



NEW YORK ACADEMY OF SCIENCES

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2011 and 2010

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, 2011 and 2010, and the related consolidated statements of activities, functional expenses, 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, 2011 and 2010, 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 7, 2011

NEW YORK ACADEMY OF SCIENCES

Consolidated Statements of Financial Position

	June 30,	
	2011	2010
ASSETS		
Cash and cash equivalents	\$ 3,185,370	\$ 934,277
Grants and contributions receivable, net	647,243	1,046,152
Other receivables	844,528	670,488
Prepaid expenses and other current assets	121,400	124,525
Accrued interest receivable	25,525	50,386
Investments	7,434,841	8,128,245
Property and equipment, net	<u>7,175,983</u>	<u>7,564,587</u>
	<u>\$ 19,434,890</u>	<u>\$ 18,518,660</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,208,791	\$ 920,439
Deferred membership dues and conference registration fees	763,098	763,609
Deferred publishing fee	281,947	152,318
Deferred rent	1,861,353	1,778,398
Lease incentive obligation	<u>1,374,509</u>	<u>1,503,377</u>
Total liabilities	<u>5,489,698</u>	<u>5,118,141</u>
Commitments and contingency (Note J)		
Net assets:		
Unrestricted	10,474,697	11,721,898
Temporarily restricted	3,060,813	1,268,939
Permanently restricted	<u>409,682</u>	<u>409,682</u>
Total net assets	<u>13,945,192</u>	<u>13,400,519</u>
	<u>\$ 19,434,890</u>	<u>\$ 18,518,660</u>

NEW YORK ACADEMY OF SCIENCES

Consolidated Statements of Activities

	Year Ended June 30,							
	2011				2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating support and revenue:								
Membership fees	\$ 1,049,486			\$ 1,049,486	\$ 1,176,980			\$ 1,176,980
Publication sales and advertising	2,031,977			2,031,977	1,681,807			1,681,807
Grants and contributions	5,127,854	\$ 2,380,188		7,508,042	4,502,231	\$ 350,159		4,852,390
Special events (net of direct benefit to donors of \$126,998 and \$143,837 in 2011 and 2010, respectively)	384,352			384,352	369,024			369,024
Registration and meeting fees	1,650,335			1,650,335	1,492,726			1,492,726
Interest and dividends	277,945	8,151		286,096	279,883			279,883
Other income	66,114			66,114	71,762			71,762
Total operating support and revenue before net assets released from restrictions	10,588,063	2,388,339		12,976,402	9,574,413	350,159		9,924,572
Net assets released from restrictions	664,387	(664,387)		0	713,110	(713,110)		0
Total public support and revenue	11,252,450	1,723,952		12,976,402	10,287,523	(362,951)		9,924,572
Operating expenses:								
Program services:								
Membership maintenance	977,223			977,223	764,036			764,036
Publications	1,310,434			1,310,434	1,979,456			1,979,456
Conferences, education and other	6,853,824			6,853,824	6,340,759			6,340,759
Total program services	9,141,481			9,141,481	9,084,251			9,084,251
Supporting services:								
Fund-raising and membership recruitment	1,438,688			1,438,688	1,981,928			1,981,928
General and administrative	2,050,173			2,050,173	1,533,408			1,533,408
Total supporting services	3,488,861			3,488,861	3,515,336			3,515,336
Total operating expenses	12,630,342			12,630,342	12,599,587			12,599,587
Change in net assets before realized and unrealized gains on investments	(1,377,892)	1,723,952		346,060	(2,312,064)	(362,951)		(2,675,015)
Realized and unrealized gains on investments	195,510	3,103		198,613	155,031			155,031
Change in net assets	(1,182,382)	1,727,055		544,673	(2,157,033)	(362,951)		(2,519,984)
Net assets, beginning of year - as restated (see Note A[18])	11,721,898	1,268,939	\$ 409,682	13,400,519	13,878,931	1,631,890	\$ 409,682	15,920,503
Transfer of net assets due to change in law (see Note A[17])	(64,819)	64,819		0				
Net assets, end of year	\$ 10,474,697	\$ 3,060,813	\$ 409,682	\$ 13,945,192	\$ 11,721,898	\$ 1,268,939	\$ 409,682	\$ 13,400,519

See notes to consolidated financial statements

NEW YORK ACADEMY OF SCIENCES

Consolidated Statement of Functional Expenses Year Ended June 30, 2011 (with summarized information for 2010)

	Program Services				Supporting Services			Totals	
	Membership Maintenance	Publications	Conferences, Education and other	Total Program Services	Fundraising	General and Administration	Total Supporting Services	2011	2010
Salaries and wages	\$ 327,430	\$ 524,637	\$ 2,694,582	\$ 3,546,649	\$ 734,776	\$ 859,141	\$ 1,593,917	\$ 5,140,566	\$ 5,343,953
Payroll taxes and employee benefits	59,358	90,364	498,796	648,518	131,793	157,875	289,668	938,186	1,080,605
Rent	109,277	164,424	906,576	1,180,277	247,852	285,057	532,909	1,713,186	1,713,186
Professional fees	294,734	90,638	660,249	1,045,621	17,175	106,837	124,012	1,169,633	1,040,263
Depreciation	62,507	94,051	518,566	675,124	141,773	163,054	304,827	979,951	1,012,927
Food and reception	29,814	907	488,545	519,266	7,013	42,419	49,432	568,698	518,981
Travel	5,137	6,691	446,927	458,755	12,034	8,630	20,664	479,419	506,863
Office	19,323	36,501	124,330	180,154	24,915	114,329	139,244	319,398	330,450
Utilities and cleaning	18,502	27,839	146,454	192,795	41,964	57,703	99,667	292,462	289,387
Equipment rental and maintenance	4,115		44,440	48,555	35,068	205,156	240,224	288,779	213,855
Subscriptions and publications	664	218,220	776	219,660	3,134	52	3,186	222,846	2,512
Prizes and awards			210,000	210,000				210,000	200,000
Printing	36,747	43,428	38,767	118,942	19,277	14,565	33,842	152,784	164,970
Insurance	5,707	8,615	46,713	61,035	12,853	15,829	28,682	89,717	77,166
Miscellaneous	3,868	4,104	26,548	34,520	3,653	15,252	18,905	53,425	91,042
Interest and credit card fees	40	15	1,555	1,610	5,408	4,274	9,682	11,292	13,427
	<u>\$ 977,223</u>	<u>\$ 1,310,434</u>	<u>\$ 6,853,824</u>	<u>\$ 9,141,481</u>	<u>\$ 1,438,688</u>	<u>\$ 2,050,173</u>	<u>\$ 3,488,861</u>	<u>\$ 12,630,342</u>	<u>\$ 12,599,587</u>

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Consolidated Statement of Functional Expenses Year Ended June 30, 2010

	Program Services				Supporting Services			Total Expenses
	Membership Maintenance	Publications	Conferences, Education and others	Total Program Services	Fundraising	General and Administration	Total Supporting Services	
Salaries and wages	\$ 275,177	\$ 746,108	\$ 2,507,142	\$ 3,528,427	\$ 860,100	\$ 955,426	\$ 1,815,526	\$ 5,343,953
Payroll taxes and employee benefits	55,415	154,347	497,000	706,762	193,935	179,908	373,843	1,080,605
Rent	64,215	358,273	838,713	1,261,201	340,894	111,091	451,985	1,713,186
Professional fees	249,238	221,082	432,485	902,805	82,827	54,631	137,458	1,040,263
Depreciation	38,588	211,831	495,892	746,311	201,554	65,062	266,616	1,012,927
Food and reception	10,727	2,424	465,236	478,387	34,026	6,568	40,594	518,981
Travel	920	27,005	458,161	486,086	12,920	7,857	20,777	506,863
Office	20,414	81,992	129,316	231,722	58,520	40,208	98,728	330,450
Utilities and cleaning	11,382	61,192	136,908	209,482	58,279	21,626	79,905	289,387
Equipment rental and maintenance	6,213	15,611	79,473	101,297	57,877	54,681	112,558	213,855
Subscriptions and publications		1,131	154	1,285	638	589	1,227	2,512
Prizes and awards			200,000	200,000				200,000
Printing	27,537	72,231	36,678	136,446	25,589	2,935	28,524	164,970
Insurance	2,947	16,240	36,932	56,119	16,034	5,013	21,047	77,166
Miscellaneous	969	9,192	24,279	34,440	31,173	25,429	56,602	91,042
Interest and credit card fees	294	797	2,390	3,481	7,562	2,384	9,946	13,427
	<u>\$ 764,036</u>	<u>\$ 1,979,456</u>	<u>\$ 6,340,759</u>	<u>\$ 9,084,251</u>	<u>\$ 1,981,928</u>	<u>\$ 1,533,408</u>	<u>\$ 3,515,336</u>	<u>\$ 12,599,587</u>

NEW YORK ACADEMY OF SCIENCES

Consolidated Statements of Cash Flows

	Year Ended June 30,	
	2011	2010
Cash flows from operating activities:		
Change in net assets	\$ 544,673	\$ (2,519,984)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	979,951	1,012,927
Bad debt expense		20,500
Net realized (gains) losses on investments	(76,560)	29,111
Net unrealized gains on investments	(122,053)	(184,142)
Changes in:		
Grants and contributions receivable	398,909	715,066
Other receivables	(174,040)	(446,869)
Prepaid expenses and deferred costs	3,125	(29,070)
Accrued interest receivable	24,861	7,068
Accounts payable and accrued expenses	288,352	(269,744)
Deferred membership dues and conference registration fees	(511)	(121,876)
Deferred publishing fee	129,629	(111,955)
Deferred grant revenue		(41,667)
Deferred rent	82,955	82,955
Lease incentive obligation	(128,868)	(128,868)
Net cash provided by (used in) operating activities	<u>1,950,423</u>	<u>(1,986,548)</u>
Cash flows from investing activities:		
Proceeds from sales of investments	4,081,182	6,660,735
Purchases of investments	(3,189,165)	(4,503,110)
Purchases of property and equipment	(591,347)	(6,268)
Net cash provided by investing activities	<u>300,670</u>	<u>2,151,357</u>
Increase in cash and cash equivalents	2,251,093	164,809
Cash and cash equivalents, beginning of year	<u>934,277</u>	<u>769,468</u>
Cash and cash equivalents, end of year	<u>\$ 3,185,370</u>	<u>\$ 934,277</u>
Supplemental disclosures of cash flow information:		
Excise taxes paid	<u>\$ 5,216</u>	<u>\$ 4,008</u>

NEW YORK ACADEMY OF SCIENCES

Notes to Consolidated Financial Statements June 30, 2011 and 2010

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, the Academy organizations are exempt from federal income tax pursuant to Section 501(c)(3) of the U.S. Internal Revenue Code, or its overseas equivalent 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] Applicability of NYPMIFA:

In September 2010, New York State enacted the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), the terms of which are applicable to the Academy. NYPMIFA principally addresses (i) the management and investment of all of a not-for-profit entity's "institutional funds" (which are mainly the financial assets of the entity and which exclude programmatic assets such as buildings or operating facilities), and (ii) the appropriations by the governing board of earnings derived from donor-restricted endowment funds. In essence, NYPMIFA requires all of the financial resources of the entity to be used in a "prudent" fashion, with the express approval and action of the governing board.

[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 and 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, 2011 and 2010

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

[6] Investments:

Investments in equity securities with readily determinable fair values, investments in exchange traded master limited partnerships, 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 mutual funds are also reported at their fair values, as determined by the related investment manager or advisor.

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. Donated securities are recorded at their fair values on the dates of donation.

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] 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.

[10] 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.

[11] Advertising:

Advertising, consisting primarily of expenses to promote conferences and publications, is recorded as an expense in the period incurred. Advertising expense for fiscal years 2011 and 2010 was approximately \$61,000 and \$28,000, respectively.

NEW YORK ACADEMY OF SCIENCES

Notes to Consolidated Financial Statements June 30, 2011 and 2010

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

[12] 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, 2011 and 2010, this accrued vacation obligation was approximately \$206,000 and \$200,000, respectively, and was reported as part of accounts payable and accrued expenses in the accompanying consolidated statements of financial position.

[13] 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.

[14] Deferred revenue:

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

[15] Net assets:

The Academy's net assets and its revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Academy and changes therein are 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 the requirements of NYPMIFA and the use of which has been restricted by donors or state law to specific purposes and/or the passage of time. When a donor restriction expires, that is, when a stipulated time restriction ends, a purpose restriction is accomplished, or the assets are appropriated, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the accompanying consolidated statements of activities as net assets released from restrictions.

(c) Permanently restricted:

Permanently restricted net assets represent those resources the principal of which is originally restricted into perpetuity by its donors. The purposes for which the income and net capital appreciation arising from the underlying assets may be used depend on the wishes of those donors. Under the terms of NYPMIFA, those earnings are classified as temporarily restricted in the accompanying consolidated statements of activities, pending appropriation by the Board of Governors.

NEW YORK ACADEMY OF SCIENCES

Notes to Consolidated Financial Statements June 30, 2011 and 2010

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

[16] 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 in the temporarily or permanently restricted net-asset category if they are received with donor stipulations or time considerations as to their use. When a donor's restriction is met, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying consolidated statements of activities and changes in net assets as net assets released from restrictions.

[17] Endowment funds:

The Academy reports all applicable disclosures to its donor-restricted funds treated as endowment (see Note G).

[18] Transfer of net assets due to change in law:

In initially applying the guidance to its donor-restricted endowment funds in existence upon enactment of NYPMIFA, the Academy determined that accumulated amounts earned on its donor-restricted endowment funds in excess of appropriation were previously reflected within unrestricted net assets. As a result, a reclassification to temporarily restricted net assets of \$64,819 was reflected within the accompanying consolidated statements of activities until such time as they are appropriated for expenditure.

[19] Restatement:

The beginning-of-year 2010 temporarily restricted net assets have been reduced by \$300,000 for the proper accounting treatment of a conditional pledge receivable.

[20] Reclassification:

The Academy reclassified certain fiscal-year 2010 amounts to conform to the current-year presentation.

[21] Income tax uncertainties:

The Academy is subject to the provisions of the Financial Accounting Standards Board's 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 the Academy's general not-for-profit status, the adoption of ASC 740-10-05 has not had, and is not anticipated to have, a material impact on the Academy's financial statements.

[22] 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.

[23] 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.

NEW YORK ACADEMY OF SCIENCES

Notes to Consolidated Financial Statements June 30, 2011 and 2010

NOTE B - INVESTMENTS

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

	June 30,			
	2011		2010	
	Fair Value	Cost	Fair Value	Cost
Money-market funds	\$ 403,791	\$ 403,791	\$ 1,564,518	\$ 1,564,518
Certificates of deposit			200,898	200,468
Mutual funds	2,845,416	2,814,635	2,923,949	2,801,468
Equity securities	2,181,454	2,022,672	742,349	724,300
Master limited partnerships	271,735	215,462	113,379	89,704
Corporate bonds	<u>1,732,445</u>	<u>1,673,198</u>	<u>2,583,152</u>	<u>2,564,757</u>
	<u>\$ 7,434,841</u>	<u>\$ 7,129,758</u>	<u>\$ 8,128,245</u>	<u>\$ 7,945,215</u>

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

	June 30,	
	2011	2010
Interest and dividends	\$ 304,334	\$ 288,279
Investment management fees	<u>(18,238)</u>	<u>(8,396)</u>
Interest and dividends, net	<u>286,096</u>	<u>279,883</u>
Net realized gains (losses)	76,560	(29,111)
Net unrealized gains	<u>122,053</u>	<u>184,142</u>
Total net realized and unrealized gains	<u>198,613</u>	<u>155,031</u>
Total investment income	<u>\$ 484,709</u>	<u>\$ 434,914</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, (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.

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Notes to Consolidated Financial Statements June 30, 2011 and 2010

NOTE B - INVESTMENTS (CONTINUED)

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 year-end. 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.

The following tables summarize the fair values of the Academy's assets at each year-end:

	June 30,					
	2011			2010		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Money-market funds	\$ 403,791		\$ 403,791	\$ 1,564,518		\$ 1,564,518
Certificates of deposit				200,898		200,898
Mutual funds	2,845,416		2,845,416	2,923,949		2,923,949
Equity securities	2,181,454		2,181,454	742,349		742,349
Master limited partnerships	271,735		271,735	113,379		113,379
Corporate bonds		\$ 1,732,445	1,732,445		\$ 2,583,152	2,583,152
Total investments	<u>\$ 5,702,396</u>	<u>\$ 1,732,445</u>	<u>\$ 7,434,841</u>	<u>\$ 5,545,093</u>	<u>\$ 2,583,152</u>	<u>\$ 8,128,245</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,	
	2011	2010
One year	\$ 194,445	\$ 706,545
Two to five years	<u>482,000</u>	<u>432,000</u>
	676,445	1,138,545
Reduction of pledges due in excess of one year to present value, at a rate of 5%	<u>(29,202)</u>	<u>(71,893)</u>
	647,243	1,066,652
Less estimated uncollectible amounts	<u> </u>	<u>(20,500)</u>
	<u>\$ 647,243</u>	<u>\$ 1,046,152</u>

NEW YORK ACADEMY OF SCIENCES

Notes to Consolidated Financial Statements June 30, 2011 and 2010

NOTE C - RECEIVABLES (CONTINUED)

[1] Contributions receivable (continued):

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.

NOTE D - PROPERTY AND EQUIPMENT

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

	June 30,	
	2011	2010
Leasehold improvements	\$ 9,110,113	\$ 9,095,015
Furniture, fixtures and equipment	1,450,245	1,436,429
Computer equipment and software	<u>2,323,939</u>	<u>5,161,533</u>
	12,884,297	15,692,977
Less accumulated depreciation and amortization	<u>(5,708,314)</u>	<u>(8,128,390)</u>
	<u>\$ 7,175,983</u>	<u>\$ 7,564,587</u>

In fiscal-years 2011 and 2010, depreciation and amortization expense was \$979,951 and \$1,012,927, respectively. During fiscal-years 2011 and 2010, the Academy disposed of fully depreciated fixed assets of \$3,400,027 and \$210,729, respectively.

NOTE E - TEMPORARILY RESTRICTED NET ASSETS

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

	June 30,	
	2011	2010
Purpose restrictions:		
Conferences	\$ 347,022	\$ 222,787
Special programs	1,990,475	
Accumulated endowment income reserved for appropriation	<u>76,073</u>	
	2,413,570	222,787
Time-restricted	<u>647,243</u>	<u>1,046,152</u>
	<u>\$ 3,060,813</u>	<u>\$ 1,268,939</u>

NEW YORK ACADEMY OF SCIENCES

Notes to Consolidated Financial Statements June 30, 2011 and 2010

NOTE E - TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

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

	<u>Year Ended June 30,</u>	
	<u>2011</u>	<u>2010</u>
Fulfillment of purposes:		
Conferences	\$ 222,787	\$ 171,705
Special programs		<u>39,505</u>
	<u>222,787</u>	211,210
Time-restricted	<u>441,600</u>	<u>501,900</u>
	<u>\$ 664,387</u>	<u>\$ 713,110</u>

NOTE F - PERMANENTLY RESTRICTED NET ASSETS

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

	<u>Year Ended June 30,</u>	
	<u>2011</u>	<u>2010</u>
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 fiscal year-end the Academy's endowment consisted entirely of 16 donor-restricted funds.

[2] Interpretation of relevant law:

As discussed in Note A[3], NYPMIFA is applicable to all of the Academy's institutional funds, including its donor-restricted endowment funds. The Board of Governors will continue to adhere to NYPMIFA's requirements.

[3] Endowment net-asset composition by type of fund for each year was as follows:

At June 30, 2011, the Academy's endowment consisted of \$76,073 and \$409,682 of donor-restricted temporarily restricted and permanently restricted net assets, respectively under NYPMIFA. At June 30, 2010, the Academy's endowment consisted entirely of \$409,682 of donor-restricted funds under Uniform Management of Institutional Funds Act ("UMIFA").

NEW YORK ACADEMY OF SCIENCES

Notes to Consolidated Financial Statements June 30, 2011 and 2010

NOTE G - ACCOUNTING AND REPORTING FOR ENDOWMENTS (CONTINUED)

[4] Changes in endowment net assets for each year were as follows:

June 30, 2011 (NYPMIFA)			
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year		\$ 409,682	\$ 409,682
Investment income		11,254	11,254
Other transfers	\$ 11,254	(11,254)	0
Transfers of net asset due to change in law (see Note A[17])	64,819		64,819
Endowment net assets, end of year	<u>\$ 76,073</u>	<u>\$ 409,682</u>	<u>\$ 485,755</u>

June 30, 2010 (UMIFA)				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year			\$ 409,682	\$ 409,682
Investment income			238	238
Transfers	\$ 209	\$ 29	(238)	0
Release of endowment assets for expenditure	(209)	(29)		(238)
Endowment net assets, end of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 409,682</u>	<u>\$ 409,682</u>

[5] Funds with deficiencies:

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYPMIFA may require the Academy to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2011 and 2010.

[6] 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.

[7] 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.

NEW YORK ACADEMY OF SCIENCES

Notes to Consolidated Financial Statements June 30, 2011 and 2010

NOTE G - ACCOUNTING AND REPORTING FOR ENDOWMENTS (CONTINUED)

[8] Spending policy and how the investment objectives relate to the spending policy:

The permanently restricted endowment is expected to remain whole, with all gains and losses reserved in temporarily restricted net assets until appropriated.

NOTE H - EMPLOYEE BENEFIT PLAN

The Academy maintains a defined-contribution retirement plan, established under Section 403(b) of the Internal Revenue Code. 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 2011 and 2010 were approximately \$75,000 and \$102,000, 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 *Annals of the New York Academy of Sciences*, beginning January 2006; the number of annual volumes was increased to 32 as of January 2009. In 2012, the number of annual volumes will be decreased to 30. The Academy retains full responsibility for acquisitions and editorial control. The term of the original agreement of five years was amended during fiscal-year 2006 to a term of 10 years and will renew automatically unless terminated by written notice by either party.

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, 2011 and 2010.

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 \$1,861,353 and \$1,778,398 as of June 30, 2011 and 2010, 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, 2011 and 2010, respectively, amounts of \$1,374,509 and \$1,503,377 are reported as a lease incentive obligation in the accompanying consolidated statements of financial position.

NEW YORK ACADEMY OF SCIENCES

Notes to Consolidated Financial Statements June 30, 2011 and 2010

NOTE J - COMMITMENTS AND CONTINGENCY (CONTINUED)

[1] Lease agreements: (continued)

During fiscal-year 2006, the Academy and the landlord applied for funding to be used to reduce rental charges under the World Trade Academy 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.

Minimum annual future rental commitments under these lease agreements, excluding rent reduction, for years subsequent to June 30, 2011, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2012	\$ 2,010,127
2013	2,089,430
2014	2,089,430
2015	2,089,430
2016	2,089,430
Thereafter	<u>12,765,520</u>
	<u>\$ 23,133,367</u>

Total rent expense under this agreement was approximately \$1,842,000 for fiscal years 2011 and 2010, 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, 2011, 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

The Academy places its cash investments with high-credit-quality financial institutions. At times, the balances in such accounts may exceed federally insured limits. The Academy's management believes there is no substantial risk of loss associated with the failure of these financial institutions