities (Note 2)	(5,852,160)	(5,595,686)
<b>Cash Flows from Investing Activities</b>		
Payments for Purchase of Equipment	(624,445)	(297,728)
Payments for Purchase of Vehicles	(45,891)	(128,752)
Proceeds from Sale of Vehicles	47,500	98,000
Proceeds from Sale of Equipment	0	2,420
Net Cash Flows Used in Investing Activities	(622,836)	(326,060)
<b>Cash Flows from Research Grants</b>		
Commonwealth Government	1,568,411	1,689,761
NT Government	522,476	729,128
Non-Government	676,409	640,114
Overseas	455,874	351,996
Cooperative Research Centre	1,092,764	720,943
Net Cash Flows Provided by Research Grants	4,315,934	4,131,942
<b>Cash Flows from Endowments</b>		
Endowment - NT Government	2,382,000	2,344,000
Endowment - Menzies Foundation	100,000	100,000
Deposits	80	60
Net Cash Flows Provided by Endowments	2,482,080	2,444,060
Net Increase in Cash Held	323,018	654,256
Cash at Beginning of Year	3,278,140	2,623,884
<b>Cash at End of Year (Note 2)</b>	<b>3,601,158</b>	<b>3,278,140</b>

**NOTE :** The Statement of Cash Flows should be read in conjunction with the accompanying notes.

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# **Menzies School of Health Research**

## **Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2000**

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### **1. Summary of Significant Accounting Policies**

The Menzies School of Health Research was established as a body corporate under the Menzies School of Health Research Act, No 60 of 1985.

#### **Statement of Economic Dependency**

The management of grant funded projects by the School is dependent on continued funding from the Northern Territory Government and other granting bodies.

#### **a. Basis of preparation of financial statements**

The financial report is a general purpose financial report prepared in accordance with :-

- (i) Australian Accounting Standards,
- (ii) Other authoritative pronouncements of the Public Sector Accounting Standards Board and/or the Australian Accounting Standards Board, and
- (iii) Urgent Issues Group Consensus Views.

These financial statements have been prepared in accordance with the historical cost convention.

Set out hereunder are the significant accounting policies adopted by the School in preparation of its accounts for the year ended 30 June 2000. Accounting policies adopted are consistent with last year, unless otherwise stated.

#### **b. Stocks**

Stocks of consumable scientific and administrative items purchased in the normal operations are not taken into account at close of balance date as assets, but are written off at the time of purchase.

#### **c. Revenue recognition**

Grant and Donation Income received for specific research is matched to the incidence of the related expenditure as follows:-



- (i) Revenue received but unexpended for projects commenced but not complete by the year end, is carried forward in "Receipts in Advance",
- (ii) Revenue received for projects to be commenced in the following financial year, is carried forward in "Receipts in Advance",
- (iii) all other project related income is fully expended in the year of receipt, and
- (iv) all grant income (revenue, capital and specific purpose) are recognised as income in year of receipt. However, where unexpended funds are required to be refunded to the funding body, grant monies are recognised as income to the extent of the expenditure of such grants. The unexpended portion is disclosed as a liability.

#### **d. Employee benefits**

Provision is made for long service leave, annual leave and airfares estimated to be payable to employees. The amounts provided have been apportioned between current and non-current, the current provision being the portion that is expected to be paid within the next twelve months.

In the case of long service leave, employee entitlements vest after the completion of ten years service. A special pro-rata entitlement may be paid in lieu of long service leave on resignation of employment after seven or more years of service. In accordance with accounting standard AAS30 - Accounting for Employee Entitlements - the School has calculated long service leave entitlements not settled at 30 June 2000 on a present value basis.

Sick leave entitlements are non-vesting. Experience shows that sick leave taken is less than the entitlement accruing, so that no liability has been recognised.

#### **e. Superannuation**

Employees' superannuation entitlements are principally provided through the Northern Territory Government and Public Authorities Superannuation Scheme (NTGPASS), the Commonwealth Superannuation Scheme (CSS) and the Superannuation Scheme for Australian Universities (SSAU).

Benefits from these Schemes are supplemented by a minimum '3% productivity' benefit from the Northern Territory Supplementary Superannuation Scheme (NTSSS) for pre-10<sup>th</sup> August 1999 employees. Post 9<sup>th</sup> August 1999 employees are provided through the Australian Government Employees Superannuation Trust (AGEST).

Scheme membership among employees at 30 June 2000 was as follows :-

AGEST .....	17
NTSSS .....	8
NTGPASS (plus NTSSS) .....	29
CSS (plus NTSSS) .....	1
SSAU .....	29

The cost of employer-financed benefits in the NTGPASS, NTSSS and CSS is met by the Northern Territory Government with administration being undertaken by the Northern Territory Superannuation Office. The cost of employer-financed benefits in the AGEST is met by the Northern Territory Government with administration being undertaken by the School.

## f. Income Tax

The income of the School is exempt from income tax pursuant to the provisions of Section 23(e) of the Income Tax Assessment Act.

## 2. Cash

For the purposes of the Statement of Cash Flows, the School considers cash to include cash on hand and in banks. Cash and cash deposits at the end of the reporting period are reconciled to the Balance Sheet as follows:-

### a. Reconciliation of Cash

	1999/00	1998/99
Cash on Hand	700	700
Cash	3,600,458	3,277,440
<b>Total Cash</b>	<b>\$3,601,158</b>	<b>\$3,278,140</b>

### b. Reconciliation of Net Cash Used in Operating Activities to Operation Results

	1999/00	1998/99
OPERATING RESULT	626,643	401,971
Changes in :-		
(Inc)/Dec Trade Debtors	(126,050)	892
(Inc)/Dec Prepaid Assets	0	(32,240)
(Inc)/Dec Prepaid Expenses	31,504	(20,062)
(Inc)/Dec Accrued Revenue	(49,782)	66,644
Inc/(Dec) Trade Creditors	(127,701)	(35,136)
Inc/(Dec) Accrued Expenses	141,859	(190,843)
Inc/(Dec) Receipts in Advance	153,531	346,156
Inc/(Dec) Provision for Recreation Leave	(91,485)	88,709
Inc/(Dec) Provision for Long Service Leave	(11,675)	28,383
Inc/(Dec) Provision for Leave Fares	0	(24,200)
Income from Research Activities	(4,315,934)	(4,131,942)
Income from Endowments	(2,482,080)	(2,444,060)
Depreciation	389,840	353,016
(Profit)/Loss on Sale of Plant	9,170	(2,974)
<b>Net Cash Flows Used In Operating Result</b>	<b>\$(5,852,160)</b>	<b>\$(5,595,686)</b>

### 3. Trade Debtors

Trade debtors constitute normal trade debtors in addition to those with an obligation to the Menzies School of Health Research.

	1999/00	1998/99
<b>Total Trade Debtors</b>	<b>\$422,536</b>	<b>\$296,486</b>

### 4. Cooperative Research Centre

The Cooperative Research Centre for Aboriginal and Tropical Health (CRCATH) is a joint venture funded by the Commonwealth of Australia, Territory Health Services, Northern Territory University, Flinders University of South Australia, Danila Dilba Biluru Butji Binnilutlum Medical Service Aboriginal Corporation, Central Australian Aboriginal Congress Inc., and the Menzies School of Health Research. The main activity of the CRCATH is research into indigenous and tropical health. The School's contractual participation rate in the joint venture is 46.1%.

The Menzies School of Health Research, in its role as the Centre Agent for the Cooperative Research Centre, established a trust account in the name of the Cooperative Research Centre for Aboriginal and Tropical Health. All funds from the Commonwealth of Australia and other contributing partners are received by the School in trust, on behalf of all the partners. Funds received by the School are shown in the School accounts. Receipts, expenditures and balances of the Cooperative Research Centre Trust Account, managed by the School are summarised below:-

	1999/00	1998/99
Opening Balance	1,230,159	227,280
Receipts	2,786,828	2,541,587
Expenditure	2,497,609	1,538,708
<b>Balance in Trust Account</b>	<b>\$1,519,378</b>	<b>\$1,230,159</b>

### 5. Prepaid Assets

	1999/00	1998/99
Computer Equipment	0	22,853
Laboratory Equipment	0	9,387
<b>Total Capital Equipment Commitments</b>	<b>\$0</b>	<b>\$32,240</b>

### 6. Prepaid Expenses

	1999/00	1998/99
Salary	8,632	14,581
Insurance	0	856
Education	5,371	0
Goods and Services Tax	3,963	0
Subscriptions	32,127	33,920
<b>Total Prepaid Expenses</b>	<b>\$50,093</b>	<b>\$49,357</b>

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## 7. Accrued Revenue

Accrued revenue is estimated as due to the Menzies School of Health Research.

	1999/00	1998/99
Reimbursements	10,493	0
Bank interest	17,701	5,195
Grants	137,248	110,465
<b>Total Accrued Revenue</b>	<b>\$165,442</b>	<b>\$115,660</b>

## 8. Investments

Investments comprise of 1,060 shares in The Australian Gas Light Company donated to the School in 1992 by Miss Elizabeth Phillips. The investment of \$3,540 reflects the value of the shares at time of transfer to the School in 1992. Dividends are brought to account as they are earned.

Market Value of Investment at 30<sup>th</sup> June 2000 is as follows :-

	1999/00	1998/99
1060 Shares @	\$9.69	\$9.20
<b>Total Investment</b>	<b>\$10,271</b>	<b>\$ 9,752</b>

## 9. Non-Current Assets

- (i) Property, Plant and equipment are brought to account where the value is greater than two thousand dollars and depreciated over 3 - 5 years using the straight line method, and
- (ii) Motor vehicles are depreciated on a diminishing value basis at the rate of 22.5% per annum.

	1999/00	1998/99
Building - at cost	79,940	79,940
Accumulated Depreciation	(79,940)	(79,940)
	0	0
Leasehold Improvements - at cost	412,037	412,037
Accumulated Depreciation	(293,852)	(211,904)
	118,185	200,133
Computer Equipment - at cost	803,511	561,901
Accumulated Depreciation	(532,036)	(401,343)
	271,475	160,558
Laboratory Equipment - at cost	1,050,675	672,841
Accumulated Depreciation	(478,188)	(358,549)
	572,487	314,292
Office Equipment - at cost	137,115	132,115
Accumulated Depreciation	(94,027)	(64,400)
	43,088	67,715
Vehicles - at cost	128,216	171,616
Accumulated Depreciation	(41,360)	(46,049)
	86,856	125,567
<b>Total Non-Current Assets</b>	<b>\$1,092,091</b>	<b>\$868,265</b>

**10. Accrued Expenses**

	1999/00	1998/99
Salaries and On Costs	144,659	87,336
Administration	155,426	70,890
<b>Total Accrued Expenses</b>	<b>\$300,085</b>	<b>\$158,226</b>

**11. Trade Creditors**

	1999/00	1998/99
<b>Total Trade Creditors</b>	<b>\$6,332</b>	<b>\$134,033</b>

**12. Receipts in Advance**

	1999/00	1998/99
<b>Income in Advance</b>		
Commonwealth Grants	140,868	78,301
NT Government Grants	150,000	150,000
Non-Government Grants	84,052	49,000
<b>Total Income in Advance</b>	<b>374,920</b>	<b>277,301</b>
<b>Unexpended Income</b>		
Commonwealth Grants	501,423	509,716
NT Government Grants	203,726	286,348
Non-Government Grants	281,934	310,883
Overseas Grants	184,696	156,813
Cooperative Research Centre	278,311	145,488
Deposits	220	140
Donations	113,972	98,982
<b>Total Unexpended Income</b>	<b>1,564,282</b>	<b>1,508,370</b>
<b>Total Receipts in Advance</b>	<b>\$1,939,202</b>	<b>\$1,785,671</b>

**13. Provision for Contingencies**

Negotiations are currently in process with respect to Services Agreement. Contingent upon the outcome of this agreement, the School may be liable for additional costs yet to be determined.

**14. Financial Instruments****a. Significant Accounting Policies**

Details of significant accounting policies and methods adopted, including the criteria recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the accounts.

## b. Interest Rate Risk

The following table details the School's exposure to interest rate risk at 30 June 2000:-

	Average Interest Rate %	Variable Interest Rate	Fixed < than 1 Year	Fixed 1 to 5 Years	Fixed > than 5 Years	Non Interest Bearing	Total
<b>Financial Assets</b>							
Cash	4.25	601,158					601,158
Trade Receivables						422,536	422,536
Short Term Deposits	5.50	3,000,000					3,000,000
Listed Shares						3,540	3,540
		<b>3,601,158</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>426,076</b>	<b>4,027,234</b>
<b>Financial Liabilities</b>							
Trade Payables						347,154	347,154
Employee Entitlements						577,062	577,062
		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>924,216</b>	<b>924,216</b>

## c. Credit Risk

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the School. The carrying amount of the financial assets recorded in the balance sheet, net of any provision for losses, represents the School's maximum exposure to credit risk.

## d. Net Fair Value

The net market value at 30 June 2000 of each class of financial asset and financial liability, is their carrying amount as stated in the balance sheet of the School, determined in accordance with the accounting policies disclosed in Note 1 to the accounts, with the exception of listed shares whose aggregate net fair value is \$10,271.

## 15. Rights and Obligations

In April 1993 the School became a member of the Australian Medical Research and Development Corporation (AMRAD), giving AMRAD first refusal to develop products and to acquire the intellectual rights to such products arising from research (except for intellectual property rights of Aboriginal persons).

In consideration of the School agreeing to enter into this agreement, AMRAD allotted to the Victorian Medical Consortium Pty Ltd acting as trustee of the Institutes of Biotechnology Trust, 166,667 fully paid shares of \$1 each in the capital of AMRAD at a premium of 200 cents per share being the equivalent of a \$500,000 share holding in AMRAD.

The School has the right on the 9<sup>th</sup> anniversary (2002) to have the shares transferred to it from the trustee or to sell the shares and receive the proceeds.

AMRAD, listed on the Australian Stock Exchange since December 1996, has the right to review the School's contributions to the Consortium, and remove the School as beneficiary to shares if no contributions or endeavours to make contributions have been made.

## **16. Rental Arrangements**

In 1984 the Northern Territory made a commitment to provide the Menzies School of Health Research with premises and facilities for its work. Through the goodwill arising out of the School's past and its ongoing record of research and education, funds were appropriated in 1995 by the Commonwealth of Australia and the Northern Territory Government to construct the new building on Northern Territory Government land at the Royal Darwin Hospital site. Following occupation of the new building in November 1996, and as a result of the aforementioned goodwill, a nominal rental is to be charged for the premises. A lease agreement reflecting this goodwill was finalised during the year.

## **17. Commitments**

The School is committed to providing contributions to the Cooperative Research Centre for Aboriginal and Tropical Health for the next four years. These commitments are comprised of annual cash contribution of \$100,000 and in-kind contributions.

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# **Auditor-General's Report To The Minister for Health, Family and Children's Services**

## **Menzies School of Health Research Year Ended 30 June 2000**

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### **Scope**

I have audited the financial report of the Menzies School of Health Research for the financial year ended 30 June 2000 comprising Statement on Behalf of the Board of Governors, Balance Sheet, Income and Expenditure statement and Statement of Cash Flows together with Notes to and Forming Part of the Financial Statements. The Board of Governors is responsible for the financial report. I have performed an independent audit of the financial report in order to express an opinion on them to the Minister for Health, Family and Children's Services.

My audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and the requirements of the Menzies School of Health Research Act so as to present a view which is consistent with my understanding of the financial position of the Menzies School of Health Research and the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

### **Audit Opinion**

In my opinion, the financial report presents fairly the financial position of the Menzies School of Health Research as at the 30 June 2000 and the results of its operations and its cash flows for the year ended on that date in accordance with Accounting Standards, other mandatory professional requirements, and the Menzies School of Health Research Act.

Iain Summers  
Auditor-General for the Northern Territory  
Darwin, Northern Territory

September 2000