

# **The Academy of Natural Sciences of Philadelphia**

**(A Pennsylvania not-for-profit corporation doing business as  
The Academy of Natural Sciences of Drexel University)**

**Financial Statements  
June 30, 2016 and 2015**

**The Academy of Natural Sciences of Philadelphia**  
**Index**  
**June 30, 2016 and 2015**

---

	<b>Page(s)</b>
<b>Report of Independent Auditors</b> .....	1-2
<b>Financial Statements</b>	
Statements of Financial Position .....	3
Statements of Activities.....	4-5
Statements of Cash Flows .....	6
Notes to Financial Statements .....	7-25



## Report of Independent Auditors

To the Board of Trustees  
Drexel University  
The Academy of Natural Sciences of Philadelphia

We have audited the accompanying statements of financial position of The Academy of Natural Sciences of Philadelphia (a Pennsylvania not-for-profit corporation dba The Academy of Natural Sciences of Drexel University) as of June 30, 2016 and 2015, and the related statements of activities and of cash flows for the years then ended.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the financial statements based on our audit. 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 from material misstatement.

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



***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Academy of Natural Sciences of Philadelphia as of June 30, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*PricewaterhouseCoopers LLP*

October 26, 2016

**The Academy of Natural Sciences of Philadelphia**  
**Statements of Financial Position**  
**June 30, 2016 and 2015**

---

	<b>2016</b>	<b>2015</b>
<b>Assets</b>		
Cash and cash equivalents		
Operating	\$ 5,190,030	\$ 2,656,435
Restricted	13,755	1,055,595
Grants and other receivables, net	3,339,457	2,916,466
Contributions receivables, net	3,187,127	4,608,715
Investments	55,485,104	52,266,220
Beneficial interest in trusts	8,840,868	9,292,021
Buildings and equipment, net	19,960,534	20,593,050
Other assets	166,558	212,144
	<u>96,183,433</u>	<u>93,600,646</u>
Total assets	<u>\$ 96,183,433</u>	<u>\$ 93,600,646</u>
<b>Liabilities</b>		
Accounts payable	\$ 576,869	\$ 814,924
Accrued expenses	781,968	1,169,824
Deferred revenue	5,156,868	888,239
Post-retirement and pension benefits	9,261,057	7,163,188
Other liabilities/due to Drexel University	4,437	735,308
Line of credit - Drexel University	1,442,681	1,442,681
Long-term debt - Drexel University	182,700	364,040
	<u>17,406,580</u>	<u>12,578,204</u>
Total liabilities	<u>17,406,580</u>	<u>12,578,204</u>
<b>Net assets</b>		
Unrestricted	7,290,874	11,581,382
Temporarily restricted	10,566,174	8,623,852
Permanently restricted	60,919,805	60,817,208
	<u>78,776,853</u>	<u>81,022,442</u>
Total net assets	<u>78,776,853</u>	<u>81,022,442</u>
Total liabilities and net assets	<u>\$ 96,183,433</u>	<u>\$ 93,600,646</u>

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

**The Academy of Natural Sciences of Philadelphia**  
**Statement of Activities**  
**For the Year Ended June 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Operating support and revenue</b>				
Support from Drexel University	\$ 4,380,696	\$ -	\$ -	\$ 4,380,696
Research programs				
Environmental Group	2,302,118	-	-	2,302,118
Center for Systematic Biology and Evolution	491,401	-	-	491,401
Other programs and grants	70,473	77	-	70,550
Endowment payout under spending formula	2,042,734	973,906	-	3,016,640
Contributions and bequests	1,600,219	4,048,288	-	5,648,507
Museum admissions	1,168,483	-	-	1,168,483
Public programs income	1,018,043	-	-	1,018,043
Membership dues	500,210	-	-	500,210
Museum shop income	63,378	-	-	63,378
Interest income	5,125	-	-	5,125
Other income	987,614	-	-	987,614
Total support and revenue	<u>14,630,494</u>	<u>5,022,271</u>	<u>-</u>	<u>19,652,765</u>
Net assets released from restriction	2,401,100	(2,401,100)	-	-
Total operating support and revenue	<u>17,031,594</u>	<u>2,621,171</u>	<u>-</u>	<u>19,652,765</u>
<b>Operating expense</b>				
Services provided by Drexel University	2,334,200	-	-	2,334,200
Research programs				
Environmental Group	2,950,868	-	-	2,950,868
Center for Systematic Biology and Evolution	1,733,879	-	-	1,733,879
Public programs	3,228,801	-	-	3,228,801
Library	512,230	-	-	512,230
Administration	1,147,550	-	-	1,147,550
Development and membership	1,339,074	-	-	1,339,074
Marketing and communications	914,960	-	-	914,960
Building operations	1,653,185	-	-	1,653,185
Technology services	265,083	-	-	265,083
Depreciation and amortization	1,109,490	-	-	1,109,490
Interest expense	17,180	-	-	17,180
Total operating expense	<u>17,206,500</u>	<u>-</u>	<u>-</u>	<u>17,206,500</u>
Change in net assets from operating activities	<u>(174,906)</u>	<u>2,621,171</u>	<u>-</u>	<u>2,446,265</u>
<b>Non-operating activity</b>				
Endowment and other gifts	-	-	3,064,647	3,064,647
Realized/unrealized net gain (losses) on investments, net of endowment payout	(1,229,318)	(678,849)	(2,962,050)	(4,870,217)
Expenses related to frozen defined benefit pension plan	(2,852,687)	-	-	(2,852,687)
Loss on disposal of equipment	(33,597)	-	-	(33,597)
Change in net assets from non-operating activities	<u>(4,115,602)</u>	<u>(678,849)</u>	<u>102,597</u>	<u>(4,691,854)</u>
Change in net assets	(4,290,508)	1,942,322	102,597	(2,245,589)
<b>Net assets</b>				
Beginning of year	11,581,382	8,623,852	60,817,208	81,022,442
End of year	<u>\$ 7,290,874</u>	<u>\$ 10,566,174</u>	<u>\$ 60,919,805</u>	<u>\$ 78,776,853</u>

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

**The Academy of Natural Sciences of Philadelphia**  
**Statement of Activities**  
**For the Year Ended June 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Operating support and revenue</b>				
Support from Drexel University	\$ 3,298,431	\$ -	\$ -	\$ 3,298,431
Research programs				
Environmental Group	1,922,678	-	-	1,922,678
Center for Systematic Biology and Evolution	572,139	18,867	-	591,006
Other programs and grants	69,320	652	-	69,972
Endowment payout under spending formula	2,044,862	713,211	-	2,758,073
Contributions and bequests	1,951,554	2,491,007	-	4,442,561
Museum admissions	1,110,588	-	-	1,110,588
Public programs income	867,905	-	-	867,905
Membership dues	454,228	-	-	454,228
Museum shop income	69,873	-	-	69,873
Interest income	12,926	-	-	12,926
Other income	1,082,961	-	-	1,082,961
Total support and revenue	<u>13,457,465</u>	<u>3,223,737</u>	<u>-</u>	<u>16,681,202</u>
Net assets released from restriction	<u>2,140,880</u>	<u>(2,140,880)</u>	<u>-</u>	<u>-</u>
Total operating support and revenue	<u>15,598,345</u>	<u>1,082,857</u>	<u>-</u>	<u>16,681,202</u>
<b>Operating expense</b>				
Services provided by Drexel University	2,288,431	-	-	2,288,431
Research programs				
Environmental Group	2,314,037	-	-	2,314,037
Center for Systematic Biology and Evolution	1,581,738	-	-	1,581,738
Public programs	3,201,082	-	-	3,201,082
Library	472,391	-	-	472,391
Administration	1,236,819	-	-	1,236,819
Development and membership	770,699	-	-	770,699
Marketing and communications	804,364	-	-	804,364
Building operations	1,682,769	-	-	1,682,769
Technology services	247,322	-	-	247,322
Depreciation and amortization	1,157,658	-	-	1,157,658
Interest expense	14,427	-	-	14,427
Total operating expense	<u>15,771,737</u>	<u>-</u>	<u>-</u>	<u>15,771,737</u>
Change in net assets from operating activities	<u>(173,392)</u>	<u>1,082,857</u>	<u>-</u>	<u>909,465</u>
<b>Non-operating activity</b>				
Endowment and other gifts	-	-	6,327,747	6,327,747
Realized/unrealized net gain (losses) on investments, net of endowment payout	(354,258)	(938,319)	(2,096,393)	(3,388,970)
Expenses related to frozen defined benefit pension plan	(2,042,148)	-	-	(2,042,148)
Loss on disposal of equipment	(38,087)	-	-	(38,087)
Change in net assets from non-operating activities	<u>(2,434,493)</u>	<u>(938,319)</u>	<u>4,231,354</u>	<u>858,542</u>
Change in net assets	<u>(2,607,885)</u>	<u>144,538</u>	<u>4,231,354</u>	<u>1,768,007</u>
<b>Net assets</b>				
Beginning of year	<u>14,189,267</u>	<u>8,479,314</u>	<u>56,585,854</u>	<u>79,254,435</u>
End of year	<u>\$ 11,581,382</u>	<u>\$ 8,623,852</u>	<u>\$ 60,817,208</u>	<u>\$ 81,022,442</u>

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

**The Academy of Natural Sciences of Philadelphia**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>Cash flow from operating activities</b>		
Increase in net assets	\$ (2,245,589)	\$ 1,768,007
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,109,490	1,157,658
Loss on disposal of equipment	33,597	38,087
Change in market value in beneficial interests in trusts	451,153	(149,557)
Contributions restricted for long-term investment	(6,660,601)	(6,327,747)
Non-cash contributions received	(251,962)	(502,036)
Proceeds from sales of donated securities	215,362	498,866
Actuarial change on annuity liabilities	(20,701)	(23,738)
Realized/unrealized loss on investments	1,402,424	728,026
Changes in operating assets and liabilities		
Grants and other receivable	(422,991)	(282,384)
Contributions receivable	1,421,588	(456,226)
Other assets	81,082	(43,083)
Accounts payable and accrued expenses	(568,323)	361,224
Post-retirement and pension benefits	2,097,869	1,216,913
Deferred revenue	4,268,629	(281,430)
Net cash provided (used) by operating activities	<u>911,027</u>	<u>(2,297,420)</u>
<b>Cash flow from investing activities</b>		
Purchase of investments	(13,950,538)	(23,234,288)
Proceeds from sales and maturities of investments	9,330,334	24,354,054
Change in restricted cash	1,041,840	(1,055,595)
Purchase of buildings and equipment	(510,571)	(389,411)
Net cash used by investing activities	<u>(4,088,935)</u>	<u>(325,240)</u>
<b>Cash flow from financing activities</b>		
Contributions restricted for endowments	6,660,601	2,064,813
Payments on annuity obligations	(36,887)	(37,854)
Proceeds from sales of donated securities	-	1,003,157
Repayment of short-term debt to Drexel University	(730,871)	(1,264,984)
Repayment of long-term debt to Drexel University	(181,340)	(179,990)
Net cash provided by financing activities	<u>5,711,503</u>	<u>1,585,142</u>
Net (increase) decrease in cash and cash equivalents	2,533,595	(1,037,518)
<b>Cash and cash equivalents</b>		
Beginning of year	2,656,435	3,693,953
End of year	<u>\$ 5,190,030</u>	<u>\$ 2,656,435</u>
<b>Supplemental information</b>		
Donated securities	\$ 251,962	\$ 1,511,082
Cash paid for interest	17,180	14,427

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



# **The Academy of Natural Sciences of Philadelphia**

## **Notes to Financial Statements**

### **June 30, 2016 and 2015**

---

#### **1. Nature of Organization and Summary of Significant Accounting Policies**

The Academy of Natural Sciences of Philadelphia (the “Academy”) is a not-for-profit corporation that has been granted tax-exempt status under Section 501 (c)(3) of the Internal Revenue Code. The Academy was founded in 1812. On September 30, 2011 the Academy became a non-profit subsidiary of Drexel University (“Drexel”).

#### **Basis of Accounting and Financial Statement Presentation**

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations. All revenues received and expenditures paid prior to the end of the fiscal year which relate to the following fiscal year are recorded and reflected as deferred revenues and other assets, respectively.

Resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying financial statements, net assets that have similar characteristics have been combined into the categories as shown below.

#### **Permanently Restricted**

Net assets explicitly required by a donor to be maintained permanently by the Academy. Generally, the donors of these assets permit the Academy to use all or part of the income earned on these assets. Such assets are included in the Academy’s permanent endowment funds.

#### **Temporarily Restricted**

Net assets subject to donor-imposed restrictions that can be fulfilled by actions of the Academy in accordance with those stipulations or by the passage of time. Contributions with donor-imposed restrictions are reported as temporarily restricted and are reclassified to unrestricted net assets when the donor-imposed restrictions have been met.

#### **Unrestricted**

Net assets not subject to donor-imposed stipulations that may be designated for specific purposes by action of the Board of Trustees. Expenses are shown as decreases in unrestricted net assets. Expirations of donor-imposed stipulations are reported as net assets released from restrictions. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless explicit donor stipulation or law restricts their use.

#### **Cash and Cash Equivalents**

Cash and cash equivalents represent demand deposits and other investments with an initial maturity date not exceeding 90 days. Included in cash and cash equivalent are amounts which are considered restricted as they reflect gifts in transit to the endowment.

#### **Contributions Receivable**

Contributions and unconditional pledges are recorded at the present value of their expected future cash flows. Unconditional pledges that are expected to be collected within one year are recorded at their estimated net realizable value. Conditional pledges are not included as revenue until such time as the conditions are substantially met. Contributions are reported as an increase in the appropriate net asset category.

# The Academy of Natural Sciences of Philadelphia

## Notes to Financial Statements

### June 30, 2016 and 2015

---

#### **Beneficial Interests in Trusts**

The Academy is the beneficiary of the income of certain trusts but has neither possession nor control of the investments. Beneficial interests in trusts are classified as Level 3. (See Note 5 for investment level definitions). Beneficial interests in trusts are valued by the underlying securities held by the trusts and are primarily composed of equity and fixed income securities that have readily determinable values. The primary unobservable inputs used in the fair value measurement of the trusts are the present value of expected future cash flows. Significant fluctuation in the securities held in the trusts could result in a material change in fair value.

#### **Fair Value of Financial Instruments**

The Academy applies fair value measurements to contributions receivable beneficial interests in trusts, endowment investments and annuities.

#### **Functional Allocation of Services**

The costs of providing the various programs and other activities of the Academy have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management estimates.

#### **Fundraising**

Fund-raising costs were \$791,867 and \$603,830 in 2016 and 2015, respectively.

#### **Contributions**

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily or permanently restricted. Contributions having restrictions that are general purpose in nature are released in the year of the donation.

Contributed property and equipment are recorded at fair value as of the date of the donation. If the donor restricts how long the asset must be used or how the asset is used, the contributions are recorded as restricted. In the absence of stipulations, these contributions are recorded as unrestricted.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **Income Taxes**

The Academy is a not-for-profit corporation that has been granted tax exempt status under Section 501 (c) (3) of the Internal Revenue Code, and, accordingly files Federal Tax Form 990 (Return of Organization Exempt from Income Tax), annually. The Academy has from time to time reported unrelated business income from investments held in the endowment fund, when unrelated business income has been reported by the investment manager on Schedule K-1.

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") 740-10, Accounting for Uncertainty in Income Taxes, which requires that a tax position be recognized or derecognized based on a "more likely than not" threshold. The Academy does not believe there are any uncertain tax positions that would require recognition in the financial statements as of June 30, 2016 and 2015.

# The Academy of Natural Sciences of Philadelphia

## Notes to Financial Statements

### June 30, 2016 and 2015

---

#### New Accounting Pronouncements

In May 2015, the FASB issued ASU 2015-07, Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent). ASU 2015-07 removes the requirement to categorize all investments measured at fair value using the net asset value per share practical expedient within the fair value hierarchy. The provisions of ASU 2015-07 are effective for fiscal years beginning after December 15, 2016, and require retrospective application to all periods presented. The University will adopt this standard in the next fiscal year. The Academy is currently evaluating the standard to determine the impact it will have on its financial statements.

In August 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Updated (“ASU”) No. 2015-14, Revenue from Contracts with Customers (Topic 606). The core principle of Topic 606 is that revenue be recognized in manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be compensated in exchange for those goods or services. The guidance is effective for annual fiscal periods beginning after December 15, 2017. The Academy is currently evaluating the standard to determine the impact it will have on its financial statements.

In August 2016, the FASB issued ASU 2016-14, Presentation of Financial Statements for Not-for-Profit Entities, which revises the not-for-profit financial reporting model. ASU 2016-14 is meant to reduce the complexity of and add clarity to net asset reporting, add additional disclosure regarding nature of self-imposed limits on unrestricted net assets and donor restricted net assets, and add reporting requirements related to nature of expenses. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017. The Academy is currently evaluating the standard to determine the impact it will have on its financial statements.

#### 2. Grants Receivable

Grants receivable represents invoices billed to grantor for services provided under the terms of the grant agreements which have not yet been collected as of June 30, 2016 and 2015. Grant receivables are written off against the allowance for doubtful accounts when they are determined to be uncollectible based upon management’s assessment. The allowance for doubtful accounts is estimated based on the Academy’s historical losses and periodic review of the accounts.

	<b>2016</b>	<b>2015</b>
Grants and other receivables	\$ 3,400,373	\$ 2,977,382
Allowance for doubtful accounts	<u>(60,916)</u>	<u>(60,916)</u>
Total grant and other receivables, net	<u>\$ 3,339,457</u>	<u>\$ 2,916,466</u>

#### 3. Contributions Receivable

Unconditional pledges are reported as contributions receivable and revenue in the appropriate net asset category. Contributions receivable with a payment more than a year from the pledge date are recorded net of a discount using rates as of June 30, 2016 and June 30, 2015 that range between 0.070% to 1.49% and 0.07% to 2.35%. The Academy considers these discount rates to be a Level 3 input in the context of ASC 820-10 (Note 5).

**The Academy of Natural Sciences of Philadelphia**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

---

Conditional promises to give are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional. The Academy had no conditional promises to give for the years ended June 30, 2016 and 2015.

Net contributions receivable at June 30 were as follows:

	<b>2016</b>	<b>2015</b>
Amounts due in		
Less than one year	\$ 151,420	\$ 80,949
One year to five years	3,120,896	1,993,454
Greater than five years	<u>-</u>	<u>3,000,000</u>
Gross contributions receivables	3,272,316	5,074,403
Less: Discount to present value	<u>(85,189)</u>	<u>(465,688)</u>
Total contributions receivables, net	<u>\$ 3,187,127</u>	<u>\$ 4,608,715</u>

The following table summarizes the change in net contributions receivable as of June 30:

	<b>2016</b>	<b>2015</b>
Net contribution receivable at beginning of year	\$ 4,608,715	\$ 898,601
New pledges	5,151,210	6,174,579
Collections and adjustments	(6,952,936)	(1,955,624)
Net increase (decrease) in present value discounts	<u>380,138</u>	<u>(508,841)</u>
Net contributions receivable at end of year	<u>\$ 3,187,127</u>	<u>\$ 4,608,715</u>

**4. Investments and Investment Return**

At June 30, 2016 and 2015, the fair value of investments included the following:

	<b>Fair Value</b>	
	<u><b>2016</b></u>	<u><b>2015</b></u>
Equity securities	\$ 30,790,104	\$ 28,556,258
Fixed income securities	6,746,477	4,698,519
Alternative investments	8,665,688	13,182,872
Real estate and real assets funds	6,819,502	4,095,798
Money market funds	<u>2,463,333</u>	<u>1,732,773</u>
Total investments	<u>\$ 55,485,104</u>	<u>\$ 52,266,220</u>

# The Academy of Natural Sciences of Philadelphia

## Notes to Financial Statements

### June 30, 2016 and 2015

#### Investments and Investment Return (Continued)

The following summarizes the Academy's total investment return and its classification in the financial statements for the year ended June 30, 2016 and 2015:

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Investment income and realized/unrealized gains and (losses)	\$ 813,416	\$ 295,057	\$ (2,962,050)	\$ (1,853,577)
Endowment payout under special formula	<u>(2,042,734)</u>	<u>(973,906)</u>	<u>-</u>	<u>(3,016,640)</u>
Realized/Unrealized net loss on investments, net of endowment payout	(1,229,318)	(678,849)	(2,962,050)	(4,870,217)
Operating investment income	<u>5,125</u>	<u>-</u>	<u>-</u>	<u>5,125</u>
Total return on investments	<u>\$ (1,224,193)</u>	<u>\$ (678,849)</u>	<u>\$ (2,962,050)</u>	<u>\$ (4,865,092)</u>

  

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Investment income and realized/unrealized gains and (losses)	\$ 1,690,604	\$ (225,108)	\$ (2,096,393)	\$ (630,897)
Endowment payout under special formula	<u>(2,044,862)</u>	<u>(713,211)</u>	<u>-</u>	<u>(2,758,073)</u>
Realized/Unrealized net loss on investments, net of endowment payout	(354,258)	(938,319)	(2,096,393)	(3,388,970)
Operating investment income	<u>12,926</u>	<u>-</u>	<u>-</u>	<u>12,926</u>
Total return on investments	<u>\$ (341,332)</u>	<u>\$ (938,319)</u>	<u>\$ (2,096,393)</u>	<u>\$ (3,376,044)</u>

#### 5. Fair Value Measurements

The three-level hierarchy for fair value measurements is based on observable and unobservable inputs to the valuation of an asset or liability at the measurement date. It prioritizes the inputs to the valuation techniques used to measure fair value by giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants ("exit price") at the measurement date.

The Academy maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. When available, fair value is based on actively-quoted market prices. In the absence of actively-quoted market prices, price information from external sources, including broker quotes and industry publications, is used. If pricing information from external sources is not available, or if observable pricing is not indicative of fair value, judgment is required to develop the estimates of fair value. In those cases, prices are estimated based on available historical financial data or comparable investment vehicles that reflect widely accepted market valuation practices.

In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. In those cases, the lowest level input that is significant to a fair value measurement in its entirety determines the applicable level in the fair value hierarchy. Assessing the significance of a

# The Academy of Natural Sciences of Philadelphia

## Notes to Financial Statements

### June 30, 2016 and 2015

---

#### Fair Value Measurements (Continued)

particular input to the fair value measurement in its entirety requires judgment and consideration of factors specific to the asset. Fair value measurements are categorized as Level 3 when a significant number of price or other inputs, considered to be unobservable, are used in their valuations. The fair value hierarchy and inputs to valuation techniques are as follows:

- Level 1      Quoted prices (unadjusted) in active markets for identical assets and liabilities at the measurement date. Instruments categorized in Level 1 primarily consist of a broadly-traded range of equity and debt securities.
  
- Level 2      Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable for the asset or liability, including quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability and inputs that are derived from observable market data by correlation or other means. Instruments categorized in Level 2 primarily include nonexchange-traded fixed income securities, certain bond investments, mutual funds, structured products, and interest rate swaps.
  
- Level 3      Unobservable inputs for the asset or liability, including situations where there is little, if any, market activity for the asset or liability. Instruments categorized in Level 3 consist of partnership investments in hedge funds, alternative and private equities, contributions receivable and annuities, directly held real estate, and real estate portfolio investments.

As a practical expedient, the Academy estimates the fair value of an investment in an investment company fund at the measurement date using the reported net asset value (NAV). The fair values of alternative investments represent the Academy's ownership interest in the net asset value (NAV) of the respective fund. Investments held by the funds consist of marketable securities as well as securities that do not have readily determinable fair values. The fair values of the securities held that do not have readily determinable fair values are based on historical cost, appraisals, or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issue, and subsequent developments concerning the companies to which the securities relate.

The Academy assesses the valuation hierarchy for each asset or liability measured on an annual basis. From time to time, assets or liabilities will be transferred within hierarchy levels as a result of changes in valuation methodologies.

The following table sets forth by level, within the fair value hierarchy, the assets at fair value as of June 30, 2016 and 2015:

**The Academy of Natural Sciences of Philadelphia**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

**Fair Value Measurements (Continued)**

	<b>2016</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets at Fair Value</b>				
Beneficial interest in trusts	\$ -	\$ -	\$ 8,840,868	\$ 8,840,868
<b>Investments</b>				
Equity securities	26,647,596	4,142,508	-	30,790,104
Fixed income securities	1,714,579	5,031,898	-	6,746,477
Alternative investments	-	-	8,665,688	8,665,688
Real estate and real asset funds	646,960	3,545,280	2,627,262	6,819,502
Money market funds	2,463,333	-	-	2,463,333
Total investments	<u>31,472,468</u>	<u>12,719,686</u>	<u>11,292,950</u>	<u>55,485,104</u>
Total assets at fair value	<u>\$ 31,472,468</u>	<u>\$ 12,719,686</u>	<u>\$ 20,133,818</u>	<u>\$ 64,325,972</u>

	<b>2015</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets at Fair Value</b>				
Beneficial interest in trusts	\$ -	\$ -	\$ 9,292,021	\$ 9,292,021
<b>Investments</b>				
Equity securities	26,461,767	2,094,491	-	28,556,258
Fixed income securities	1,609,828	3,088,691	-	4,698,519
Alternative investments	-	-	13,182,872	13,182,872
Real estate and real asset funds	749,009	-	3,346,789	4,095,798
Money market funds	1,732,773	-	-	1,732,773
Total investments	<u>30,553,377</u>	<u>5,183,182</u>	<u>16,529,661</u>	<u>52,266,220</u>
Total assets at fair value	<u>\$ 30,553,377</u>	<u>\$ 5,183,182</u>	<u>\$ 25,821,682</u>	<u>\$ 61,558,241</u>

Information related to the fair value of investments that have been estimated using a net asset value equivalent (e.g. ownership interest in partners' capital to which a proportionate share of net assets is attributable) was as follows:

**The Academy of Natural Sciences of Philadelphia**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

**Fair Value Measurements (Continued)**

<i>(in thousands)</i>	<b>June 30, 2016</b>			
	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency (If Currently Eligible)</b>	<b>Redemption Notice Period (If Applicable)</b>
Multi-Strategy Hedge Funds (a)	\$ 2,173	\$ -	Annual	45-60 days
Fixed Income and Related Hedge Funds (b)	2,154	-	Quarterly	45 days
Private Capital Funds-Secondaries (c)	732	621		
Private Capital Funds-Buy-out (d)	1,815	3,447		
Real Asset Funds (e)	1,704	1,012		
Real Estate Funds (f)	923	1,110		
Long/Short Equity Hedge Funds (g)	1,792	-	Annual	95 days
	<u>\$ 11,293</u>	<u>\$ 6,190</u>		

- a. This category invests in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. As of June 30, 2016, the composite portfolio includes approximately 59% in distressed investments with a liquidation period of 1 to 3 years, 11% arbitrage opportunities, 22% cash, and 8% in private equity investments which can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets in the portfolio. It is estimated that the underlying assets would be liquidated over the next 1 to 3 years. The fair values of the investments have been estimated using the net asset value per share of the hedge fund.
- b. This category includes investment in hedge funds that invest in: U.S. mortgage backed securities. The fair values of the investments have been estimated using the net asset value per share of the hedge fund.
- c. This category includes investments in private equity funds that invest in the private equity secondary market. The private equity secondary market refers to the buying and selling of pre-existing investor commitments to private equity and other alternative investment funds. These investments can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets of the fund. It is estimated that 33% of the underlying assets will be liquidated over 1 to 4 years and 67% over 5 to 7 years. The fair value has been estimated using the net asset value per share of the private capital fund.
- d. This category includes investments in private equity funds that invest in buy-outs. A buy-out is a purchase of a company or a controlling interest of a corporation's shares or product line or some business. These investments are primarily broadly diversified across asset classes, and are primarily in the U.S. These investments can never be redeemed. Instead, distributions are received through the liquidation of the underlying assets of the fund. It is estimated that 88% of the underlying assets will be liquidated over 1 to 4 years and 12% over 8 to 10 years. The fair value has been estimated using the net asset value per share of the private capital fund.



**The Academy of Natural Sciences of Philadelphia**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

---

**Fair Value Measurements (Continued)**

- e. This category includes investments in private equity funds that invest primarily in real assets (e.g. investments with intrinsic value, such as real estate or commodities). These investments can never be redeemed. Instead, distributions are received through the liquidation of the underlying assets of the fund. It is estimated that the underlying assets of the fund will be liquidated over the following time frames: 65% in 1 to 4 years; 28% in 5 to 7 years; and 7% in 8 to 10 years. The fair value has been estimated using the net asset value per share of the real asset fund.
- f. This category includes investments in private equity funds that invest in U.S. commercial real estate, and a broad range of mortgage-related investments. These investments can never be redeemed. Instead, distributions are received through the liquidation of the underlying assets of the fund. It is estimated that the underlying assets of the fund will be liquidated in approximately 1 to 4 years. The fair value has been estimated using the net asset value per share of the real estate fund.
- g. This category includes investments in hedge funds that invest both long and short primarily in U.S. common stocks. Management of the hedge funds has the ability to shift investments from value to growth strategies, from small to large capitalization stocks and from a net long position to a net short position. The fair values of the investments have been estimated using the net asset value per share of the hedge fund. The following table sets forth a summary of changes in the fair value of the Academy's Level 3 assets for the years then ended June 30, 2016 and 2015:

	<b>2016</b>	<b>2015</b>
<b>Assets at beginning of year</b>	\$ 25,821,682	\$ 26,264,920
Funds transferred into level 3	-	-
Net realized/unrealized (losses)	(827,520)	(393,278)
Purchases	2,066,223	2,868,012
Sales	<u>(6,926,567)</u>	<u>(2,917,972)</u>
<b>Assets at end of year</b>	<u>\$ 20,133,818</u>	<u>\$ 25,821,682</u>

**6. Endowment Funds**

The Academy has an investment policy for endowment assets designed to maximize the total return within an acceptable level of risk consistent with long-term preservation of the real value of the funds. The goal is to manage the portfolio for risk as well as total return, consistent with fiduciary standards of the prudent investor rule.

To satisfy its rate-of-return 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). Endowment assets are invested in several asset classes and subclasses thereof to moderate the volatility of the returns for the entire portfolio.

For the years ended June 30, 2016 and 2015, the Academy had an endowment spending rule that limited the spending of endowment resources to 6.5% of the average fair value of the pooled endowment portfolio for the prior seven fiscal years. This rule was applied except in cases where the spending rate had been stipulated by the donor (typically 5.0%).

The Academy's endowment funds include both donor-restricted funds and funds designated by the Board of Trustees to function as endowments (quasi endowments).

**The Academy of Natural Sciences of Philadelphia**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

---

**Endowment Funds (Continued)**

Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The earnings on these funds are utilized by the Academy in a manner consistent with specific donor restrictions on the original contributions.

**Interpretation of Relevant Law**

The Board of Trustees has interpreted Pennsylvania Act 141 (“PA Act 141”) as requiring the preservation of the fair value of the original gift as specified in the individual trust instruments. As a result of this interpretation, the Academy classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) earnings of the endowment made in accordance with the direction of the applicable donor designation. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by PA Act 141.

Endowment composition by type of fund as of June 30 was as follows:

	<b>2016</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ (1,462,647)	\$ 3,815,736	\$ 51,764,153	\$ 54,117,242
Board-designated endowment funds	914,478	-	-	914,478
Total assets	<u>\$ (548,169)</u>	<u>\$ 3,815,736</u>	<u>\$ 51,764,153</u>	<u>\$ 55,031,720</u>

	<b>2015</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ (740,192)	\$ 4,488,137	\$ 51,211,052	\$ 54,958,997
Board-designated endowment funds	1,421,328	-	-	1,421,328
Total assets	<u>\$ 681,136</u>	<u>\$ 4,488,137</u>	<u>\$ 51,211,052</u>	<u>\$ 56,380,325</u>

**The Academy of Natural Sciences of Philadelphia**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

**Endowment Funds (Continued)**

Changes in the Academy's endowment assets for the years ended June 30, 2016 and 2015 were as follows:

	<b>2016</b>			<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	
<b>Endowment at beginning of year</b>	\$ 681,136	\$ 4,488,137	\$ 51,211,052	\$ 56,380,325
Investment return on endowment assets	(22,427)	(215,891)	(1,188,295)	(1,426,613)
Reclassification for funds with deficiencies	<u>(1,159,455)</u>	-	<u>1,159,455</u>	-
Total endowment return	(1,181,882)	(215,891)	(28,840)	(1,426,613)
Contributions	-	-	3,064,647	3,064,647
Use of endowment assets				
Endowment payout used in operations	(47,423)	(456,510)	(2,512,706)	(3,016,639)
Other	-	-	30,000	30,000
Total uses	<u>(47,423)</u>	<u>(456,510)</u>	<u>(2,482,706)</u>	<u>(2,986,639)</u>
<b>Endowment at end of year</b>	<u>\$ (548,169)</u>	<u>\$ 3,815,736</u>	<u>\$ 51,764,153</u>	<u>\$55,031,720</u>

	<b>2015</b>			<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	
<b>Endowment at beginning of year</b>	\$ 1,036,394	\$ 5,418,899	\$ 47,156,964	\$ 53,612,257
Investment return:	(2,464)	(22,819)	(108,060)	(133,343)
Reclassification for funds with deficiencies	<u>(303,192)</u>	<u>(408,568)</u>	<u>711,760</u>	-
Total endowment return	(305,656)	(431,387)	603,700	(133,343)
Contributions	-	-	5,659,483	5,659,483
Use of endowment assets				
Endowment payout used in operations	<u>(49,602)</u>	<u>(499,375)</u>	<u>(2,209,095)</u>	<u>(2,758,072)</u>
Total uses	<u>(49,602)</u>	<u>(499,375)</u>	<u>(2,209,095)</u>	<u>(2,758,072)</u>
<b>Endowment at end of year</b>	<u>\$ 681,136</u>	<u>\$ 4,488,137</u>	<u>\$ 51,211,052</u>	<u>\$56,380,325</u>

**Endowment Funds with Deficiencies**

From time to time, the fair value of some assets associated with individual donor-restricted endowment funds may fall below the level that donors require to be retained as a perpetual fund. The aggregate amount of deficiencies of these funds is reported in unrestricted net assets in the statement of activities. Subsequent investment gains will be used to restore the balance to the fair market value of the original amount of the gift. Subsequent gains above that amount will be recorded as temporarily restricted net assets. Aggregate deficiencies for the years ended June 30, 2016 and 2015 were approximately \$1,871,215 and \$740,000 respectively.

**The Academy of Natural Sciences of Philadelphia**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

---

**7. Buildings and Equipment**

Buildings and equipment consisted of the following as of June 30, 2016 and 2015:

	<b>2016</b>	<b>2015</b>
Buildings and improvements	\$ 21,640,822	\$ 21,278,818
Equipment	5,125,903	5,164,193
Less: Accumulated depreciation and amortization	<u>(6,806,191)</u>	<u>(5,849,961)</u>
Total buildings and equipment	<u>\$ 19,960,534</u>	<u>\$ 20,593,050</u>

Depreciation and amortization expenses for the years ended June 30, 2016 and 2015 were \$1,109,490 and \$1,157,658 respectively.

**8. Collections**

Collections acquired through purchases and contributions are not recognized as assets on the statement of financial position. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired or as temporarily or permanently restricted net assets if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected on the financial statements.

The Academy's collections are made up of library holdings, scientific specimens, minerals, gems, exhibits, and art objects that are held for educational research, scientific, and curatorial purposes. Each of the items is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously.

**9. Retirement Plans**

**Defined Contribution Plans**

The Academy maintained a defined contribution plan ("DC Plan") that provides for discretionary employee contributions. On December 31, 2015, the DC Plan was amended, to cease participation in and all contributions to the DC Plan. Instead, employees of the Academy will participate in the Drexel DC Plan ("DU DC Plan") effective January 1, 2016. The DC Plan has also merged into the DU DC Plan effective as of March 1, 2016. ANS DC's transfer into the DU DC plan included participant-directed investments at fair value of \$2,564,804.

The Academy DC Plan was a calendar year plan, with declared employer contributions made at the conclusion of the plan year. Matching contributions were based on a participant's compensation and allocated to employee accounts annually. Only participants who made 403(b) contributions, who completed 1,000 hours of service, unless their employment ended due to retirement, disability, or death and who were actively employed on the last day of the allocation period were eligible to share in the matching contribution for such allocation period. Employees received a grandfathered match of three percent (3%) of their salary through 2015 if they had either reached the age of 49 and completed at least 10 years of service, or reached the age of 45 and completed at least 15 years of service as of December 31, 2009. The Academy approved and made contributions totaling \$61,934 and \$84,864 in 2016 and 2015, respectively.

**The Academy of Natural Sciences of Philadelphia**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

---

**Retirement Plans (Continued)**

**Defined Benefit Plan**

The Academy offered participation in a defined benefit pension plan (“DB Plan”) which covered all full-time employees with a minimum of one year of service. The Board of Trustees approved freezing the DB Plan effective December 31, 2009, replacing it with the DC Plan for all eligible Academy employees effective January 1, 2010.

The assumptions for the pension liabilities, the accumulated benefit obligation, change in projected benefit obligation, and change in plan assets for the defined Benefit Plan are noted as follows:

	<u>2016</u>	<u>2015</u>
<b>Weighted average assumptions as of June 30</b>		
Discount rate	3.90 %	4.60 %
Expected return on plan assets	6.25 %	6.50 %
<b>Accumulated benefit obligation</b>		
Accumulated benefit obligation at June 30	\$ 19,908,197	\$ 17,562,286
<b>Change in projected benefit obligation</b>		
Benefit obligation at beginning of year	\$ 17,562,286	\$ 16,193,353
Service cost	130,000	115,000
Interest cost	790,394	697,034
Actuarial (gain)/loss	2,163,035	1,310,275
Benefits paid	<u>(737,518)</u>	<u>(753,376)</u>
Benefit obligation at end of year	<u>\$ 19,908,197</u>	<u>\$ 17,562,286</u>

**The Academy of Natural Sciences of Philadelphia**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

---

**Retirement Plans (Continued)**

	<u>2016</u>	<u>2015</u>
<b>Change in plan assets</b>		
Fair value of plan assets at beginning of year	\$ 10,430,360	\$ 10,268,861
Actual return on plan assets	230,742	80,161
Employer contributions	658,506	834,714
Benefits paid	<u>(737,518)</u>	<u>(753,376)</u>
Fair value of plan assets at end of year	<u>\$ 10,582,090</u>	<u>\$ 10,430,360</u>
Fair value of plan assets	\$ 10,582,090	\$ 10,430,360
Benefit obligation	<u>(19,908,197)</u>	<u>(17,562,286)</u>
Net amount recognized at end of year*	<u>\$ (9,326,107)</u>	<u>\$ (7,131,926)</u>

\* These amounts are recognized in the statement of financial position in the post-retirement and pension benefits classification.

The components of net periodic benefit cost are noted below:

	<u>2016</u>	<u>2015</u>
<b>Weighted average assumptions used to used to determine net periodic benefit cost</b>		
Discount rate	4.60 %	4.40 %
Expected return on plan assets	6.50 %	6.50 %
<b>Components of net periodic benefit cost</b>		
Service cost	\$ 130,000	\$ 115,000
Interest cost	790,394	697,034
Expected return on assets	(678,073)	(678,050)
Amortization of actuarial loss	<u>2,610,366</u>	<u>1,908,164</u>
Net periodic benefit cost	<u>\$ 2,852,687</u>	<u>\$ 2,042,148</u>

**The Academy of Natural Sciences of Philadelphia**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

---

**Retirement Plans (Continued)**

As of June 30, 2016 and 2015 the pension plan had a projected benefit obligation and an accumulated benefit obligation in excess of plan assets. Both the projected and accumulated benefit obligation were \$19,908,197 and \$17,562,286 at June 30, 2016 and 2015, respectively. The fair value of plan assets was \$10,582,090 and \$10,430,360 as of June 30, 2016 and 2015, respectively.

Information about the expected cash flows for the pension plan is as follows:

**Expected benefit payments**

2017	\$ 878,988
2018	1,011,158
2019	1,059,248
2020	1,097,674
2021	1,129,790
2022-2026	5,970,690

**Plan Assets**

The Academy's pension plan weighted-average asset allocations at June 30, 2016 and 2015 by asset category are as follows:

	<u>2016</u>	<u>2015</u>
<b>Asset Category</b>		
Equity securities	37.7%	20.5%
Fixed income securities	37.4%	64.6%
Alternative investments	20.7%	11.1%
Cash	4.2%	3.8%
	<u>100.0%</u>	<u>100.0%</u>

The Academy's investment policy and strategy is to shift investments to the target allocation to control the volatility of investment returns for the portfolio. As the investment horizon is expected to be long-term, the portfolio needs to provide long-term capital growth while also being protected from incurring major losses due to the poor performance of one sector of the market and must be invested to reduce the overall investment risk and volatility of investment returns.

The target composition of the Academy's plan assets is characterized as a 34%, 37%, 27%, 2% allocation between equity, fixed income investments, alternative investments and cash. The strategy currently utilizes indexed equity funds, fixed income funds, and a number of alternative investment vehicles. The alternative investments are allocated among various classes, including but not limited to: equities, hedge funds, fixed income, natural resources, and real estate. The strategy allows the Academy to invest in a diversified manner with a mix of assets that are set not to be highly correlated. The expected rate of return on assets was based on the current interest rate environment and historical market premiums of equity and other asset classes relative to fixed income rates.

**The Academy of Natural Sciences of Philadelphia**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

**Retirement Plans (Continued)**

The following table sets forth by level, within the fair value hierarchy, the Academy pension plan assets at fair value at June 30, 2016 and 2015:

	<b>2016</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Assets at fair value</b>				
Cash equivalents	\$ 443,124	\$ -	\$ -	\$ 443,124
Mutual funds	8,442,150	-	-	8,442,150
Alternative investments	-	647,562	1,049,254	1,696,816
Total assets at fair value	<u>\$ 8,885,274</u>	<u>\$ 647,562</u>	<u>\$ 1,049,254</u>	<u>\$ 10,582,090</u>

	<b>2015</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Assets at fair value</b>				
Cash equivalents	\$ 400,327	\$ -	\$ -	\$ 400,327
Mutual funds	8,276,960	-	-	8,276,960
Alternative investments	-	601,607	1,151,466	1,753,073
Total assets at fair value	<u>\$ 8,677,287</u>	<u>\$ 601,607</u>	<u>\$ 1,151,466</u>	<u>\$ 10,430,360</u>

The following table sets forth a summary of changes in the fair value of the Academy Pension Plan's Level 3 assets for the years ended June 30, 2016 and 2015:

	<b>2016</b>	<b>2015</b>
<b>Assets at beginning of year</b>	\$ 1,151,466	\$ 1,221,127
Dividends and interest	-	-
Net realized/unrealized gain	30,924	3,522
Transfers out	<u>\$ (133,136)</u>	<u>\$ (73,183)</u>
<b>Assets at end of year</b>	<u>\$ 1,049,254</u>	<u>\$ 1,151,466</u>



**The Academy of Natural Sciences of Philadelphia**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

---

**10. Other Liabilities/Due to Drexel University**

Includes amounts due to/from Drexel University and other liabilities. The amount due to Drexel University is \$4,437 and \$735,308 at June 30, 2016 and 2015 respectively. The intercompany accounts are repaid on a periodic basis excluding draws on the line of credit and debt (Notes 11 and 12).

**11. Line of Credit**

The Academy has an unsecured line of credit with Drexel University. This agreement allows the Academy to borrow up to \$1,500,000 to meet short term cash flow needs. Under the terms of the line of credit agreement, the full principal amount is available at an annual interest of 1.00%. The initial term of the line of credit shall be from June 30, 2012 to June 30, 2014 and shall automatically renew for an additional 12 months on each June 30<sup>th</sup> thereafter, unless notice of non-renewal is provided in writing by either Drexel University or the Academy, 30 days in advance of the termination date. Interest on each advance shall be payable in arrears on the first business day of each month. The outstanding principal balance of any advance under the line of credit must be reduced to and remain at zero dollars for any consecutive 30 day period during the current term of the line. If the Academy is unable to reduce outstanding advances to zero and remain at zero for a consecutive 30 day period thereafter, the line of credit will be considered in default and will terminate immediately and not renew. For the years ended June 30, 2016 and 2015, balances on the line of credit were \$1,442,681.

**12. Long-Term Debt**

On February 1, 2012 the Academy entered into a \$900,000 five-year unsecured term loan agreement with Drexel University. Interest on the outstanding principal of the term loan accrues at a rate per annum of 0.75%. The five-year term loan allows for prepayment in full or in part, without premium or penalty at any time, provided the Academy may not re-borrow any such amounts prepaid.

The principal repayment on the Drexel University five-year term loan is \$182,700 due June 30, 2017.

**13. Net Assets Released From Restrictions**

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors for the years ended June 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
<b>Operating</b>		
Research programs	\$ 487,667	\$ 630,420
Public programs	688,355	686,262
Other programs	<u>1,225,078</u>	<u>824,198</u>
	<u>\$ 2,401,100</u>	<u>\$ 2,140,880</u>

**The Academy of Natural Sciences of Philadelphia**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

---

**14. Restriction on Assets**

Net assets include the following:

	<b>2016</b>	<b>2015</b>
<b>Unrestricted:</b>		
Undesignated	\$ (13,055,917)	\$ (9,574,561)
Designated	(67,896)	14,413
Sponsored	(134,462)	(132,656)
Physical plant	21,097,330	20,593,050
Quasi-endowment funds	1,323,034	1,392,896
Reclassification for endowment deficiencies	(1,871,215)	(711,760)
Total unrestricted	<u>7,290,874</u>	<u>11,581,382</u>
<b>Temporarily restricted:</b>		
Unexpended funds for programs and capital expense	11,731,462	9,093,982
Life income/term endowment funds	11,189	23,632
Endowment realized and unrealized loss	(1,176,477)	(493,762)
Total temporarily restricted	<u>10,566,174</u>	<u>8,623,852</u>
<b>Permanently restricted:</b>		
Endowment principal	50,434,163	51,040,955
Reclassification for endowment deficiencies	1,871,215	711,760
Beneficial interest in trust	8,614,427	9,064,493
Total permanent restricted net assets	<u>60,919,805</u>	<u>60,817,208</u>
Total net assets	<u>\$ 78,776,853</u>	<u>\$ 81,022,442</u>

**The Academy of Natural Sciences of Philadelphia**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

---

**15. Related Party Transactions**

Per an affiliation agreement dated September 2011, the Academy of Natural Sciences is a subsidiary of Drexel University. Drexel provided services valued at \$2,334,200 and \$2,288,431 for the years ending June 30, 2016 and 2015, respectively. The Academy paid the full cost of the services, reported as Services provided by Drexel University in the accompanying statements of activities. In addition, Drexel provided \$4,285,371 and \$3,298,431 to the Academy for operations in the fiscal years 2016 and 2015, respectively, reported as Support from Drexel University. The total administrative and non-administrative services paid by the Academy in fiscal years 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Drexel affiliated support expenses	\$ 2,334,200	\$ 2,288,431
Center for Systematic Biology and Evolution	349,027	273,282
Environmental Group	341,201	184,415
Development and membership	6,722	2,216
Public programs	9,419	19,042
Administration	<u>70,643</u>	<u>86,357</u>
	<u>\$ 3,111,212</u>	<u>\$ 2,853,743</u>

**16. Subsequent Events**

The Academy has evaluated events subsequent to through the report issue date, October 26, 2016.