



NEW YORK ACADEMY OF SCIENCES

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2010 and 2009

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, 2010 and 2009, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and 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, 2010 and 2009, 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.



New York, New York
November 3, 2010

NEW YORK ACADEMY OF SCIENCES

Consolidated Statements of Financial Position

	June 30,	
	2010	2009
ASSETS		
Cash and cash equivalents	\$ 934,277	\$ 769,468
Grants and contributions receivable, net	1,346,152	2,081,718
Other receivables	670,488	223,619
Prepaid expenses and other current assets	124,525	95,455
Accrued interest receivable	50,386	57,454
Investments	8,128,245	10,130,839
Property and equipment, net	<u>7,564,587</u>	<u>8,571,246</u>
	<u>\$ 18,818,660</u>	<u>\$ 21,929,799</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 920,439	\$ 1,190,183
Deferred membership dues and conference registration fees	763,609	885,485
Deferred publishing fee	152,318	264,273
Deferred grant revenue		41,667
Deferred rent	1,778,398	1,695,443
Lease incentive obligation	<u>1,503,377</u>	<u>1,632,245</u>
Total liabilities	<u>5,118,141</u>	<u>5,709,296</u>
Commitments and contingency (Note J)		
Net assets:		
Unrestricted	11,721,898	13,878,931
Temporarily restricted	1,568,939	1,931,890
Permanently restricted	<u>409,682</u>	<u>409,682</u>
Total net assets	<u>13,700,519</u>	<u>16,220,503</u>
	<u>\$ 18,818,660</u>	<u>\$ 21,929,799</u>

NEW YORK ACADEMY OF SCIENCES

Consolidated Statements of Activities

	Year Ended June 30,							
	2010				2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating support and revenue:								
Membership fees	\$ 1,176,980			\$ 1,176,980	\$ 1,143,167			\$ 1,143,167
Publication sales and advertising	1,681,807			1,681,807	1,884,160			1,884,160
Grants and contributions	4,502,231	\$ 350,159		4,852,390	4,812,209	\$ 1,020,537		5,832,746
Special events (net of direct benefit to donors of \$143,837 and \$132,335 in 2010 and 2009, respectively)	369,024			369,024	685,914			685,914
Registration and meeting fees	1,492,726			1,492,726	1,697,973			1,697,973
Interest and dividends	279,883			279,883	206,209			206,209
Other income	71,762			71,762	154,293			154,293
Total operating support and revenue before net assets released from restrictions	9,574,413	350,159		9,924,572	10,583,925	1,020,537		11,604,462
Net assets released from restrictions	713,110	(713,110)		0	1,380,412	(1,380,412)		0
Total public support and revenue	10,287,523	(362,951)		9,924,572	11,964,337	(359,875)		11,604,462
Operating expenses:								
Program services:								
Membership maintenance	764,036			764,036	959,892			959,892
Publications	1,979,456			1,979,456	2,466,478			2,466,478
Conferences and other	6,261,349			6,261,349	5,702,241			5,702,241
Educational programs	79,410			79,410	161,600			161,600
Total program services	9,084,251			9,084,251	9,290,211			9,290,211
Supporting services:								
Fund-raising and membership recruitment	1,981,928			1,981,928	1,961,787			1,961,787
General and administrative	1,533,408			1,533,408	3,010,828			3,010,828
Total supporting services	3,515,336			3,515,336	4,972,615			4,972,615
Total operating expenses	12,599,587			12,599,587	14,262,826			14,262,826
Decrease in net assets before realized and unrealized gains (losses) on investments	(2,312,064)	(362,951)		(2,675,015)	(2,298,489)	(359,875)		(2,658,364)
Realized and unrealized gains (losses) on investments	155,031			155,031	(9,374)			(9,374)
Decrease in net assets	(2,157,033)	(362,951)		(2,519,984)	(2,307,863)	(359,875)		(2,667,738)
Net assets, beginning of year	13,878,931	1,931,890	\$ 409,682	16,220,503	16,186,794	2,291,765	\$ 409,682	18,888,241
Net assets, end of year	\$ 11,721,898	\$ 1,568,939	\$ 409,682	\$ 13,700,519	\$ 13,878,931	\$ 1,931,890	\$ 409,682	\$ 16,220,503

See notes to consolidated financial statements

NEW YORK ACADEMY OF SCIENCES

Consolidated Statements of Cash Flows

	Year Ended June 30,	
	2010	2009
Cash flows from operating activities:		
Decrease in net assets	\$ (2,519,984)	\$ (2,667,738)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation and amortization	1,012,927	1,264,795
Bad debt expense	20,500	15,899
Net realized losses on investments	29,111	5,273
Net unrealized (gains) losses on investments	(184,142)	4,101
Changes in:		
Grants and contributions receivable	715,066	492,335
Other receivables	(446,869)	9,075
Prepaid expenses and deferred costs	(29,070)	103,240
Accrued interest receivable	7,068	(54,251)
Accounts payable and accrued expenses	(269,744)	384,267
Deferred membership dues and conference registration fees	(121,876)	(412,522)
Deferred publishing fee	(111,955)	51,955
Deferred grant revenue	(41,667)	(196,761)
Deferred rent	82,955	82,955
Lease incentive obligation	(128,868)	(128,868)
Net cash used in operating activities	<u>(1,986,548)</u>	<u>(1,046,245)</u>
Cash flows from investing activities:		
Proceeds from sales of investments	6,660,735	9,241,321
Purchases of investments	(4,503,110)	(7,959,817)
Purchases of property and equipment	<u>(6,268)</u>	<u>(180,595)</u>
Net cash provided by investing activities	<u>2,151,357</u>	<u>1,100,909</u>
Increase in cash and cash equivalents	164,809	54,664
Cash and cash equivalents, beginning of year	<u>769,468</u>	<u>714,804</u>
Cash and cash equivalents, end of year	\$ 934,277	\$ 769,468
Supplemental disclosures of cash flow information:		
Excise taxes paid	\$ 4,008	\$ 2,779

NEW YORK ACADEMY OF SCIENCES

Notes to Consolidated Financial Statements June 30, 2010 and 2009

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 NYAS to expand its international presence.

Accordingly, the accompanying consolidated financial statements include the financial position, results of operations and cash flows of NYAS, 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, 2010 and 2009

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. The Academy's bond and equity mutual funds are also reported at their fair values, as determined by the related investment manager or advisor. Donated securities are recorded at their fair values, as determined by the proceeds received on the date of sale.

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

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

[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, 2010 and 2009 was approximately \$28,000 and \$102,000, 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, 2010 and 2009, this accrued vacation obligation was approximately \$200,000 and \$206,000, respectively, and was reported as part of accounts payable in the accompanying consolidated statements of financial position.

NEW YORK ACADEMY OF SCIENCES

Notes to Consolidated Financial Statements June 30, 2010 and 2009

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

[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 variety of related services are deferred until the service is provided.

[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] Endowment funds:

The Academy reports all applicable disclosures to its donor-restricted funds intended as endowment.

NEW YORK ACADEMY OF SCIENCES

Notes to Consolidated Financial Statements June 30, 2010 and 2009

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

[17] Income tax uncertainties:

In 2009, the Academy adopted the provisions of Accounting Standards Codification ("ASC") 740-10-05 relating to accounting and reporting for uncertainty in income taxes. Since the Academy has always recorded the potential tax liability for excise and unrelated business tax, and due to its general not-for-profit status, the adoption of ASC 740-10-05 in 2009 has not had, and is not anticipated to have, a material impact on the Academy's financial statements.

[18] Fair-value measurement:

As further described in Note B, the Academy reports a fair-value measurement of all applicable financial assets and liabilities, including investments, grants, contributions and other accounts receivable, and short-term payables.

[19] Subsequent events:

The Academy considers all of 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 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,			
	2010		2009	
	Fair Value	Cost	Fair Value	Cost
Money-market funds	\$ 1,564,518	\$ 1,564,518	\$ 3,406,828	\$ 3,406,828
Certificates of deposit	200,898	200,468	2,774,574	2,770,370
Mutual funds	2,923,949	2,801,468	2,216,970	2,212,026
Equity securities	855,728	814,004		
Corporate bonds	<u>2,583,152</u>	<u>2,564,757</u>	<u>1,732,467</u>	<u>1,742,727</u>
	<u>\$ 8,128,245</u>	<u>\$ 7,945,215</u>	<u>\$ 10,130,839</u>	<u>\$ 10,131,951</u>

NEW YORK ACADEMY OF SCIENCES

Notes to Consolidated Financial Statements June 30, 2010 and 2009

NOTE B - INVESTMENTS (CONTINUED)

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

	June 30,	
	2010	2009
Interest and dividends	\$ 288,279	\$ 211,137
Investment management fees	<u>(8,396)</u>	<u>(4,928)</u>
Interest and dividends, net	<u>279,883</u>	<u>206,209</u>
Net realized losses	(29,111)	(5,273)
Net unrealized gains (losses)	<u>184,142</u>	<u>(4,101)</u>
Total net realized and unrealized gains (losses)	<u>155,031</u>	<u>(9,374)</u>
Total investment income	<u>\$ 434,914</u>	<u>\$ 196,835</u>

ASC 820-10-05 establishes a three-level valuation hierarchy of 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 hierarchy:

Level 1 - Valuations are based on observable inputs that reflect quoted market prices in active markets for identical assets and liabilities at the reporting date. The types of investments and other assets included in Level 1 are exchange-traded equity and debt securities, short-term money-market funds, and actively traded obligations issued by the U.S. government and government agencies.

Level 2 - Valuations are based on (i) quoted prices for similar assets or liabilities in active markets, or (ii) quoted prices for identical or similar assets or liabilities in markets that are not active or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date. Level 2 assets include other U.S. government and agency securities and corporate equity and debt securities that are redeemable at or near the balance sheet date and for which a model was derived for valuation.

Level 3 - Fair value is determined based on pricing inputs that are unobservable and includes situations where there is little, if any, market activity for the asset or liability. Level 3 assets include securities in privately held companies, secured notes, private corporate bonds, and limited partnerships, the underlying investments of which cannot be independently valued, or cannot be immediately redeemed at or near the fiscal year-end.

Most investments classified in Levels 2 and 3 consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. Because the net asset value reported by each fund is used as a practical expedient to estimate fair value of the Academy's interest therein, its classification in Level 2 or 3 is based on the Academy's ability to redeem its interest at or near June 30. If the interest can be redeemed in the near term, the investment is classified as Level 2. The classification of investments in the fair-value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

NEW YORK ACADEMY OF SCIENCES

Notes to Consolidated Financial Statements June 30, 2010 and 2009

NOTE B - INVESTMENTS (CONTINUED)

The following tables summarize the fair values of the Academy's assets at each fiscal year-end, in accordance with the ASC 820-10-05 valuation levels:

	June 30,					
	2010			2009		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Money-market funds	\$ 1,564,518		\$ 1,564,518	\$ 3,406,828		\$ 3,406,828
Certificates of deposit	200,898		200,898	2,774,574		2,774,574
Mutual funds	2,923,949		2,923,949	2,216,970		2,216,970
Equity securities	855,728		855,728			
Corporate bonds		\$ 2,583,152	2,583,152		\$ 1,732,467	1,732,467
Total investments	<u>\$ 5,545,093</u>	<u>\$ 2,583,152</u>	<u>\$ 8,128,245</u>	<u>\$ 8,398,372</u>	<u>\$ 1,732,467</u>	<u>\$10,130,839</u>

NOTE C - RECEIVABLES

[1] Contributions receivable:

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

	Year Ended June 30,	
	2010	2009
One year	\$ 806,545	\$ 1,108,282
One to five years	<u>632,000</u>	<u>1,130,100</u>
	1,438,545	2,238,382
Reduction of pledges due in excess of one year to present value, at a rate of 5%	<u>(71,893)</u>	<u>(140,765)</u>
	1,366,652	2,097,617
Less estimated uncollectible amounts	<u>(20,500)</u>	<u>(15,899)</u>
	<u>\$ 1,346,152</u>	<u>\$ 2,081,718</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. Management expects the receivables to be fully collected and no allowance for doubtful amounts has been established.

[2] Other accounts receivable:

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

NEW YORK ACADEMY OF SCIENCES

Notes to Consolidated Financial Statements June 30, 2010 and 2009

NOTE D - PROPERTY AND EQUIPMENT

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

	June 30,	
	2010	2009
Leasehold improvements	\$ 9,095,015	\$ 9,095,014
Furniture, fixtures and equipment	1,436,429	1,436,429
Computer equipment and software	<u>5,161,533</u>	<u>5,365,995</u>
	15,692,977	15,897,438
Less accumulated depreciation and amortization	<u>(8,128,390)</u>	<u>(7,326,192)</u>
	<u>\$ 7,564,587</u>	<u>\$ 8,571,246</u>

In fiscal-years 2010 and 2009, depreciation and amortization expense was \$1,012,927 and \$1,264,795, respectively. During 2010, the Academy disposed of fully depreciated fixed assets of \$210,729.

NOTE E - TEMPORARILY RESTRICTED NET ASSETS

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

	June 30,	
	2010	2009
Purpose restrictions:		
Conferences	\$ 222,787	\$ 171,705
Special programs	<u> </u>	<u>39,505</u>
	222,787	211,210
Time-restricted	<u>1,346,152</u>	<u>1,720,680</u>
	<u>\$ 1,568,939</u>	<u>\$ 1,931,890</u>

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

	Year Ended June 30,	
	2010	2009
Fulfillment of purposes:		
Conferences	\$ 171,705	\$ 75,841
Special programs	39,505	50,000
Strategic planning		50,000
Other programs	<u> </u>	<u>101,871</u>
	211,210	277,712
Time-restricted	<u>501,900</u>	<u>1,102,700</u>
	<u>\$ 713,110</u>	<u>\$ 1,380,412</u>

NEW YORK ACADEMY OF SCIENCES

Notes to Consolidated Financial Statements June 30, 2010 and 2009

NOTE F - PERMANENTLY RESTRICTED NET ASSETS

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

	Year Ended June 30,	
	2010	2009
General operating support	\$ 359,682	\$ 359,682
Special programs	<u>50,000</u>	<u>50,000</u>
	<u>\$ 409,682</u>	<u>\$ 409,682</u>

NOTE G - ACCOUNTING AND REPORTING FOR ENDOWMENTS

[1] The endowment:

At each year-end the Academy's endowment consisted entirely of donor-restricted funds in the amount of \$409,682.

[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 consolidated 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.

[3] Changes in endowment net assets:

	Year Ended June 30, 2009		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Net assets, beginning of year			\$ 409,682
Investment income			21,921
Appropriation of endowment assets for expenditure	\$ (19,246)	\$ (2,675)	
Transfers	<u>19,246</u>	<u>2,675</u>	<u>(21,921)</u>
			<u>0</u>
Net assets, end of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 409,682</u>

NEW YORK ACADEMY OF SCIENCES

Notes to Consolidated Financial Statements June 30, 2010 and 2009

NOTE G - ACCOUNTING AND REPORTING FOR ENDOWMENTS (CONTINUED)

[3] Changes in endowment net assets: (continued)

	Year Ended June 30, 2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year			\$ 409,682	\$ 409,682
Investment income			7,960	7,960
Appropriation of endowment assets for expenditure	\$ (6,989)	\$ (971)		(7,960)
Transfers	<u>6,989</u>	<u>971</u>	<u>(7,960)</u>	<u>0</u>
Net assets, end of year	\$ 0	\$ 0	\$ 409,682	\$ 409,682

[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. All employees who have completed one year of service are eligible. The Academy reduced the employer contribution amount from 10% to 2% in fiscal-year 2010. Plan expenses for fiscal-years 2010 and 2009 were approximately \$102,000 and \$380,000, respectively.

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 2010. The Academy retains the responsibility for acquisitions and editorial control. The term of the original agreement of five years was amended during fiscal-year 2009 to include an additional five years.

NEW YORK ACADEMY OF SCIENCES

Notes to Consolidated Financial Statements June 30, 2010 and 2009

NOTE I - ANNALS OF THE NEW YORK ACADEMY OF SCIENCES (CONTINUED)

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 statements of financial position at June 30, 2010 and 2009.

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 \$1,778,398 and \$1,695,443 as of June 30, 2010 and 2009, 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, 2010 and 2009, respectively, amounts of approximately \$1,503,377 and \$1,632,000 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, 2010 and 2009

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, 2010, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2011	\$ 1,967,552
2012	2,010,127
2013	2,089,430
2014	2,089,430
2015	2,089,430
Thereafter	<u>14,854,950</u>
	<u>\$ 25,100,919</u>

Total rent expense under this agreement was approximately \$1,842,000 for fiscal-years 2010 and 2009, 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, 2010, 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.