



NEW YORK ACADEMY OF SCIENCES

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 and 2015

INDEPENDENT AUDITORS' REPORT

Board of Governors
New York Academy of Sciences
New York, New York

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the New York Academy of Sciences (the "Academy"), which are comprised of the consolidated statements of financial position as of June 30, 2016 and 2015, the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

The Academy's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgments, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements, 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 organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the New York Academy of Sciences as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.



New York, New York
December 1, 2016

NEW YORK ACADEMY OF SCIENCES

Consolidated Statements of Financial Position

	June 30,	
	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 4,179,823	\$ 4,048,716
Grants and contributions receivable, net	8,624,177	3,101,415
Other receivables	9,565	34,113
Prepaid expenses and other assets	868,080	222,257
Accrued interest receivable	12,749	18,052
Investments	5,469,813	7,419,779
Property and equipment, net	<u>6,466,286</u>	<u>6,081,902</u>
	<u>\$ 25,630,493</u>	<u>\$ 20,926,234</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 2,446,327	\$ 2,196,044
Deferred membership dues and conference registration fees	513,199	547,237
Deferred publishing fee	800,000	900,000
Deferred other	0	46,577
Bank line-of-credit	2,051,578	0
Deferred rent obligation	1,470,205	1,566,344
Lease incentive obligation	<u>730,169</u>	<u>859,037</u>
	<u>8,011,478</u>	<u>6,115,239</u>
Total liabilities		
Commitments and contingency (see Note K)		
Net assets:		
Unrestricted	3,878,058	8,158,225
Temporarily restricted	13,331,275	6,243,088
Permanently restricted	<u>409,682</u>	<u>409,682</u>
	<u>17,619,015</u>	<u>14,810,995</u>
Total net assets	<u>\$ 25,630,493</u>	<u>\$ 20,926,234</u>

NEW YORK ACADEMY OF SCIENCES

Consolidated Statements of Activities

	Year Ended June 30,							
	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating support and revenue:								
Membership fees	\$ 768,426			\$ 768,426	\$ 776,778			\$ 776,778
Publication sales and advertising	2,324,105			2,324,105	2,971,616			2,971,616
Grants and contributions (including donated property and equipment of \$676,970 and \$1,345,590 in 2016 and 2015, respectively and donated manuscripts of \$579,500 in 2016)	6,713,025	\$ 13,547,072		20,260,097	12,228,179	\$ 7,897,183		20,125,362
Special events (net of direct benefit to donors of \$170,737 and \$156,410 in 2016 and 2015, respectively)	432,713			432,713	473,687			473,687
Registration and meeting fees	1,334,588			1,334,588	1,194,891			1,194,891
Interest and dividends, net	166,486	20,217		186,703	134,045	1,270		135,315
Other income	21,862			21,862	34,821			34,821
Total operating support and revenue before net assets released from restrictions	11,761,205	13,567,289		25,328,494	17,814,017	7,898,453		25,712,470
Net assets released from restrictions	6,460,995	(6,460,995)		0	4,637,093	(4,637,093)		0
Total public support and revenue	18,222,200	7,106,294		25,328,494	22,451,110	3,261,360		25,712,470
Operating expenses:								
Program services:								
Membership maintenance	773,725			773,725	721,550			721,550
Publications	1,380,875			1,380,875	1,677,828			1,677,828
Conferences, education and other	13,543,490			13,543,490	13,621,491			13,621,491
Total program services	15,698,090			15,698,090	16,020,869			16,020,869
Supporting services:								
Fund-raising	2,519,003			2,519,003	2,620,945			2,620,945
General and administrative	4,099,011			4,099,011	3,140,042			3,140,042
Total supporting services	6,618,014			6,618,014	5,760,987			5,760,987
Total operating expenses	22,316,104			22,316,104	21,781,856			21,781,856
Change in net assets before realized and unrealized (losses) on investments	(4,093,904)	7,106,294		3,012,390	669,254	3,261,360		3,930,614
Realized and unrealized losses on investments	(186,263)	(18,107)		(204,370)	(191,855)	(43)		(191,898)
Change in net assets	(4,280,167)	7,088,187		2,808,020	477,399	3,261,317		3,738,716
Net assets, beginning of year	8,158,225	6,243,088	\$ 409,682	14,810,995	7,680,826	2,981,771	\$ 409,682	11,072,279
Net assets, end of year	\$ 3,878,058	\$ 13,331,275	\$ 409,682	\$ 17,619,015	\$ 8,158,225	\$ 6,243,088	\$ 409,682	\$ 14,810,995

See notes to consolidated financial statements.

NEW YORK ACADEMY OF SCIENCES

Consolidated Statement of Functional Expenses Year Ended June 30, 2016 (with summarized information for 2015)

	Program Services				Supporting Services			Direct Benefit to Donors	Totals	
	Membership Maintenance	Publications	Conferences, Education and Other	Total Program Services	Fund-raising	General and Administrative	Total Supporting Services		2016	2015
Salaries and wages	\$ 332,720	\$ 675,955	\$ 4,948,293	\$ 5,956,968	\$ 1,122,250	\$ 1,647,764	\$ 2,770,014		\$ 8,726,982	\$ 7,715,210
Payroll taxes and employee benefits	72,024	144,060	981,261	1,197,345	233,905	330,957	564,862		1,762,207	1,578,208
Rent	73,837	150,193	1,098,831	1,322,861	249,223	365,891	615,114		1,937,975	1,874,810
Professional fees	98,106	144,313	1,725,892	1,968,311	493,871	729,223	1,223,094		3,191,405	5,046,740
Depreciation	65,661	133,562	977,157	1,176,380	221,626	325,375	547,001		1,723,381	1,055,739
Food and reception	39,384	368	633,219	672,971	2,014	59,336	61,350	\$ 111,248	845,569	671,529
Travel	9,837	8,075	734,991	752,903	3,967	14,038	18,005		770,908	754,237
Office	13,517	22,812	157,138	193,467	23,892	93,527	117,419		310,886	352,883
Utilities and cleaning	9,543	19,411	142,011	170,965	32,209	47,287	79,496		250,461	275,714
Equipment rental and maintenance	7,515	15,309	338,853	361,677	30,687	79,304	109,991	59,489	531,157	435,932
Subscriptions and publications	698	29,346	70,340	100,384	9,740	2,263	12,003		112,387	202,013
Prizes and awards			1,556,304	1,556,304					1,556,304	1,396,603
Printing	26,183	25,733	61,350	113,266	31,255	3,535	34,790		148,056	170,815
Insurance	3,076	6,256	45,773	55,105	10,382	15,241	25,623		80,728	75,049
Miscellaneous	4,608	5,482	57,896	67,986	51,067	342,670	393,737		461,723	271,954
Interest and credit card fees	17,016		14,181	31,197	2,915	42,600	45,515		76,712	60,830
Total expenses	773,725	1,380,875	13,543,490	15,698,090	2,519,003	4,099,011	6,618,014	170,737	22,486,841	21,938,266
Less direct benefit to donors	0	0	0	0	0	0	0	(170,737)	(170,737)	(156,410)
	<u>\$ 773,725</u>	<u>\$ 1,380,875</u>	<u>\$ 13,543,490</u>	<u>\$ 15,698,090</u>	<u>\$ 2,519,003</u>	<u>\$ 4,099,011</u>	<u>\$ 6,618,014</u>	<u>\$ 0</u>	<u>\$ 22,316,104</u>	<u>\$ 21,781,856</u>

See notes to consolidated financial statements.

NEW YORK ACADEMY OF SCIENCES

Consolidated Statement of Functional Expenses Year Ended June 30, 2015

	Program Services				Supporting Services			Direct Benefit to Donors	Total Expenses
	Membership Maintenance	Publications	Conferences, Education and others	Total Program Services	Fund- raising	General and Administrative	Total Supporting Services		
Salaries and wages	\$ 311,912	\$ 778,669	\$ 4,126,795	\$ 5,217,376	\$ 981,447	\$ 1,516,387	\$ 2,497,834		\$ 7,715,210
Payroll taxes and employee benefits	65,210	160,533	858,348	1,084,091	195,298	298,819	494,117		1,578,208
Rent	75,742	189,356	1,002,836	1,267,934	238,476	368,400	606,876		1,874,810
Professional fees	88,768	153,844	3,739,474	3,982,086	863,290	201,364	1,064,654		5,046,740
Depreciation	42,651	106,631	564,516	713,798	134,389	207,552	341,941		1,055,739
Food and reception	34,079	1,537	533,676	569,292	5,184	74,273	79,457	\$ 22,780	671,529
Travel	7,753	15,471	671,937	695,161	18,349	40,727	59,076		754,237
Office	20,814	41,275	154,754	216,843	36,851	99,189	136,040		352,883
Utilities and cleaning	11,050	27,627	148,441	187,118	34,821	53,775	88,596		275,714
Equipment rental and maintenance	12,213	30,532	161,628	204,373	38,453	59,476	97,929	133,630	435,932
Subscriptions and publications	348	121,666	69,402	191,416	9,053	1,544	10,597		202,013
Prizes and awards			1,396,603	1,396,603					1,396,603
Printing	28,054	30,377	61,287	119,718	46,584	4,513	51,097		170,815
Insurance	3,032	7,580	40,130	50,742	9,546	14,761	24,307		75,049
Miscellaneous	1,782	12,671	83,183	97,636	6,250	168,068	174,318		271,954
Interest and credit card fees	<u>18,142</u>	<u>59</u>	<u>8,481</u>	<u>26,682</u>	<u>2,954</u>	<u>31,194</u>	<u>34,148</u>	<u>0</u>	<u>60,830</u>
Total expenses	721,550	1,677,828	13,621,491	16,020,869	2,620,945	3,140,042	5,760,987	156,410	21,938,266
Less direct benefit to donors	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(156,410)</u>	<u>(156,410)</u>
	<u>\$ 721,550</u>	<u>\$ 1,677,828</u>	<u>\$ 13,621,491</u>	<u>\$ 16,020,869</u>	<u>\$ 2,620,945</u>	<u>\$ 3,140,042</u>	<u>\$ 5,760,987</u>	<u>\$ 0</u>	<u>\$ 21,781,856</u>

See notes to consolidated financial statements.

NEW YORK ACADEMY OF SCIENCES

Consolidated Statements of Cash Flows

	Year Ended June 30,	
	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 2,808,020	\$ 3,738,716
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	1,723,381	1,055,739
Bad debts expense	312,397	141,400
Donated property and equipment	(676,970)	(1,345,590)
Donated manuscripts	(579,500)	0
Donated securities	(63,662)	0
Proceeds from sales of donated securities	61,627	0
Net realized losses (gains) on investments	212,362	(1,039,372)
Net unrealized (gains) losses on investments	(7,992)	1,231,270
Amortization of deferred rent obligation	(96,139)	(96,139)
Amortization of lease incentive obligation	(128,868)	(128,868)
Changes in:		
Grants and contributions receivable	(5,835,159)	(1,853,051)
Other receivables	24,548	(163,342)
Prepaid expenses and deferred costs	(66,323)	(76,756)
Accrued interest receivable	5,303	(9,128)
Accounts payable and accrued expenses	250,283	27,097
Deferred membership dues and conference registration fees	(34,038)	(40,546)
Deferred publishing fee	(100,000)	(100,000)
Deferred other	(46,577)	(24,443)
Net cash (used in) provided by operating activities	<u>(2,237,307)</u>	<u>1,316,987</u>
Cash flows from investing activities:		
Proceeds from sales of investments	2,938,589	11,436,020
Purchases of investments	(1,190,958)	(9,805,451)
Purchases of property and equipment	<u>(1,430,795)</u>	<u>(387,034)</u>
Net cash provided by investing activities	<u>316,836</u>	<u>1,243,535</u>
Cash flows from financing activities:		
Borrowings from bank line of credit	2,051,578	0
Repayments of bank line of credit	<u>0</u>	<u>(1,200,000)</u>
Net cash provided by (used in) financing activities	<u>2,051,578</u>	<u>(1,200,000)</u>
Increase in cash and cash equivalents	131,107	1,360,522
Cash and cash equivalents, beginning of year	<u>4,048,716</u>	<u>2,688,194</u>
Cash and cash equivalents, end of year	<u>\$ 4,179,823</u>	<u>\$ 4,048,716</u>
Supplemental disclosure of cash-flow information:		
Cash paid for interest	<u>\$ 41,591</u>	<u>\$ 19,281</u>
Donated property and equipment	<u>\$ 676,970</u>	<u>\$ 1,345,590</u>
Donated manuscripts	<u>\$ 579,500</u>	<u>\$ 0</u>

See notes to consolidated financial statements.

NEW YORK ACADEMY OF SCIENCES

Notes to Consolidated Financial Statements June 30, 2016 and 2015

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Organization:

The New York Academy of Sciences ("NYAS") was incorporated in New York in 1817 to hold conferences and lectures in interdisciplinary fields of science and technology and to disseminate information in print and online.

NYAS has three wholly controlled enterprises, the American Institute of the City of New York (the "Institute"), the New York Academy of Sciences U.K. Limited ("NYAS UK") and STEM Learning Solutions, LLC (the "Company"). The Institute is largely inactive. The NYAS UK, located in London, was formed in fiscal-year 2009 as the result of a substantial bequest from a foreign donor that would permit NYAS to expand its international presence. The Company was formed in fiscal-year 2016 as a disregarded entity, to be operated exclusively for charitable, religious, educational, and scientific purposes. Accordingly, the accompanying consolidated financial statements include the financial position, results of operations and cash flows of NYAS, the Institute, NYAS UK, and the Company, (together, the "Academy"). All inter-entity transactions and balances have been eliminated in the consolidation process.

Except for certain types of income subject to unrelated business income tax, the Academy organizations are exempt from federal income tax pursuant to Section 501(c)(3) of the U.S. Internal Revenue Code, or its overseas equivalent and from state and local taxes under comparable laws.

[2] Basis of accounting:

The accompanying consolidated financial statements of the Academy have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America, as applicable to not-for-profit organizations.

[3] Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, support and revenue and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

[4] Cash and cash equivalents:

For financial-reporting purposes, the Academy considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. The Academy's investment portfolio includes cash held for investments, for which the balances are reported as investments in the accompanying consolidated financial statements.

[5] Investments:

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at their fair values at fiscal year-end in the accompanying consolidated statements of financial position, with any realized and unrealized gains and losses included in the accompanying consolidated statements of activities. The Academy's mutual funds are also reported at their fair values at fiscal year-end, as determined by management with the assistance of the related investment manager or advisor.

Investment transactions are recorded on a trade-date basis. Realized gains or losses on investments are determined by comparison of the average cost of acquisition to proceeds at the time of disposition. The earnings from dividends and interest are recognized when earned.

NEW YORK ACADEMY OF SCIENCES

Notes to Consolidated Financial Statements June 30, 2016 and 2015

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[5] Investments: (continued)

Investment expenses include the services of bank trustees, investment managers and custodians. The balances of investment management fees disclosed in Note B are those specific fees charged by the Academy's various investment managers in each fiscal year; however, they do not include those fees that are embedded in various other investment accounts and transactions.

Donated securities are recorded at their estimated fair value at the date of donation. The Academy's policy is to sell the donated securities, and, accordingly, for purposes of the statement of cash flows, donated securities and the proceeds generated from their sale are included as operating activities.

[6] Property and equipment:

Property and equipment are stated at their original costs at the dates of acquisition, or, if contributed, at their fair values at the dates of donation. The Academy capitalizes items of property and equipment that have a cost of \$1,000 or more and a useful life greater than one year, whereas minor costs of repair and maintenance are expensed as incurred. Depreciation of furniture, fixtures, equipment and software is provided using the straight-line method over three to five years, the estimated useful lives of the related assets. Likewise, leasehold improvements are amortized over the remaining lease term, or the useful lives of the improvements, whichever is shorter.

Management evaluates the recoverability of the investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of June 30, 2016 and 2015, respectively, and, in the opinion of management, there were no impairments. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

[7] Accrued vacation:

Accrued vacation is included as a liability in the accompanying financial statements and represents the Academy's obligation for the cost of unused vacation time payable in the event of employee departures; the obligation is recalculated every year. At June 30, 2016 and 2015, the accrued vacation obligation was approximately \$299,000 and \$290,000, respectively, and was reported as part of accounts payable and accrued expenses in the accompanying consolidated statements of financial position.

[8] Deferred revenue:

Amounts received in advance of the Academy's providing a variety of related services are deferred until the service is provided.

[9] Net assets:

(i) *Unrestricted:*

Unrestricted net assets represent those resources that are not subject to donor restrictions and are available for current operations.

NEW YORK ACADEMY OF SCIENCES

Notes to Consolidated Financial Statements June 30, 2016 and 2015

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[9] Net assets: (continued)

(ii) Temporarily restricted:

Temporarily restricted net assets represent those resources that are subject to the requirements of the New York Prudent Management of Institutional Fund Act ("NYPMIFA") and those resources for which the use has been restricted by donors to specific purposes and/or the passage of time. When a donor restriction expires, that is, when a stipulated time restriction ends, or a purpose restriction is accomplished or funds are appropriated through an action of the Board of Governors, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the accompanying consolidated statements of activities as "net assets released from restrictions."

(iii) Permanently restricted:

Permanently restricted net assets represent those resources the principal of which is originally restricted into perpetuity by its donors. The purposes for which the income and net capital appreciation arising from the underlying assets may be used depend on the wishes of those donors. Under the terms of NYPMIFA, those earnings are classified as temporarily restricted in the accompanying consolidated statements of activities, pending appropriation by the Board of Governors.

[10] Revenue recognition:

(i) Contributions and grants:

Contributions to the Academy are recognized as revenue upon the receipt of cash or other assets, or of unconditional pledges. Contributions are recorded as either temporarily or permanently restricted if they are received with donor stipulations or time considerations as to their use. Conditional contributions are recorded when the conditions have been met, and, if received in advance, are recognized in the statements of financial position as funds received in advance. The Academy records bequest income at the time it has an established right to a bequest and the proceeds are measurable. Contributions to be received over periods longer than a single year are discounted at an interest rate commensurate with the risk involved.

Grant revenue is recognized based on the terms of each individual grant and are considered available for unrestricted use, unless the donor or grantor restricts the use thereof, either on a temporary or permanent basis.

(ii) Membership fees:

Membership fees are recorded when payment is received in the applicable membership period. Any portion applicable to a subsequent period is reported as deferred revenue.

(iii) Publication sales and advertising:

Publication sales and advertising are recognized over the term of the subscription and/or contract. The portion applicable to a subsequent period is reported as deferred revenue.

(iv) Registration and meeting fees:

Registration and meeting fees are recorded as revenue in the applicable period when the event takes place.

NEW YORK ACADEMY OF SCIENCES

Notes to Consolidated Financial Statements June 30, 2016 and 2015

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[11] Donated goods and services:

For recognition of donated goods and services in the Academy's financial statements, such goods or services must (i) create or enhance non-financial assets and (ii) typically need to be acquired if not provided by donation. Additionally, recognition of donated services must (i) require a specialized skill, and (ii) be provided by individuals possessing these skills. Donated goods and services are recorded as support at their estimated fair values at the dates of donation and are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. There were no donated services during fiscal-years 2016 or 2015; however, during fiscal-years 2016 and 2015, the Academy received donated computer equipment totaling \$676,970 and \$1,345,590, respectively, which is included in property and equipment in the accompanying consolidated statements of financial position and within grants and contributions in the accompanying consolidated statements of activities.

In addition, during fiscal-year 2016, the Academy received donated manuscripts totaling \$579,500 which are included in prepaid expenses and other assets in the accompanying consolidated statements of financial position and within grants and contributions in the accompanying consolidated statements of activities. There were no donations of this kind during fiscal-year 2015.

[12] Measure of operations:

The Academy includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. Net realized and unrealized gains and losses on investments are recognized as a part of non-operating activities.

[13] Advertising:

Advertising, consisting primarily of expenses to promote conferences and publications, is recorded as an expense in the period incurred. Advertising expense during fiscal-years 2016 and 2015 was approximately \$170,000 and \$53,000, respectively.

[14] Functional allocation of expenses:

The expenses of providing the Academy's various programs and supporting services have been summarized on a functional basis in the accompanying consolidated statements of activities. Accordingly, certain expenses have been allocated among the programs and supporting services in reasonable ratios determined by management. Indirect costs have been allocated on the basis of time allocation.

[15] Income tax uncertainties:

The Academy is subject to the provisions of the Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("ASC") Topic 740, *Income Taxes*, as it relates to accounting and reporting for uncertainty in income taxes. Because the Academy has always recorded the potential liability for unrelated business income taxes related to its investments and list sales, and, due to its general not-for-profit status, management believes ASC Topic 740 has not had, and is not anticipated to have, a material impact on the Academy's consolidated financial statements.

NEW YORK ACADEMY OF SCIENCES

Notes to Consolidated Financial Statements June 30, 2016 and 2015

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[16] New accounting pronouncement:

In August 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 will amend financial-statement presentations and disclosures, with the goal of assisting not-for-profit organizations in providing more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. ASU 2016-14 includes qualitative and quantitative requirements in the following areas: (i) net asset classifications, (ii) investment returns, (iii) expense categorizations, (iv) liquidity and availability of resources, and (v) the presentation of operating cash flows. The new standard will be effective for fiscal reporting periods beginning after December 15, 2017. The Academy has elected not to adopt ASU No. 2016-14 at this time.

[17] Reclassification:

Certain information in the prior-year's financial statements has been reclassified to conform to the current year's presentation.

[18] Subsequent events:

The Academy considers all of the accounting treatments, and the related disclosures in the current fiscal-year's consolidated financial statements, that may be required as the result of all events or transactions that occur after June 30, 2016 through December 1, 2016, the date on which the consolidated financial statements were available to be issued.

NOTE B - INVESTMENTS

At each fiscal year-end, investments consisted of the following:

	June 30,			
	2016		2015	
	Fair Value	Cost	Fair Value	Cost
Money-market funds	\$ 20,934	\$ 20,934	\$ 54,234	\$ 54,234
Mutual funds:				
Equity funds	1,192,343	1,255,886	1,714,266	1,741,219
Fixed-income funds	784,238	819,100	1,127,521	1,145,249
U.S. Treasury	601,728	449,127	823,179	823,149
Corporate bonds	1,581,280	1,685,364	2,167,567	2,158,391
Equity securities	<u>1,289,290</u>	<u>1,288,614</u>	<u>1,533,012</u>	<u>1,554,741</u>
	<u>\$ 5,469,813</u>	<u>\$ 5,519,025</u>	<u>\$ 7,419,779</u>	<u>\$ 7,476,983</u>

NEW YORK ACADEMY OF SCIENCES

Notes to Consolidated Financial Statements June 30, 2016 and 2015

NOTE B - INVESTMENTS (CONTINUED)

During each fiscal year, investment income consisted of the following:

	June 30,	
	2016	2015
Interest and dividends	\$ 233,084	\$ 168,999
Investment management fees	<u>(46,381)</u>	<u>(33,684)</u>
Interest and dividends, net	<u>186,703</u>	<u>135,315</u>
Net realized (losses) gains	(212,362)	1,039,372
Net unrealized gains (losses)	<u>7,992</u>	<u>(1,231,270)</u>
Total net realized and unrealized (losses)	<u>(204,370)</u>	<u>(191,898)</u>
	<u>\$ (17,667)</u>	<u>\$ (56,583)</u>

The FASB's ASC Topic 820, *Fair Value Measurements and Disclosures*, establishes a three-level valuation hierarchy of fair-value measurements. These valuation techniques are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair-value hierarchy:

- Level 1: Valuations are based on observable inputs that reflect quoted market prices in active markets for identical investments, at the reporting date.
- Level 2: Valuations are based on (i) quoted prices for similar investments, in active markets; or (ii) quoted prices for identical or similar investments in markets that are not active; or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date. Level 2 assets include those investments, or similar investments for which a model was derived for valuation.
- Level 3: Valuations are based on pricing inputs that are unobservable and include situations where (i) there is little, if any, market activity for the investments, or (ii) the investments cannot be independently valued.

The availability of market data is monitored by the Academy's management to assess the appropriate classification of financial instruments within the fair-value hierarchy. Changes in economic conditions or valuation techniques may require the transfer of financial instruments from one level to another. In such instances, the transfer is reported at the beginning of the reporting period. For fiscal-years 2016 and 2015, there were no transfers among the fair-value hierarchy levels.

The following table summarizes the fair values of the Academy's assets at each fiscal year-end, in accordance with the ASC Topic 820 valuation levels:

	June 30,					
	2016			2015		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Money-market funds	\$ 20,934		\$ 20,934	\$ 54,234		\$ 54,234
Mutual funds	1,976,581		1,976,581	2,841,787		2,841,787
U.S. Treasury		\$ 601,728	601,728		\$ 823,179	823,179
Corporate bonds		1,581,280	1,581,280		2,167,567	2,167,567
Equity securities	<u>1,289,290</u>		<u>1,289,290</u>	<u>1,533,012</u>		<u>1,533,012</u>
	<u>\$ 3,286,805</u>	<u>\$ 2,183,008</u>	<u>\$ 5,469,813</u>	<u>\$ 4,429,033</u>	<u>\$ 2,990,746</u>	<u>\$ 7,419,779</u>

NEW YORK ACADEMY OF SCIENCES

Notes to Consolidated Financial Statements June 30, 2016 and 2015

NOTE C - RECEIVABLES

[1] Grants and contributions receivable:

At each fiscal year-end, grants and contributions receivable were estimated to be due as follows:

	<u>Year Ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
One year	\$ 5,671,991	\$ 2,705,860
Two to five years	<u>3,497,470</u>	<u>552,178</u>
	9,169,461	3,258,038
Reduction of pledges due in excess of one year to present value, at a rate ranging from 1.30% - 3.00%	<u>(123,287)</u>	<u>(47,023)</u>
	9,046,174	3,211,015
Less allowance for doubtful accounts	<u>(421,997)</u>	<u>(109,600)</u>
	<u>\$ 8,624,177</u>	<u>\$ 3,101,415</u>

During fiscal-year 2005, the Academy received a gift of a 40% remainder interest in a charitable gift annuity agreement. The Academy recorded a contribution receivable of approximately \$42,000 related to this gift and temporarily restricted contribution revenue, based on an actuarial calculation. Adjustments to the actuarial calculation for changes in assumptions are made annually. For purposes of leveling in the fair-value hierarchy, this asset is considered to be included in Level 3.

[2] Other accounts receivable:

At each fiscal year-end, other accounts receivable consisted of reimbursable expenses and other amounts due from unrelated parties for exchange-type transactions. All amounts are due within one year, and management expects the receivables to be fully collected. Accordingly, no allowance for doubtful amounts has been established.

NOTE D - PROPERTY AND EQUIPMENT

At each fiscal-year end, property and equipment consisted of the following:

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Leasehold improvements	\$ 9,358,700	\$ 9,192,433
Furniture, fixtures and equipment	1,739,424	1,712,480
Computer equipment and software	<u>6,665,937</u>	<u>4,751,383</u>
	17,764,061	15,656,296
Less accumulated depreciation and amortization	<u>(11,297,775)</u>	<u>(9,574,394)</u>
	<u>\$ 6,466,286</u>	<u>\$ 6,081,902</u>

During fiscal-year 2015, the Academy disposed of fully depreciated assets totaling \$125,263.

NEW YORK ACADEMY OF SCIENCES

Notes to Consolidated Financial Statements June 30, 2016 and 2015

NOTE E - BORROWINGS UNDER LINE OF CREDIT

In October 2014, the Academy acquired a \$2,300,000 portfolio loan account with a commercial bank. Borrowings under the related line of credit are subject to the broker-call interest rate plus 125 basis points, which at June 30, 2016 was equivalent to 3%. At June 30, 2016, the amount outstanding on the credit line was \$2,051,578. There were no outstanding borrowings at June 30, 2015.

NOTE F - TEMPORARILY RESTRICTED NET ASSETS

At each fiscal year-end, temporarily restricted net assets were categorized as follows:

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Purpose restrictions:		
Conferences	\$ 720,884	\$ 1,016,777
Special programs	11,945,239	4,678,007
Accumulated endowment income reserved for appropriation	<u>187,644</u>	<u>185,534</u>
	12,853,767	5,880,318
Time-restricted	<u>477,508</u>	<u>362,770</u>
	<u>\$ 13,331,275</u>	<u>\$ 6,243,088</u>

During each fiscal year, net assets released from restrictions were for the following:

	<u>Year Ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Fulfillment of purposes:		
Conferences	\$ 1,066,677	\$ 340,440
Special programs	<u>5,381,456</u>	<u>3,900,153</u>
	6,448,133	4,240,593
Time-restricted	<u>12,862</u>	<u>396,500</u>
	<u>\$ 6,460,995</u>	<u>\$ 4,637,093</u>

NOTE G - PERMANENTLY RESTRICTED NET ASSETS

At each fiscal year-end, net assets were permanently restricted to support the following:

	<u>Year Ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
General operating support	\$ 359,682	\$ 359,682
Special programs	<u>50,000</u>	<u>50,000</u>
	<u>\$ 409,682</u>	<u>\$ 409,682</u>

NEW YORK ACADEMY OF SCIENCES

Notes to Consolidated Financial Statements June 30, 2016 and 2015

NOTE H - ACCOUNTING AND REPORTING FOR ENDOWMENTS

[1] The endowment:

At each fiscal year-end, the Academy's endowment consisted of 16 donor-restricted funds.

[2] Interpretation of relevant law:

NYPMIFA is applicable to all of the Academy's institutional funds, including its donor-restricted endowment funds. The Board of Governors will continue to adhere to NYPMIFA's requirements.

[3] Endowment net-asset composition by type of fund for each year was as follows:

	<u>Year Ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Donor-restricted temporarily restricted	\$ 187,644	\$ 185,534
Donor-restricted permanently restricted	<u>409,682</u>	<u>409,682</u>
	<u>\$ 597,326</u>	<u>\$ 595,216</u>

[4] Changes in endowment net assets for each year were as follows:

	<u>June 30, 2016</u>		
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 185,534	\$ 409,682	\$ 595,216
Investment income, net	<u>2,110</u>	<u> </u>	<u>2,110</u>
Endowment net assets, end of year	<u>\$ 187,644</u>	<u>\$ 409,682</u>	<u>\$ 597,326</u>
	<u>June 30, 2015</u>		
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 184,307	\$ 409,682	\$ 593,989
Investment income, net	<u>1,227</u>	<u> </u>	<u>1,227</u>
Endowment net assets, end of year	<u>\$ 185,534</u>	<u>\$ 409,682</u>	<u>\$ 595,216</u>

Temporarily restricted endowment represents that portion of allocated investment income derived from permanently restricted endowment assets that has not been appropriated by the Board of Governors for expenditure.

[5] Funds with deficiencies:

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYPMIFA may require the Academy to retain as a fund of perpetual duration. Under the terms of NYPMIFA, the Academy has no responsibility to restore such decreases in value. There were no such deficiencies as of June 30, 2016 and 2015.

NEW YORK ACADEMY OF SCIENCES

Notes to Consolidated Financial Statements June 30, 2016 and 2015

NOTE H - ACCOUNTING AND REPORTING FOR ENDOWMENTS (CONTINUED)

[6] Return objectives and risk parameters:

The Academy's overall financial objective for the endowment assets is to provide the operations of the Academy with a relatively stable stream of spendable revenue that increases over time. Endowment assets consist of those assets of donor-restricted funds that the Academy must hold in perpetuity. Investment guidelines include:

- meeting or exceeding the market index, or blended market index, as selected and agreed-upon by the Academy's Investment Committee, and approved by the Board of Governors, and
- employing an overall level of risk in the portfolio consistent with the risk associated with the benchmark specified above.

[7] Strategies employed for achieving objectives:

The Academy relies on a total-return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Academy targets a diversified asset allocation within prudent risk constraints.

[8] Spending policy and how the investment objectives relate to the spending policy:

The permanently restricted endowment is expected to remain whole, with all gains and losses reserved in temporarily restricted net assets until appropriated.

NOTE I - EMPLOYEE-BENEFIT PLAN

The Academy maintains a defined-contribution retirement plan, established under Section 403(b) of the Internal Revenue Code. All employees who are at least 21 years of age and have completed one year of service are eligible. The Academy contributes 5% of each eligible employee's compensation to the Plan. Plan expenses for fiscal-years 2016 and 2015 were approximately \$302,000 and \$281,000, respectively.

NOTE J - ANNALS OF THE NEW YORK ACADEMY OF SCIENCES

In October 2005, the Academy entered into an agreement with an independent publisher, John Wiley & Sons, Inc. ("Wiley"), to jointly publish 28 volumes per year of *Annals of the New York Academy of Sciences*, beginning January 2006; the number of annual volumes was increased to 32 in January 2009 and then, by mutual agreement, reduced to 30 volumes in 2013, 28 volumes in 2014 and 2015, and 24 volumes in 2016. The Academy retains full responsibility for acquisition of content and editorial quality. In June 2014, the Academy renegotiated its contract with Wiley. The Academy is entitled to an annual editorial stipend, initially of \$575,000, with a 3% annual increase over the term of the contract. In addition, the Academy is entitled to 82.5% of the surplus of revenues over expenditures generated by the Annals each year during the period January 1, 2015 through December 31, 2020 and 83.5% of the surplus of revenues over expenditures generated each year during the period from January 1, 2021 through December 31, 2025. Accordingly, Wiley is required to submit a report of actual revenues and expenditures after December 31st of each year. The Academy also received a one-time signing bonus of \$1,000,000, which is being recognized as revenue over the course of the ten-year term of the agreement. The unrecognized portion of this bonus is reported as a deferred publishing fee in the accompanying consolidated statements of financial position at June 30, 2016 and 2015.

NEW YORK ACADEMY OF SCIENCES

Notes to Consolidated Financial Statements June 30, 2016 and 2015

NOTE K - COMMITMENTS AND CONTINGENCY

[1] Lease agreements:

In December 2005, the Academy signed a non-cancelable lease agreement for office space and conference space with an unrelated party, expiring in February 2022, which includes an optional additional five-year renewal period. The lease provided for escalation charges through the lease term, as well as a free rent period through February 1, 2008. The aggregate minimum lease payments are currently being amortized using the straight-line method over the term of the lease. The cumulative differences between rent expense and amounts paid were \$1,470,205 and \$1,566,344 as of June 30, 2016 and 2015, respectively, and have been reported as a deferred rent obligation in the accompanying consolidated statements of financial position.

Additionally, under the terms of the lease, the Academy is reimbursed by the landlord for leasehold improvements in an amount up to \$2,000,000. The amount of costs incurred to be reimbursed by the landlord is recorded as a lease incentive obligation, which is amortized as a reduction to rent expense over the term of the lease. Accordingly, at June 30, 2016 and 2015, respectively, lease incentive of obligations of \$730,169 and \$859,037 have been reported in the accompanying consolidated statements of financial position.

During fiscal-year 2006, the Academy and the landlord applied for funding to be used to reduce rental charges under the World Trade Center Rent Reduction Program, which was approved in October 2006. Under this program, the Academy is entitled to reductions in rent expense of approximately \$13,000 per month, starting February 1, 2008, and extending through the end of the lease term. Total rent expense under this agreement was approximately \$1,938,000 and \$1,874,000 for fiscal-years 2016 and 2015, respectively.

The Academy is also obligated for certain equipment under operating leases that expire through May 2020.

Minimum annual future rental commitments under the Academy's lease agreements, excluding rent reduction and escalation charges, for years subsequent to June 30, 2016, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 2,234,174
2018	2,322,135
2019	2,320,539
2020	2,316,206
2021	2,268,543
Thereafter	<u>1,512,362</u>
	<u>\$ 12,973,959</u>

[2] Government grants:

Government-supported projects are subject to audit in the future by governmental authorities. Accordingly, the Academy could be required to fund any disallowed costs for its own federally or state supported programs that were incurred during the period of the Academy's stewardship. In management's opinion, any such audits would not result in disallowed costs in amounts that would be significant to the Academy's operations.

NEW YORK ACADEMY OF SCIENCES

Notes to Consolidated Financial Statements June 30, 2016 and 2015

NOTE K - COMMITMENTS AND CONTINGENCY (CONTINUED)

[3] Other contracts:

During fiscal-year 2016, the Academy entered into an agreement with a vendor to re-design the Academy's website. Expenses related to these services are expected to be approximately \$257,000 during fiscal-year 2017.

NOTE L - CONCENTRATIONS OF CREDIT RISK

The Academy places its cash investments with high-credit-quality financial institutions. At times, the balances in such accounts may exceed federally insured limits. The Academy's management believes there is no substantial risk of loss associated with the failure of these financial institutions.