



**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**A.B.N. 29 004 167 766**

**FINANCIAL REPORT**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2014**

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**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**  
**REPORT FROM THE TREASURER TO FELLOWS**

**The Financial Report for the year ended 31 December 2014 is presented together with the Auditor's Report to the College for 2014.**

It is my pleasure to present this report and highlight the financial results of the College. The year under review has seen continued sound financial performance achieved from the combined business activities of the College. The investment portfolio has provided another year of healthy performance achieving a positive rate of return of 7% (2013 – 22.5%) despite some volatility in the capital markets. The investment strategy applied by the Investment Committee continues to underpin the robust performance of the College's investment activities which are dedicated to funding the ongoing long term commitment to scholarship and research grant related endeavours. The year has also seen continued collaboration with the specialty societies to deliver surgical training programs as well as continued significant capital investment in the College IT systems and resources that directly support our Fellows and Trainees.

**Statement of Comprehensive Income**

Total operating revenue (excluding investment activities) in 2014 was \$63.09m compared to \$56.41m in 2013 while expenditure was \$60.63m compared to \$54.85m in 2013. Revenue earned from investments of \$3.86m compared to \$8.61m in 2013 resulting in an overall surplus of \$6.32m compared to a surplus of \$10.17m in 2013.

Key revenue streams were subscriptions and entrance fees of \$13.89m, training, examination and assessment fees of \$21.7m and project income and management fees of \$18.90m. Dominant expenditures were on personnel of \$20.35m, travel and accommodation of \$5.54m, external grants of \$9.18m mainly related to hospital training post payments funded under the Specialist Training Program and Specialist Society funding costs of \$4.14m. It is worth highlighting that \$3.34m of expenditure related to travel and accommodation is directly associated with revenue generating activities from skills training courses, examinations and co-ordination of domestic and global health service project programs.

A more meaningful way in which to review this overall result is to analyse the separate activities of the College being College Operations, College Projects funded by external agencies, and Scholarships, Fellowships and Research Grants funded through the Foundation.

**College Operations** are the core operational activities including Fellowship Services, Education and Training, the Annual Scientific Conference and conferences and workshops with the required supporting leadership, governance and administrative structures.

In 2014, this revenue amounted to \$40.74m compared to \$38.74m in 2013 while expenditure was \$40.22m compared to \$38.41m in the previous year. The surplus in 2014 was \$525,000 compared to a surplus of \$336,000 in 2013.

The following significant items were of considerable impact on the reported operational result.

The College sold the New Zealand property at 43 Kent Terrace (Elliott House). This sale resulted in a gain of \$496,000 once the write-back of the strengthening provision for the property had been booked. The value to our Fellows and Trainees from online library resources has seen increased investment in journals and associated databases with expenditure of \$560,000 compared to \$370,000 in 2013. The key College publications of Surgical News and ANZ Journal of Surgery represented combined expenditure of \$1.33m while generating revenue from advertising and royalties of \$270,000. Dominant revenue streams from annual subscriptions, training and examination fees continue to provide significant core funding for College operations including the new pre vocational education sector now incorporated into the examination activities of the College.

The College is continually challenged to maintain a balanced operational budget, but due to the College's diverse business activities its funding reserves continue to grow and underpin the College's long term financial stability and ability to invest in its core operations into the future.

**College Projects** relate to activities funded by external agencies and funding providers.

The College is responsible for managing international and local aid projects as well as research and audit projects with a total value over the project life in excess of \$87.3m (2013 - \$93.9m). Projects undertaken in 2014 include the Timor Leste Program II, Pacific Islands Program Tertiary Health Services, Vision 2020 East Timor Program, Rural Health Continuing Education Program, Specialist Training Program, MSAC, Horizon Scanning Mortality Audits and Morbidity Audits.

In 2014, total project revenue amounted to \$18.5m compared to \$16.5m in 2013 and expenditure was \$18.6m compared to \$16.93m in 2013 resulting in a modest deficit of \$90,000 in 2014 compared to a deficit of \$430,000 in 2013. The significant Specialist Training Program (STP) funding contract of \$47.2m which runs until 2016 provided \$9m in payments to hospitals compared to \$7m in 2013.

The net overhead charge levied on projects, which reflects the oversight costs of the College's infrastructure and governance was \$746,000 compared to \$896,000 in 2013.

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**  
**REPORT FROM THE TREASURER TO FELLOWS**

**Foundation - Scholarships, Fellowships and Research Grants**

The Foundation activities encompass the areas of scholarships, fellowships and research grants as well as direct oversight of its philanthropic endeavours and are the overall responsibility of the Foundation Board. The Investment Committee provides the direct oversight of the investment activities, the Board of Surgical Research the oversight of the research scholarships and grants and the International Committee the oversight of the international scholarships and other initiatives.

Revenue included the positive investment return of 7% on bequest funds, donations from various sources including \$525,000 from a generous benefactor and a further additional transfer of \$2.47m from operational activities to provide ongoing long term funding support to the College corpora. The Foundation funds total \$47.74m compared to \$40.26m in 2013.

Scholarships of \$557,000 (2013 - \$636,000) were funded from bequest funds with \$554,000 (2013 - \$635,000) funded from the RACS Scholarship corpus. The total commitment was \$1.11m (2013 - \$1.27m).

In accordance with the strategic direction from Council to ensure long term funding for key educational and philanthropic activities the value of the College corpora has increased due to positive investments returns since being established and additional funding allocations overtime. These committed funds as at 31 December 2014 of \$21.60m provide dedicated funding for educator scholarships, educational innovation initiatives, international development and aid programs not routinely funded by the Australian government, indigenous education and training in surgery and the ASC Visitors and Named Lecturers program.

**Statement of Financial Position**

In 2014, College Funds and Reserves have increased by 10% to \$69.58m.

Current assets increased by \$8.27m which included an increase in cash of \$824,000 primarily due to positive cash flows from operations, trade and other receivables of \$650,000 and decrease in prepayments \$1.57m mainly due to advanced payments for the ASC event being expensed upon completion in May 2014. Furthermore, investments held for trading increased by \$8.42m mainly due to the sound investment return of 7% and increased capital contributions. Current liabilities increased by \$1.33m due mainly to the increase in subscriptions, training and examinations billed in 2014 for income related to 2015.

**Statement of Cash Flows**

The Statement of Cash Flows indicates a net cash inflow for 2014 provided from operating activities of \$5.24m and a net increase in cash held of \$824,000 from 2013 mainly due to the combined effects of timely receipting of annual subscription and training fees, New Zealand property sale proceeds and progress funding under the Specialist Training Program contract.

**In summary**, our strong financial position was achieved while the College also advanced a number of key initiatives:

- Enhancement of our advocacy and communication strategies including:
  - Advocacy around Excessive fees
  - Advocacy concerning alcohol fuelled violence
- Ongoing improvement of our Information Technology platform and creation of the Digital College
- Launch of the J-Doc framework
- Launch of the Foundation course for Surgical Educators
- Recognition by WHO of the world wide requirement for access to safe surgery and anaesthesia
- Launch of the comprehensive Indigenous health strategy

In closing I would like to acknowledge the services of our Honorary Advisers for which the College remains indebted. I note my thanks to Mr Anthony Lewis (Audit, Finance & IT), Mr Brian Randall OAM (Investment & Foundation), Mr Stuart Gooley (Audit, Finance & IT), Mr Reg Hobbs (Property), Mr Michael Randall OAM (Investment), Mr John Craven (Information Technology), Mr Chesley Taylor (Investment) and Mr Peter Wetherall (Investment) for their generous and valued support during the year. The College is extremely grateful to all our Honorary Advisers for their wise counsel and support in relation to finance, investment, property, IT and audit matters. I would also like to thank the management and staff of the Division, led by the Director of Resources, Mr Ian T Burke, for their ongoing hard work and commitment in support of my role.

The College continues to maintain a strong Balance Sheet and is financially well positioned to meet its ongoing commitments and I recommend these accounts to the Fellows.

**Marianne Vonau – Treasurer**

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**COUNCILLORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

The Councillors as Directors of the Royal Australasian College of Surgeons submit herewith the Annual Financial Report of the College for the year ended 31 December 2014. In order to comply with the requirements of the *Australian Charities and Not-for-profits Commission Act 2012*, the Councillors report as follows:

**Councillors**

The names and details of the Office Bearers and the Councillors in office during the financial year and until the date of this report are as follows. Office Bearers and Councillors were in office for this entire period unless otherwise stated.

**Councillors' Meetings**

Three Council Meetings and eight Executive Committee Meetings were held in 2014. The number of meetings attended by each Councillor is noted below.

		<u>Number of meetings attended</u>		<u>Number of meetings eligible to attend</u>	
		<u>Council</u>	<u>Executive</u>	<u>Council</u>	<u>Executive</u>
President	Michael John Grigg	3	8	3	8
Vice President	David Allan Watters OBE	3	8	3	8
Treasurer	Marianne Vonau OAM	2	8	3	8
Censor-in-Chief	Simon Alan Williams	3	7	3	8
Chair, Professional Development & Standards Board	Graeme John Campbell	3	8	3	8
Elected Members of Council:					
	John Charles Batten	3	1	3	1
	Spencer Wynyard Beasley	2		2	
	Ian Craig Bennett	3		3	
	Andrew James Brooks	2	4	3	4
	Phillip James Carson	3		3	
	Catherine Mary Ferguson	3	3	3	3
	Bruce Ian Hall	2		2	
	Sally Jane Langley	2		2	
	Lawrence Pietro Malisano	3	5	3	5
	Julie Ann Mundy	3		3	
	Barry Stephen O'Loughlin	3		3	
	Richard Edward Perry	3	4	3	4
	Roger Stewart Paterson	3		3	
	Alan Charles Saunder	3		3	
	Julian Anderson Smith	3		3	
	Anthony Lloyd Sparnon	3		3	
	David Robert Theile	3	3	3	4
	Phil Gregory Truskett AM	3		3	
	Neil Anthony Vallance	2		3	
Co-Opted Members of Council:					
	Ian John Gollow	1		1	
	Grant Fraser-Kirk	3		3	
	Rob Knowles AO	3		3	
	Garry Wilson KStJ	2		3	
Retired Members of Council					
	Michael John Hollands	1	3	1	3
	Adrian Mack Nowitzke	1		1	
	Helen Elizabeth O'Connell	1		1	
	Sean Guy Hamilton	1		2	

## ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

### COUNCILLORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

#### **Councillors' and Chief Executive Officer's Qualifications and Current Experience**

**Professor Michael John Grigg**, MBBS FRACS

Vascular surgeon; Professor of Surgery, Monash University; Director of Surgical Services, Eastern Health, Melbourne

**Professor David Allan Watters** OBE, BSc MB ChM FRCSEd FRACS

General Surgeon, Professor of Surgery Deakin University, Director of Surgery Barwon Health

**Professor Marianne Vonau** OAM, MBBS MBA MPH FRACS

Neurosurgeon; Executive Director Clinical Governance, Education and Research, Gold Coast Hospital and Health Service

**Mr Simon Alan Williams** FRACS, FAOrthA, Dipl. Anat., Grad. Dipl. Epidemiology and Biostatistics, GAICD

Orthopaedic Surgeon; Clinical Director of Surgical Services Barwon Health

**Mr Graeme John Campbell** MBBS, FRACS, FRCS (Eng)

General Surgeon; Director, Surgant Pty Ltd; Director, Scottbourne Pty Ltd; Director General Surgeons Australia

**Mr John Charles Batten** MBBS, FRACS, FAOrthA

Orthopaedic surgeon

**Professor Spencer Wynyard Beasley** MBChB, MS, FRACS

Clinical Director, Paediatric Surgery, Canterbury District Health Board; Professor of Paediatric Surgery, University of Otago; Director, Children's Specialist Centre; Director of Child Cancer and Developmental Research Trust; Director, Koru Developments Ltd; Trustee, Rainbow Children's Trust

**Associate Professor Ian Craig Bennett** MBBS, FRACS, FACS

General surgeon

**Associate Professor Andrew James Brooks** MBBS, FRACS, FAICD

Urologist; Director City West Day Surgery, AUSCALM Pty Ltd, Quinmark, Western Urology, BFT Holdings; Head of Urology, Western Sydney Local Area Health Network

**Associate Professor Phillip James Carson** MBBS, FRACS, FRCS(Ed), FRCS, FRCS(Glasg)

General Surgeon.

**Dr Catherine Mary Ferguson**, MBChB, FRACS

Otolaryngology Head and Neck Surgeon; Trustee Bowen Hospital Trust Board; Deputy Chair NZ Perioperative Mortality Review Committee (POMRC); Member of the Acurity Health Consultant Liaison and Clinical Advisory Committee; Member NZ Medical Association Specialist Council

**Dr Grant Fraser-Kirk BSc** MBBS PGDipSurgAnat

Plastic and Reconstructive surgical registrar, Princess Alexandra Hospital and the Mater Hospital Brisbane

**Mr Ian John Gollow** MBBS FRACS

Paediatric surgeon; Senior consultant paediatric surgeon and Deputy Director Surgical Services Princess Margaret Hospital for Children; Member governing committee of Western Australian Audit of Surgical Mortality

**Mr Bruce Ian Hall** MBBS FRACS CIME

Chairman Neurosurgery Department Princess Alexandra Hospital; Director of Neurosurgery Greenslopes Private Hospital; Managing Director Queensland Neurosurgery & Spine Surgery

**Mr Sean Guy Livingston Hamilton**, MBBS, FRACS, MAICD

Plastic and Reconstructive Surgeon

**Associate Professor Michael John Hollands**, MBBS FRACS

General Surgeon; Member Mutual Board MDA National; Chair Committee of Presidents of Medical Colleges

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**COUNCILLORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

**Councillors' and Chief Executive Officer's Qualifications and Current Experience (continued)**

**Hon Rob Knowles AO MAICD**

Director, Silverchain Group of Companies, Drinkwise Australia Ltd, IPG Pty Ltd, Global Health Ltd, St John of God Healthcare and Brotherhood of St Laurence; Commissioner with National Mental Health Commission; Chair, Royal Children's Hospital, Chair, Victorian Health Innovation and Reform Council

**Dr Sally Jane Langley MBChB, FRACS**

Plastic and Reconstructive Surgeon, Canterbury Health, Christchurch

**Dr Lawrence Malisano MBBS, FRACS, FAOrthA, GAICD**

Orthopaedic surgeon, Director Brisbane Orthopaedic and Sports Medicine Centre

**Associate Professor Julie Ann Mundy MBBS, MBA, FRACS**

Cardiothoracic Surgeon; Executive Member, Australian and New Zealand Society of Cardiac and Thoracic Surgeons

**Dr Adrian Mack Nowitzke, MBBS, B.Med.Sc., EMBA, FRACS, D Univ (Griffith)**

Neurosurgeon and Special Health Advisor, McKinsey and Company

**Professor Helen Elizabeth O'Connell, MD, MBBS, MMed, FRACS, GAICD**

Urologist, Royal Melbourne and Melbourne Private Hospitals; Department of Surgery University of Melbourne

**Mr Barry Stephen O'Loughlin MBBS (Qld), FRCS (Eng), FRACS, FACS, MHA (UNSW)**

General Surgeon; Director of Surgery Royal Brisbane Hospital

**Dr Roger Stewart Paterson, MBBS, FRACS, FAOrthA**

Orthopaedic surgeon; Secretary Australian Society of Orthopaedic Surgeons

**Mr Richard Edward Perry, MBChB, Dip Obs(Otago), FRACS**

General surgeon, Visiting Consultant Surgeon Intus Digestive and Colorectal Care, St Georges Hospital and Southern Cross Hospital, Christchurch. Director, Intus Ltd; Director, Medical Software Corporation Ltd.

**Mr Alan Charles Saunder MBBS, FRACS**

General surgeon; Director General Surgeons Australia Board

**Professor Julian Anderson Smith, MBBS, MS, Grad Cert Surg Ed, FRACS, FACS, FCSANZ, FAICD**

Cardiothoracic Surgeon; Professor of Surgery, Monash University; Board Member, Australasian Cardiac Research Institution; Board Member, Postgraduate Medical Council of Victoria

**Mr Anthony Lloyd Sparnon, MBBS, FRACS**

Paediatric Surgeon: Head of Burn Service Adelaide Women and Children's Hospital; Adjunct Professor of Surgery National University of Malaysia

**Dr David R B Theile MBBS, MS, FRACS(Plast)**

Plastic and Reconstructive Surgeon; Director-Plastic and Reconstructive Surgery, Princess Alexandra Hospital, Brisbane; Ex officio member Board of the Australian Society of Plastic Surgeons

**Mr Philip Gregory Truskett AM, MBBS, FACS, FRACS, FASGBI (Hon).**

General Surgeon, Senior Staff Specialist, Prince of Wales Hospital, Randwick

**Mr Neil Anthony Vallance, MBBS, FRACS**

Otolaryngologist; Head of Department Otolaryngology Head and Neck Surgery, Monash Health; President, Australian Society of Otolaryngology Head and Neck

**Mr Garry Wilson KStJ, BA, BSc, DPA, FNZIM**

Chair Precision Seafood Harvesting, SPATnz; Chair Governance Oversight Group, Canterbury University Rebuild; Board Member Wellington City Mission; Board Member St John Emergency Communication Ltd; Board Member Steering Committee St John International; Business and governance consultant

**Chief Executive Officer**

**A/Prof David Hillis, MBBS (Hons), DipRANZCOG, MHA, DEd, FRACGP, FRACMA, FRACS(Hon), FCHSE, FAICD**

## **ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

### **COUNCILLORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

#### **Principal activities**

The principal activities of the College in the course of the year were promoting the study of the science and art of surgery and clinical and scientific research. During the year there was no significant change in the nature of those activities.

#### **Operating and financial review**

The net surplus of the College for the year as shown in the Statement of Comprehensive Income and note 5 was \$6,321,946 compared to 2013 surplus of \$10,174,073. The College is a company limited by guarantee which has no share capital and is prohibited by its constitution from paying dividends.

#### **Significant changes in the state of affairs**

During the year, there was no significant change in the College's state of affairs other than that referred to in the financial statements or notes thereto.

#### **Significant events after the balance date**

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the College's operations, the results of those operations, or the College's state of affairs in future financial years.

#### **Likely developments and expected results**

During the year the College paid a premium in respect of a contract insuring the Councillors and Officers of the College against a liability incurred as a Councillor or Officer to the extent permitted by the *Australian Charities and Not-for-profits Commission Act 2012*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

#### **Indemnification and insurance of Councillors**

The College has not otherwise, during or since the year end, indemnified or agreed to indemnify an officer or auditor of the College or of any related body corporate against a liability incurred as an officer or auditor.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

**Auditor's Independence Declaration**

We, the Directors, hereby declare and note that the Auditor's Independence Declaration has been received and follows this report.

Signed in accordance with a resolution of the Directors' made pursuant to the *Australian Charities and Not-for-profits Commission Act 2012*.

On behalf of the Directors.

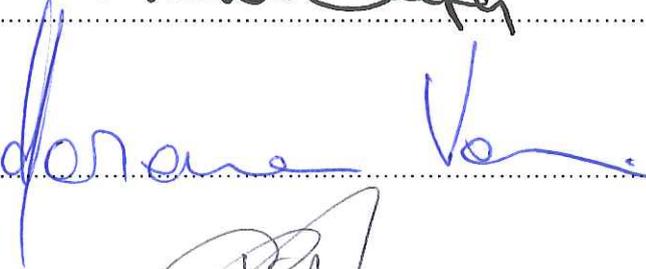
M J GRIGG

.....  
**President**



M VONAU

.....  
**Treasurer**



D J HILLIS

.....  
**Chief Executive Officer**



**MELBOURNE  
27 FEBRUARY 2015**

## Independent auditor's report to the Councillors of the Royal Australasian College of Surgeons

### Report on the financial report

We have audited the accompanying financial report of the Royal Australasian College of Surgeons, which comprises the statement of financial position as at 31 December 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

#### ***Directors' responsibility for the financial report***

The College is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements, the *Corporations Act 2001* and the *Australian Charities and Not-for-Profits Commission Act 2012* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

#### ***Auditor's responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

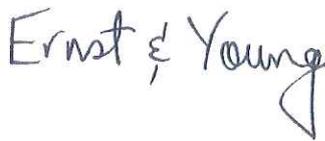
#### ***Independence***

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001* and the *Australian Charities and Not-for-Profits Commission Act 2012*. We have given to the directors of the company a written Auditor's Independence Declaration.

**Opinion**

In our opinion the financial report of the Royal Australasian College of Surgeons is in accordance with the *Corporations Act 2001* and the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- (a) giving a true and fair view of the financial position of the Royal Australasian College of Surgeons at 31 December 2014 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards - Reduced Disclosure Requirements, the *Corporations Regulations 2001* and the *Australian Charities and Not-for-Profits Commission Regulation 2013*.



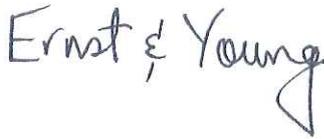
Ernst & Young



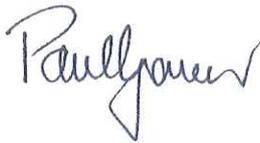
Paul Gower  
ASIC Auditor Number: 414573  
Partner  
Melbourne  
27 February 2015

## Auditor's Independence Declaration to the Royal Australasian College of Surgeons

In relation to our audit of the financial report of the Royal Australasian College of Surgeons for the financial year ended 31 December 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



Paul Gower  
ASIC Auditor Number: 414573  
Partner  
Melbourne  
27 February 2015

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**DIRECTORS' DECLARATION**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

Directors' declaration – per section 60.15 of the *Australian Charities and Not-for-profits Commission Regulation 2013*

The directors declare that in the directors' opinion:

- (a) there are reasonable grounds to believe that the registered entity is able to pay all of its debts, as and when they become due and payable; and
- (b) the financial statements and notes satisfy the requirements of the *Australian Charities and Not-for-profits Commission Act 2012*.

Signed in accordance with subsection 60.15(2) of the *Australian Charities and Not-for-profit Commission Regulation 2013*.

On behalf of the Directors

M J GRIGG



.....  
**President**

M VONAU



.....  
**Treasurer**

D J HILLIS



.....  
**Chief Executive Officer**

**MELBOURNE  
27 FEBRUARY 2015**

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

	<u>Notes</u>	<u>2014</u>	<u>2013</u>
		\$	\$
<b>Continuing Operations</b>			
Revenue from operating activities		62,597,417	55,337,919
Net surplus on sale of property		496,190	1,081,605
Other income – from investments		3,856,961	8,606,362
<b>Revenue</b>		<u>66,950,568</u>	<u>65,025,886</u>
<b>Expenditure</b>			
Personnel costs		20,345,706	19,108,694
Consultants fees - clinical		876,667	765,866
Consultants fees - management		1,644,968	1,317,342
Telephone, teleconference and audio visual costs		858,941	930,701
Printing, stationery and photocopying		1,575,664	1,548,950
Postage and courier costs		664,417	703,837
Information system costs		1,176,824	1,266,163
Travel and accommodation		5,535,893	4,992,152
Associations and library publications		772,334	549,193
Audit, legal and professional fees		134,504	360,535
Bank fees and merchant charges		661,952	563,839
Rent, rates, power, repairs and other property costs		2,316,909	2,196,683
Insurance		338,817	351,303
Project equipment purchases, hire and repairs		897,244	720,356
Training manuals and consumables used in education and field projects		675,579	630,711
Scholarships, fellowships and research grants		1,110,883	1,271,300
Awards, other grants, gifts and prizes		560,443	538,980
Grants – funded from external sources		9,182,180	6,311,364
Facilities hire and catering costs		4,191,793	2,829,648
Foreign exchange loss		21,070	202,086
Depreciation expense		2,302,257	2,745,787
Amortisation expense – lease incentive		64,846	64,846
Specialist societies funding costs		4,140,769	4,386,831
Committee and office bearers costs		82,800	8,590
Doubtful debts expense		91,404	9,734
QSEC write-off – development and legal costs		-	4,180
Other expenses from operating activities		<u>402,560</u>	<u>456,606</u>
<b>Expenditure</b>		<u>60,627,424</u>	<u>54,836,277</u>
<b>Surplus for the period</b>		<u>6,323,144</u>	<u>10,189,609</u>
<b>Other Comprehensive Income</b>			
Foreign currency translation		<u>(1,198)</u>	<u>(15,536)</u>
<b>TOTAL SURPLUS</b>	5	<u>6,321,946</u>	<u>10,174,073</u>

Notes to and forming part of the financial statements are included on pages 17 to 31

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**STATEMENT OF FINANCIAL POSITION**

**AS AT 31 DECEMBER 2014**

	<u>Notes</u>	<u>2014</u> \$	<u>2013</u> \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and short term deposits	6	16,366,097	15,542,281
Trade and other receivables	7	18,216,202	17,566,146
Inventories	8	181,907	227,888
Prepayments		1,533,344	3,109,637
Held for trading financial assets	9	<u>55,961,889</u>	<u>47,539,712</u>
<b>Total Current Assets</b>		<u>92,259,439</u>	<u>83,985,664</u>
<b>Non-Current Assets</b>			
Trade and other receivables	10	803,826	847,159
Property, plant and equipment	11	21,185,811	22,475,148
Lease Incentive	12	<u>474,730</u>	<u>539,576</u>
<b>Total Non-Current Assets</b>		<u>22,464,367</u>	<u>23,861,883</u>
<b>TOTAL ASSETS</b>		<u>114,723,806</u>	<u>107,847,547</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	13	3,205,607	3,398,329
Provisions	14	3,007,636	2,811,462
Income in advance	15	24,367,227	23,727,799
Government grants received in advance		6,422,884	6,677,630
Funds held on behalf of others	16	<u>7,344,592</u>	<u>6,404,166</u>
<b>Total Current Liabilities</b>		<u>44,347,946</u>	<u>43,019,386</u>
<b>Non-Current Liabilities</b>			
Provisions	17	<u>791,421</u>	<u>1,565,668</u>
<b>Total Non-Current Liabilities</b>		<u>791,421</u>	<u>1,565,668</u>
<b>TOTAL LIABILITIES</b>		<u>45,139,367</u>	<u>44,585,054</u>
<b>NET ASSETS</b>		<u>69,584,439</u>	<u>63,262,493</u>
<b>COLLEGE FUNDS AND RESERVES</b>			
Retained earnings		63,262,493	53,088,420
Current year surplus - operations		5,591,680	8,182,930
Current year surplus - investment reserve		730,266	1,991,143
<b>TOTAL COLLEGE FUNDS AND RESERVES</b>		<u>69,584,439</u>	<u>63,262,493</u>

Notes to and forming part of the financial statements are included on pages 17 to 31

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**STATEMENT OF CHANGES IN EQUITY**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

	<b>Retained Surplus</b>	<b>Foreign Currency Translation Reserve</b>	<b>Investment Earnings Reserve</b>	<b>Total College Funds &amp; Reserves</b>
	<b>\$</b>		<b>\$</b>	<b>\$</b>
<b>At 1 January 2013</b>	48,417,835	188,564	4,482,021	53,088,420
Surplus for the year	10,189,609		-	10,189,609
Other comprehensive income	-	(15,536)	-	(15,536)
Surplus / (Deficit) for reserve	(1,991,143)		1,991,143	-
Transfer to / (from) reserve	3,696,522		(3,696,522)	-
<b>At 31 December 2013</b>	60,312,823	173,028	2,776,642	63,262,493
Surplus for the year	6,323,144	-	-	6,323,144
Other comprehensive income	-	(1,198)	-	(1,198)
Surplus / (Deficit) for reserve	(730,266)		730,266	-
Transfer to / (from) reserve	2,300,000		(2,300,000)	-
<b>At 31 December 2014</b>	68,205,701	171,830	1,206,908	69,584,439

Notes to and forming part of the financial statements are included on pages 17 to 31

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**STATEMENT OF CASH FLOWS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

	<u>Notes</u>	<u>2014</u> \$	<u>2013</u> \$
<b>Operating activities</b>			
Subscriptions and entrance fees		13,732,439	10,474,318
Training, examination and assessment fees		22,411,574	20,941,063
Sponsorship and donations		2,776,000	2,529,068
Conference registrations		3,197,798	2,077,466
Property rental and recoveries		1,050,753	783,782
Project income and associated fees		18,486,493	16,252,001
Interest income		34,342	43,453
Other income		218,451	620,779
Payments to suppliers and employees		(56,662,810)	(46,944,296)
<b>Net cash flows from operating activities</b>	6	<u>5,245,040</u>	<u>6,777,634</u>
<b>Investing activities</b>			
Net movement from investment securities		(3,112,835)	(3,081,431)
Payments for property plant and equipment		(1,815,044)	(1,486,950)
Net proceeds from sale – property		506,655	1,953,755
<b>Net cash flows used in investing activities</b>		<u>(4,421,224)</u>	<u>(2,614,626)</u>
<b>Financing activities</b>			
<b>Net cash flows used in financing activities</b>		<u>-</u>	<u>-</u>
<b>Net increase in cash and short term deposits</b>		<u>823,816</u>	<u>4,163,008</u>
<b>Cash and short term deposits at 1 January 2014</b>		15,542,281	11,379,273
<b>Cash and short term deposits at 31 December 2014</b>	6	<u>16,366,097</u>	<u>15,542,281</u>

Notes to and forming part of the financial statements are included on pages 17 to 31

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

**1. CORPORATE INFORMATION**

The financial report of the Royal Australasian College of Surgeons for the year ended 31 December 2014 was authorised for issue in accordance with a resolution of Council on 27 February 2015.

The Royal Australasian College of Surgeons (College) is a company limited by guarantee incorporated in Australia and operating in Australia and New Zealand. Principal Registered Office and Place of Business is:

Royal Australasian College of Surgeons, College of Surgeons Gardens, 250-290 Spring Street, East Melbourne, Victoria 3002, telephone 03 9249 1200.

The nature of the operations and the principal activities of the College are described in the Councillors' Report.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of Preparation**

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Australian Charities and Not-for-profits Commission Act 2012*, Australian Accounting Standards – Reduced Disclosure Requirements and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for 'Held for trading' financial assets which are measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest dollar.

**(b)(i) Statement of Compliance**

The College has adopted AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosures Requirements for the financial year beginning on 1 January 2012.

The adoption of AASB 1053 and AASB 2010-2 allowed the College to remove a number of disclosures. There were no other impacts on the current or prior year financial statements.

**(b)(ii) New Accounting Standards and Interpretations**

**Changes in accounting policy and disclosures**

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The College has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 January 2014.

- AASB 2013-3 Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets

The College has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2014.

- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2010-2012 Cycle.
- AASB 2014-1 Part B Amendments to AASB 119 Defined Benefit Plans: Employee Contributions

**(c) Investments**

Investments are classified as 'Held for trading' financial assets and are reflected in the Statement of Financial Position at fair value. These financial assets have been acquired for the purpose of selling in the near term with the intention of making a profit.

All movements in the fair value of marketable investments are brought to account in the Statement of Comprehensive Income in the financial period in which they arise.

Dividends and other distributions from investments are taken to income on an accruals basis.

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(d) Foreign Currency Translation**

Both the functional and presentation currency of the College's Australian operations is Australian dollars (AUD\$). The functional currency of the New Zealand operations is New Zealand dollars (NZD\$).

Transactions in foreign currencies are initially recorded at their respective currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the reporting date the assets and liabilities of the New Zealand National Office are translated into the presentation currency of the College at the rate of exchange ruling at the balance sheet date and the Statement of Comprehensive Income is translated using the exchange rates ruling at the date of the transaction.

The exchange differences arising on the retranslation are taken directly to the Statement of Comprehensive Income.

**(e) Property, Plant and Equipment**

Land, property and plant and equipment stated at cost less accumulated depreciation and/or any accumulated impairment losses, if any. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

	2014	2013
- Buildings	40 years	40 years
- Plant & Equipment	3–5 years	3–5 years
- Land	not depreciated	not depreciated

The assets residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate at each financial year end. Project assets are written off in the year incurred.

**Impairment**

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and depreciable replacement cost. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Treasures (antique furniture, silverware and artwork) donated to the College, are recorded at their fair value as determined by the Councillors, and accounted for as donation income.

The Gordon Craig Library, Great Mace and Treasures are not replaceable and subject to proper maintenance, are considered to have indefinite useful lives and their recoverable value is not expected to diminish overtime. Accordingly these assets are not depreciated.

**(f) Inventories**

Inventories are valued at the lower of cost and current replacement cost. Costs are assigned to 'inventory on hand' comprise all the costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

**(g) Employee Benefits**

Provision are made for benefits accruing to employees in respect of annual leave, leave in lieu and long service leave when management has a present obligation as a result of a past event and it is probable that

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

settlement will be required and capable of being measured reliably. Provisions made in respect of annual leave, leave in lieu and long service leave expected to be settled within 12 months are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All short-term employee benefits – wages, salaries, annual leave, leave in lieu and sick leave for current employees have not been discounted to present value. In accordance with College policy the entitlement for leave in lieu expires annually on the 31st January and the provision is written down for any unused entitlement accrued up to the 31st December of the prior year.

Provision made in respect of long service leave which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the College in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience, employee departures and period of service. In determining the present value of future cash outflow the market yield as at the reporting date on national government bonds, which have a maturity approximating the terms of the related liability, are used.

**(h) Borrowing Costs**

Borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**(i) Impairment of Non-Financial Assets**

At each reporting date, the College assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the College makes a formal estimate of the recoverable amount. Recoverable amount is the higher of an assets future value less costs to sell and replacement cost. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount

**(j) Taxation**

**(i) Income Tax**

The College is exempt from income tax as it is considered an income tax exempt charitable entity under Subdivision 50-B of the Income Tax Assessment Act 1997.

**(ii) Other Taxes**

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

**(k) Revenue recognition**

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the College and the revenue can be reliably measured, regardless of when payment is being made. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognised:

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Subscriptions, Fees, Sponsorship and Donations

Revenue is recognised when at the reporting date the stage of completion of the transaction can be reliably measured and the costs incurred for the transaction and costs to complete for the transaction can be measured reliably.

College Projects (refer note 2 (l))

Revenue from projects is recognised by reference to the stage of completion. Stage of completion is measured by reference to costs incurred to date as a percentage of total cost to completion for each project.

When the project outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Interest

Revenue is recognised as the interest accrues.

Rental Income

Rental income arising on College properties is accounted for on a straight-line basis over the lease terms and is included in revenue due to its operating nature.

**(l) Government Grants Received in Advance**

Funding from the Commonwealth and State Governments are received for a wide range of projects carried out by the College in the areas of overseas medical aid, rural and regional medicine, trauma, procedural registers and audits of breast cancer, mortality and morbidity. These funds are deferred for activities in future periods. Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

These projects are mostly won by competitive tender. These projects are accounted for according to Note 2 (k).

No other Government grants were received during this financial year by the College.

**(m) Income in Advance**

Subscriptions, training and course fees billed in advance are recorded as Income in Advance. Subscriptions are recognised as income on a straight line basis in the related year. Training and courses income is deferred and recognised once the service has been provided.

**(n) Contributions of Assets**

The College receives 'in kind' sponsorship in the form of specific equipment and materials for use in the College's education programmes. These contributions are recognised as income when all the following conditions have been met:

- i. the College obtains control of the contribution
- ii. it is probable economic benefits comprising the contribution will flow to the College
- iii. the amount of the contribution can be reliably measured.

**(o) Interest Bearing Liabilities**

Bills of exchange are carried at the principal amount plus deferred interest.

**(p) Cash and Short-term Deposits**

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash short-term deposits as defined above.

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(q) Trade and Other Receivables**

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when there is objective evidence that collection of the full amount is no longer probable. Bad debts are written off when identified.

**(r) Operating Leases**

Operating lease payments are recognised on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the user's benefit.

Incentives given by the lessor to a lessee as an incentive to enter into a new or renewed operating lease agreement are recognised as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from use of the leased asset.

**3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the College's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

**(i) Significant accounting judgements**

*Impairment of non-financial assets*

The College assesses impairment of all assets at each reporting date by evaluating conditions specific to the College and to the particular asset that may lead to impairment. If an impairment trigger exists the recoverable amount of the asset is determined.

*Classification of assets and liabilities held for sale*

The College classifies assets and liabilities as held for sale when the carrying amount will be recovered through a sale transaction. The assets and liabilities must be available for immediate sale and the College must be committed to selling the asset either through the entering into of a contractual sale agreement or the activation and commitment to a program to locate a buyer and dispose of the assets and liabilities.

*Estimation of useful lives of assets*

The estimation of the useful lives of assets has been on historical experience as well as manufacturers' warranties (for plant and equipment) and lease terms (for leased equipment). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

*Allowance for doubtful debts*

An estimate for doubtful debts is made when collection of the full amount is no longer probable.

*Long service leave*

In determining the level of provision required for long service the College has made judgements in respect of anticipated future wage and salary levels, employee departures, periods of service and discount rates.

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

	<u>2014</u>	<u>2013</u>
	\$	\$
<b>4. REVENUES AND EXPENSES</b>		
<b>(a) Revenue – Significant Categories</b>		
Subscriptions & entrance fees	13,890,913	12,101,683
Training, examination and assessment fees	21,701,850	20,537,350
Sponsorship & donations	2,707,650	2,444,341
Contribution (in kind sponsorship)	180,000	180,000
Conference registrations	3,422,789	1,562,422
Property rental & recoveries	1,026,882	903,706
Project income & management fees	18,901,244	16,653,724
Bank account interest	34,342	43,453
Advertising, royalties & rebates	472,785	430,217
<b>(b) Expenses - Specified Categories</b>		
Travel and accommodation costs		
- Skills training courses	1,064,075	1,048,535
- Examinations	1,000,490	1,004,183
- Externally funded projects – domestic & international	1,275,160	1,351,837
Facilities hire and catering costs		
- Skills training courses	1,331,742	1,202,130
- Annual scientific congress	1,765,760	669,679
Annual accounts audit – Ernst & Young	56,274	53,045
Project audits – Ernst & Young	15,087	12,330
Internal audits – Protiviti (2013 - Grant Thornton)	68,400	65,000
Increase to provisions for employee entitlements	235,924	297,230
Cost of inventories recognised as an expense	226,394	195,609
<b>(c) Employee Benefits Expense</b>		
Wages & salaries expense	17,511,867	16,337,139
Workers' compensation costs	86,731	81,953
Superannuation costs	1,552,047	1,406,355
Other staffing costs	1,195,061	1,283,247
<b>(d) Investment Portfolio – Gain</b>		
Investments	3,856,961	8,606,362

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

	<u>2014</u> \$	<u>2013</u> \$
<b>5. REVENUE AND EXPENDITURE BY FUNCTION</b>		
<b>Revenue</b>		
College Operations (1)	40,743,253	38,742,097
College Projects	18,508,072	16,505,811
Foundation (1)	7,699,243	9,777,978
<b>Total Revenue</b>	<u>66,950,568</u>	<u>65,025,886</u>
<b>Expenditure</b>		
College Operations	40,218,466	38,405,835
College Projects	18,597,850	16,934,197
Foundation	1,811,108	(503,755)
<b>Sub-Total</b>	<u>60,627,424</u>	<u>54,836,277</u>
Foreign Currency Translation	1,198	15,536
<b>Total Expenditure</b>	<u>60,628,622</u>	<u>54,851,813</u>
<b>Surplus</b>		
College Operations (1)	524,787	336,262
College Projects	(89,778)	(428,386)
Foundation (1)	5,888,135	10,281,733
<b>Sub-Total</b>	<u>6,323,144</u>	<u>10,189,609</u>
Foreign Currency Translation	(1,198)	(15,536)
<b>TOTAL SURPLUS</b>	<u>6,321,946</u>	<u>10,174,073</u>
<b>Investment Portfolio – included in revenue above</b>		
Income from Investments	<u>3,856,961</u>	<u>8,606,362</u>

(1) A \$2,475,000 transfer to the Foundation from the College operations surplus was booked to provide additional capital funding for the College corpora.

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

	<u>2014</u>	<u>2013</u>
	\$	\$
<b>6. CASH AND SHORT TERM DEPOSITS</b>		
Cash at bank and in hand	4,422,086	4,819,280
Funds at call	<u>11,944,011</u>	<u>10,723,001</u>
	<u>16,366,097</u>	<u>15,542,281</u>

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

Funds at call are used for investment purposes as well as for the immediate cash requirements of the College and earn interest at the respective at call deposit rates and term deposits.

The fair value of cash and short term deposits is \$16,366,097 (2013: \$15,542,281).

**Reconciliation from the surplus to the net cash flows from operations**

<b>Operating Surplus</b>	6,321,946	10,174,073
Adjustments to reconcile surplus to net cash flows:		
Depreciation of non-current assets	2,302,257	2,745,787
Net (increase) in carrying value of investments	(5,187,180)	(6,365,262)
Disposal of non-current assets	802,124	129,106
Investing activities: net proceeds from sale – property	(506,655)	(1,953,755)
Changes in assets and liabilities:		
(Increase) / Decrease in receivables	(650,056)	(1,519,684)
(Increase) / Decrease in inventories	45,981	(7,794)
(Increase) / Decrease in prepayments	1,576,293	(1,182,615)
(Increase) / Decrease in property held for sale	-	872,150
(Increase) / Decrease in non-current receivables	43,333	(14,708)
(Increase) / Decrease in other assets – lease incentive	64,846	64,846
Increase / (Decrease) in trade & other payables	(192,722)	(627,597)
Increase / (Decrease) in current provisions	196,174	326,315
Increase / (Decrease) in funds held on behalf of other surgical societies	818,264	1,340,818
Increase / (Decrease) in non-current provisions	(774,247)	8,802
Increase / (Decrease) in income in advance	639,428	3,524,446
Increase / (Decrease) in government grants	<u>(254,746)</u>	<u>(737,294)</u>
Net cash flows from operating activities	<u>5,245,040</u>	<u>6,777,634</u>

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

	<u>2014</u>	<u>2013</u>
	\$	\$
<b>7. TRADE &amp; OTHER RECEIVABLES (CURRENT)</b>		
Subscriptions, fees & levies	8,126,347	7,984,540
Training, examination and assessment fees	7,166,225	7,144,610
Conference registrations	89,643	120,395
College projects – work in progress	617,298	1,155,796
Other sundry debtors	<u>2,313,885</u>	<u>1,164,521</u>
	18,313,398	17,569,862
Provision for doubtful debts	<u>(97,196)</u>	<u>(3,716)</u>
Trade & Other Receivables (Current)	<u>18,216,202</u>	<u>17,566,146</u>
<b>Provision for doubtful debts movement</b>		
Provision balance as at beginning of year	3,716	12,064
Amount provided (written back) during year	99,854	9,900
Amount used during year	<u>(6,374)</u>	<u>(18,248)</u>
Provision balance as at end of year	<u>97,196</u>	<u>3,716</u>

**Aging of current receivables**

(excludes provision for doubtful debts)

As at 31 December, the aging analysis of trade receivables is as follows:

Year	Current	30-<60 days	60-<90 days	>90 days	Total
	\$	\$	\$	\$	\$
2014	9,731,146	8,068,323	342,106	171,823	18,313,398
2013	9,223,474	7,929,971	232,677	183,740	17,569,862

**8. INVENTORIES**

	<u>2014</u>	<u>2013</u>
	\$	\$
Finished goods at cost	<u>181,907</u>	<u>227,888</u>
Total inventories	<u>181,907</u>	<u>227,888</u>

The amount of finished goods at cost recognised as an expense during 2014 was \$226,394 (2013: \$195,609).

**9. HELD FOR TRADING FINANCIAL ASSETS**

	<u>2014</u>	<u>2013</u>
	\$	\$
At fair value		
Domestic equities	38,912,861	36,485,376
International equities	4,732,019	3,161,780
Domestic fixed interest	<u>12,317,009</u>	<u>7,892,556</u>
	<u>55,961,889</u>	<u>47,539,712</u>

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

<b>10. TRADE AND OTHER RECEIVABLES (NON-CURRENT)</b>	<u>2014</u>	<u>2013</u>
	\$	\$
Fellowship entrance fees (due 2 to 5 years)	743,826	727,159
Loans to Fellows	60,000	120,000
	<u>803,826</u>	<u>847,159</u>

All non-current receivables are non-interest bearing. Loans to Fellows are fully repayable within 3 years.

**11. PROPERTY, PLANT AND EQUIPMENT**

	Freehold Land	Buildings	Plant and Equipment (incl WIP)	Treasures, Gordon Craig Library and Great Mace	Project & Low Value Equipment	TOTAL
	\$	\$	\$	\$	\$	\$
<b>Year ended 31 December 2014</b>						
At 1 January 2014 net of accumulated depreciation	4,444,087	13,895,862	3,808,392	326,807	-	22,475,148
Additions	-	103,129	1,433,180	-	278,735	1,815,044
Disposals	(236,084)	(355,037)	(193,616)	-	-	(784,737)
Exchange differences	(6,898)	(10,489)	-	-	-	(17,387)
Depreciation charge for the year	-	(459,581)	(1,563,941)	-	(278,735)	(2,302,257)
Net of accumulated depreciation	<u>4,201,105</u>	<u>13,173,884</u>	<u>3,484,015</u>	<u>326,807</u>	<u>-</u>	<u>21,185,811</u>
<b>At 1 January 2014</b>						
Cost	4,444,087	18,583,676	15,485,456	326,807	4,113,209	42,953,235
Accumulated depreciation and impairment	-	(4,687,814)	(11,677,064)	-	(4,113,209)	(20,478,087)
Net Carrying Amount	<u>4,444,087</u>	<u>13,895,862</u>	<u>3,808,392</u>	<u>326,807</u>	<u>-</u>	<u>22,475,148</u>
<b>At 31 December 2014</b>						
Cost	4,201,105	18,321,279	16,725,020	326,807	4,391,944	43,966,155
Accumulated depreciation and impairment	-	(5,147,395)	(13,241,005)	-	(4,391,944)	(22,780,344)
Net Carrying Amount	<u>4,201,105</u>	<u>13,173,884</u>	<u>3,484,015</u>	<u>326,807</u>	<u>-</u>	<u>21,185,811</u>
Depreciation rates used	0%	2.5%	20% to 33.3%	0%	100%	

The College uses the straight line method of depreciation. All non-current assets are accounted for at cost. As a consequence any excess of fair value over net cost is not reflected in the financial statements.

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

**11. PROPERTY, PLANT AND EQUIPMENT (continued)**

	Freehold Land	Buildings	Plant and Equipment (incl WIP)	Treasures, Gordon Craig Library and Great Mace	Project & Low Value Equipment	TOTAL
	\$	\$	\$	\$	\$	\$
<b>Year ended 31 December 2013</b>						
At 1 January 2013 net of accumulated depreciation	4,444,087	14,340,863	4,664,313	326,807	87,020	23,863,091
Reclassification - WIP	-	-	87,020	-	(87,020)	-
Additions	-	15,389	691,343	-	780,219	1,486,950
Disposals	-	-	(129,106)	-	-	(129,106)
Depreciation charge for the year	-	(460,390)	(1,505,178)	-	(780,219)	(2,745,787)
Net of accumulated depreciation	4,444,087	13,895,862	3,808,392	326,807	-	22,475,148
					-	
<b>At 1 January 2013</b>						
Cost	4,444,087	18,568,287	14,836,199	326,807	3,420,010	41,595,390
Accumulated depreciation and impairment	-	(4,227,424)	(10,171,886)	-	(3,332,990)	(17,732,300)
Net Carrying Amount	4,444,087	14,340,863	4,664,313	326,807	87,020	23,863,091
<b>At 31 December 2013</b>						
Cost	4,444,087	18,583,676	15,485,456	326,807	4,113,209	42,953,235
Accumulated depreciation and impairment	-	(4,687,814)	(11,677,064)	-	(4,113,209)	(20,478,087)
Net Carrying Amount	4,444,087	13,895,862	3,808,392	326,807	-	22,475,148
Depreciation rates used	0%	2.5%	20% to 33.3%	0%	100%	

The College uses the straight line method of depreciation. All non-current assets are accounted for at cost. As a consequence any excess of fair value over net cost is not reflected in the financial statements.

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

	<u>2014</u> \$	<u>2013</u> \$
<b>12. LEASE INCENTIVE (NON CURRENT)</b>		
Lease incentive – net of amortised expense - Queensland	225,000	255,000
Lease incentive – net of amortised expense - New South Wales	<u>249,730</u>	<u>284,576</u>
Lease incentive – net of amortised expense	<u>474,730</u>	<u>539,576</u>
	<u>2014</u> \$	<u>2013</u> \$
<b>13. TRADE AND OTHER PAYABLES (CURRENT)</b>		
Trade payables	1,476,063	1,523,909
Other payables	1,249,725	1,076,981
Net external conferences monies held	479,819	624,260
Government grants repayable	<u>-</u>	<u>173,179</u>
	<u>3,205,607</u>	<u>3,398,329</u>
	<u>2014</u> \$	<u>2013</u> \$
<b>14. PROVISIONS (CURRENT)</b>		
Employee benefits		
Annual leave	1,063,187	1,096,077
Leave in Lieu	90,599	113,614
Long service leave (note 17)	<u>1,853,850</u>	<u>1,601,771</u>
	<u>3,007,636</u>	<u>2,811,462</u>
	<u>2014</u> \$	<u>2013</u> \$
<b>15. INCOME IN ADVANCE</b>		
Subscriptions billed in advance	12,821,046	12,657,213
Examination entry and annual training fees billed in advance	10,823,540	10,100,072
Annual scientific conference fees billed in advance	711,922	967,665
Other fees billed in advance	<u>10,719</u>	<u>2,849</u>
	<u>24,367,227</u>	<u>23,727,799</u>
	<u>2014</u> \$	<u>2013</u> \$
<b>16 FUNDS HELD ON BEHALF OF OTHERS (CURRENT)</b>		
Funds held on behalf of other surgical societies and groups	<u>7,344,592</u>	<u>6,404,166</u>

These funds have been deposited with the College to enable surgical societies and groups to have their funds managed within the College's investment portfolio. Investment income is calculated from all investment assets including cash held by the College within the investment account excluding cash funds held in the operating investment account. Investment income consists of the actual return from the portfolio, unrealised capital gains / (losses) and franking credits from dividends.

Funds deposited with the College and held on an "at call" basis are credited with investment income at the bank bill rate.

Upon written request these funds may be redeemed at any time by the surgical society or group in accordance with the Pooled Investment Service Agreement terms and conditions.

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

	<u>2014</u> \$	<u>2013</u> \$
<b>17. PROVISIONS (NON-CURRENT)</b>		
<b>Employee Benefits</b>		
Long service leave (note 14)	316,691	276,944
<b>New Zealand – Building Strengthening Works</b>		
43 Kent Terrace, Wellington (Elliott House)	-	749,148
Current legal requirement for Elliott House to be strengthened in accordance with the New Building Standard (NBS)		
<b>Operating Leases – Incentives</b>		
Queensland lease incentive – net of drawdown	225,000	255,000
New South Wales lease incentive – net of drawdown	249,730	284,576
	<u>791,421</u>	<u>1,565,668</u>

**18. SUPERANNUATION COMMITMENTS**

The College is required under relevant legislation to contribute a minimum amount to approved superannuation funds for its employees as nominated by each employee. The details of the major funds to which the College contributes are set out below:

<b>Royal Australasian College of Surgeons</b>	
Type of Benefits	Accumulation of contributions of employee and employer. Covering all employees and providing benefits on retirement, death or disability.
Contributions by:	
- Employee	Contributions are optional.
- Employer	At rates varying between 9% and 19% of base salary of employee.  The College has a legal obligation to contribute as set out in the trust deed but has the right to vary the rate of, or terminate, contributions upon giving notice as prescribed in the deed. Any variations to contributions would nevertheless ensure that contributions of up to 9% of employee's wages and salaries are in accordance with Australian legal requirements.
Date of annual review	31 March 2014 Funds are available to satisfy all benefits that would have vested under the plan for each employee. The date of the next annual review is 31 March 2015.

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

**19. COMMITMENTS AND CONTINGENCIES**

**Operating Lease Commitments**

The College has entered into telecommunications service agreements with Macquarie Telecom and Viatek for a committed service period of 3 years and 5 years respectively.

The College has entered into new commercial leases for photocopiers with Ricoh for a period of 3 years.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	<u>2014</u>	<u>2013</u>
	\$	\$
Within one year	432,365	432,365
After one year but not more than five years	379,838	812,203
After more than five years	-	-
Total minimum lease payments	<u>812,203</u>	<u>1,244,567</u>

	<u>2014</u>	<u>2013</u>
	\$	\$

**Property Lease Commitments – incurred 12 month period**

13 Napier Close, Deakin ACT	31,200	30,500
184 Hampden Road, Nedlands WA	105,705	109,968
199 Ward Street, North Adelaide SA	202,572	196,976
147 Davey Street, Hobart TAS	8,782	8,782
AON Tower, Level 26, 201 Kent Street, Sydney NSW	367,644	354,589
69 Shafston Avenue, Kangaroo Point QLD	325,412	314,408
Level 4, 97-99 Courtney Place, Te Aro, Wellington NZ	89,964	41,441
43 Kent Terrace, Wellington, NZ – car park spaces	2,176	2,644
	<u>1,133,455</u>	<u>1,059,308</u>

	<u>2014</u>	<u>2013</u>
	\$	\$
Within one year	1,092,974	1,151,255
After one year but not more than five years	3,079,944	3,377,023
After more than five years	1,917,061	2,712,956
Total minimum lease payments	<u>6,089,979</u>	<u>7,241,234</u>

**20. EVENTS AFTER BALANCE SHEET DATE**

Since the end of the financial year, there has been an upward movement in the market value of equities held in the College's investment portfolio. There was an estimated positive investment income return of 2.7% achieved within the portfolio for the month ended 31 January 2015. This increase in the market value resulted in investment revenue of \$1,439,122 being booked in the month of January 2015.

**21. MEMBERS' GUARANTEES**

The College is a company limited by guarantee and without share capital.

If the company is wound up the Constitution states that each member is required to contribute a maximum of \$1.00 towards meeting any outstanding obligations of the company.

At 31 December 2014 the number of members was 7,211 (31 December 2013 – 7,057).

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

**22. RELATED PARTY TRANSACTIONS**

During the years, the Councillors of the College noted below provided services to the College activities. Payments disclosed comprise of payments made to a Councillor during the period they were a member of Council. These services were provided below commercial rates.

	<u>2014</u>	<u>2013</u>
	\$	\$
<b>Mortality Audit projects</b>		
- Mr G Campbell	-	300
- Professor M J Grigg	300	600
- Professor J Smith	300	-
- Mr S Williams	300	-
- Professor D A Watters	600	-

**23. COMPENSATION OF KEY MANAGEMENT PERSONNEL**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College.

	<u>2014</u>	<u>2013</u>
	\$	\$
Short-term employee benefits	2,315,158	2,233,676
Post-employment benefits	209,505	194,280
Other long term benefits	608,901	545,086
Termination benefits	98,049	24,491
Total	<u>3,231,613</u>	<u>2,997,533</u>

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**ACFID CODE OF CONDUCT**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

**24. Information to be provided under the ACFID Code of Conduct**

The College is a signatory member of the Australian Council for International Development (ACFID). The ACFID Code of Conduct is a voluntary self-regulatory code of good practice that aims to improve international development outcomes and increase stakeholder trust by enhancing the accountability and transparency of signatory members. Information disclosed below is in accordance with the financial reporting requirements of the ACFID Code of Conduct.

**INCOME STATEMENT**

**For the year ended 31<sup>st</sup> December 2014**

**International Aid and Development Programs**

	<u>2014</u>	<u>2013</u>
	\$	\$
<b>REVENUE</b>		
Donations and gifts – monetary	200,470	212,970
Donations and gifts – non-monetary	-	-
Bequests and legacies	-	65,796
Grants – Australian - Department of Foreign Affairs and Trade – formally AusAID	3,941,783	4,232,992
Grants – Other Australian	255,894	219,548
Grants – Other Overseas	-	53,864
Investment income	700,608	1,600,509
Other income – International programs	87,374	33,165
Revenue for international political or religious proselytisation program	-	-
Other income – all other College activities	<u>61,764,439</u>	<u>58,607,042</u>
<b>Total Revenue</b>	<u>66,950,568</u>	<u>65,025,886</u>
<b>EXPENDITURE</b>		
<b>International Aid and Development Programs</b>		
International Programs		
Funds to international programs	1,169,658	1,462,731
Other international program costs	2,454,186	2,380,474
Program support costs	840,024	847,651
Community education	-	-
Fundraising costs		
Public	-	-
Government, multilateral and private	-	-
Accountability and administration	118,454	122,634
Non-monetary expenditure	-	-
Expenses for international political or religious proselytisation program	-	-
Other expenditure – all other College activities	<u>56,046,300</u>	<u>50,038,323</u>
<b>Total Expenditure</b>	<u>60,628,622</u>	<u>54,851,813</u>
<b>TOTAL ENTITY POSITION</b>	<u>6,321,946</u>	<u>10,174,073</u>

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**ACFID CODE OF CONDUCT**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

**SUMMARY OF CASH MOVEMENTS**

<b>For the year ended 31<sup>st</sup> December 2014</b>	Cash available at beginning of financial year	Cash raised during the financial year	Cash disbursed during financial year	Cash available at end of financial year
International Projects	2,314,031	3,638,448	4,847,245	1,105,234
International Scholarships provided by the College from bequest funds	6,689,636	497,724	229,509	6,957,851
Foundation – International Projects	2,508,088	549,593	351,362	2,706,319
Other – Domestic Operations	4,030,526	57,728,740	56,162,573	5,596,693
<b>Total</b>	<u>15,542,281</u>	<u>62,414,505</u>	<u>61,590,689</u>	<u>16,366,097</u>

**STATEMENT OF FINANCIAL POSITION**

**For the year ended 31<sup>st</sup> December 2014**

	<u>Notes</u>	<u>2014</u> \$	<u>2013</u> \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and short term deposits	6	16,366,097	15,542,281
Trade and other receivables	7	18,216,202	17,566,146
Inventories	8	181,907	227,888
Prepayments		1,533,344	3,109,637
Held for trading financial assets	9	55,961,889	47,539,712
Other financial assets		-	-
<b>Total Current Assets</b>		<u>92,259,439</u>	<u>83,985,664</u>
<b>Non-Current Assets</b>			
Trade and other receivables	10	803,826	847,159
Other financial assets		-	-
Property, plant and equipment	11	21,185,811	22,475,148
Investment property		-	-
Lease Incentive	12	474,730	539,576
Intangibles		-	-
Other non-current assets		-	-
<b>Total Non-Current Assets</b>		<u>22,464,367</u>	<u>23,861,883</u>
<b>TOTAL ASSETS</b>		<u>114,723,806</u>	<u>107,847,547</u>

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**ACFID CODE OF CONDUCT**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

**STATEMENT OF FINANCIAL POSITION (continued)**

For the year ended 31<sup>st</sup> December 2014

		<u>2014</u>	<u>2013</u>
		\$	\$
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	13	3,205,607	3,398,329
Borrowings		-	-
Current tax liabilities		-	-
Other financial liabilities		-	-
Provisions	14	3,007,636	2,811,462
Income in advance	15	24,367,227	23,727,799
Government grants received in advance		6,422,884	6,677,630
Funds held on behalf of others	16	7,344,592	6,404,166
Other		-	-
<b>Total Current Liabilities</b>		<u>44,347,946</u>	<u>43,019,386</u>
<b>Non-Current Liabilities</b>			
Borrowings		-	-
Other financial liabilities		-	-
Provisions	17	791,421	1,565,668
Other		-	-
<b>Total Non-Current Liabilities</b>		<u>791,421</u>	<u>1,565,668</u>
<b>TOTAL LIABILITIES</b>		<u>45,139,367</u>	<u>44,585,054</u>
<b>NET ASSETS</b>		<u>69,584,439</u>	<u>63,262,493</u>
Retained earnings		63,262,493	53,088,420
Current year surplus – operations		5,591,680	8,182,930
Current year surplus - investment reserve		730,266	1,991,143
<b>TOTAL COLLEGE FUNDS AND RESERVES</b>		<u>69,584,439</u>	<u>63,262,493</u>