



Eisner LLP
Accountants and Advisors

NEW YORK ACADEMY OF SCIENCES

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2009 and 2008



Eisner LLP
Accountants and Advisors

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated statements of financial position of the New York Academy of Sciences (the "Academy") as of June 30, 2009 and 2008, and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements enumerated above present fairly, in all material respects, the financial position of the New York Academy of Sciences as of June 30, 2009 and 2008, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Eisner LLP".

New York, New York
February 24, 2010

NEW YORK ACADEMY OF SCIENCES

Consolidated Statements of Financial Position

	June 30,	
	2009	2008
ASSETS		
Cash and cash equivalents	\$ 769,468	\$ 714,804
Grants and contributions receivable	2,081,718	2,574,053
Other receivables	223,619	248,593
Prepaid expenses and other current assets	95,455	198,695
Accrued interest receivable	57,454	3,203
Investments	10,130,839	11,421,717
Property and equipment, net	<u>8,571,246</u>	<u>9,655,446</u>
	<u>\$ 21,929,799</u>	<u>\$ 24,816,511</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,190,183	\$ 805,916
Deferred membership dues and conference registration fees	885,485	1,298,007
Deferred publishing fee	264,273	212,318
Deferred grant revenue	41,667	238,428
Deferred rent	1,695,443	1,612,488
Lease incentive obligation	<u>1,632,245</u>	<u>1,761,113</u>
Total liabilities	<u>5,709,296</u>	<u>5,928,270</u>
Commitments and contingency (Note J)		
Net assets:		
Unrestricted	13,878,931	16,186,794
Temporarily restricted	1,931,890	2,291,765
Permanently restricted	<u>409,682</u>	<u>409,682</u>
Total net assets	<u>16,220,503</u>	<u>18,888,241</u>
	<u>\$ 21,929,799</u>	<u>\$ 24,816,511</u>

NEW YORK ACADEMY OF SCIENCES

Consolidated Statements of Activities

	Year Ended June 30,							
	2009				2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating support and revenue:								
Membership fees	\$ 1,143,167			\$ 1,143,167	\$ 1,262,982			\$ 1,262,982
Publication sales and advertising	1,884,160			1,884,160	1,939,710			1,939,710
Grants and contributions	4,812,209	\$ 1,020,537		5,832,746	3,658,831	\$ 788,700		4,447,531
Special events (net of direct benefit to donors of \$132,335 and \$148,556 in 2009 and 2008, respectively)	685,914			685,914	909,609			909,609
Registration and meeting fees	1,697,973			1,697,973	1,330,877			1,330,877
Interest and dividends	206,209			206,209	485,246			485,246
Other income	154,293			154,293	207,483			207,483
Total operating support and revenue before release of restrictions	10,583,925	1,020,537		11,604,462	9,794,738	788,700		10,583,438
Net assets released from restrictions	1,380,412	(1,380,412)		0	2,141,455	(2,141,455)		0
Total public support and revenue	11,964,337	(359,875)		11,604,462	11,936,193	(1,352,755)		10,583,438
Operating expenses:								
Program services:								
Membership maintenance	959,892			959,892	795,163			795,163
Publications	2,466,478			2,466,478	1,347,346			1,347,346
Conferences and other	5,702,241			5,702,241	6,369,595			6,369,595
Educational programs	161,600			161,600	248,312			248,312
Total program services	9,290,211			9,290,211	8,760,416			8,760,416
Supporting services:								
Fund-raising and membership recruitment	1,961,787			1,961,787	1,912,226			1,912,226
General and administrative	3,010,828			3,010,828	2,730,084			2,730,084
Total supporting services	4,972,615			4,972,615	4,642,310			4,642,310
Total operating expenses	14,262,826			14,262,826	13,402,726			13,402,726
Change in net assets before realized and unrealized losses on investments	(2,298,489)	(359,875)		(2,658,364)	(1,466,533)	(1,352,755)		(2,819,288)
Realized and unrealized (losses) gains on investments	(9,374)			(9,374)	5,717			5,717
Change in net assets	(2,307,863)	(359,875)		(2,667,738)	(1,460,816)	(1,352,755)		(2,813,571)
Net assets, beginning of year	16,186,794	2,291,765	\$ 409,682	18,888,241	17,647,610	3,644,520	\$ 409,682	21,701,812
Net assets, end of year	\$ 13,878,931	\$ 1,931,890	\$ 409,682	\$ 16,220,503	\$ 16,186,794	\$ 2,291,765	\$ 409,682	\$ 18,888,241

See notes to financial statements

NEW YORK ACADEMY OF SCIENCES

Consolidated Statements of Cash Flows

	Year Ended June 30,	
	2009	2008
Cash flows from operating activities:		
Change in net assets	\$ (2,667,738)	\$ (2,813,571)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	1,264,795	1,254,328
Donated securities		(38,315)
Net realized losses (gains) on investments	5,273	(2,500)
Net unrealized losses (gains) on investments	4,101	(3,217)
Changes in:		
Grants and contributions receivable	492,335	512,579
Other receivables	24,974	(20,952)
Prepaid expenses and deferred costs	103,240	58,423
Accrued interest receivable	(54,251)	4,419
Accounts payable and accrued expenses	384,267	(536,565)
Deferred membership dues and conference registration fees	(412,522)	186,062
Deferred publishing fee	51,955	(27,682)
Deferred grant revenue	(196,761)	238,428
Deferred rent	82,955	82,955
Lease incentive obligation	(128,868)	(123,600)
Net cash used in operating activities	<u>(1,046,245)</u>	<u>(1,229,208)</u>
Cash flows from investing activities:		
Proceeds from sales of investments	9,241,321	4,763,612
Purchases of investments	(7,959,817)	(3,418,162)
Purchases of property and equipment	<u>(180,595)</u>	<u>(136,759)</u>
Net cash provided by investing activities	<u>1,100,909</u>	<u>1,208,691</u>
Change in cash and cash equivalents	54,664	(20,517)
Cash and cash equivalents, beginning of year	<u>714,804</u>	<u>735,321</u>
Cash and cash equivalents, end of year	\$ 769,468	\$ 714,804
Supplemental disclosures of cash flow information:		
Leasehold improvements purchased under lease incentive obligation	\$ -	\$ 5,237
Excise taxes paid	<u>\$ 2,779</u>	<u>\$ 1,262</u>

NEW YORK ACADEMY OF SCIENCES

Notes to Consolidated Financial Statements June 30, 2009 and 2008

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Organization:

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

NYAS has two wholly controlled enterprises, the American Institute of the City of New York (the "Institute") and the New York Academy of Sciences U.K. Limited ("NYAS UK"). The Institute is largely inactive, and NYAS UK, located in London, was formed in fiscal-year 2009 as the result of a substantial bequest from a foreign donor that would permit the Academy to expand its international presence.

Accordingly, the accompanying consolidated financial statements include the financial position, results of operations and cash flows of the Academy, the Institute and NYAS UK (together, the "Academy"). All inter-entity transactions and balances have been eliminated in the consolidation process.

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

[2] Basis of accounting:

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

[3] Functional allocation of expenses:

The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying consolidated statements of activities. Accordingly, certain costs have been allocated by management, using appropriate measurement methodologies, among the program, management, and fund-raising areas.

[4] Use of estimates:

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

[5] Cash equivalents:

For financial-reporting purposes, the Academy considers all highly liquid investments, with maturities of three months or less when purchased, to be cash equivalents. Cash equivalents considered to be part of the Academy's investment portfolio are reflected as investments in the accompanying consolidated financial statements.

NEW YORK ACADEMY OF SCIENCES

Notes to Consolidated Financial Statements June 30, 2009 and 2008

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

[6] Investments:

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the accompanying consolidated statements of financial position, with realized and unrealized gains and losses included in the accompanying consolidated statements of activities. Donated securities are recorded at their fair values as determined on the dates of donation.

[7] Property and equipment:

Property and equipment are reported at their original costs or, if contributed, at their fair values at the dates of donation. Depreciation is provided over estimated useful lives ranging from three to five years. Likewise, leasehold improvements are amortized over the terms of the underlying leases. Depreciation and amortization are calculated using the straight-line method.

[8] Measure of operations:

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

[9] Foreign currency translation:

Substantially all assets and liabilities of foreign operations are translated at year-end exchange rates; support and revenue and expenses are translated at the average exchange rates during the year. Translation adjustments for such assets and liabilities are accumulated separately as part of unrestricted net assets. Gains and losses from foreign currency translations are included in the accompanying consolidated statements of activities.

[10] Advertising:

Advertising, consisting primarily of expenses to promote conferences and publications, is recorded as an expense in the period incurred. Advertising expense for the years ended June 30, 2009 and 2008 was approximately \$102,000 and \$101,000, respectively.

[11] Accrued vacation:

Based on their tenure, employees are entitled to be paid for unused vacation time if they leave the Academy. Accordingly, at each fiscal year-end, the Academy must report a liability for the amount that would be incurred if employees with such unused vacation were to leave. At June 30, 2009 and 2008, this accrued vacation obligation was approximately \$206,000 and \$172,000, respectively, and was reported as part of accounts payable in the accompanying statements of financial position.

[12] Membership fees:

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

[13] Deferred revenue:

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

NEW YORK ACADEMY OF SCIENCES

Notes to Consolidated Financial Statements June 30, 2009 and 2008

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

[14] Net assets:

The Academy's net assets and changes therein are classified and reported as follows:

(a) Unrestricted:

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

(b) Temporarily restricted:

Temporarily restricted net assets represent those resources that are subject to donor-imposed stipulations that will be met either by actions of the Academy or the passage of time. "Net assets released from restrictions," as reported in the consolidated statements of activities, represent the satisfaction of the restricted purposes or passage of time. Temporarily restricted contributions received where restrictions are met in the same fiscal period are recorded as unrestricted.

(c) Permanently restricted:

Permanently restricted net assets represent those resources subject to donor-imposed stipulations that they be maintained permanently by the Academy. After complying with any donor-specified uses for the income earned from the related investments, the Academy uses the balance of income earned for general purposes.

[15] Contributions and grants:

Contributions and grants are recorded as revenue upon the receipt of cash or unconditional pledges. Contributions and grants are considered available for unrestricted use, unless specifically restricted by the donor. Conditional contributions and grants are recorded when the specified conditions have been met.

The Academy reports contributions and grants in the temporarily or permanently restricted net-asset class if they are received with donor stipulations or time considerations as to their use.

[16] Reclassification:

Certain amounts have been reclassified in the accompanying fiscal-year 2008 financial statements to conform to the fiscal-year 2009 presentation. The Academy's net asset balances at July 1, 2008 have been restated and reclassified to reflect adjustments in accounting for contributions and to reflect donors' intentions more accurately as related to the organization's capital campaign fund.

[17] Income tax uncertainties:

In fiscal-year 2010, the Academy will adopt Financial Accounting Standards Board ("FASB") Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109" ("FIN 48"). Due to the Academy's general tax-exempt status, FIN 48 is not expected to have a material effect on its financial statements.

NEW YORK ACADEMY OF SCIENCES

Notes to Consolidated Financial Statements June 30, 2009 and 2008

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

[18] Fair-value measurement:

In fiscal-year 2009, the Academy adopted FASB Statement on Financial Accounting Standards No. 157, "Fair Value Measurement." Accordingly, the Academy reports a fair-value measurement of all applicable assets and liabilities (see Note B).

[19] Endowment funds:

The Academy appropriately discloses its donor-restricted funds intended as endowment (see Note G).

[20] Subsequent events:

The Academy considers the accounting treatments, and the related disclosures in the current fiscal-year's financial statements, that may be required as the result of all events or transactions that occur after the fiscal year-end through the date of the independent auditors' report.

NOTE B - INVESTMENTS

Investments are reported at their fair values, based upon quoted market prices.

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

	June 30,			
	2009		2008	
	Fair Value	Cost	Fair Value	Cost
Money-market funds	\$ 3,406,828	\$ 3,406,828	\$ 6,423,637	\$ 6,420,348
Certificates of deposit	2,774,574	2,770,370		
Mutual funds	1,504,720	1,500,000		
U.S. government and agency bonds	2,444,717	2,454,753	4,998,080	4,998,380
	<u>\$ 10,130,839</u>	<u>\$ 10,131,951</u>	<u>\$ 11,421,717</u>	<u>\$ 11,418,728</u>

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

	Year Ended June 30,	
	2009	2008
Interest and dividends	\$ 206,209	\$ 485,246
Net realized (losses) gains	(5,273)	2,500
Net unrealized (losses) gains	(4,101)	3,217
Total investment income	<u>\$ 196,835</u>	<u>\$ 490,963</u>

NEW YORK ACADEMY OF SCIENCES

Notes to Consolidated Financial Statements June 30, 2009 and 2008

NOTE B - INVESTMENTS (CONTINUED)

As discussed in Note A, the Academy adopted SFAS No. 157 in fiscal-year 2009 for certain financial assets and liabilities, including its investments. Accordingly, SFAS No. 157:

- considers nonperformance risk when valuing liabilities;
- defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and establishes a framework for measuring fair value; and
- establishes a three-level hierarchy for fair value measurement based upon the observability of inputs to the evaluation of an asset or liability as of the measurement date.

SFAS No. 157 also establishes a three-level valuation hierarchy for fair-value measurements. These valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair-value levels:

- Level 1 - quoted prices for *identical instruments* in active markets;
- Level 2 - quoted prices for *similar* instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations the significant inputs for which are observable; and
- Level 3 - instruments the significant inputs for which are *unobservable*.

All of the Academy's investments are included within Level 1. In addition, other financial instruments that are not included in the Academy's investments are composed of cash and cash equivalents and pledges receivable, the carrying values of which approximate their fair values. Similarly, the reported amounts of liabilities approximate their fair values.

NOTE C - RECEIVABLES

[1] Contributions receivable:

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

	Year Ended June 30,	
	2009	2008
One year	\$ 1,092,383	\$ 1,843,445
One to five years	<u>1,130,100</u>	<u>830,700</u>
	2,222,483	2,674,145
Reduction of pledges due in excess of one year to present value, at rates of 5%	<u>(140,765)</u>	<u>(100,092)</u>
	<u>\$ 2,081,718</u>	<u>\$ 2,574,053</u>

During fiscal-year 2005, the Academy received a gift of a 40% remainder interest in a charitable gift annuity agreement. The Academy recorded a contribution receivable of approximately \$42,000 related to this gift and temporarily restricted contribution revenue, based on an actuarial calculation. Adjustments to the actuarial calculation for changes in assumptions are made annually.

NEW YORK ACADEMY OF SCIENCES

Notes to Consolidated Financial Statements June 30, 2009 and 2008

NOTE C - RECEIVABLES (CONTINUED)

[2] Other accounts receivable:

At each fiscal year-end, other accounts receivable consisted of unpaid membership dues and amounts due from the sales of inventory. All amounts are due within one year, and management expects the receivables to be fully collected. Accordingly, no allowance for doubtful amounts has been established.

NOTE D - PROPERTY AND EQUIPMENT

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

	June 30,	
	2009	2008
Leasehold improvements	\$ 9,095,014	\$ 9,079,793
Furniture, fixtures and equipment	1,436,429	1,420,811
Computer equipment and software	5,365,995	5,216,239
	15,897,438	15,716,843
Less accumulated depreciation and amortization	(7,326,192)	(6,061,397)
	<u>\$ 8,571,246</u>	<u>\$ 9,655,446</u>

In fiscal-years 2009 and 2008, depreciation and amortization expense was \$1,264,795 and \$1,254,328, respectively.

NOTE E - TEMPORARILY RESTRICTED NET ASSETS

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

	June 30,	
	2009	2008
Purpose restrictions:		
Conferences	\$ 171,705	\$ 75,841
Special programs	39,505	50,000
Strategic planning		50,000
Other programs		101,871
	211,210	277,712
Time-restricted	1,720,680	2,014,053
	<u>\$ 1,931,890</u>	<u>\$ 2,291,765</u>

NEW YORK ACADEMY OF SCIENCES

Notes to Consolidated Financial Statements June 30, 2009 and 2008

NOTE E - TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

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

	Year Ended June 30,	
	2009	2008
Fulfillment of purposes:		
Conferences	\$ 75,841	\$ 122,000
Special programs	50,000	86,420
Strategic planning	50,000	129,400
Other programs	<u>101,871</u>	<u>92,947</u>
	277,712	430,767
Time-restricted	<u>1,102,700</u>	<u>1,710,688</u>
	<u>\$ 1,380,412</u>	<u>\$ 2,141,455</u>

NOTE F - PERMANENTLY RESTRICTED NET ASSETS

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

	Year Ended June 30,	
	2009	2008
Funds for general operating support	\$ <u>409,682</u>	\$ <u>409,682</u>
	<u>\$ 409,682</u>	<u>\$ 409,682</u>

NOTE G - ACCOUNTING AND REPORTING FOR ENDOWMENTS

[1] The endowment:

The Academy's endowment consists entirely of donor-restricted funds.

[2] Interpretation of relevant law:

The Board has interpreted the New York State Uniform Management of Institutional Funds Act ("UMIFA") as requiring the preservation of the historic dollar value of an original, permanently restricted gift as of the gift date, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Academy classifies the following amounts as permanently restricted net assets in the accompanying financial statements:

- the original value of gifts donated to the permanent endowment;
- the original value of subsequent gifts to the permanent endowment; and
- accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

NEW YORK ACADEMY OF SCIENCES

Notes to Consolidated Financial Statements June 30, 2009 and 2008

NOTE G - ACCOUNTING AND REPORTING FOR ENDOWMENTS (CONTINUED)

[3] Changes in endowment net assets, for the fiscal-year ended June 30, 2009:

	<u>Permanently Restricted</u>
Net assets, beginning of the year	\$ <u>409,682</u>
Net assets, end of the year	\$ <u>409,682</u>

[4] Return objectives and risk parameters:

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

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

[5] Strategies employed for achieving objectives:

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

NOTE H - EMPLOYEE BENEFIT PLAN

The Academy maintains a defined-contribution pension plan (the "Plan"), operating under Section 403(b) of the Internal Revenue Code for the benefit of all eligible employees. Plan expenses for fiscal-years 2009 and 2008 were approximately \$380,000 and \$329,000, respectively.

NEW YORK ACADEMY OF SCIENCES

Notes to Consolidated Financial Statements June 30, 2009 and 2008

NOTE I - ANNALS OF THE NEW YORK ACADEMY OF SCIENCES

In October 2005, the Academy entered into an agreement with an independent publisher, Wiley Blackwell, to jointly publish 28 volumes per year of the *Annals of the New York Academy of Sciences*, beginning January 2006; the number of annual volumes was increased to 32 as of January 2009. The Academy retains the responsibility for acquisitions and editorial control. The term of the original agreement of five years was amended during 2008 to include an additional five years.

Under the agreement, the Academy is entitled to an annual editorial stipend, initially of \$300,000, with a 3% annual increase over the term of the contract. In addition, the Academy is entitled to 80% of the surplus of revenues over expenditures generated each year by the *Annals*. The Academy receives minimum payments amounting to \$300,000 annually to be applied against its share of revenues over expenditures. The publisher is required to submit a report after December 31st of each year of actual revenues and expenditures.

The Academy also received a one-time signing bonus of \$300,000, which is being recognized as revenue over the course of the ten-year term of the agreement. The unrecognized portion of this bonus is reflected as a deferred publishing fee in the accompanying consolidated statement of financial position at June 30, 2009 and 2008.

NOTE J - COMMITMENTS AND CONTINGENCY

[1] Lease agreements:

In December 2005, the Academy signed a non-cancelable lease agreement for office space and conference space with an unrelated party, expiring in February 2022, which includes an optional additional five-year renewal period. The lease provides for escalation charges through the lease term, as well as a free rent period through February 1, 2008. The aggregate minimum lease payments are being amortized using the straight-line method over the term of the lease. The cumulative difference between rent expense and amounts paid amounted to approximately \$1,695,443 and \$1,612,000 as of June 30, 2009 and 2008, respectively, and has been reported as deferred rent in the accompanying consolidated statements of financial position.

Additionally, under the terms of the lease, the Academy is reimbursed by the landlord for leasehold improvements up to \$2,000,000. The amount of costs incurred to be reimbursed by the landlord is recorded as a lease incentive obligation, which is amortized as a reduction to rent expense over the term of the lease. Accordingly, at June 30, 2009 and 2008, respectively, amounts of approximately \$1,632,000 and \$1,761,000 are reported as a lease incentive obligation in the accompanying consolidated statements of financial position.

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

The Academy is also obligated for certain equipment under operating leases that expire through September 2012.

NEW YORK ACADEMY OF SCIENCES

Notes to Consolidated Financial Statements June 30, 2009 and 2008

NOTE J - COMMITMENTS AND CONTINGENCY (CONTINUED)

[1] Lease agreements: (continued)

Minimum annual future rental commitments under these lease agreements, excluding rent reduction, for years subsequent to June 30, 2009, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2010	\$ 1,967,552
2011	1,967,552
2012	2,010,127
2013	2,089,430
Thereafter	<u>19,033,810</u>
	<u>\$ 27,068,471</u>

Total rent expense under this agreement was approximately \$1,842,000 for fiscal-years 2009 and 2008, respectively.

[2] Employment agreement:

In September 2008, the Academy entered into an employment agreement with its president and chief executive officer which expires in August 2013.

[3] Government grants:

Government-supported projects are subject to audit by the applicable government granting agencies. At June 30, 2009, there were no material obligations outstanding as a result of such audits, and management believes that any subsequent audits would not result in any material obligations.

NOTE K - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Academy to concentrations of credit risk consist principally of cash that is deposited in financial institutions in amounts which, from time to time, may exceed federal insurance limits. However, management believes that the Academy does not face a significant risk of loss on these accounts.