



**Consolidated Financial Statements**  
**American Academy of Arts and Sciences**  
**and Affiliate**

**June 30, 2020 and 2019**



# AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATE

## *Consolidated Financial Statements*

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## *Independent Auditors' Report*

Board of Directors  
American Academy of Arts and Sciences and Affiliate  
Cambridge, Massachusetts

We have audited the accompanying consolidated financial statements of American Academy of Arts and Sciences and Affiliate (the "Academy"), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Consolidated Financial Statements***

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

### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of American Academy of Arts and Sciences and Affiliate as of June 30, 2020 and 2019, 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.

*Maye Heyman McCann P.C.*

November 5, 2020  
Boston, Massachusetts

# AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATE

## Consolidated Statements of Financial Position

June 30,

<b>Assets</b>	<b>2020</b>	<b>2019</b>
Cash	\$ 2,412,072	\$ 480,996
Grants and pledges receivable, net	7,601,569	7,729,154
Other assets	217,765	196,487
Investments	64,709,229	68,059,118
Beneficial interest in perpetual trust for science	2,727,859	2,841,684
Prepaid land lease, net	461,953	470,034
Property and equipment, net	10,883,154	10,002,027
<b>Total assets</b>	<b><u>\$ 89,013,601</u></b>	<b><u>\$ 89,779,500</u></b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 847,681	\$ 796,858
Note payable	2,299,052	2,427,612
<b>Total liabilities</b>	<b><u>3,146,733</u></b>	<b><u>3,224,470</u></b>
Net assets:		
Without donor restrictions	24,621,454	25,373,414
With donor restrictions	61,245,414	61,181,616
<b>Total net assets</b>	<b><u>85,866,868</u></b>	<b><u>86,555,030</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 89,013,601</u></b>	<b><u>\$ 89,779,500</u></b>

**AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATE**

**Consolidated Statement of Activities and Changes in Net Assets**

Year Ended June 30, 2020  
(with comparative totals for 2019)

	2020		2019	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Revenues:</b>				
Support:				
Gifts and grants	\$ 928,464	\$ 5,427,480	\$ 6,355,944	\$ 2,981,908
Annual appeal	2,041,715	-	2,041,715	1,964,371
University affiliates	1,062,500	-	1,062,500	1,015,000
Membership dues	1,601,491	-	1,601,491	986,950
Distribution from beneficial interest in perpetual trust for science	-	120,000	120,000	120,000
Investment return	73,080	18,043	91,123	108,249
Other operating income	(64,998)	-	(64,998)	155,644
Net assets released from purpose restrictions	4,803,185	(4,803,185)	-	-
	10,445,437	762,338	11,207,775	7,332,122
Investment spending policy for operations and programs	1,536,466	947,757	2,484,223	2,216,720
	<b>11,981,903</b>	<b>1,710,095</b>	<b>13,691,998</b>	<b>9,548,842</b>
<b>Expenses:</b>				
Programs	7,486,006	-	7,486,006	7,334,739
General and administrative	3,179,527	-	3,179,527	3,485,559
Development	1,226,993	-	1,226,993	1,186,347
Conference services	732,833	-	732,833	674,375
	<b>12,625,359</b>	-	<b>12,625,359</b>	<b>12,681,020</b>
<b>Changes in net assets from operations</b>	<b>(643,456)</b>	<b>1,710,095</b>	<b>1,066,639</b>	<b>(3,132,178)</b>
<b>Other changes:</b>				
Contributions to endowment	-	2,164,793	2,164,793	1,116,661
Investment return	(1,057,028)	(264,518)	(1,321,546)	3,139,435
Less - spending policy distribution	(251,944)	(2,232,279)	(2,484,223)	(2,216,720)
Net assets released from capital restrictions	1,200,468	(1,200,468)	-	-
Decrease in beneficial interest in perpetual trust for science	-	(113,825)	(113,825)	(41,551)
	(108,504)	(1,646,297)	(1,754,801)	1,997,825
<b>Changes in net assets</b>	<b>(751,960)</b>	<b>63,798</b>	<b>(688,162)</b>	<b>(1,134,353)</b>
Net assets, beginning of year	25,373,414	61,181,616	86,555,030	87,689,383
<b>Net assets, end of year</b>	<b>\$ 24,621,454</b>	<b>\$ 61,245,414</b>	<b>\$ 85,866,868</b>	<b>\$ 86,555,030</b>

**AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATE**

***Consolidated Statement of Activities and Changes in Net Assets***

*Year Ended June 30, 2019*

	<b>2019</b>		
	<b><i>Without Donor Restrictions</i></b>	<b><i>With Donor Restrictions</i></b>	<b><i>Total</i></b>
<b>Revenues:</b>			
Support:			
Gifts and grants	\$ 1,632,838	\$ 1,349,070	\$ 2,981,908
Annual appeal	1,964,371	-	1,964,371
University affiliates	1,015,000	-	1,015,000
Membership dues	986,950	-	986,950
Distribution from beneficial interest in perpetual trust for science	-	120,000	120,000
Investment return	94,269	13,980	108,249
Other operating income	155,644	-	155,644
Net assets released from purpose restrictions	5,028,796	(5,028,796)	-
	<u>10,877,868</u>	<u>(3,545,746)</u>	<u>7,332,122</u>
Total support			
Investment spending policy for operations and programs	<u>1,405,550</u>	<u>811,170</u>	<u>2,216,720</u>
<b>Total revenues</b>	<b><u>12,283,418</u></b>	<b><u>(2,734,576)</u></b>	<b><u>9,548,842</u></b>
<b>Expenses:</b>			
Programs	7,334,739	-	7,334,739
General and administrative	3,485,559	-	3,485,559
Development	1,186,347	-	1,186,347
Conference services	674,375	-	674,375
	<u>12,681,020</u>	<u>-</u>	<u>12,681,020</u>
<b>Total operating expenses</b>			
<b>Changes in net assets from operations</b>	<b><u>(397,602)</u></b>	<b><u>(2,734,576)</u></b>	<b><u>(3,132,178)</u></b>
<b>Other changes:</b>			
Contributions to endowment	-	1,116,661	1,116,661
Investment return	1,025,185	2,114,250	3,139,435
Less - spending policy distribution	(231,810)	(1,984,910)	(2,216,720)
Net assets released from capital restrictions	1,021,759	(1,021,759)	-
Decrease in beneficial interest in perpetual trust for science	-	(41,551)	(41,551)
	<u>1,815,134</u>	<u>182,691</u>	<u>1,997,825</u>
Total other changes			
<b>Changes in net assets</b>	<b><u>1,417,532</u></b>	<b><u>(2,551,885)</u></b>	<b><u>(1,134,353)</u></b>
Net assets, beginning of year	<u>23,955,882</u>	<u>63,733,501</u>	<u>87,689,383</u>
<b>Net assets, end of year</b>	<b><u>\$ 25,373,414</u></b>	<b><u>\$ 61,181,616</u></b>	<b><u>\$ 86,555,030</u></b>

See accompanying notes to the consolidated financial statements.

**AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATE**

**Consolidated Statement of Functional Expenses**

Year Ended June 30, 2020  
(with comparative totals for 2019)

	2020										2019
	Projects and Studies	Publications	Events and Member Outreach	Communications	Other Program Services	Total Programs	General and Administrative	Development	Conference Services	Total	Total
<b>Personnel and related:</b>											
Salaries	\$ 1,219,571	\$ 423,819	\$ 408,690	\$ 392,289	\$ 471,904	\$ 2,916,273	\$ 1,725,597	\$ 669,066	\$ 198,722	\$ 5,509,658	\$ 5,477,368
Fringe benefits and payroll taxes	263,141	120,068	89,979	95,287	163,787	732,262	239,326	153,645	50,004	1,175,237	1,260,737
Total personnel and related	1,482,712	543,887	498,669	487,576	635,691	3,648,535	1,964,923	822,711	248,726	6,684,895	6,738,105
<b>Other:</b>											
Consultants	595,643	17,393	51,814	177,561	110,429	952,840	125,678	67,639	91,551	1,237,708	933,166
Contract labor	3,360	-	18,069	-	12,828	34,257	-	9,304	-	43,561	33,887
Copying and printing	60,204	84,222	19,075	-	5,778	169,279	7,972	34,204	-	211,455	241,845
Fees and honoraria	32,500	-	2,000	-	-	34,500	678	-	-	35,178	78,648
Insurance	1,666	5,924	5,475	-	2,117	15,182	72,395	-	-	87,577	87,979
Interest	-	-	-	-	-	-	79,092	-	-	79,092	90,773
Meetings and conferences	258,530	-	498,729	1,838	18	759,115	49,787	63,522	279	872,703	1,038,552
Occupancy, rent and storage	49,395	-	1,515	-	-	50,910	3,864	-	311,310	366,084	422,863
Office supplies	92,179	3,507	17,860	12,099	7,205	132,850	194,272	33,927	13,245	374,294	277,191
Other	7,973	3,487	6,188	2,290	28,050	47,988	52,683	13,818	3,204	117,693	152,853
Postage and delivery	26,546	62,789	8,754	57	12,535	110,681	12,678	48,673	1	172,033	194,573
Services	134,707	3,076	58,356	69,467	36,344	301,950	238,758	9,052	7,708	557,468	416,052
Telephone	46,479	6,027	5,571	14,588	12,158	84,823	30,990	7,669	11,516	134,998	122,799
Travel	376,471	-	51,547	7,723	5,309	441,050	96,645	3,244	-	540,939	840,728
Total other	1,685,653	186,425	744,953	285,623	232,771	3,135,425	965,492	291,052	438,814	4,830,783	4,931,909
Total expenses before depreciation and amortization of land lease	3,168,365	730,312	1,243,622	773,199	868,462	6,783,960	2,930,415	1,113,763	687,540	11,515,678	11,670,014
Depreciation and amortization	271,761	90,585	113,231	67,941	158,528	702,046	249,112	113,230	45,293	1,109,681	1,011,006
<b>Total expenses</b>	<b>\$ 3,440,126</b>	<b>\$ 820,897</b>	<b>\$ 1,356,853</b>	<b>\$ 841,140</b>	<b>\$ 1,026,990</b>	<b>\$ 7,486,006</b>	<b>\$ 3,179,527</b>	<b>\$ 1,226,993</b>	<b>\$ 732,833</b>	<b>\$ 12,625,359</b>	<b>\$ 12,681,020</b>

See accompanying notes to the consolidated financial statements.



**AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATE**

**Consolidated Statement of Functional Expenses**

Year Ended June 30, 2019

	2019									
	<b>Projects and Studies</b>	<b>Publications</b>	<b>Events and Member Outreach</b>	<b>Communications</b>	<b>Other Program Services</b>	<b>Total Programs</b>	<b>General and Administrative</b>	<b>Development</b>	<b>Conference Services</b>	<b>Total</b>
<b>Personnel and related:</b>										
Salaries	\$ 1,298,071	\$ 396,464	\$ 447,672	\$ 356,468	\$ 503,955	\$ 3,002,630	\$ 1,681,673	\$ 681,587	\$ 111,478	\$ 5,477,368
Fringe benefits and payroll taxes	284,029	117,875	112,980	82,322	107,147	704,353	363,349	164,095	28,940	1,260,737
<b>Total personnel and related</b>	<b>1,582,100</b>	<b>514,339</b>	<b>560,652</b>	<b>438,790</b>	<b>611,102</b>	<b>3,706,983</b>	<b>2,045,022</b>	<b>845,682</b>	<b>140,418</b>	<b>6,738,105</b>
<b>Other:</b>										
Consultants	397,539	7,655	23,714	109,571	1,367	539,846	247,680	52,203	93,437	933,166
Contract labor	13,168	-	-	-	20,479	33,647	240	-	-	33,887
Copying and printing	75,193	78,962	16,975	7,344	8,744	187,218	18,362	36,265	-	241,845
Fees and honoraria	77,764	-	-	-	250	78,014	634	-	-	78,648
Insurance	-	742	9,028	-	-	9,770	78,209	-	-	87,979
Interest	-	-	-	-	-	-	90,773	-	-	90,773
Meetings and conferences	284,762	-	633,358	1,216	2,823	922,159	86,896	28,897	600	1,038,552
Occupancy, rent and storage	29,430	-	2,678	-	-	32,108	216	-	390,539	422,863
Office supplies	26,787	7,121	25,689	8,383	6,496	74,476	149,360	37,518	15,837	277,191
Other	16,757	2,400	18,611	1,800	57,095	96,663	28,275	22,063	5,852	152,853
Postage and delivery	29,676	60,629	9,259	4,358	22,289	126,211	20,591	47,767	4	194,573
Services	34,867	759	81,176	1,339	15,620	133,761	268,959	10,376	2,956	416,052
Telephone	22,505	4,132	4,190	35,845	10,099	76,771	34,583	6,155	5,290	122,799
Travel	594,001	-	65,423	4,636	11,451	675,511	163,008	2,209	-	840,728
<b>Total other</b>	<b>1,602,449</b>	<b>162,400</b>	<b>890,101</b>	<b>174,492</b>	<b>156,713</b>	<b>2,986,155</b>	<b>1,187,786</b>	<b>243,453</b>	<b>514,515</b>	<b>4,931,909</b>
<b>Total expenses before depreciation and amortization of land lease</b>	<b>3,184,549</b>	<b>676,739</b>	<b>1,450,753</b>	<b>613,282</b>	<b>767,815</b>	<b>6,693,138</b>	<b>3,232,808</b>	<b>1,089,135</b>	<b>654,933</b>	<b>11,670,014</b>
Depreciation and amortization	252,752	77,770	58,328	58,327	194,424	641,601	252,751	97,212	19,442	1,011,006
<b>Total expenses</b>	<b>\$ 3,437,301</b>	<b>\$ 754,509</b>	<b>\$ 1,509,081</b>	<b>\$ 671,609</b>	<b>\$ 962,239</b>	<b>\$ 7,334,739</b>	<b>\$ 3,485,559</b>	<b>\$ 1,186,347</b>	<b>\$ 674,375</b>	<b>\$ 12,681,020</b>

See accompanying notes to the consolidated financial statements.

# AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATE

## Consolidated Statements of Cash Flows

Years Ended June 30,

	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities:</b>		
Changes in net assets	\$ (688,162)	\$ (1,134,353)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Realized and unrealized losses (gains) on investments	1,925,614	(2,355,161)
Decrease in beneficial interest in perpetual trust for science	113,825	41,551
Contributions to endowment	(2,164,793)	(541,756)
Depreciation and amortization	1,109,682	1,011,006
Changes in operating assets and liabilities:		
Other assets	(21,278)	41,062
Grants and pledges receivable	52,693	2,866,355
Accounts payable and accrued expenses	50,823	234,695
	<b>378,404</b>	<b>163,399</b>
<b>Net cash provided by operating activities</b>	<b>378,404</b>	<b>163,399</b>
<b>Cash flows from investing activities:</b>		
Cash paid for purchases of investments	23,279,995	(2,564,563)
Cash received from sale of investments	(21,855,720)	3,444,726
Property and equipment acquisitions	(1,982,728)	(1,281,530)
	<b>(558,453)</b>	<b>(401,367)</b>
<b>Net cash used in investing activities</b>	<b>(558,453)</b>	<b>(401,367)</b>
<b>Cash flows from financing activities:</b>		
Principal payments on note payable	(128,560)	(121,290)
Cash contributions to endowment	2,239,685	541,756
	<b>2,111,125</b>	<b>420,466</b>
<b>Net cash provided by financing activities</b>	<b>2,111,125</b>	<b>420,466</b>
<b>Net change in cash</b>	<b>1,931,076</b>	<b>182,498</b>
Cash, beginning of year	480,996	298,498
<b>Cash, end of year</b>	<b>\$ 2,412,072</b>	<b>\$ 480,996</b>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	\$ 79,092	\$ 90,773
Amounts included in accounts payable and accrued expenses for the purchase of property and equipment	\$ 109,804	\$ 161,099

See accompanying notes to the consolidated financial statements.

# AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATE

## *Notes to Consolidated Financial Statements*

### ***Note 1 - Operations, Nonprofit Status and Significant Accounting Policies***

The American Academy of Arts and Sciences (the “Academy”) was established by the Massachusetts legislature on May 4, 1780 and is one of the oldest learned societies in the United States. 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 recognized under Section 501(c)(3) of the Internal Revenue Code (“IRC”) as a tax-exempt organization and is generally exempt from Federal and state income taxes on related income. Given the limited taxable activities of the Academy, management has concluded that certain disclosures related to tax provisions are not necessary.

The program functions of the Academy include the following:

#### ***Programs 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.

# AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATE

## *Notes to Consolidated Financial Statements*

### **Note 1 - Operations, Nonprofit Status and Significant Accounting Policies (Continued)**

#### ***Other Program Services***

Other program services consists of Archives, Visiting Scholar program 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. Visiting Scholar Program provides residential fellowships to postdoctoral scholars in the humanities and social sciences. Membership elections encompass the process of soliciting from the current members nominations of potential new members, organizing membership committees.

#### ***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.

#### ***Basis of Presentation***

The financial statements of the Academy have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America which requires that information regarding its financial position and activities are reported based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* - Net assets available for general use and not subject to donor restrictions. The Board of Directors has designated from net assets without donor restrictions special operation funds, funds to function as endowment and special endowment funds as more fully described later in these footnotes. Net assets without donor restrictions also include investment in property and equipment, prepaid land lease, net of accumulated depreciation and amortization as well as the related note payable obligation.

*Net Assets With Donor Restrictions* - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by the passage of time or the events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

#### ***Principles of Consolidation***

The consolidated financial statements include the accounts of the Academy and its Affiliate, Norton's Woods, Inc. The Affiliate is a wholly-owned for-profit subsidiary created to manage the meetings and events held at the Academy's facility, specifically events held and paid for by outside organizations.

All significant intercompany transactions have been eliminated in the accompanying consolidated financial statements.

# AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATE

## *Notes to Consolidated Financial Statements*

### *Note 1 - Operations, Nonprofit Status and Significant Accounting Policies (Continued)*

#### ***Cash***

The Academy maintains its cash in bank deposit accounts which at times may exceed federally insured limits. Cash is recorded at cost plus accrued interest. The Academy monitors its exposure with cash and has not experienced any losses in such accounts. Management considers all highly liquid investments with an initial maturity of three months or less to be cash and such accounts are carried at cost plus accrued interest. Cash held by investment managers is considered part of investments given the potential of near term investment of such funds.

#### ***Gifts and Pledges Receivable***

Contributions receivable are initially recorded at fair value utilizing Level 2 inputs as per the fair value policies elsewhere in this section. Contributions to be received after one year are valued using the present value of a risk adjusted rate to account for the inherent risk associated with the expected future cash flows. An allowance for uncollectible contributions receivable is provided based upon management's estimates including factors of historical experience and a specific review of collection trends that differ from the plan on individual accounts. There was no allowance at June 30, 2020 and 2019.

#### ***Investments***

Investments are recorded as per the fair value policies described elsewhere in this section. Net Investment return (loss) is reported in the consolidated statement of activities and changes in net assets and includes interest, dividends, realized and unrealized gains and losses less external investment expenses.

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

Beneficial interest in perpetual trust for science is reported at fair value as per the fair value policies described elsewhere in this section. The Academy's interest is in the trust and not its underlying assets which thus requires a Level 3 fair value method to be used notwithstanding the pricing transparency of the assets within the trust. Distributions are at the discretion of the fund's trustees, who are separate from the Academy's board.

#### ***Fair Value Measurements***

The Academy reports certain financial instruments at fair value. Fair value is defined as the price that the Academy would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants. Fair value measures include both recurring and non-recurring measures. The Academy's investments and beneficial interest in perpetual trust represent recurring fair value measures, while other fair values are estimated upon receipt, such as grants and pledges.

# AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATE

## *Notes to Consolidated Financial Statements*

### **Note 1 - Operations, Nonprofit Status and Significant Accounting Policies (Continued)**

#### ***Fair Value Measurements (Continued)***

The fair value framework prioritizes the use of the most objective market data first in determining fair value. The framework also allows the use of the net asset value per share for certain alternative investments that meet certain criteria for reporting on such basis with such amounts being deemed to be a practical expedient in determining fair value. The fair value framework (other than those items valued at net asset value per share) is summarized 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.

Market price is affected by a number of factors, including the type of asset or liability and the characteristics specific to the asset or liability. Assets or liabilities with readily available active quoted prices or for which fair value can be measured for actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that changes in values of these assets or liabilities will occur in the near term and that such changes could materially affect the amounts reported in these consolidated financial statements. In addition, redemption rights may be restricted or eliminated by investment managers in the future in accordance with underlying fund agreements.

#### ***Prepaid Land Lease***

The Academy prepaid its land lease associated with its main facility. Such amount is being amortized over the lease term on a straight-line basis.

#### ***Property and Equipment and Depreciation***

Property and equipment are recorded at cost when the useful life is more than one year and such amounts exceed a management established capitalization threshold. Renewals and betterments are capitalized while repairs and maintenance are expensed as incurred. Depreciation is computed using the straight-line basis over the following estimated useful lives:

	<b><i>Estimated Useful Life</i></b>
Building	100 Years
Building improvements	5 - 50 Years
Furniture and equipment	3 - 25 Years

# AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATE

## *Notes to Consolidated Financial Statements*

### ***Note 1 - Operations, Nonprofit Status and Significant Accounting Policies (Continued)***

#### ***Revenue Recognition and Operations***

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Net investment return on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

Gifts and grants, including unconditional promises to give, are recognized as revenues as either without or with donor restrictions in the period when verifiably committed by the donor. Contributions of assets other than cash are recorded at their estimated fair value and per the fair value policies described elsewhere in these policies. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows using a risk adjusted discount rate depending on the time period involved. Amortization of the discount is included in contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions. Gifts and grants with donor-imposed restrictions that can be met through the passage of time or upon the incurring of expenses consistent with the purposes are recorded as net assets with donor restrictions and reclassified to net assets without donor restrictions when such time or purposes restriction has been satisfied.

Annual appeal contributions and membership dues are recognized as revenue when received as management has concluded that such items have the attributes of contributions rather than an exchange of value in return.

University Affiliates revenue is recorded when received as management has concluded that such revenue is donative in intent.

Gifts of property, plant and equipment are recorded as without donor restrictions unless the donor explicitly states how such assets should be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. The Academy reports expirations of donor restrictions when the donated or acquired long-lived asset is placed into service.

Conditional gifts and grants are recorded as revenue when such amounts become unconditional which generally involves the meeting of a barrier to entitlement. This can include items like meeting a matching provision, incurring specified allowable expenses in accordance with a framework of allowable costs or other barriers, however the Academy has not had conditional contributions in 2020 or 2019.

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.

# AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATE

## *Notes to Consolidated Financial Statements*

### *Note 1 - Operations, Nonprofit Status and Significant Accounting Policies (Continued)*

#### *Revenue Recognition and Operations (Continued)*

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

#### *Collections*

The Academy 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. Purchases, sales and insurance recoveries when applicable are considered investing items in the consolidated statements of cash flows.

#### *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 consolidated statements of activities and changes in net assets. The consolidated 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. Depreciation of property and equipment have been allocated to functional classifications based on head count of facilities and other relevant factors. Interest expense is allocated to functional classifications that benefited from the use of the proceeds of the debt.

#### *Income Taxes*

The Academy accounts for uncertainty in income taxes in that a recognition threshold and measurement standard is applied to a tax position taken or expected to be taken in a tax return. The Academy has determined that its tax status as an exempt entity and its determinations to classify income as related or unrelated as its only significant tax positions; however, the Academy has determined that such tax positions do not result in an uncertainty requiring recognition. The Academy is not currently under examination by any taxing jurisdiction and its information returns are generally subject to examination for three years following the date filed.

#### *Estimates*

The preparation of consolidated financial statements in accordance with 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### *Changes in Net Assets from Operations*

Revenues received and expenses incurred in conducting the programs and services of the Academy are presented in the consolidated financial statements as operating activities. Operating activities also include investment earnings designated for operations and programs under the spending policies adopted by the board of directors. Contributions to the endowment, investment returns in excess of (or less than) the current spending policy, capital grants and changes in the value of the perpetual trust are considered non-operating.



# AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATE

## *Notes to Consolidated Financial Statements*

### ***Note 1 - Operations, Nonprofit Status and Significant Accounting Policies (Continued)***

#### ***New Accounting Pronouncements***

Certain new accounting pronouncements are effective in future years including accounting for leases and other standards expected to have lesser impacts. Management is evaluating the effect of the new standards and plans to adopt such standards in the year required.

#### ***Subsequent Events***

The Academy evaluated subsequent events through November 5, 2020, the date these financial statements were issued.

### ***Note 2 - Liquidity and Availability***

The Academy regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Academy 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 12-month period, the Academy 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 12 months, the Academy seeks to operate with a relatively balanced budget and anticipates collecting revenue that approximates general expenditures.

Although not expected to be needed, the spendable yet restricted portion of the Academy's net assets could be used to meet cash needs if necessary. Prudent investment management, however, must be considered to ensure the preservation of the funds for future use. Also, board designated funds can be available as needed upon the vote of the board.

# AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATE

## *Notes to Consolidated Financial Statements*

### **Note 2 - Liquidity and Availability (Continued)**

The following tables show the total financial assets held by the Academy and the amounts of those financial assets available within one year of the balance sheet date to meet general expenditures:

	<b>2020</b>	<b>2019</b>
Financial assets at year end:		
Cash	\$ 2,412,072	\$ 480,996
Grants and pledges receivable	7,601,569	7,729,154
Investments convertible to cash in the next 12 months	64,709,229	68,059,118
<b>Total financial assets at year end</b>	<b>\$ 74,722,870</b>	<b>\$ 76,269,268</b>
Financial assets available to meet general expenditures over the next 12 months:		
Cash	\$ 2,412,072	\$ 480,996
Grants and pledges receivable for general expenditures in the next 12 months	3,919,175	3,341,425
Investments not encumbered by donor restriction or board designation	2,746,072	6,050,434
Spending policy distribution for upcoming year	2,485,263	2,455,997
<b>Total financial assets available to meet general expenditures over the next 12 months</b>	<b>\$ 11,562,582</b>	<b>\$ 12,328,852</b>

### **Note 3 - Grants and Pledges Receivable**

Grants and pledges receivable are due as follows as of June 30:

	<b>2020</b>	<b>2019</b>
Due within one year	\$ 4,852,508	\$ 3,741,425
Due within one to five years	2,841,019	4,106,275
	7,693,527	7,847,700
Less: discount to present value (2.0%)	91,958	118,546
<b>Total grants and pledges receivable, net</b>	<b>\$ 7,601,569</b>	<b>\$ 7,729,154</b>

The Academy has gift intentions of approximately \$1,000,000 and \$3,130,000 as of June 30, 2020 and 2019, respectively. These were determined to be intentions given that the donor expects to recommend payment of these amounts from donor advised funds. These intentions to give are not recognized as assets until verifiably committed or paid, whichever comes first. The Academy has no conditional contributions as of June 30, 2020 and 2019.

# AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATE

## Notes to Consolidated Financial Statements

### Note 4 - Investments, Beneficial Interest in Perpetual Trust for Science and Fair Values

Investments and beneficial interest in perpetual trust for science were as follows as of June 30:

	2020			
	Total	Investments Measured at NAV	Level 1	Level 3
Investments:				
Cash and equivalents	\$ 2,834,825	\$ -	\$ 2,834,825	\$ -
Equities:				
Global emerging markets mutual fund	2,085,590	2,005,820	79,770	-
Global markets mutual fund	6,896,030	6,754,723	141,307	-
Domestic markets mutual fund	25,443,539	15,800,458	9,643,081	-
Fixed income:				
Government mutual fund	2,793,467	-	2,793,467	-
Alternatives:				
Multi-strategy fund	12,084,578	12,084,578	-	-
Hedge fund - domestic equities	8,002,297	8,002,297	-	-
Private equity fund	4,568,903	4,568,903	-	-
Total investments	<u>64,709,229</u>	<u>49,216,779</u>	<u>15,492,450</u>	<u>-</u>
Beneficial interest in perpetual trust for science	<u>2,727,859</u>	<u>-</u>	<u>-</u>	<u>2,727,859</u>
	<u><b>\$ 67,437,088</b></u>	<u><b>\$ 49,216,779</b></u>	<u><b>\$ 15,492,450</b></u>	<u><b>\$ 2,727,859</b></u>

  

	2019			
	Total	Investments Measured at NAV	Level 1	Level 3
Investments:				
Cash and equivalents	\$ 3,662,277	\$ -	\$ 3,662,277	\$ -
Equities:				
Global emerging markets mutual fund	6,162,903	-	6,162,903	-
Global markets mutual fund	12,112,966	-	12,112,966	-
Domestic markets mutual fund	17,751,502	-	17,751,502	-
Fixed income:				
Government mutual fund	2,564,531	-	2,564,531	-
Alternatives:				
Multi-strategy fund	12,544,452	12,544,452	-	-
Hedge fund - domestic equities	8,777,139	8,777,139	-	-
Private equity fund	4,483,348	4,483,348	-	-
Total investments	<u>68,059,118</u>	<u>25,804,939</u>	<u>42,254,179</u>	<u>-</u>
Beneficial interest in perpetual trust for science	<u>2,841,684</u>	<u>-</u>	<u>-</u>	<u>2,841,684</u>
	<u><b>\$ 70,900,802</b></u>	<u><b>\$ 25,804,939</b></u>	<u><b>\$ 42,254,179</b></u>	<u><b>\$ 2,841,684</b></u>

# AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATE

## *Notes to Consolidated Financial Statements*

### **Note 4 - Investments, Beneficial Interest in Perpetual Trust for Science and Fair Values (Continued)**

Total investment return was as follows for the years ended June 30:

	<b>2020</b>	<b>2019</b>
Investment return	\$ (1,230,423)	\$ 3,247,684
Less: spending policy	<u>(2,484,223)</u>	<u>(2,216,720)</u>
<b>Total investment return net of spending policy</b>	<b><u>\$ (3,714,646)</u></b>	<b><u>\$ 1,030,964</u></b>

Investments can be redeemed as follows as of June 30:

	<b>2020</b>	<b>2019</b>
Investment redemption or sale period:		
Daily	\$ 15,492,450	\$ 42,254,179
Monthly	23,252,542	11,863,258
Quarterly	2,980,053	3,326,109
Annual	<u>22,984,184</u>	<u>10,615,572</u>
	<b><u>\$ 64,709,229</u></b>	<b><u>\$ 68,059,118</u></b>

Unfunded capital commitments were approximately \$1,032, 000 and \$1,311,000 as of June 30, 2020 and 2019, respectively. The Academy has no plans or intentions to liquidate any of its investment values using NAV methods other than in the ordinary course as allowed under such instruments.

Management has elected to omit Level 3 roll forward information given limited amounts involved.

### **Note 5 - Prepaid Land Lease and Property and Equipment**

The Academy's main facility is located on land subject to a ninety-nine year lease signed in 1978. The lease expires in 2077. The balance of the prepaid land lease is as follows as of June 30:

	<b>2020</b>	<b>2019</b>
Prepayment	\$ 800,000	\$ 800,000
Amortized to date	<u>338,047</u>	<u>329,966</u>
<b>Prepaid land lease, net</b>	<b><u>\$ 461,953</u></b>	<b><u>\$ 470,034</u></b>

# AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATE

## *Notes to Consolidated Financial Statements*

### **Note 5 - Prepaid Land Lease and Property and Equipment (Continued)**

Property and equipment consist of the following at June 30:

	<b>2020</b>	<b>2019</b>
Construction in Progress	\$ 748,782	\$ 439,675
Building and improvements	15,066,256	14,103,094
Electronic systems improvements	2,316,271	2,184,563
Furniture and equipment	<u>4,406,020</u>	<u>3,827,269</u>
	22,537,329	20,554,601
Less: accumulated depreciation	<u>11,654,175</u>	<u>10,552,574</u>
<b>Property and equipment, net</b>	<b><u>\$ 10,883,154</u></b>	<b><u>\$ 10,002,027</u></b>

### **Note 6 - Note Payable**

The Academy has variable tax exempt notes outstanding which are secured by a letter of credit agreement. The interest rate was 1.306% and 1.552% as of June 30, 2020 and 2019, respectively. Principal payments are due in accordance with a fixed amortization schedule with a final due date of July, 2032 at which time the Academy will be required to make a final payment of \$256,140.

The Academy's letter of credit reimbursement agreement is uncollateralized with an exposure equal to the balance of the note, plus interest. The agreement expires on October 1, 2021 and provides for a bank fee and other fees of approximately 2% per year. Such cost is considered part of interest expense.

Principal payments on the note over the next five years are as follows:

<b>Year Ending June 30,</b>	
2021	\$ 134,930
2022	143,030
2023	151,610
2024	160,710
2025	170,350
Thereafter	<u>1,538,422</u>
	<b><u>\$ 2,299,052</u></b>

Under the note agreement, the Academy is required to hold approximately \$30,000 of funds with a trustee pursuant to the note agreement with such amounts being included in other assets. Such account had a balance of approximately \$34,000 and \$41,000 at June 30, 2020 and 2019, respectively.

# AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATE

## *Notes to Consolidated Financial Statements*

### **Note 7 - Endowments and Net Assets**

The Academy's endowment and funds functioning as endowment was comprised of the following at June 30:

	<b>2020</b>		
	<b><i>Without Donor Restrictions</i></b>	<b><i>With Donor Restrictions</i></b>	<b><i>Total Endowment</i></b>
Board designated	\$ 5,026,122	\$ -	\$ 5,026,122
Donor restricted	-	43,208,923	43,208,923
Building fund	-	2,577,327	2,577,327
	<b><u>\$ 5,026,122</u></b>	<b><u>\$ 45,786,250</u></b>	<b><u>\$ 50,812,372</u></b>
	<b>2019</b>		
	<b><i>Without Donor Restrictions</i></b>	<b><i>With Donor Restrictions</i></b>	<b><i>Total Endowment</i></b>
Board designated	\$ 5,324,164	\$ -	\$ 5,324,164
Donor restricted	-	43,299,688	43,299,688
Building fund	-	2,743,674	2,743,674
	<b><u>\$ 5,324,164</u></b>	<b><u>\$ 46,043,362</u></b>	<b><u>\$ 51,367,526</u></b>

# AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATE

## *Notes to Consolidated Financial Statements*

### **Note 7 - Endowments and Net Assets (Continued)**

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

	<b>Without Donor Restrictions</b>	<b>2020 With Donor Restrictions</b>	<b>Total Endowment</b>
Endowment net assets and funds functioning as endowment at June 30, 2019	\$ 5,324,164	\$ 46,043,362	\$ 51,367,526
Investment return:			
Investment income	53,345	456,692	510,037
Net realized/unrealized gains	(88,664)	(721,210)	(809,874)
Total investment return	(35,319)	(264,518)	(299,837)
Contributions	-	2,239,685	2,239,685
Endowment transfers	-	-	-
Appropriation of endowment assets for expenditure	(262,723)	(2,232,279)	(2,495,002)
<b>Endowment net assets and funds functioning as endowment at June 30, 2020</b>	<b>\$ 5,026,122</b>	<b>\$ 45,786,250</b>	<b>\$ 50,812,372</b>

# AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATE

## *Notes to Consolidated Financial Statements*

### *Note 7 - Endowments and Net Assets (Continued)*

	<b>2019</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total Endowment</b>
Endowment net assets and funds functioning as endowment at June 30, 2018	\$ 5,307,963	\$ 45,372,265	\$ 50,680,228
Investment return:			
Investment income	72,960	602,286	675,246
Net realized/unrealized gains	175,051	1,511,965	1,687,016
Total investment return	248,011	2,114,251	2,362,262
Contributions	-	541,756	541,756
Endowment transfers	-	-	-
Appropriation of endowment assets for expenditure	(231,810)	(1,984,910)	(2,216,720)
<b>Endowment net assets and funds functioning as endowment at June 30, 2019</b>	<b>\$ 5,324,164</b>	<b>\$ 46,043,362</b>	<b>\$ 51,367,526</b>

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 AFFILIATE

## Notes to Consolidated Financial Statements

### Note 7 - Endowments and Net Assets (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.

### Endowment Funds with Deficits

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Academy has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

Funds with deficiencies were reported in net assets with donor restrictions as follows at June 30:

	<b>2020</b>	<b>2019</b>
Fair value of underwater endowment funds	\$ 11,334,604	\$ 3,508,578
Original endowment gift amount	<u>11,959,069</u>	<u>3,786,465</u>
<b>Deficiencies of underwater endowment funds</b>	<b><u>\$ (624,465)</u></b>	<b><u>\$ (277,887)</u></b>

### 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.

# AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATE

## *Notes to Consolidated Financial Statements*

### *Note 7 - Endowments and Net Assets (Continued)*

#### *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. Under the Academy's spending policy, 5.0% of a twelve-quarter trailing average of the fair value of endowment investments was appropriated to support operations for the years ended June 30, 2020 and 2019.

# AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATE

## Notes to Consolidated Financial Statements

### Note 7 - Endowments and Net Assets (Continued)

#### Net Assets

The net assets are summarized as follows as of June 30:

	<b>2020</b>		<b>Total</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	
<b>Detail of Net Assets</b>			
Other funds	\$ 10,526,552	\$ -	\$ 10,526,552
Property and equipment	9,068,780	-	9,068,780
Board designated funds:			
Funds for major repairs	232,720	-	232,720
General and other	4,793,402	-	4,793,402
Total board designated funds	5,026,122	-	5,026,122
Programs and projects	-	11,150,785	11,150,785
Pledge receivable, net	-	1,580,520	1,580,520
Endowment funds:			
Endowment corpus	-	36,581,360	36,581,360
Accumulated unspent gains on endowment	-	6,627,563	6,627,563
Total endowment funds	-	43,208,923	43,208,923
Building fund	-	2,577,327	2,577,327
Total endowment funds and funds functioning as endowment	-	45,786,250	45,786,250
Beneficial interest in perpetual trust for science	-	2,727,859	2,727,859
<b>Total net assets</b>	<b>\$ 24,621,454</b>	<b>\$ 61,245,414</b>	<b>\$ 85,866,868</b>

# AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATE

## Notes to Consolidated Financial Statements

### Note 7 - Endowments and Net Assets (Continued)

#### Net Assets (Continued)

Detail of Net Assets	2019		Total
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	
Other funds	\$ 11,980,803	\$ -	\$ 11,980,803
Property and equipment	8,068,447	-	8,068,447
Board designated funds:			
Funds for major repairs	245,201	-	245,201
General and other	5,078,963	-	5,078,963
Total board designated funds	5,324,164	-	5,324,164
Programs and projects	-	10,641,158	10,641,158
Pledge receivable, net	-	1,655,412	1,655,412
Endowment funds:			
Endowment corpus	-	34,341,675	34,341,675
Accumulated unspent gains on endowment	-	8,958,013	8,958,013
Total endowment funds	-	43,299,688	43,299,688
Building fund	-	2,743,674	2,743,674
Total endowment funds and funds functioning as endowment	-	46,043,362	46,043,362
Beneficial interest in perpetual trust for science	-	2,841,684	2,841,684
<b>Total net assets</b>	<b>\$ 25,373,414</b>	<b>\$ 61,181,616</b>	<b>\$ 86,555,030</b>

**Property and equipment** net assets represent resources available and amounts expended for property and equipment and the prepaid land lease, net of related debt.

**Board designated funds** are special endowment funds that have no external restrictions but have designated limitations initiated by the Academy's governing board. These limitations may be canceled at the direction of its governing board. These funds include funds for major repairs and general and other needs as designed by the board.

**Programs and projects** net assets represent resources available for the program and projects of the Academy that have been restricted for time, purpose or both time and purpose by external donors.

**Building fund** represents resources received from donor to support the various capital needs of the Academy. These funds are donor restricted for these purposes and have been treated as a fund functioning as endowment to support these needs.

# AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATE

## *Notes to Consolidated Financial Statements*

### **Note 8 - Retirement Plans**

The Academy 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 21 and completing one consecutive year of service with the Academy. The Academy 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 Academy’s contributions to the DC Plan were approximately \$293,000 and \$425,000 for the years ended June 30, 2020 and 2019, respectively.

The Academy 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 Academy does not contribute to the TDA Plan.

### **Note 9 - Contingencies**

Management is currently unable to accurately forecast the future impact on Academy operations resulting from the Coronavirus (COVID-19) pandemic which could impact the quantity of events held and donor trends in the future. The effects of these matters have had minimal impact through the date of this report, however, these matters could impact future results of operations.

### **Note 10 - Concentrations**

Three donors represent 89% and 77% of total grants and pledges receivable at June 30, 2020 and 2019, respectively.

Two donors and one donor represent 68% and 52% of gifts and grants revenue at June 30, 2020 and 2019, respectively.

One donor represented approximately 92% and 90% of contributions to endowment at June 30, 2020 and 2019, respectively.

# AMERICAN ACADEMY OF ARTS AND SCIENCES AND AFFILIATE

## *Notes to Consolidated Financial Statements*

### **Note 11 - Net Operating Loss Carryforwards**

The Affiliate had Federal and state income tax net operating loss carryforwards of approximately \$7,600,000 available to offset future taxable income as of the most recent tax filing. Management has not recognized deferred tax assets due to the uncertainty of their use to offset future taxable income.

	<b>2020</b>	<b>2019</b>
Revenue	\$ 206,052	\$ 357,249
Expenses - direct	<u>(423,314)</u>	<u>(413,967)</u>
Net contribution	(217,262)	(56,718)
Facility allocations	(615,835)	(576,585)
Overhead allocations	<u>(84,663)</u>	<u>(82,529)</u>
<b>Net loss</b>	<b><u><u>\$ (917,760)</u></u></b>	<b><u><u>\$ (715,832)</u></u></b>