



AMERICAN ACADEMY  
OF ARTS & SCIENCES  
AND AFFILIATES

**CONSOLIDATING FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

## AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATES

Contents  
June 30, 2024 and 2023

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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, 2024 and 2023, 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, 2024 and 2023, 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 14, 2024

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

Consolidating Statement of Financial Position

June 30, 2024

(With Summarized Comparative Totals as of June 30, 2023)

	2024					2023
	American Academy of Arts and Sciences			Forum for the		
	Without	With		Future of	Consolidated	Consolidated
	Donor	Donor		Higher	Total	Total
Assets	Restrictions	Restrictions	Total	Education		
Current Assets:						
Cash	\$ 6,457,627	\$ -	\$ 6,457,627	\$ 128,568	\$ 6,586,195	\$ 4,307,093
Accounts receivable	239,357	-	239,357	8,429	247,786	109,773
Current portion of grants and pledges receivable	320,000	2,986,339	3,306,339	-	3,306,339	5,411,144
Due from/to affiliate	117,031	-	117,031	(117,031)	-	-
Other current assets	379,232	-	379,232	-	379,232	305,386
Total current assets	7,513,247	2,986,339	10,499,586	19,966	10,519,552	10,133,396
Grants and Pledges Receivable, net	20,000	4,866,111	4,886,111	-	4,886,111	7,761,545
Investments	9,033,051	74,629,309	83,662,360	928,359	84,590,719	79,980,946
Beneficial Interest in Perpetual Trust for Science	-	2,865,105	2,865,105	-	2,865,105	2,692,655
Right-of-Use Asset - Operating Lease	430,303	-	430,303	-	430,303	438,383
Property and Equipment, net	10,951,136	-	10,951,136	-	10,951,136	11,701,796
Total assets	\$ 27,947,737	\$ 85,346,864	\$ 113,294,601	\$ 948,325	\$ 114,242,926	\$ 112,708,721
Liabilities and Net Assets						
Current Liabilities:						
Current portion of note payable	\$ 206,426	\$ -	\$ 206,426	\$ -	\$ 206,426	\$ 200,424
Accounts payable and accrued expenses	1,638,457	-	1,638,457	374	1,638,831	1,663,926
Total current liabilities	1,844,883	-	1,844,883	374	1,845,257	1,864,350
Note Payable, net of current portion	1,392,573	-	1,392,573	-	1,392,573	1,598,999
Total liabilities	3,237,456	-	3,237,456	374	3,237,830	3,463,349
Net Assets:						
Without donor restrictions:						
Operating	9,312,092	-	9,312,092	947,951	10,260,043	11,424,828
Board designated	5,615,749	-	5,615,749	-	5,615,749	5,098,273
Property and equipment	9,782,440	-	9,782,440	-	9,782,440	10,340,756
Total unrestricted	24,710,281	-	24,710,281	947,951	25,658,232	26,863,857
With donor restrictions	-	85,346,864	85,346,864	-	85,346,864	82,381,515
Total net assets	24,710,281	85,346,864	110,057,145	947,951	111,005,096	109,245,372
Total liabilities and net assets	\$ 27,947,737	\$ 85,346,864	\$ 113,294,601	\$ 948,325	\$ 114,242,926	\$ 112,708,721

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

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

Consolidating Statement of Financial Position

June 30, 2023

	American Academy of Arts and Sciences			Forum for the	
	Without	With		Future of	
Assets	Donor	Donor	Total	Higher	Consolidated
	Restrictions	Restrictions		Education	Total
Current Assets:					
Cash	\$ 4,171,296	\$ -	\$ 4,171,296	\$ 135,797	\$ 4,307,093
Accounts receivable	109,773	-	109,773	-	109,773
Current portion of grants and pledges receivable	320,000	5,091,144	5,411,144	-	5,411,144
Due from/to affiliate	512,328	-	512,328	(512,328)	-
Other current assets	305,386	-	305,386	-	305,386
Total current assets	5,418,783	5,091,144	10,509,927	(376,531)	10,133,396
Grants and Pledges Receivable, net	262,136	7,499,409	7,761,545	-	7,761,545
Investments	10,929,103	67,098,307	78,027,410	1,953,536	79,980,946
Beneficial Interest in Perpetual Trust for Science	-	2,692,655	2,692,655	-	2,692,655
Right-of-Use Asset - Operating Lease	438,383	-	438,383	-	438,383
Property and Equipment, net	11,701,796	-	11,701,796	-	11,701,796
Total assets	\$ 28,750,201	\$ 82,381,515	\$ 111,131,716	\$ 1,577,005	\$ 112,708,721
Liabilities and Net Assets					
Current Liabilities:					
Current portion of note payable	\$ 200,424	\$ -	\$ 200,424	\$ -	\$ 200,424
Accounts payable and accrued expenses	1,215,792	-	1,215,792	448,134	1,663,926
Total current liabilities	1,416,216	-	1,416,216	448,134	1,864,350
Note Payable, net of current portion	1,598,999	-	1,598,999	-	1,598,999
Total liabilities	3,015,215	-	3,015,215	448,134	3,463,349
Net Assets:					
Without donor restrictions:					
Operating	10,295,957	-	10,295,957	1,128,871	11,424,828
Board designated	5,098,273	-	5,098,273	-	5,098,273
Property and equipment	10,340,756	-	10,340,756	-	10,340,756
Total unrestricted	25,734,986	-	25,734,986	1,128,871	26,863,857
With donor restrictions	-	82,381,515	82,381,515	-	82,381,515
Total net assets	25,734,986	82,381,515	108,116,501	1,128,871	109,245,372
Total liabilities and net assets	\$ 28,750,201	\$ 82,381,515	\$ 111,131,716	\$ 1,577,005	\$ 112,708,721

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

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

Consolidating Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2024

(With Summarized Comparative Totals for the Year Ended June 30, 2023)

	2024			2023	
	American Academy of Arts and Sciences			Forum for the	
	Without Donor Restrictions	With Donor Restrictions	Total	Future of Higher Education	Consolidated Total
					Consolidated Total
<b>Revenues:</b>					
Gifts and grants	\$ 1,173,870	\$ 2,769,836	\$ 3,943,706	\$ 185,000	\$ 4,128,706
Investment return designated for operations	1,543,260	1,453,906	2,997,166	-	2,997,166
Annual appeal	2,268,316	-	2,268,316	-	2,268,316
University affiliates	1,639,275	-	1,639,275	-	1,639,275
Membership dues	1,432,676	-	1,432,676	-	1,432,676
Income distribution from Permanent Science Fund	-	120,000	120,000	-	120,000
Other revenue	89,666	-	89,666	-	89,666
Net assets released from purpose restrictions	7,264,049	(7,264,049)	-	-	-
Subtotal	15,411,112	(2,920,307)	12,490,805	185,000	12,675,805
Norton's Woods events revenue	1,085,935	-	1,085,935	-	1,085,935
Less - Norton's Woods events expenses	(734,853)	-	(734,853)	-	(734,853)
Norton's Woods events, net	351,082	-	351,082	-	351,082
Total revenues	15,762,194	(2,920,307)	12,841,887	185,000	13,026,887
<b>Expenses:</b>					
Program services	11,711,975	-	11,711,975	-	11,711,975
Support services	6,902,080	-	6,902,080	-	6,902,080
Forum	-	-	-	440,900	440,900
Total expenses	18,614,055	-	18,614,055	440,900	19,054,955
Changes in net assets from operations	(2,851,861)	(2,920,307)	(5,772,168)	(255,900)	(6,028,068)
<b>Other Revenues:</b>					
Investment returns	2,205,823	6,561,070	8,766,893	74,980	8,841,873
Less - spending policy	(378,667)	(2,618,499)	(2,997,166)	-	(2,997,166)
Contributions to endowment	-	1,770,635	1,770,635	-	1,770,635
Increase in beneficial interest in perpetual trust for Science	-	172,450	172,450	-	172,450
Total other revenues	1,827,156	5,885,656	7,712,812	74,980	7,787,792
Changes in net assets	(1,024,705)	2,965,349	1,940,644	(180,920)	1,759,724
<b>Net Assets:</b>					
Beginning of year	25,734,986	82,381,515	108,116,501	1,128,871	109,245,372
End of year	\$ 24,710,281	\$ 85,346,864	\$ 110,057,145	\$ 947,951	\$ 111,005,096

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

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

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

	American Academy of Arts and Sciences			Forum for the Future of Higher Education	Consolidated Total
	Without Donor Restrictions	With Donor Restrictions	Total		
<b>Revenues:</b>					
Gifts and grants	\$ 401,824	\$ 3,708,833	\$ 4,110,657	\$ 530,890	\$ 4,641,547
Investment return designated for operations	1,881,209	1,421,592	3,302,801	-	3,302,801
Annual appeal	2,527,151	-	2,527,151	-	2,527,151
University affiliates	1,660,000	-	1,660,000	-	1,660,000
Membership dues	1,221,291	-	1,221,291	-	1,221,291
Other revenue	150,797	-	150,797	-	150,797
Income distribution from Permanent Science Fund	-	120,000	120,000	-	120,000
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
Norton's Woods events revenue	522,555	-	522,555	-	522,555
Less - Norton's Woods events expenses	(708,746)	-	(708,746)	-	(708,746)
Norton's Woods events, net	(186,191)	-	(186,191)	-	(186,191)
Total revenues	13,572,866	(666,360)	12,906,506	530,890	13,437,396
<b>Expenses:</b>					
Program services	9,745,224	-	9,745,224	-	9,745,224
Support services	6,230,415	-	6,230,415	-	6,230,415
Forum	-	-	-	1,004,342	1,004,342
Total expenses	15,975,639	-	15,975,639	1,004,342	16,979,981
Changes in net assets from operations	(2,402,773)	(666,360)	(3,069,133)	(473,452)	(3,542,585)
<b>Other Revenues (Expenses):</b>					
Investment returns	1,255,183	2,496,967	3,752,150	65,807	3,817,957
Less - spending policy	(355,479)	(2,947,322)	(3,302,801)	-	(3,302,801)
Contributions to endowment	-	2,605,265	2,605,265	-	2,605,265
Increase in beneficial interest in perpetual trust	-	8,244	8,244	-	8,244
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
Changes in net assets	1,040,407	(1,046,682)	(6,275)	(407,645)	(413,920)
<b>Net Assets:</b>					
Beginning of year	24,694,579	83,428,197	108,122,776	1,536,516	109,659,292
End of year	\$ 25,734,986	\$ 82,381,515	\$ 108,116,501	\$ 1,128,871	\$ 109,245,372

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, 2024 and 2023

	2024			2023		
	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	\$ 1,940,644	\$ (180,920)	\$ 1,759,724	\$ (6,275)	\$ (407,645)	\$ (413,920)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:						
Investment returns	(8,766,893)	-	(8,766,893)	(3,752,150)	-	(3,752,150)
Increase in beneficial interest in perpetual trust	(172,450)	-	(172,450)	(8,244)	-	(8,244)
Contributions to endowment	(1,770,635)	-	(1,770,635)	(2,605,265)	-	(2,605,265)
Depreciation	894,570	-	894,570	959,777	-	959,777
Amortization of land lease	8,080	-	8,080	8,081	-	8,081
Changes in operating assets and liabilities:						
Accounts receivable	(129,584)	(8,429)	(138,013)	275,438	-	275,438
Grants and pledges receivable	5,980,239	-	5,980,239	4,640,032	-	4,640,032
Due from/to affiliate	395,297	(395,297)	-	(274,975)	274,975	-
Other current assets	(73,846)	-	(73,846)	106,276	-	106,276
Accounts payable and accrued expenses	422,665	(447,760)	(25,095)	(379,477)	(151,866)	(531,343)
Net cash used in operating activities	<u>(1,271,913)</u>	<u>(1,032,406)</u>	<u>(2,304,319)</u>	<u>(1,036,782)</u>	<u>(284,536)</u>	<u>(1,321,318)</u>
<b>Cash Flows from Investing Activities:</b>						
Purchases of investments	(30,142,559)	-	(30,142,559)	(4,449,005)	-	(4,449,005)
Proceeds from sale of investments	33,274,502	1,025,177	34,299,679	4,057,714	375,184	4,432,898
Acquisition of property and equipment	(143,910)	-	(143,910)	(1,794,483)	-	(1,794,483)
Net cash provided by (used in) investing activities	<u>2,988,033</u>	<u>1,025,177</u>	<u>4,013,210</u>	<u>(2,185,774)</u>	<u>375,184</u>	<u>(1,810,590)</u>
<b>Cash Flows from Financing Activities:</b>						
Principal payments on note payable	(200,424)	-	(200,424)	(194,852)	-	(194,852)
Contributions to endowment	770,635	-	770,635	4,396,574	-	4,396,574
Net cash provided by financing activities	<u>570,211</u>	<u>-</u>	<u>570,211</u>	<u>4,201,722</u>	<u>-</u>	<u>4,201,722</u>
<b>Net Change in Cash</b>	2,286,331	(7,229)	2,279,102	979,166	90,648	1,069,814
<b>Cash:</b>						
Beginning of year	<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>
End of year	<u>\$ 6,457,627</u>	<u>\$ 128,568</u>	<u>\$ 6,586,195</u>	<u>\$ 4,171,296</u>	<u>\$ 135,797</u>	<u>\$ 4,307,093</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>						
Cash paid for interest	<u>\$ 49,492</u>	<u>\$ -</u>	<u>\$ 49,492</u>	<u>\$ 58,171</u>	<u>\$ -</u>	<u>\$ 58,171</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, 2024  
(With Summarized Comparative Totals for the Year Ended June 30, 2023)

	2024												2023		
	American Academy of Arts and Sciences														
	Program Services						Support Services								
	Projects and Studies	Publications	Events and Member Outreach	Communi-cations	Other Program Services	Total Program Services	General and Administrative	Development	Facility and Conference Services	Norton's Woods	Total Support Services	Total	Forum for the Future of Higher Education	Consolidated Total	Consolidated Total
Personnel and Related:															
Salaries	\$ 2,602,504	\$ 502,414	\$ 726,156	\$ 284,799	\$ 515,669	\$ 4,631,542	\$ 2,028,433	\$ 906,979	\$ 60,248	\$ 319,015	\$ 3,314,675	\$ 7,946,217	\$ 65,825	\$ 8,012,042	\$ 7,700,928
Fringe benefits and payroll taxes	697,680	180,225	184,372	72,069	123,688	1,258,034	374,344	207,306	17,745	59,552	658,947	1,916,981	-	1,916,981	1,815,791
Total personnel and related	3,300,184	682,639	910,528	356,868	639,357	5,889,576	2,402,777	1,114,285	77,993	378,567	3,973,622	9,863,198	65,825	9,929,023	9,516,719
Other:															
Office expenses	723,347	100,681	178,433	59,341	168,019	1,229,821	594,171	220,218	38,101	28,667	881,157	2,110,978	-	2,110,978	1,550,196
Consultants	916,136	-	75,735	58,506	-	1,050,377	635,489	-	-	12,300	647,789	1,698,166	-	1,698,166	1,501,229
Meetings and conferences	299,394	14,935	569,924	-	28,916	913,169	112,542	1,969	-	109,438	223,949	1,137,118	304,969	1,442,087	1,029,474
Occupancy	69,931	-	169,895	-	36,819	276,645	69,952	-	680,176	124,740	874,868	1,151,513	-	1,151,513	789,780
Travel	507,793	12,095	80,043	-	888	600,819	110,206	2,205	-	-	112,411	713,230	57,473	770,703	667,621
Printing and copying	159,599	327,091	6,464	-	310	493,464	40,238	48,721	-	15	88,974	582,438	-	582,438	465,282
Services	247,799	-	26,017	29,563	11,090	314,469	217,047	5,851	-	31,439	254,337	568,806	-	568,806	463,600
Postage	75,503	34,725	779	-	44	111,051	35,318	67,773	-	-	103,091	214,142	-	214,142	109,430
Other	14,053	3,803	63,349	-	11,798	93,003	48,190	151	-	49,687	98,028	191,031	12,633	203,664	397,534
Insurance	48,017	7,932	10,783	3,961	12,073	82,766	20,279	10,855	1,981	-	33,115	115,881	-	115,881	107,034
Interest	-	-	-	-	-	-	49,492	-	-	-	49,492	49,492	-	49,492	58,171
Fees and honoraria	4,000	-	31,320	-	-	35,320	869	-	-	-	869	36,189	-	36,189	36,492
Telephone	-	-	-	-	-	-	1,121	-	12,955	-	14,076	14,076	-	14,076	28,307
Total other	3,065,572	501,262	1,212,742	151,371	269,957	5,200,904	1,934,914	357,743	733,213	356,286	3,382,156	8,583,060	375,075	8,958,135	7,204,150
Total expenses before depreciation and amortization	6,365,756	1,183,901	2,123,270	508,239	909,314	11,090,480	4,337,691	1,472,028	811,206	734,853	7,355,778	18,446,258	440,900	18,887,158	16,720,869
Depreciation and Amortization	369,940	59,190	73,986	29,595	88,784	621,495	162,771	103,587	14,797	-	281,155	902,650	-	902,650	967,858
Total expenses	6,735,696	1,243,091	2,197,256	537,834	998,098	11,711,975	4,500,462	1,575,615	826,003	734,853	7,636,933	19,348,908	440,900	19,789,808	17,688,727
Less - Norton's Woods Events Expenses Included with Revenues on the Statement of Activities and Changes in Net Assets	-	-	-	-	-	-	-	-	-	(734,853)	(734,853)	(734,853)	-	(734,853)	(708,746)
Total expenses included in the statement of activities and changes in net assets	\$ 6,735,696	\$ 1,243,091	\$ 2,197,256	\$ 537,834	\$ 998,098	\$ 11,711,975	\$ 4,500,462	\$ 1,575,615	\$ 826,003	\$ -	\$ 6,902,080	\$ 18,614,055	\$ 440,900	\$ 19,054,955	\$ 16,979,981

AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATES

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

	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	Communi- cations	Other Program Services	Total Program Services	General and Administrative	Development	Facility and Conference Services	Norton's Woods	Total Support Services	Total		
Personnel and Related:														
Salaries	\$ 2,403,466	\$ 454,514	\$ 499,975	\$ 275,404	\$ 466,655	\$ 4,100,014	\$ 1,908,668	\$ 816,679	\$ 119,055	\$ 437,569	\$ 3,281,971	\$ 7,381,985	\$ 318,943	\$ 7,700,928
Fringe benefits and payroll taxes	611,888	158,187	145,548	65,720	111,429	1,092,772	426,375	211,434	24,514	60,696	723,019	1,815,791	-	1,815,791
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	498,265	4,004,990	9,197,776	318,943	9,516,719
Other:														
Office expenses	498,430	85,519	123,796	52,660	117,448	877,853	431,179	137,235	46,743	57,186	672,343	1,550,196	-	1,550,196
Consultants	773,909	7,098	21,066	15,200	30,000	847,273	640,321	-	-	13,635	653,956	1,501,229	-	1,501,229
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
Occupancy	59,737	-	47,185	-	19,704	126,626	58,144	371	511,330	93,309	663,154	789,780	-	789,780
Travel	371,889	3,855	134,595	-	3,515	513,854	106,845	1,202	-	-	108,047	621,901	45,720	667,621
Printing and copying	112,320	244,533	10,331	335	-	367,519	43,009	54,531	223	-	97,763	465,282	-	465,282
Services	87,145	-	16,905	43,709	129,941	277,700	26,090	37,092	77,897	44,821	185,900	463,600	-	463,600
Postage	7,300	25,393	6,150	-	489	39,332	39,474	30,624	-	-	70,098	109,430	-	109,430
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
Insurance	42,565	11,852	8,450	4,684	10,302	77,853	17,184	7,391	3,076	1,530	29,181	107,034	-	107,034
Interest	3,045	-	-	-	-	3,045	55,126	-	-	-	55,126	58,171	-	58,171
Fees and honoraria	12,675	-	23,155	-	-	35,830	662	-	-	-	662	36,492	-	36,492
Telephone	-	-	-	-	-	-	20,247	-	8,060	-	28,307	28,307	-	28,307
Total other	2,202,749	385,561	841,191	116,589	322,173	3,868,263	1,510,736	273,565	655,706	210,481	2,650,488	6,518,751	685,399	7,204,150
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	708,746	6,655,478	15,716,527	1,004,342	16,720,869
Depreciation and Amortization	383,803	66,754	83,430	33,375	116,813	684,175	183,557	83,440	16,686	-	283,683	967,858	-	967,858
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	708,746	6,939,161	16,684,385	1,004,342	17,688,727
Less - Norton's Woods Events Expenses Included with Revenues on the Statement of Activities and Changes in Net Assets	-	-	-	-	-	-	-	-	-	(708,746)	(708,746)	(708,746)	-	(708,746)
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

## AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATES

Notes to Consolidating Financial Statements  
June 30, 2024 and 2023

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### 1. OPERATIONS AND 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 and organizing membership committees.

## AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATES

Notes to Consolidating Financial Statements  
June 30, 2024 and 2023

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### 1. OPERATIONS AND 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, 2024 and 2023, are as follows:

	<u>2024</u>	<u>2023</u>
Revenue	\$ 1,085,935	\$ 522,555
Expenses - direct	<u>(734,853)</u>	<u>(708,746)</u>
Norton's Woods events, net	351,082	(186,191)
Facility allocations	(606,358)	(618,498)
Overhead allocations	<u>(144,997)</u>	<u>(65,613)</u>
Net loss	<u>\$ (400,273)</u>	<u>\$ (870,302)</u>

Expenses of Norton's Woods include intercompany facility and overhead allocations from the Academy totaling \$751,355 and \$684,111 for the years ended June 30, 2024 and 2023, respectively. These amounts have been eliminated in the accompanying consolidating financial statements.

At June 30, 2024 and 2023, Norton's Woods had Federal and state net operating loss carryforwards of approximately \$11 million and \$10 million available, respectively, 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

Certain members of management and the Board of the Academy are 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.

### 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 Accounting Standards Codification (ASC).

## AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATES

Notes to Consolidating Financial Statements  
June 30, 2024 and 2023

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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.

#### Adoption of New Accounting Standard

In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 replaces the "incurred loss" credit losses framework with a new accounting standard that requires management's measurement of the allowance for credit losses to be based on a broader range of reasonable and supportable information for lifetime credit loss estimates. The Organization adopted ASC Topic 326 effective July 1, 2023, using the modified retrospective method. Based on the amount of the Organization's accounts receivable that fall within the scope of Topic 326 (see below), the adoption of ASU 2016-13 did not have a material impact on the Organization's consolidating financial statements and primarily resulted in new and enhanced disclosure.

#### 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.

#### Cash

For the purpose of the consolidating 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 and Allowance for Credit Loss

Accounts receivable are recorded at the invoiced amounts and do not bear interest. Accounts receivable are presented net of the Organization's allowance for credit losses as of June 30, 2024, and allowance for doubtful accounts as of June 30, 2023. Beginning on July 1, 2023, the Organization accounts for credit losses under Topic 326 using an expected credit loss impairment mode for financial instruments. The Organization's expected credit allowance methodology for accounts receivable is developed using historical experience, present economic conditions, and other relevant factors management considers relevant to estimate expected credit losses. Management performs ongoing evaluations of the Organization's existing and potential customer's creditworthiness. Prior to the adoption of Topic 326, an allowance for potentially uncollectible accounts was recorded based upon management's analysis of specific accounts and their estimate of accounts may be uncollectible. As of June 30, 2024 and 2023, the Organization determined no allowance for credit losses (doubtful accounts) was necessary.

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

Grants and pledges receivable at June 30, 2024 and 2023, 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 deemed necessary as of June 30, 2024 and 2023.

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Investments**

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

**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, 2024 and 2023, 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, 2024 and 2023, is included in Note 4.

## AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATES

Notes to Consolidating Financial Statements  
June 30, 2024 and 2023

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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 of investment income for each year ended June 30, 2024 and 2023.

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 \$2,865,105 and \$2,692,655 after recording the change in value of its interest of \$172,450 and \$8,244 for the years ended June 30, 2024 and 2023, 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 a right-of-use (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, 2024 and 2023

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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** consist 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); and (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>2024</u>	<u>2023</u>
Net assets held in perpetuity (see Note 7)	\$ 53,285,954	\$ 51,265,319
Purpose restricted	15,832,646	18,987,378
Appreciation on endowment (see Note 7)	10,176,139	6,422,794
Beneficial interest in perpetual trust (see Note 5)	2,865,105	2,692,655
Building fund (see Note 7)	2,730,496	2,556,845
Capital restricted	<u>456,524</u>	<u>456,524</u>
	<u>\$ 85,346,864</u>	<u>\$ 82,381,515</u>

During fiscal year 2024, a donor clarified that a \$250,000 grant, initially purpose restricted, was to be reclassified as restricted in perpetuity (see Note 7).

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenue Recognition**

*Contribution Related Revenue*

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.

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.

*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, 2024 and 2023.

*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.

**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 consolidating 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 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, 2024 and 2023. The Academy's 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 consolidating 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, 2024 and 2023. Norton's Woods income tax returns are subject to examination by the appropriate taxing jurisdictions. As of June 30, 2024 and 2023, Norton's Woods Federal and state tax returns generally remain open for the most recent three years.

## AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATES

Notes to Consolidating Financial Statements  
June 30, 2024 and 2023

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Subsequent Events

Subsequent events have been evaluated through November 14, 2024, 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>2024</u>	<u>2023</u>
Due within one year	\$ 4,306,339	\$ 7,461,144
Due within one to five years	<u>4,020,000</u>	<u>5,974,638</u>
	8,326,339	13,435,782
Less - discount	(133,889)	(263,093)
Less - current portion	<u>(3,306,339)</u>	<u>(5,411,144)</u>
Long-term grants and pledges receivable, net	<u>\$ 4,886,111</u>	<u>\$ 7,761,545</u>

The pledges have been discounted at 3% to state pledges at their estimated net realizable values for the years ended June 30, 2024 and 2023. As of June 30, 2024 and 2023, two donors represented approximately 59% and 74%, 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, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV*</u>	<u>Total</u>
Cash and equivalents	\$ 8,198,840	\$ -	\$ -	\$ -	\$ 8,198,840
Equities:					
Global emerging markets	87,665	-	-	15,963	103,628
Global markets	26,129,375	-	-	10,159,683	36,289,058
Domestic markets	751,408	-	-	13,695,057	14,446,465
Fixed income:					
Government mutual fund	2,543,999	-	-	-	2,543,999
Alternatives:					
Multi-strategy hedge fund	-	-	-	4,308,408	4,308,408
Hedge fund - domestic	-	-	-	13,131,404	13,131,404
Private equity fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,568,917</u>	<u>5,568,917</u>
	<u>\$ 37,711,287</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,879,432</u>	<u>\$ 84,590,719</u>

## AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATES

Notes to Consolidating Financial Statements  
June 30, 2024 and 2023

### 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, 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	-	-	-	8,823,983	8,823,983
	<u>\$ 31,762,150</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,218,796</u>	<u>\$ 79,980,946</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, 2024 and 2023. Unfunded commitments were \$6,174,791 and \$6,635,322 as of June 30, 2024 and 2023, 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>2024</u>	<u>2023</u>
Net realized gains	\$ 4,299,957	\$ 111,488
Net unrealized gains	3,563,301	2,734,343
Investment income	1,193,463	984,021
Investment fees	<u>(214,848)</u>	<u>(11,895)</u>
Total investment returns	<u>\$ 8,841,873</u>	<u>\$ 3,817,957</u>

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### 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, 2024:

Description	Level 1	Level 2	Level 3	Total
Cash and equivalents	\$ 97,002	\$ -	\$ -	\$ 97,002
Fixed income - U.S. mutual funds	1,100,752	-	-	1,100,752
Marketable equities:				
U.S. mutual funds	1,023,556	-	-	1,023,556
International mutual funds	212,350	-	-	212,350
Emerging markets	93,247	-	-	93,247
Alternative strategies mutual fund	<u>338,198</u>	<u>-</u>	<u>-</u>	<u>338,198</u>
	<u>\$ 2,865,105</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,865,105</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, 2023:

Description	Level 1	Level 2	Level 3	Total
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>

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

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

	2024	2023
Building and improvements	\$ 18,315,333	\$ 18,253,260
Technology	3,181,920	3,181,920
Furniture and equipment	4,871,992	4,871,992
Construction in progress	<u>143,910</u>	<u>62,073</u>
	26,513,155	26,369,245
Less - accumulated depreciation	<u>15,562,019</u>	<u>14,667,449</u>
	<u>\$ 10,951,136</u>	<u>\$ 11,701,796</u>

Depreciation expense for the years ended June 30, 2024 and 2023, was \$894,570 and \$959,777, respectively.

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 \$8,080 and \$8,081 for the years ended June 30, 2024 and 2023, respectively.

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

The balance of the ROU asset - operating lease as of June 30, 2024 and 2023, is as follows:

	<u>2024</u>	<u>2023</u>
Prepayment	\$ 800,000	\$ 800,000
Amortized to date	<u>(369,697)</u>	<u>(361,617)</u>
Prepaid land lease, net	<u>\$ 430,303</u>	<u>\$ 438,383</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, 2022	\$ 5,096,005	\$ 58,092,634	\$ 63,188,639
Investment returns	357,747	2,496,967	3,854,714
Contributions	-	2,605,265	2,605,265
Other changes	-	(2,586)	(2,586)
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	5,098,273	60,244,958	65,343,231
Investment returns	896,143	6,561,070	7,457,213
Change in donor intent	-	250,000	250,000
Contributions	-	1,770,635	1,770,635
Other changes	-	119,034	119,034
Investment return designated for operations	<u>(378,667)</u>	<u>(2,618,499)</u>	<u>(2,997,166)</u>
Endowment net assets, June 30, 2024	<u>\$ 5,615,749</u>	<u>\$ 66,327,198</u>	<u>\$ 71,942,947</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.

**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 (5%) of a twelve-quarter trailing average of the fair value of endowment investments was appropriated to support operations totaling \$2,997,166 and \$3,302,801 for the years ended June 30, 2024 and 2023, respectively.



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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>2024</u>	<u>2023</u>
Original gift value	\$ 3,765,475	\$ 14,951,065
Current fair value	<u>3,691,249</u>	<u>13,956,566</u>
Deficiency	<u>\$ (74,226)</u>	<u>\$ (994,499)</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 note payable is secured by all the equipment and fixtures, inventory, and receivables owned by the Academy. The balance as of June 30, 2024 and 2023, was \$1,598,999 and \$1,799,423, respectively. Principal payments on the note over the next five fiscal years are as follows:

2025	\$ 206,426
2026	\$ 212,470
2027	\$ 218,692
2028	\$ 225,031
2029	\$ 231,685

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, 2024 and 2023.

### 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 five and six years as of June 30, 2024 and 2023, respectively; forfeitures are used to off-set current employer contributions. The Organization's contributions to the DC Plan were approximately \$703,000 and \$589,000 for the years ended June 30, 2024 and 2023, 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.

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### 10. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances in Massachusetts banks which are insured within the limits of the Federal Deposit Insurance Corporation (FDIC). At certain times during the years ended June 30, 2024 and 2023, 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.

### 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>2024</u>	<u>2023</u>
Cash	\$ 6,586,195	\$ 4,307,093
Accounts receivable	247,786	109,773
Current portion of grants and pledges receivable	<u>3,306,339</u>	<u>5,411,144</u>
	10,140,320	9,828,010
Less - amounts with donor restrictions other than for operations	<u>(2,986,339)</u>	<u>(5,091,144)</u>
	<u>\$ 7,153,981</u>	<u>\$ 4,736,866</u>

The Organization's endowment funds consist of donor-restricted endowments of \$66,327,198 and \$60,244,958 as of June 30, 2024 and 2023, respectively, and without donor restricted, Board-designated funds functioning as endowment (quasi-endowment) of \$5,615,749 and \$5,098,273, 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. RECLASSIFICATIONS

Certain amounts in the fiscal year 2023 consolidating financial statements have been reclassified to conform with the fiscal year 2024 presentation.