



**AMERICAN ACADEMY**  
OF ARTS & SCIENCES  
AND AFFILIATES

**CONSOLIDATING FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

# AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATES

Contents  
June 30, 2023 and 2022

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## Independent Auditor's Report

To the Board of Directors and Audit Committee of  
American Academy of Arts and Sciences and Affiliates:

### **Opinion**

We have audited the consolidating financial statements of American Academy of Arts and Sciences (a Massachusetts nonprofit corporation) and Affiliates (collectively, the Organization), which comprise the consolidating statements of financial position as of June 30, 2023 and 2022, and the related consolidating statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the consolidating financial statements.

In our opinion, the accompanying consolidating financial statements present fairly, in all material respects, the consolidating financial position of American Academy of Arts and Sciences and Affiliates as of June 30, 2023 and 2022, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidating financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidating financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidating financial statements, management is required to evaluate whether there are conditions or events, considered taken together, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidating financial statements are issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidating financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance, and therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or taken together, they would influence the judgment made by a reasonable user based on the consolidating financial statements.

## **Auditor's Responsibilities for the Audit of the Financial Statements (Continued)**

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidating financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidating financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidating financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered taken together, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*AAFCPA, Inc.*

Westborough, Massachusetts  
November 28, 2023

**AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATES**

Consolidating Statement of Financial Position

June 30, 2023

(With Summarized Comparative Totals as of June 30, 2022)

Assets	2023				2022	
	American Academy of Arts and Sciences			Forum for the Future of Higher Education	Consolidated Total	Consolidated Total
	Without Donor Restriction	With Donor Restriction	Total			
<b>Current Assets:</b>						
Cash	\$ 4,171,296	\$ -	\$ 4,171,296	\$ 135,797	\$ 4,307,093	\$ 3,237,279
Accounts receivable	109,773	-	109,773	-	109,773	385,211
Current portion of grants and pledges receivable	320,000	5,091,144	5,411,144	-	5,411,144	9,146,530
Due from/to affiliate	512,328	-	512,328	(512,328)	-	-
Other current assets	305,386	-	305,386	-	305,386	411,662
Total current assets	5,418,783	5,091,144	10,509,927	(376,531)	10,133,396	13,180,682
Grants and Pledges Receivable, net	262,136	7,499,409	7,761,545	-	7,761,545	10,457,500
Investments	10,929,103	67,098,307	78,027,410	1,953,536	79,980,946	76,212,689
Beneficial Interest in Perpetual Trust for Science	-	2,692,655	2,692,655	-	2,692,655	2,684,411
Right-of-Use Asset - Operating Lease	438,383	-	438,383	-	438,383	446,464
Property and Equipment, net	11,701,796	-	11,701,796	-	11,701,796	11,639,452
Total assets	<u>\$ 28,750,201</u>	<u>\$ 82,381,515</u>	<u>\$ 111,131,716</u>	<u>\$ 1,577,005</u>	<u>\$ 112,708,721</u>	<u>\$ 114,621,198</u>
<b>Liabilities and Net Assets</b>						
<b>Current Liabilities:</b>						
Current portion of note payable	\$ 200,424	\$ -	\$ 200,424	\$ -	\$ 200,424	\$ 194,852
Accounts payable and accrued expenses	1,215,792	-	1,215,792	448,134	1,663,926	2,967,631
Total current liabilities	1,416,216	-	1,416,216	448,134	1,864,350	3,162,483
Note Payable, net of current portion	1,598,999	-	1,598,999	-	1,598,999	1,799,423
Total liabilities	3,015,215	-	3,015,215	448,134	3,463,349	4,961,906
<b>Net Assets:</b>						
<b>Without donor restrictions:</b>						
Operating	1,473,093	-	1,473,093	1,128,871	2,601,964	2,406,355
Board designated	13,921,137	-	13,921,137	-	13,921,137	14,505,461
Property and equipment	10,340,756	-	10,340,756	-	10,340,756	9,319,279
Total unrestricted	25,734,986	-	25,734,986	1,128,871	26,863,857	26,231,095
With donor restrictions	-	82,381,515	82,381,515	-	82,381,515	83,428,197
Total net assets	25,734,986	82,381,515	108,116,501	1,128,871	109,245,372	109,659,292
Total liabilities and net assets	<u>\$ 28,750,201</u>	<u>\$ 82,381,515</u>	<u>\$ 111,131,716</u>	<u>\$ 1,577,005</u>	<u>\$ 112,708,721</u>	<u>\$ 114,621,198</u>

**AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATES**

 Consolidating Statement of Financial Position  
 June 30, 2022

<b>Assets</b>	<b>American Academy of Arts and Sciences</b>			<b>Forum for the Future of Higher Education</b>	<b>Consolidated Total</b>
	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>		
<b>Current Assets:</b>					
Cash	\$ 3,192,130	\$ -	\$ 3,192,130	\$ 45,149	\$ 3,237,279
Accounts receivable	385,211	-	385,211	-	385,211
Current portion of grants and pledges receivable	553,893	8,592,637	9,146,530	-	9,146,530
Due from/to affiliate	237,353	-	237,353	(237,353)	-
Other current assets	411,662	-	411,662	-	411,662
<b>Total current assets</b>	<b>4,780,249</b>	<b>8,592,637</b>	<b>13,372,886</b>	<b>(192,204)</b>	<b>13,180,682</b>
Grants and Pledges Receivable, net	516,637	9,940,863	10,457,500	-	10,457,500
Investments	11,673,683	62,210,286	73,883,969	2,328,720	76,212,689
Beneficial Interest in Perpetual Trust	-	2,684,411	2,684,411	-	2,684,411
Right-of-Use Asset - Operating Lease	446,464	-	446,464	-	446,464
Property and Equipment, net	11,639,452	-	11,639,452	-	11,639,452
<b>Total assets</b>	<b>\$ 29,056,485</b>	<b>\$ 83,428,197</b>	<b>\$ 112,484,682</b>	<b>\$ 2,136,516</b>	<b>\$ 114,621,198</b>
<b>Liabilities and Net Assets</b>					
<b>Current Liabilities:</b>					
Current portion of note payable	\$ 194,852	\$ -	\$ 194,852	\$ -	\$ 194,852
Accounts payable and accrued expenses	2,367,631	-	2,367,631	600,000	2,967,631
<b>Total current liabilities</b>	<b>2,562,483</b>	<b>-</b>	<b>2,562,483</b>	<b>600,000</b>	<b>3,162,483</b>
Note Payable, net of current portion	1,799,423	-	1,799,423	-	1,799,423
<b>Total liabilities</b>	<b>4,361,906</b>	<b>-</b>	<b>4,361,906</b>	<b>600,000</b>	<b>4,961,906</b>
<b>Net Assets:</b>					
<b>Without donor restrictions:</b>					
Operating	869,839	-	869,839	1,536,516	2,406,355
Board designated	14,505,461	-	14,505,461	-	14,505,461
Property and equipment	9,319,279	-	9,319,279	-	9,319,279
<b>Total unrestricted</b>	<b>24,694,579</b>	<b>-</b>	<b>24,694,579</b>	<b>1,536,516</b>	<b>26,231,095</b>
With donor restrictions	-	83,428,197	83,428,197	-	83,428,197
<b>Total net assets</b>	<b>24,694,579</b>	<b>83,428,197</b>	<b>108,122,776</b>	<b>1,536,516</b>	<b>109,659,292</b>
<b>Total liabilities and net assets</b>	<b>\$ 29,056,485</b>	<b>\$ 83,428,197</b>	<b>\$ 112,484,682</b>	<b>\$ 2,136,516</b>	<b>\$ 114,621,198</b>

**AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATES**

Consolidating Statement of Activities and Changes in Net Assets  
For the Year Ended June 30, 2023

(With Summarized Comparative Totals for the Year Ended June 30, 2022)

	2023				2022	
	American Academy of Arts and Sciences			Forum for the	Consolidated Total	Consolidated Total
	Without Donor Restriction	With Donor Restriction	Total	Future of Higher Education		
<b>Revenues:</b>						
Gifts and grants	\$ 401,824	\$ 3,708,833	\$ 4,110,657	\$ 530,890	\$ 4,641,547	\$ 9,013,405
Investment return designated for operations	1,881,209	1,421,592	3,302,801	-	3,302,801	2,713,064
Annual appeal	2,527,151	-	2,527,151	-	2,527,151	2,498,577
University affiliates	1,660,000	-	1,660,000	-	1,660,000	1,139,653
Membership dues	1,221,291	-	1,221,291	-	1,221,291	1,433,733
Other revenue	150,797	-	150,797	-	150,797	95,549
Income distribution from Permanent Science Fund	-	120,000	120,000	-	120,000	144,828
Net assets released from purpose restrictions	5,916,785	(5,916,785)	-	-	-	-
Subtotal	13,759,057	(666,360)	13,092,697	530,890	13,623,587	17,038,809
Norton's Woods events revenue	195,893	-	195,893	-	195,893	619,223
Less: Norton's Woods events expenses	(382,084)	-	(382,084)	-	(382,084)	(650,809)
Norton's Woods events, net	(186,191)	-	(186,191)	-	(186,191)	(31,586)
Total revenues	13,572,866	(666,360)	12,906,506	530,890	13,437,396	17,007,223
<b>Expenses:</b>						
Program services	9,745,224	-	9,745,224	-	9,745,224	7,902,995
Support services	6,230,415	-	6,230,415	-	6,230,415	5,978,993
Forum	-	-	-	1,004,342	1,004,342	1,880,114
Total expenses	15,975,639	-	15,975,639	1,004,342	16,979,981	15,762,102
Changes in net assets from operations	(2,402,773)	(666,360)	(3,069,133)	(473,452)	(3,542,585)	1,245,121
<b>Other Revenues (Expenses):</b>						
Investment returns	1,255,183	2,496,967	3,752,150	65,807	3,817,957	(13,207,239)
Less - spending policy	(355,479)	(2,947,322)	(3,302,801)	-	(3,302,801)	(2,713,064)
Contributions to endowment	-	2,605,265	2,605,265	-	2,605,265	4,986,523
Increase (decrease) in beneficial interest in perpetual trust	-	8,244	8,244	-	8,244	(532,166)
Contribution income - acquisition	-	-	-	-	-	2,907,657
Net assets released from capital restrictions	2,543,476	(2,543,476)	-	-	-	-
Total other revenues (expenses)	3,443,180	(380,322)	3,062,858	65,807	3,128,665	(8,558,289)
Changes in net assets	1,040,407	(1,046,682)	(6,275)	(407,645)	(413,920)	(7,313,168)
<b>Net Assets:</b>						
Beginning of year	24,694,579	83,428,197	108,122,776	1,536,516	109,659,292	116,972,460
End of year	\$ 25,734,986	\$ 82,381,515	\$ 108,116,501	\$ 1,128,871	\$ 109,245,372	\$ 109,659,292

The accompanying notes are an integral part of these consolidating statements.

**AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATES**

Consolidating Statement of Activities and Changes in Net Assets  
For the Year Ended June 30, 2022

	American Academy of Arts and Sciences			Forum for the Future of Higher Education	Consolidated Total
	Without Donor Restriction	With Donor Restriction	Total		
<b>Revenues:</b>					
Gifts and grants	\$ 3,632,150	\$ 4,887,096	\$ 8,519,246	\$ 494,159	\$ 9,013,405
Investment return designated for operations	1,634,660	1,078,404	2,713,064	-	2,713,064
Annual appeal	2,498,577	-	2,498,577	-	2,498,577
University affiliates	1,139,653	-	1,139,653	-	1,139,653
Membership dues	1,433,733	-	1,433,733	-	1,433,733
Other revenue	95,549	-	95,549	-	95,549
Income distribution from Permanent Science Fund	-	144,828	144,828	-	144,828
Net assets released from purpose restrictions	5,223,914	(5,223,914)	-	-	-
Subtotal	<u>15,658,236</u>	<u>886,414</u>	<u>16,544,650</u>	<u>494,159</u>	<u>17,038,809</u>
Norton's Woods events revenue	619,223	-	619,223	-	619,223
Less: Norton's Woods events expenses	(650,809)	-	(650,809)	-	(650,809)
Norton's Woods events, net	<u>(31,586)</u>	<u>-</u>	<u>(31,586)</u>	<u>-</u>	<u>(31,586)</u>
Total revenues	<u>15,626,650</u>	<u>886,414</u>	<u>16,513,064</u>	<u>494,159</u>	<u>17,007,223</u>
<b>Expenses:</b>					
Program services	7,902,995	-	7,902,995	-	7,902,995
Support services	5,978,993	-	5,978,993	-	5,978,993
Forum	-	-	-	1,880,114	1,880,114
Total expenses	<u>13,881,988</u>	<u>-</u>	<u>13,881,988</u>	<u>1,880,114</u>	<u>15,762,102</u>
Changes in net assets from operations	<u>1,744,662</u>	<u>886,414</u>	<u>2,631,076</u>	<u>(1,385,955)</u>	<u>1,245,121</u>
<b>Other Revenues (Expenses)</b>					
Investment returns	(4,406,752)	(8,815,301)	(13,222,053)	14,814	(13,207,239)
Less - spending policy	(272,865)	(2,440,199)	(2,713,064)	-	(2,713,064)
Contributions to endowment	-	4,986,523	4,986,523	-	4,986,523
Decrease in beneficial interest in perpetual trust	-	(532,166)	(532,166)	-	(532,166)
Contribution income - acquisition	-	-	-	2,907,657	2,907,657
Net assets released from capital restrictions	77,116	(77,116)	-	-	-
Total other revenues (expenses)	<u>(4,602,501)</u>	<u>(6,878,259)</u>	<u>(11,480,760)</u>	<u>2,922,471</u>	<u>(8,558,289)</u>
Changes in net assets	<u>(2,857,839)</u>	<u>(5,991,845)</u>	<u>(8,849,684)</u>	<u>1,536,516</u>	<u>(7,313,168)</u>
<b>Net Assets:</b>					
Beginning of year	29,552,418	87,420,042	116,972,460	-	116,972,460
Change in donor intent	<u>(2,000,000)</u>	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
End of year	<u>\$ 24,694,579</u>	<u>\$ 83,428,197</u>	<u>\$ 108,122,776</u>	<u>\$ 1,536,516</u>	<u>\$ 109,659,292</u>

The accompanying notes are an integral part of these consolidating statements.



AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATES

Consolidating Statements of Cash Flows  
For the Years Ended June 30, 2023 and 2022

	2023			2022		
	American Academy of Arts and Sciences	Forum for the Future of Higher Education	Consolidated Total	American Academy of Arts and Sciences	Forum for the Future of Higher Education	Consolidated Total
<b>Cash Flows from Operating Activities:</b>						
Changes in net assets	\$ (6,275)	\$ (407,645)	\$ (413,920)	\$ (8,849,684)	\$ 1,536,516	\$ (7,313,168)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:						
Investment returns	(3,752,150)	-	(3,752,150)	13,222,053	(14,814)	13,207,239
Decrease (Increase) in beneficial interest in perpetual trust	(8,244)	-	(8,244)	532,166	-	532,166
Contributions to endowment	(2,605,265)	-	(2,605,265)	(4,986,523)	-	(4,986,523)
Depreciation	959,777	-	959,777	1,066,324	-	1,066,324
Amortization of land lease	8,081	-	8,081	8,081	-	8,081
Contribution income - acquisition	-	-	-	-	(2,907,657)	(2,907,657)
Changes in operating assets and liabilities:						
Accounts receivable	275,438	-	275,438	655,551	-	655,551
Grants and pledges receivable	4,640,032	-	4,640,032	(1,436,706)	-	(1,436,706)
Due from/to affiliate	(274,975)	274,975	-	(237,353)	237,353	-
Other current assets	106,276	-	106,276	4,730	-	4,730
Accounts payable and accrued expenses	(379,477)	(151,866)	(531,343)	430,033	600,000	1,030,033
Net cash provided by (used in) operating activities	<u>(1,036,782)</u>	<u>(284,536)</u>	<u>(1,321,318)</u>	<u>408,672</u>	<u>(548,602)</u>	<u>(139,930)</u>
<b>Cash Flows from Investing Activities:</b>						
Cash received via acquisition	-	-	-	-	163,466	163,466
Purchases of investments	(4,449,005)	-	(4,449,005)	(18,261,032)	-	(18,261,032)
Proceeds from sale of investments	4,057,714	375,184	4,432,898	14,862,189	430,285	15,292,474
Acquisition of property and equipment	(1,794,483)	-	(1,794,483)	(1,160,777)	-	(1,160,777)
Net cash provided by (used in) investing activities	<u>(2,185,774)</u>	<u>375,184</u>	<u>(1,810,590)</u>	<u>(4,559,620)</u>	<u>593,751</u>	<u>(3,965,869)</u>
<b>Cash Flows from Financing Activities:</b>						
Principal payments on note payable	(194,852)	-	(194,852)	(168,497)	-	(168,497)
Contributions to endowment	4,396,574	-	4,396,574	1,386,523	-	1,386,523
Net cash provided by financing activities	<u>4,201,722</u>	<u>-</u>	<u>4,201,722</u>	<u>1,218,026</u>	<u>-</u>	<u>1,218,026</u>
<b>Net Change in Cash</b>	979,166	90,648	1,069,814	(2,932,922)	45,149	(2,887,773)
<b>Cash:</b>						
Beginning of period	<u>3,192,130</u>	<u>45,149</u>	<u>3,237,279</u>	<u>6,125,052</u>	<u>-</u>	<u>6,125,052</u>
End of period	<u>\$ 4,171,296</u>	<u>\$ 135,797</u>	<u>\$ 4,307,093</u>	<u>\$ 3,192,130</u>	<u>\$ 45,149</u>	<u>\$ 3,237,279</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>						
Cash paid for interest	<u>\$ 58,171</u>	<u>\$ -</u>	<u>\$ 58,171</u>	<u>\$ 70,699</u>	<u>\$ -</u>	<u>\$ 70,699</u>
Property and equipment included in accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 772,362</u>	<u>\$ -</u>	<u>\$ 772,362</u>
Contributions to endowment included in grants and pledges receivable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,600,000</u>	<u>\$ -</u>	<u>\$ 3,600,000</u>

The accompanying notes are an integral part of these consolidating statements.

AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATES

Consolidating Statement of Functional Expenses  
For the Year Ended June 30, 2023

(With Summarized Comparative Totals for the Year Ended June 30, 2022)

	2023												2022		
	American Academy of Arts and Sciences														
	Program Services					Support Services						Forum for the	Consolidated	Consolidated	
	Projects and Studies	Publications	Events and Member Outreach	Communications	Other Program Services	Total Program	General and Administrative	Development	Facility and Conference Services	Norton's Woods	Total Support Services	Total	Higher Education	Total	Total
<b>Personnel and Related:</b>															
Salaries	\$ 2,422,549	\$ 462,938	\$ 495,641	\$ 276,570	\$ 473,272	\$ 4,130,970	\$ 1,928,890	\$ 825,713	\$ 117,603	\$ 235,893	\$ 3,108,099	\$ 7,239,069	\$ 318,943	\$ 7,558,012	\$ 8,185,845
Fringe benefits and payroll taxes	592,805	149,763	149,882	64,554	104,812	1,061,816	406,153	202,400	25,966	32,721	667,240	1,729,056	-	1,729,056	1,669,743
Total personnel and related	3,015,354	612,701	645,523	341,124	578,084	5,192,786	2,335,043	1,028,113	143,569	268,614	3,775,339	8,968,125	318,943	9,287,068	9,855,588
<b>Other:</b>															
Office expenses	498,430	85,519	123,796	52,660	117,448	877,853	431,179	137,235	46,743	30,829	645,986	1,523,839	-	1,523,839	484,224
Consultants	773,909	7,098	21,066	15,200	30,000	847,273	640,321	-	-	7,350	647,671	1,494,944	-	1,494,944	1,629,874
Meetings and conferences	207,524	6,500	431,516	-	3,359	648,899	14,690	863	-	-	15,553	664,452	365,022	1,029,474	273,053
Occupancy	59,737	-	47,185	-	19,704	126,626	58,144	371	511,330	50,303	620,148	746,774	-	746,774	641,605
Travel	371,889	3,855	134,595	-	3,515	513,854	106,845	1,202	-	-	108,047	621,901	45,720	667,621	366,154
Printing and copying	112,320	244,533	10,331	335	-	367,519	43,009	54,531	223	-	97,763	465,282	-	465,282	431,780
Services	87,145	-	16,905	43,709	129,941	277,700	26,090	37,092	77,897	24,163	165,242	442,942	-	442,942	779,774
Other	26,210	811	18,042	1	7,415	52,479	57,765	4,256	8,377	-	70,398	122,877	274,657	397,534	365,378
Postage	7,300	25,393	6,150	-	489	39,332	39,474	30,624	-	-	70,098	109,430	-	109,430	167,266
Insurance	42,565	11,852	8,450	4,684	10,302	77,853	17,184	7,391	3,076	825	28,476	106,329	-	106,329	103,769
Interest	3,045	-	-	-	-	3,045	55,126	-	-	-	55,126	58,171	-	58,171	70,699
Fees and honoraria	12,675	-	23,155	-	-	35,830	662	-	-	-	662	36,492	-	36,492	55,181
Telephone	-	-	-	-	-	-	20,247	-	8,060	-	28,307	28,307	-	28,307	114,161
Total other	2,202,749	385,561	841,191	116,589	322,173	3,868,263	1,510,736	273,565	655,706	113,470	2,553,477	6,421,740	685,399	7,107,139	5,482,918
Total expenses before depreciation and amortization	5,218,103	998,262	1,486,714	457,713	900,257	9,061,049	3,845,779	1,301,678	799,275	382,084	6,328,816	15,389,865	1,004,342	16,394,207	15,338,506
<b>Depreciation and Amortization</b>	383,803	66,754	83,430	33,375	116,813	684,175	183,557	83,440	16,686	-	283,683	967,858	-	967,858	1,074,405
Total expenses	5,601,906	1,065,016	1,570,144	491,088	1,017,070	9,745,224	4,029,336	1,385,118	815,961	382,084	6,612,499	16,357,723	1,004,342	17,362,065	16,412,911
<b>Less - Norton's Woods Events Expenses Included with Revenues on the Statement of Activities and Changes in Net Assets</b>	-	-	-	-	-	-	-	-	-	(382,084)	(382,084)	(382,084)	-	(382,084)	(650,809)
Total expenses included in the statement of activities and changes in net assets	\$ 5,601,906	\$ 1,065,016	\$ 1,570,144	\$ 491,088	\$ 1,017,070	\$ 9,745,224	\$ 4,029,336	\$ 1,385,118	\$ 815,961	\$ -	\$ 6,230,415	\$ 15,975,639	\$ 1,004,342	\$ 16,979,981	\$ 15,762,102

AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATES

Consolidating Statement of Functional Expenses  
For the Year Ended June 30, 2022

	American Academy of Arts and Sciences												Forum for the Future of Higher Education	Consolidated Total
	Program Services						Support Services							
	Projects and Studies	Publications	Events and Member Outreach	Communications	Other Program Services	Total Program	General and Administrative	Development	Facility and Conference Services	Norton's Woods	Total Support Services	Total		
<b>Personnel and Related:</b>														
Salaries	\$ 2,097,900	\$ 433,472	\$ 415,080	\$ 328,522	\$ 512,003	\$ 3,786,977	\$ 1,724,291	\$ 852,852	\$ 156,719	\$ 256,800	\$ 2,990,662	\$ 6,777,639	\$ 1,408,206	\$ 8,185,845
Fringe benefits and payroll taxes	554,848	135,422	109,804	75,366	126,614	1,002,054	360,565	212,910	33,374	60,840	667,689	1,669,743	-	1,669,743
Total personnel and related	<u>2,652,748</u>	<u>568,894</u>	<u>524,884</u>	<u>403,888</u>	<u>638,617</u>	<u>4,789,031</u>	<u>2,084,856</u>	<u>1,065,762</u>	<u>190,093</u>	<u>317,640</u>	<u>3,658,351</u>	<u>8,447,382</u>	<u>1,408,206</u>	<u>9,855,588</u>
<b>Other:</b>														
Office expenses	87,755	17,518	25,232	14,753	20,506	165,764	205,515	55,028	17,292	40,625	318,460	484,224	-	484,224
Consultants	499,739	29,814	32,019	22,137	32,682	616,391	948,740	41,783	14,758	8,202	1,013,483	1,629,874	-	1,629,874
Meetings and conferences	49,232	-	71,202	-	25,486	145,920	2,010	595	-	124,528	127,133	273,053	-	273,053
Occupancy	38,730	-	-	-	23,485	62,215	68,658	-	400,712	110,020	579,390	641,605	-	641,605
Travel	107,958	-	4,827	-	-	112,785	15,285	-	-	-	15,285	128,070	238,084	366,154
Printing and copying	252,409	95,914	10,129	13,569	2,875	374,896	31,401	24,041	1,079	363	56,884	431,780	-	431,780
Services	279,641	84,575	13,048	44,068	241,249	662,581	35,715	21,313	41,937	18,228	117,193	779,774	-	779,774
Other	11,524	1,362	1,844	-	16,617	31,347	111,350	184	1,931	19,975	133,440	164,787	200,591	365,378
Postage	12,958	79,679	2,878	-	13,240	108,755	27,843	30,668	-	-	58,511	167,266	-	167,266
Insurance	-	3,576	-	-	-	3,576	91,960	-	-	-	91,960	95,536	8,233	103,769
Interest	-	-	-	-	-	-	70,699	-	-	-	70,699	70,699	-	70,699
Fees and honoraria	8,000	-	-	-	21,662	29,662	519	-	-	-	519	30,181	25,000	55,181
Telephone	39,415	7,399	8,081	5,550	8,677	69,122	22,234	10,417	9,967	2,421	45,039	114,161	-	114,161
Total other	<u>1,387,361</u>	<u>319,837</u>	<u>169,260</u>	<u>100,077</u>	<u>406,479</u>	<u>2,383,014</u>	<u>1,631,929</u>	<u>184,029</u>	<u>487,676</u>	<u>324,362</u>	<u>2,627,996</u>	<u>5,011,010</u>	<u>471,908</u>	<u>5,482,918</u>
Total expenses before depreciation and amortization	4,040,109	888,731	694,144	503,965	1,045,096	7,172,045	3,716,785	1,249,791	677,769	642,002	6,286,347	13,458,392	1,880,114	15,338,506
<b>Depreciation and Amortization</b>	<u>422,717</u>	<u>70,453</u>	<u>88,066</u>	<u>52,840</u>	<u>96,874</u>	<u>730,950</u>	<u>211,361</u>	<u>88,060</u>	<u>35,227</u>	<u>8,807</u>	<u>343,455</u>	<u>1,074,405</u>	<u>-</u>	<u>1,074,405</u>
Total expenses	4,462,826	959,184	782,210	556,805	1,141,970	7,902,995	3,928,146	1,337,851	712,996	650,809	6,629,802	14,532,797	1,880,114	16,412,911
<b>Less - Norton's Woods Events Expenses Included with Revenues on the Statement of Activities and Changes in Net Assets</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(650,809)</u>	<u>(650,809)</u>	<u>(650,809)</u>	<u>-</u>	<u>(650,809)</u>
Total expenses included in the statement of activities and changes in net assets	<u>\$ 4,462,826</u>	<u>\$ 959,184</u>	<u>\$ 782,210</u>	<u>\$ 556,805</u>	<u>\$ 1,141,970</u>	<u>\$ 7,902,995</u>	<u>\$ 3,928,146</u>	<u>\$ 1,337,851</u>	<u>\$ 712,996</u>	<u>\$ -</u>	<u>\$ 5,978,993</u>	<u>\$ 13,881,988</u>	<u>\$ 1,880,114</u>	<u>\$ 15,762,102</u>

## AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATES

Notes to Consolidating Financial Statements  
June 30, 2023 and 2022

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### 1. OPERATIONS & NONPROFIT STATUS

American Academy of Arts and Sciences (the Academy) is a national honorary society, founded in 1780 by John Adams and other leaders of the Massachusetts Bay Colony. Today, its approximately 4,950 fellows and 600 Foreign Honorary Members include distinguished scholars, scientists, and public officials. The principal activity of the Academy is to sponsor interdisciplinary study projects on topics in the public interest. Reports of such projects appear in *Daedalus*, the journal of the Academy, and in other independent publications.

The Academy is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Academy is also exempt from state income taxes. Donors may deduct contributions made to the Academy within the IRC requirements.

The operations of the Academy include the following:

#### **Projects and Studies**

Consists primarily of studies and other academic endeavors. These projects include Science, Engineering and Technology; Global Security and International Affairs; Humanities, Arts and Culture; Education and the Development of Knowledge; and American Institutions, Society and the Public Good. These projects result in publications, conferences, meetings, outreach, and other related activities.

#### **Publications**

The Publications Office is responsible for all publications that are produced by the Academy: the quarterly journal *Daedalus*, the quarterly magazine, the Bulletin, major commission reports, project-related occasional papers, other project publications, white papers, special publications, and the monthly newsletter.

#### **Events and Member Outreach**

The Academy regularly holds meetings, lectures, panel discussions, and informal gatherings around the country. Topics are drawn from Academy projects, as well as the research and writings of Academy members. Each Fall, the Academy welcomes new members to the Academy at its annual Induction, which includes presentations by new members, briefings on current work, the induction ceremony, and a formal program presentation. Additionally, the Academy encourages its members to become involved in Academy activities by initiating a number of outreach programs across the country and the world.

#### **Communications**

The department coordinates the external communication of the Academy, including promoting the institutional and program activities, as well as monitoring the social media activity regarding the Academy.

#### **Other Program Services**

Other program services consist of Archives and Membership elections. The Academy Archives preserves, maintains and makes accessible the Academy's special collections of papers, books, artifacts, artwork, and audiovisual material, through onsite access to the physical materials and digitally through the Academy's website. Membership elections encompass the process of soliciting from the current members nominations of potential new members, organizing membership committees.

## AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATES

Notes to Consolidating Financial Statements  
June 30, 2023 and 2022

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### 1. OPERATIONS & NONPROFIT STATUS (Continued)

#### Facility and Conference Services

Directs the maintenance of the Academy's physical plant, including mechanical equipment, grounds and building at the House of the Academy in Cambridge, Massachusetts.

#### Norton's Woods, Inc.

The Academy formed a wholly owned for-profit subsidiary for the purpose of segregating the financial activity related to the use of the Academy's facilities by outside parties. Norton's Woods, Inc. (Norton's Woods) is organized as a C-corporation for income tax purposes.

Summarized results of operations of Norton's Woods for the years ended June 30, 2023 and 2022, are as follows:

	<u>2023</u>	<u>2022</u>
Revenue	\$ 195,893	\$ 619,223
Expenses - direct	<u>(382,084)</u>	<u>(650,809)</u>
Norton's Woods events, net	(186,191)	(31,586)
Facility allocations	(618,498)	(603,889)
Overhead allocations	<u>(65,613)</u>	<u>(129,522)</u>
Net income	<u>\$ (870,302)</u>	<u>\$ (764,997)</u>

Expenses of Norton's Woods include intercompany facility and overhead allocations from the Academy totaling \$684,111 and \$733,411 for the years ended June 30, 2023 and 2022, respectively. These amounts have been eliminated in the accompanying consolidating financial statements.

At June 30, 2023 and 2022, Norton's Woods had Federal net operating loss carryforwards of approximately \$10 million available to offset future taxable income. These unused net operating loss carryforwards give rise to certain deferred tax assets, the value of which has been fully reserved in the accompanying consolidating financial statements due to the uncertainty of their use to offset future taxable income.

#### Forum for the Future of Higher Education

Effective October 21, 2021, certain members of management and the board of the Academy replaced prior board members of the Forum for the Future of Higher Education (the Forum), a Massachusetts not-for-profit corporation. Management expects the Forum to continue to operate its existing programs with a longer-term vision of combining into the operations of the Academy. As a result, the Academy assumed assets totaling \$2,907,657 and no liabilities. The \$2,907,657 is included in contribution income - acquisition in the accompanying consolidating statement of activities and changes in net assets in accordance with Accounting Standards Codification (ASC) Topic, *Not-for-Profit entities: Mergers and Acquisitions*. The fiscal year 2022 consolidating financial statements include the operating activities of the Forum from October 21, 2021 through June 30, 2022.

## AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATES

Notes to Consolidating Financial Statements  
June 30, 2023 and 2022

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### 2. SIGNIFICANT ACCOUNTING POLICIES

The Academy, Norton's Woods and the Forum (collectively, the Organization) prepare their consolidating financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB ASC.

#### Principles of Consolidation

The consolidating financial statements include the accounts of the Academy, Norton's Woods and the Forum. All significant balances between classes of net assets and intercompany balances and transactions are eliminated in the accompanying consolidating financial statements.

#### Recently Adopted Accounting Pronouncement

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which supersedes the guidance in *Topic 840, Leases*. Topic 842 amends both lessor and lessee accounting with the most significant change being the requirement for lessees to recognize right-of-use (ROU) assets and lease liabilities on the consolidating statements of financial position for operating leases. The Organization adopted Topic 842 on July 1, 2022, using the modified retrospective method, presenting both fiscal year 2023 and 2022 years under the new accounting standard. The Organization elected the package of practical expedients permitted under the transition guidance within the new standard, which allowed the Organization to skip the reassessment of whether the contract is or contains a lease, the treatment of initial direct costs and lease classification for the existing lease contracts. The adoption of the standard did not have a material impact on the Organization's consolidating financial statements. The adoption of the standard resulted in a reclassification of the prepaid land lease to ROU asset - operating lease with no modification to the Organization's liabilities as the ROU asset was prepaid at inception of the lease.

#### Cash

For the purpose of the statements of cash flows, management considers all highly liquid investments with an initial maturity of three months or less to be cash except those funds that are included in the Academy's investments (see Note 4).

#### Accounts Receivable

Accounts receivable are recorded at the invoiced amounts and do not bear interest. Account balances are charged off against the allowance when it is probable the receivable will not be recovered. There was no allowance as of June 30, 2023 and 2022.

#### Grants and Pledges Receivable and Allowance for Uncollectible Amounts

Grants and pledges receivable at June 30, 2023 and 2022, consist of contributions committed to the Academy (see Note 3). Grants and pledges are recorded at their net present value when unconditionally committed. Allowance for doubtful pledges receivable is recorded based on management's analysis of specific accounts and their estimate of amounts that may become uncollectible. There was no allowance as of June 30, 2023 and 2022.

#### Investments

Investments (see Note 4) consist of the Academy's holdings of marketable and alternative financial securities held for purposes of financial returns.

## AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATES

Notes to Consolidating Financial Statements  
June 30, 2023 and 2022

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Fair Value Measurements

The Organization follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Organization would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Organization uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Organization. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

#### *Cash and Cash Equivalents*

All cash equivalents are considered Level 1 in the fair value hierarchy.

#### *Investments*

Investments are recorded in the consolidating financial statements at fair value. If an investment is directly held by the Organization and an active market with quoted prices exists, the market price of an identical security is used to report fair value. Reported fair values of shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. The Organization's interests in alternative investment funds, such as private equity and multi-strategy funds are generally reported at the net asset value (NAV) reported by fund managers, which is used as a practical expedient to estimate the fair value, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2023 and 2022, the Organization had no plans to sell investments at amounts different from NAV. A summary of inputs used in valuing the Organization's investments as of June 30, 2023 and 2022, is included in Note 4.

## AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATES

Notes to Consolidating Financial Statements  
June 30, 2023 and 2022

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Fair Value Measurements (Continued)

##### *Beneficial Interest in Perpetual Trust for Science*

The Academy is the sole beneficiary in an outside perpetual trust (see Note 5). The principal, as well as annual gains or losses, are restricted in perpetuity. The investment income generated from the investments is distributed monthly by the trustee to the Academy and is reported by the Academy as donor restricted income distribution from the Perpetual Trust for Science in the accompanying consolidating statements of activities and changes in net assets. The Academy received \$120,000 and \$144,828 of investment income for the years ended June 30, 2023 and 2022, respectively.

In accordance with U.S. GAAP, the Academy has recorded in its consolidating financial statements the fair value of the trust's marketable securities as its beneficial interest in the trust as perpetually restricted net assets (see Note 5). Due to the fact that the trust is held in perpetuity, the Academy values its interest using Level 3 inputs. Gains and losses on investments are considered changes in the present value of expected cash flows and are recognized as changes in perpetually restricted net assets. The Academy's interest in this trust was \$2,692,655 and \$2,684,411 after recording the change in value of its interest of \$8,244 and \$(532,166) for the years ended June 30, 2023 and 2022, respectively.

##### *All Other Assets and Liabilities*

The carrying value of all other qualifying assets and liabilities, including the note payable, does not differ materially from its estimated fair value and is considered Level 1 in the fair value hierarchy.

#### Leases

The Organization assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) and determines lease classification as operating, sales-type and direct financing at inception. The Organization only reassesses its determination if the terms and conditions of the arrangement are changed. Leases with terms, including renewal options, of twelve months or less are treated as short-term leases. The Organization has lease agreements with lease and non-lease components, which are generally accounted for separately with amounts allocated to the lease and non-lease components based on stand-alone prices.

The Organization's sole operating lease is reflected as ROU asset - operating lease and there is no corresponding liability as the Organization prepaid the lease at inception and the amount is being amortized over the lease term on a straight-line basis (see Note 6).

#### Property and Equipment and Depreciation

Purchases of property and equipment are recorded at cost (see Note 6). Renewals and betterments are capitalized while repairs and maintenance are expensed as incurred. Construction in progress consists of renovations to the Academy's facility and will be placed into service upon completion. Depreciation is computed using on the straight-line basis over the following estimated useful lives:

Building	100 years
Building improvements	5 - 50 years
Furniture and equipment	3 - 25 years
Technology	3 - 5 years



## AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATES

Notes to Consolidating Financial Statements  
June 30, 2023 and 2022

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Collections

The Organization does not capitalize collections that have been acquired through purchase or donation. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired.

#### Net Assets

*Net Assets Without Donor Restrictions* consist of those net resources that bear no external restrictions and are currently available for use by the Organization. The Organization has several classifications of without donor restricted net assets as follows:

- **Operating net assets** represent funds available for the operations of the Organization.
- **Board designated net assets** consists of funds set aside by the Board of Directors as funds functioning as endowment. This fund was set up with the intention to provide support for specific programs. These funds may only be used with the approval of the Board of Directors.
- **Property and equipment net assets** represent funds used in activities relating to the Organization's property and equipment and ROU asset, net of related debt, if any.

*Net Assets With Donor Restrictions* represent 1) funds contributed by donors that are restricted for specific purposes, capital projects or time periods, 2) amounts received from donors with the stipulation that the principal will be held in perpetuity and only the investment income can be spent (see Note 7), 3) accumulated appreciation and investment earnings on the endowment in accordance with Massachusetts state law and the Organization's spending policy (see investment spending policy within Note 2).

Net assets with donor restrictions consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
Net assets held in perpetuity (see Note 7)	\$ 51,265,319	\$ 48,660,054
Purpose restricted	18,987,378	19,651,152
Appreciation on endowment (see Note 7)	6,422,794	6,841,000
Beneficial interest in perpetual trust (see Note 5)	2,692,655	2,684,411
Building fund (see Note 7)	2,556,845	2,591,580
Capital restricted	<u>456,524</u>	<u>3,000,000</u>
	<u>\$ 82,381,515</u>	<u>\$ 83,428,197</u>

During fiscal year 2022, a donor clarified the intent on a specific grant as restricted. This amount is reflected as change in donor intent in the accompanying consolidating statement of activities and changes in net assets.

## AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATES

Notes to Consolidating Financial Statements  
June 30, 2023 and 2022

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue Recognition

##### *Contribution Related Revenue*

Gifts and grants, annual appeal, membership dues and university affiliates without donor restrictions are recorded as revenue when received or unconditionally committed. Gifts and grants with donor restrictions are recorded as net assets with donor restrictions when received or unconditionally committed. Transfers are made to net assets without donor restrictions as costs are incurred, program restrictions have been met, or time restrictions have lapsed.

In accordance with ASC Subtopic 958-605 (Topic 958), *Revenue Recognition*, the Organization must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include measurable performance-related barriers or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Organization should not consider probability of compliance with the barrier when determining if such awards are conditional. Assets received before the barrier is overcome are accounted for as refundable advances.

##### *Norton's Woods Events*

Norton's Woods generally measures revenue for qualifying exchange transactions based on the amount of consideration Norton's Woods expects to be entitled for the transfer of goods or services to a customer, then recognizes this revenue when or as Norton's Woods satisfies its performance obligations under a contract, except in transactions where U.S. GAAP provides other applicable guidance. Norton's Woods evaluates its revenue from contracts with customers based on the five-step model under ASC Topic 606, *Revenue from Contracts with Customers*: (1) Identify the contract with the customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to separate performance obligations; and (5) Recognize revenue when (or as) each performance obligation is satisfied.

Event revenue is recognized as outside parties use the Academy's facility. Fees for these events are set by the Academy and are considered one performance obligation. Fees collected in advance of the event are initially recorded as deferred revenue and are recognized once the event has occurred. There is no deferred revenue as of June 30, 2023 and 2022.

##### *Investment Related Revenue and Other*

Investment return includes interest and dividends and mutual fund distributions which are recorded when earned or declared. Unrealized gains and losses are recorded based on market value changes during the period. Realized gains and losses on investment transactions are recorded based on the average cost method. Investment returns are reported as revenue based on the fair value of such investments at year end. Such returns are allocated ratably based on the relative proportion of funds invested with donor restrictions and those without donor restrictions. Investment returns allocated to net assets with donor restrictions remain in such category until appropriated by the board under the board approved spending policy unless otherwise required by the terms of the gift that they be added to the principal of the endowment.

Distributions from beneficial interest in perpetual trust are reported as revenue when received to the extent deemed an ordinary distribution.

All other revenue is recognized as earned.

## AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATES

Notes to Consolidating Financial Statements  
June 30, 2023 and 2022

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Donated Goods and Services

The Organization recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. The Organization receives services from a large number of volunteers who give significant amounts of their time to the Organization's programs, but which do not meet the criteria for financial statement recognition.

#### Functional Allocation of Expenses

The costs of providing the various programs and activities and supporting services have been summarized on a functional basis in the accompanying consolidating statements of activities and changes in net assets. The consolidating statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include office expenses, occupancy, printing and copying, postage and depreciation and amortization, which are allocated based on head count of facilities and other relevant factors.

#### Consolidating Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major or central to the provision of annual program services are reported as operating revenue and support and operating expenses in the accompanying consolidating statements of activities and changes in net assets. Other revenues (expenses) include endowment and investment activity, gifts for capital projects and changes in the value of the Perpetual Trust for Science.

#### Income Taxes

The Academy and the Forum account for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the consolidating financial statements regarding a tax position taken or expected to be taken in a tax return. The Academy and the Forum have determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the consolidating financial statements at June 30, 2023 and 2022. The Academy and the Forum's information returns are subject to examination by the Federal and state jurisdictions and generally remain open for the most recent three years.

Norton's Woods is a for-profit corporation and accounts for uncertainty in income taxes in accordance with ASC Topic *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of an income tax position taken or expected to be taken in a tax return. Management of Norton's Woods has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the consolidating financial statements at June 30, 2023 and 2022. Norton's Woods income tax returns are subject to examination by the appropriate taxing jurisdictions. As of June 30, 2023 and 2022, Norton's Woods Federal and state tax returns generally remain open for the most recent three years.

#### Estimates

The preparation of consolidating financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidating financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATES

Notes to Consolidating Financial Statements  
June 30, 2023 and 2022

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Subsequent Events

Subsequent events have been evaluated through November 28, 2023, which is the date the consolidating financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the consolidating financial statements.

### 3. GRANTS AND PLEDGES RECEIVABLE

Grants and pledges receivable consist of amounts committed to the Academy for both without donor restricted and restricted purposes. These amounts are due as follows as of June 30:

	<u>2023</u>	<u>2022</u>
Due within one year	\$ 7,461,144	\$ 11,546,530
Due within one to five years	<u>5,974,638</u>	<u>8,444,638</u>
	13,435,782	19,991,168
Less - discount	(263,093)	(387,138)
Less - current portion	<u>(5,411,144)</u>	<u>(9,146,530)</u>
Long-term grants and pledges receivable, net	<u>\$ 7,761,545</u>	<u>\$ 10,457,500</u>

The pledges have been discounted at 3% to state pledges at their estimated net realizable values for the years ended June 30, 2023 and 2022. As of June 30, 2023 and 2022, two donors represented approximately 74% and 64%, respectively, of grants and pledges receivable. Pledges for endowment or capital purposes are classified as long-term assets in the accompanying consolidating statements of financial position regardless of expected payment dates due to the long-term intent of the pledge.

### 4. INVESTMENTS

The following table presents the fair value measurements of the Academy's investments by level within the valuation framework as of June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV*</u>	<u>Total</u>
Cash and equivalents	\$ 9,808,749	\$ -	\$ -	\$ -	\$ 9,808,749
Equities:					
Global emerging markets	81,034	-	-	2,805,355	2,886,389
Global markets	18,804,801	-	-	-	18,804,801
Domestic markets	606,210	-	-	15,034,435	15,640,645
Fixed income:					
Government mutual fund	2,461,356	-	-	-	2,461,356
Alternatives:					
Multi-strategy hedge fund	-	-	-	7,985,697	7,985,697
Hedge fund - domestic	-	-	-	13,569,326	13,569,326
Private equity fund	-	-	-	<u>8,823,983</u>	<u>8,823,983</u>
	<u>\$ 31,762,150</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,218,796</u>	<u>\$ 79,980,946</u>

## AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATES

Notes to Consolidating Financial Statements  
June 30, 2023 and 2022

### 4. INVESTMENTS (Continued)

The following table presents the fair value measurements of the Academy's investments by level within the valuation framework as of June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV*</u>	<u>Total</u>
Cash and equivalents	\$ 7,895,773	\$ -	\$ -	\$ -	\$ 7,895,773
Equities:					
Global emerging markets	82,992	-	-	3,156,645	3,239,637
Global markets	19,816,532	-	-	-	19,816,532
Domestic markets	500,360	-	-	13,130,311	13,630,671
Fixed income:					
Government mutual fund	2,487,341	-	-	-	2,487,341
Alternatives:					
Multi-strategy hedge fund	-	-	-	6,370,353	6,370,353
Hedge fund - domestic	-	-	-	13,861,915	13,861,915
Private equity fund	-	-	-	8,910,467	8,910,467
	<u>\$ 30,782,998</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,429,691</u>	<u>\$ 76,212,689</u>

\* In accordance with Subtopic 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying consolidating statements of financial position (see Note 2).

The Academy has made capital commitments to certain investments as of June 30, 2023 and 2022. Unfunded commitments were \$6,635,322 and \$6,004,192 as of June 30, 2023 and 2022, respectively.

Investments are not insured and are subject to market fluctuations. The investments have been allocated across without donor restricted and donor restricted net asset classes in the accompanying consolidating financial statements according to the absence or presence of donor restrictions.

The following schedule summarizes the investment return and its classification in the consolidating statements of activities and changes in net assets:

	<u>2023</u>	<u>2022</u>
Net unrealized gains (losses)	\$ 2,734,343	\$ (17,218,195)
Investment income	984,021	641,724
Net realized gains	111,488	3,383,209
Investment fees	<u>(11,895)</u>	<u>(13,977)</u>
Total investment returns	<u>\$ 3,817,957</u>	<u>\$ (13,207,239)</u>

## AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATES

Notes to Consolidating Financial Statements  
June 30, 2023 and 2022

### 5. BENEFICIAL INTEREST IN PERPETUAL TRUST FOR SCIENCE

Assets held within the beneficial interest in perpetual trust are comprised of investments within the following levels of inputs under the fair value hierarchy at June 30, 2023:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and equivalents	\$ 30,755	\$ -	\$ -	\$ 30,755
Fixed income - U.S. mutual funds	1,041,742	-	-	1,041,742
Marketable equities:				
U.S. mutual funds	1,030,424	-	-	1,030,424
International mutual funds	236,835	-	-	236,835
Alternative strategies mutual fund	<u>352,899</u>	<u>-</u>	<u>-</u>	<u>352,899</u>
	<u>\$ 2,692,655</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,692,655</u>

Assets held within the beneficial interest in perpetual trust are comprised of investments within the following levels of inputs under the fair value hierarchy at June 30, 2022:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and equivalents	\$ 82,936	\$ -	\$ -	\$ 82,936
Fixed income - U.S. mutual funds	990,463	-	-	990,463
Marketable equities:				
U.S. mutual funds	917,720	-	-	917,720
International mutual funds	388,616	-	-	388,616
Alternative strategies mutual fund	<u>304,676</u>	<u>-</u>	<u>-</u>	<u>304,676</u>
	<u>\$ 2,684,411</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,684,411</u>

### 6. PROPERTY AND EQUIPMENT AND RIGHT-OF-USE ASSET - OPERATING LEASE

Property and equipment (see Note 2) consists of the following at June 30:

	<u>2023</u>	<u>2022</u>
Building and improvements	\$ 18,253,260	\$ 15,792,687
Technology	3,181,920	3,181,920
Furniture and equipment	4,871,992	4,548,375
Construction in Progress	<u>62,073</u>	<u>1,824,142</u>
	26,369,245	25,347,124
Less - accumulated depreciation	<u>14,667,449</u>	<u>13,707,672</u>
	<u>\$ 11,701,796</u>	<u>\$ 11,639,452</u>

Depreciation expense for the years ended June 30, 2023 and 2022, was \$959,777 and \$1,066,324, respectively.

## AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATES

Notes to Consolidating Financial Statements  
June 30, 2023 and 2022

### 6. PROPERTY AND EQUIPMENT AND RIGHT-OF-USE ASSET - OPERATING LEASE (Continued)

The Organization's main facility is located in Cambridge, Massachusetts on land leased from Harvard University. The lease was prepaid in full at inception in 1978. The balance of the prepayment is being amortized over the lease's ninety-nine-year term, which expires in the year 2077. Amortization expense was \$8,081 for the years ended June 30, 2023 and 2022. The balance of the ROU asset - operating lease as of June 30, 2023 and 2022, is as follows:

	<u>2023</u>	<u>2022</u>
Prepayment	\$ 800,000	\$ 800,000
Amortized to date	<u>(361,617)</u>	<u>(353,536)</u>
Prepaid land lease, net	<u>\$ 438,383</u>	<u>\$ 446,464</u>

### 7. ENDOWMENT

Changes in endowment net assets by class are as follows for the years ended June 30:

	<u>Board Designated Endowments</u>	<u>Donor Restricted Endowments</u>	<u>Total Endowment</u>
Endowment net assets, June 30, 2021	\$ 18,669,216	\$ 62,808,011	\$ 81,477,227
Contributions	-	4,986,523	4,986,523
Change in donor intent	-	1,553,600	1,553,600
Other changes	(721,569)	-	(721,569)
Investment return designated for operations	(272,865)	(2,440,199)	(2,713,064)
Investment returns	<u>(3,169,321)</u>	<u>(8,815,301)</u>	<u>(11,984,622)</u>
Endowment net assets, June 30, 2022	14,505,461	58,092,634	72,598,095
Investment returns	768,123	2,496,967	3,265,090
Contributions	-	2,605,265	2,605,265
Other changes	(996,968)	(2,586)	(999,554)
Investment return designated for operations	<u>(355,479)</u>	<u>(2,947,322)</u>	<u>(3,302,801)</u>
Endowment net assets, June 30, 2023	<u>\$ 13,921,137</u>	<u>\$ 60,244,958</u>	<u>\$ 74,166,095</u>

The Academy's endowment consists of approximately fifty individual restricted endowment funds and board designated for a variety of purposes. The net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as enacted in Massachusetts, requiring the tracking of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Academy tracks in perpetuity: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) any accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift and instrument at the time the accumulation is added to the fund, as applicable. Endowment funds and the related appreciation on such funds are subject to appropriation for expenditure by the Academy in a manner consistent with the standard of prudence prescribed by UPMIFA.

## AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATES

Notes to Consolidating Financial Statements  
June 30, 2023 and 2022

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### 7. ENDOWMENT (Continued)

In accordance with UPMIFA, the Academy considers the following factors in making a determination to appropriate or accumulated donor-restricted endowment funds:

- 1) The duration and preservation of the fund;
- 2) The purposes of the Academy and the donor-restricted endowment fund;
- 3) General economic conditions;
- 4) The possible effect of inflation and deflation;
- 5) The expected total return from income and the appreciation of investments;
- 6) Other resources of the Academy; and
- 7) The investment policies of the Academy.

#### **Return Objectives and Risk Parameters**

The investment objective of the endowment funds, through the careful management of assets, is designed to preserve the funds' purchasing power and to ensure a total return (income plus capital appreciation) necessary to preserve and enhance (in real dollar terms) the principal of the funds, and at the same time provide a dependable source of income for current operations and programs. To accomplish this objective, the funds seek to generate a total return that will exceed not only its spending authority, but also the eroding effects of inflation and its operating expenses over the long term. To meet this long-term objective, all total return (interest income, dividends, realized gains and unrealized gains), above and beyond the amount approved for expenditures, will be reinvested in the funds.

#### **Strategies Employed for Achieving Investment Objectives**

The funds have a long-term investment horizon with relatively low liquidity needs. For this reason, the funds can tolerate short- and intermediate-term volatility provided that long-term returns meet or exceed its investment objective. Consequently, the funds can take advantage of less liquid investments, such as private equity, hedge funds, and other partnership vehicles, which typically offer higher risk-adjusted return potential as compensation for forfeiture of liquidity.

#### **Endowment Spending Allocation and Relationship of Spending Policy to Investment Objectives**

The Academy's investment and spending policies for endowment assets are designed to provide a predictable source of revenue for operations and the programs to which certain funds are restricted. Endowment assets include net assets with donor restrictions, accumulated unspent gains on such that have not been spent, certain funds functioning as endowments and the effect of any depreciation of investment values below corpus over time. Under the board approved policy, the endowment assets are invested in a manner that is intended to produce long-term yields while assuming a moderate risk. The Academy maintains an asset allocation with an emphasis on equity-based investments and fixed-income securities. The Academy's investment committee reviews this policy periodically based on current market conditions.

The Academy approves a spending policy each year when it approves its budget. The Academy has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. Under the Academy's spending policy, five percent of a twelve-quarter trailing average of the fair value of endowment investments was appropriated to support operations totaling \$3,302,801 and \$2,713,064 for the years ended June 30, 2023 and 2022, respectively.



## AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATES

Notes to Consolidating Financial Statements  
June 30, 2023 and 2022

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### 7. ENDOWMENT (Continued)

#### Endowment Funds with Deficits

From time-to-time, the reasonable value of assets associated with individual donor-restricted endowment funds intended for perpetual duration may fall below the original gift value. Deficiencies of this nature are comprised of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Original gift value	\$ 14,951,065	\$ 15,951,065
Current fair value	<u>13,956,566</u>	<u>15,071,473</u>
Deficiency	<u>\$ (994,499)</u>	<u>\$ (879,592)</u>

### 8. NOTE PAYABLE

The Academy has a note payable with fixed monthly payments of \$20,826 to a bank through 2031 with an interest rate of 2.85%. The balance as of June 30, 2023 and 2022, was \$1,799,423 and \$1,994,275, respectively. Principal payments on the note over the next five fiscal years are as follows:

2024	\$ 200,424
2025	\$ 206,426
2026	\$ 212,470
2027	\$ 218,692
2028	\$ 225,031

The note payable agreement requires the Organization to maintain certain financial ratios and covenants. The Organization was in compliance with all financial ratios and covenants at June 30, 2023 and 2022.

### 9. RETIREMENT PLANS

The Organization has a defined contribution plan (DC Plan) under IRC Section 403(b) covering all eligible employees. Employees are eligible to participate after reaching the age of twenty-one and completing one consecutive year of service with the Organization. The Organization contributes a discretionary amount equal to 10% of each eligible employee's compensation to the DC Plan. Contributions to the DC Plan fully vest after six years; forfeitures are used to off-set current employer contributions. The Organization's contributions to the DC Plan were approximately \$589,000 and \$545,000 for the years ended June 30, 2023 and 2022, respectively.

The Organization also has a tax deferral annuity plan (TDA Plan) under IRC Section 403(b) covering all eligible employees. Employees are immediately eligible to participate in the TDA Plan. Eligible employees are able to contribute a portion of their compensation as a pre-tax deferral subject to IRC limits. An eligible employee's deferrals, and related earnings, are immediately fully vested and cannot be forfeited. The Organization does not contribute to the TDA Plan.

### 10. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances in a Massachusetts bank and is insured within the limits of the Federal Deposit Insurance Corporation (FDIC). At certain times during the years ended June 30, 2023 and 2022, the cash balance exceeded the insured amount. The Organization has not experienced any losses in the account. The Organization's management believes the Organization is not exposed to any significant credit risk on cash.

## AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATES

Notes to Consolidating Financial Statements  
June 30, 2023 and 2022

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### 11. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available for general operating use, that is, without donor or other restrictions limiting their use (see Note 2), within one year of the consolidating statements of financial position date, comprise the following at June 30:

	<u>2023</u>	<u>2022</u>
Cash	\$ 4,307,093	\$ 3,237,279
Accounts receivable	109,773	385,211
Current portion of grants and pledges receivable	<u>5,411,144</u>	<u>9,146,530</u>
	9,828,010	12,769,020
Less - amounts with donor restrictions other than for operations	<u>(5,091,144)</u>	<u>(8,592,637)</u>
	<u>\$ 4,736,866</u>	<u>\$ 4,176,383</u>

The Organization's endowment funds consist of donor-restricted endowments of \$60,244,958 and \$58,092,634 as of June 30, 2023 and 2022, respectively, and without donor restricted, Board-designated funds functioning as endowment (quasi-endowment) of \$13,921,137 and \$14,505,461, respectively. Income from donor-restricted endowments is restricted for specific purposes, and therefore, is not available for general expenditure. As described in Note 7, the quasi-endowment has a spending rate of 5%. As part of the Organization's liquidity management, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in investments. Although the Organization does not intend to spend from its board designated endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from the board designated endowment could be made available if necessary. However, both the board designated endowment and donor-restricted endowments contain investments with lock-up provisions that would reduce the total investments that could be made available.

The Organization regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and marketable debt and equity securities. For purposes of analyzing resources available to meet general expenditures over a twelve-month period, the Organization considers all expenditures related to its ongoing activities, as well as the conduct of services undertaken to support those activities to be general expenditures. In addition to the financial assets available to meet general expenditures over the next twelve months, the Organization seeks to operate with a relatively balanced budget and anticipates collecting revenue that approximates general expenditures.

### 12. RECLASSIFICATION

Certain amounts in the June 30, 2022 consolidating financial statements have been reclassified to conform with the June 30, 2023 presentation.