

# **California Academy of Sciences**

**Consolidated Financial Statements  
June 30, 2021 and 2020**

**California Academy of Sciences**  
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**June 30, 2021 and 2020**

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RSM US LLP

## Independent Auditor's Report

Audit Committee  
California Academy of Sciences

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the California Academy of Sciences (the Academy) and its subsidiary, which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 these financial statements based on our audits. We did not audit the financial statements of California Academy of Sciences Endolith Endowment Fund, LP (the Partnership), whose statements reflect total assets constituting 21% of consolidated total assets at June 30, 2020 and total revenues, gains and support constituting 3% of consolidated total revenues, gains and support for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Partnership, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the auditor's 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, the auditor considers 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, based on our audits and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the financial position of the Academy and its subsidiary as of June 30, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2021, on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

*RSM US LLP*

San Francisco, California  
December 22, 2021

**California Academy of Sciences**  
**Consolidated Statements of Financial Position**  
**June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,685,077	\$ 3,932,594
Restricted cash	100	400,000
Investments (Note 4)	476,809,121	426,010,358
Receivables, net		
Investment-related receivables	18,256,589	46,964,285
Other receivables, net	676,207	905,993
Contributions receivable, net (Note 6)	24,192,156	6,885,654
Prepaid expenses and other	1,179,585	1,075,049
Notes receivable, net (Note 7)	244,271	324,471
Investments held in trusts (Note 4)	6,619,381	5,634,873
Property and equipment, net (Note 8)	301,568,403	311,917,022
	<u>\$ 832,230,890</u>	<u>\$ 804,050,299</u>
<b>Liabilities and net assets</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 5,794,301	\$ 5,724,243
Deferred revenue	5,395,550	4,642,249
Payable for investments purchased	1,111,394	17,542,096
Annuities payable and other long-term liabilities (Note 9)	10,366,524	10,268,429
Bonds payable, net (Note 10)	279,505,376	279,425,999
	<u>302,173,145</u>	<u>317,603,016</u>
Net assets (Note 5)		
Without donor restrictions	366,539,211	351,796,948
With donor restrictions	163,518,534	134,650,335
	<u>530,057,745</u>	<u>486,447,283</u>
	<u>\$ 832,230,890</u>	<u>\$ 804,050,299</u>

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

**California Academy of Sciences**  
**Consolidated Statements of Activities**  
**Years Ended June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>Change in net assets without donor restrictions</b>		
Operating revenue and support		
Admissions	\$ 4,610,980	\$ 11,864,368
Contributions and grants (Note 2, Note 14)	9,961,824	9,860,019
Memberships	4,392,028	8,278,861
Auxiliary activities	1,160,493	4,943,444
Support from the City and County of San Francisco (Note 12)	5,461,493	6,106,660
Endowment support for current operations	7,978,701	5,489,745
Net assets released from restrictions	<u>22,494,388</u>	<u>9,323,399</u>
Total operating revenue and support	<u>56,059,907</u>	<u>55,866,496</u>
Operating expenses		
Salaries and benefits	37,735,907	48,034,277
Professional services	4,528,331	4,995,892
Supplies and equipment	3,409,870	4,572,087
Printing and advertising	2,371,916	3,529,344
Occupancy	3,161,751	3,324,102
Depreciation and amortization (Note 8)	12,786,648	12,749,812
Interest and debt-related fees	1,541,928	4,472,215
Other expenses	1,060,971	3,451,634
Total operating expenses	<u>66,597,322</u>	<u>85,129,363</u>
Change in net assets from operations	<u>(10,537,415)</u>	<u>(29,262,867)</u>
Non-operating		
Investment return, net (Note 4)	<u>25,279,678</u>	<u>8,491,699</u>
Change in net assets from non-operating activities	<u>25,279,678</u>	<u>8,491,699</u>
Change in net assets without donor restrictions	<u>14,742,263</u>	<u>(20,771,168)</u>
<b>Change in net assets with donor restrictions</b>		
Operating		
Contributions and grants (Note 2, Note 14)	27,140,282	9,425,262
Endowment support for current operations	(7,978,701)	(5,489,745)
Net assets released from restrictions	(22,494,388)	(9,323,399)
Other transfers	-	412
Change in net assets from operations	<u>(3,332,807)</u>	<u>(5,387,470)</u>
Non-operating		
Contributions and grants	290,063	191,628
Investment return, net (Note 4)	31,910,943	2,718,789
Other transfers	-	(412)
Change in net assets from non-operating activities	<u>32,201,006</u>	<u>2,910,005</u>
Change in net assets with donor restrictions	<u>28,868,199</u>	<u>(2,477,465)</u>
Total change in net assets	<u>43,610,462</u>	<u>(23,248,633)</u>
<b>Net assets, beginning of year</b>	486,447,283	509,695,916
<b>Net assets, end of year</b>	<u>\$ 530,057,745</u>	<u>\$ 486,447,283</u>

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

**California Academy of Sciences**  
**Consolidated Statement of Functional Expenses**  
**Year Ended June 30, 2021**

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	Program Activities					Supporting Activities				Total expenses
	Aquarium	Biodiversity science and sustainability	Education and outreach	Exhibits and public engagement	Program Subtotal	Development	Membership	Management and general	Supporting Subtotal	
Salaries and benefits	\$ 4,755,326	\$ 9,005,575	\$ 2,053,877	\$ 9,779,501	\$ 25,594,279	\$ 3,007,926	\$ 671,497	\$ 8,462,205	\$ 12,141,628	\$ 37,735,907
Professional services	302,509	686,875	173,378	972,364	2,135,126	242,372	773,926	1,376,907	2,393,205	4,528,331
Supplies and equipment	1,024,570	729,439	143,461	759,583	2,657,053	83,050	33,594	636,173	752,817	3,409,870
Printing and advertising	515,279	30,991	26,533	1,119,267	1,692,070	48,774	552,224	78,848	679,846	2,371,916
Occupancy	503,239	549,548	54,549	934,092	2,041,428	20,672	2,878	1,096,773	1,120,323	3,161,751
Depreciation and amortization	2,595,711	2,800,610	289,704	4,742,845	10,428,870	104,159	15,285	2,238,334	2,357,778	12,786,648
Interest and debt-related fees	290,225	313,135	32,392	530,295	1,166,047	11,646	1,709	362,526	375,881	1,541,928
Other expenses	116,172	383,876	39,884	81,734	621,666	64,451	4,210	370,644	439,305	1,060,971
<b>Total expenses</b>	<b>\$ 10,103,031</b>	<b>\$ 14,500,049</b>	<b>\$ 2,813,778</b>	<b>\$ 18,919,681</b>	<b>\$ 46,336,539</b>	<b>\$ 3,583,050</b>	<b>\$ 2,055,323</b>	<b>\$ 14,622,410</b>	<b>\$ 20,260,783</b>	<b>\$ 66,597,322</b>

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

**California Academy of Sciences**  
**Consolidated Statement of Functional Expenses**  
**Year Ended June 30, 2020**

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	Program Activities					Supporting Activities				Total expenses
	Aquarium	Biodiversity science and sustainability	Education and outreach	Exhibits and public engagement	Program Subtotal	Development	Membership	Management and general	Supporting Subtotal	
Salaries and benefits	\$ 5,626,802	\$ 10,990,944	\$ 2,387,642	\$ 13,783,742	\$ 32,789,130	\$ 3,073,321	\$ 875,862	\$ 11,295,964	\$ 15,245,147	\$ 48,034,277
Professional services	363,247	869,739	240,531	1,234,338	2,707,855	150,807	712,233	1,424,997	2,288,037	4,995,892
Supplies and equipment	1,236,723	734,391	184,356	1,144,053	3,299,523	273,922	27,500	971,142	1,272,564	4,572,087
Printing and advertising	778,154	35,306	39,355	1,724,193	2,577,008	41,308	813,993	97,035	952,336	3,529,344
Occupancy	547,622	679,761	58,766	1,006,979	2,293,128	22,291	3,101	1,005,582	1,030,974	3,324,102
Depreciation and amortization	2,588,233	2,792,542	288,870	4,729,182	10,398,827	103,859	15,241	2,231,885	2,350,985	12,749,812
Interest and debt-related fees	905,678	977,370	101,082	1,654,841	3,638,971	36,343	5,333	791,568	833,244	4,472,215
Other expenses	167,682	573,699	126,134	596,307	1,463,822	37,812	17,355	1,932,645	1,987,812	3,451,634
<b>Total expenses</b>	<b>\$ 12,214,141</b>	<b>\$ 17,653,752</b>	<b>\$ 3,426,736</b>	<b>\$ 25,873,635</b>	<b>\$ 59,168,264</b>	<b>\$ 3,739,663</b>	<b>\$ 2,470,618</b>	<b>\$ 19,750,818</b>	<b>\$ 25,961,099</b>	<b>\$ 85,129,363</b>

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



**California Academy of Sciences**  
**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 43,610,462	\$ (23,248,633)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	12,786,648	12,749,812
Amortization of deferred bond financing costs	79,377	158,067
Bad debt expense	141,155	1,784,331
Realized and unrealized gains on investments, net	(52,099,028)	(3,293,779)
Changes in investments held in trusts	(759,443)	145,298
Contributions permanently restricted for endowment	(240,100)	(191,216)
Proceeds from sale of donated securities restricted for endowment	(55,912)	(32,709)
Changes in assets and liabilities		
Other receivables	215,314	507,323
Contributions receivable	(17,346,262)	3,403,911
Prepaid expenses and other	(104,536)	(378,860)
Accounts payable, accrued expenses, and other liabilities	(11,450)	(2,166,135)
Deferred revenue	753,301	(1,953,387)
Net cash used in operating activities	<u>(13,030,474)</u>	<u>(12,515,977)</u>
<b>Cash flows from investing activities</b>		
Purchase of investments	(950,365,503)	(2,367,542,950)
Proceeds from sale of investments	964,005,625	2,370,609,617
Purchases of property and equipment	(2,404,614)	(1,766,373)
Net cash provided by investing activities	<u>11,235,508</u>	<u>1,300,294</u>
<b>Cash flows from financing activities</b>		
Contributions restricted for endowment	240,100	1,841,216
Proceeds from sale of donated securities restricted for endowment	55,912	32,709
Contributions restricted for capital additions and improvements	50	100,000
Investment change on annuity trusts	113,771	134,920
Annuity trust payments to beneficiaries	(262,284)	(186,740)
Proceeds from revolving lines of credit	16,600,000	4,000,000
Principal payment of revolving lines of credit	(16,600,000)	(4,000,000)
Proceeds from Paycheck Protection Program loan	-	8,106,745
Net cash provided by financing activities	<u>147,549</u>	<u>10,028,850</u>
Net decrease in cash, cash equivalents, and restricted cash	(1,647,417)	(1,186,833)
<b>Cash, cash equivalents, and restricted cash at beginning of year</b>	4,332,594	5,519,427
<b>Cash, cash equivalents, and restricted cash at end of year</b>	<u>\$ 2,685,177</u>	<u>\$ 4,332,594</u>
<b>Supplemental information</b>		
Cash paid for interest	\$ 1,380,506	\$ 4,314,148
Noncash transactions		
Accrued purchases of property and equipment	42,962	-
Donated securities	680,010	1,696,620

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

# California Academy of Sciences

## Notes to Consolidated Financial Statements

### June 30, 2021 and 2020

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#### 1. Organization

The California Academy of Sciences (the “Academy”) is a not-for-profit organization founded in 1853. The website address is [www.calacademy.org](http://www.calacademy.org). The Academy’s annual consolidated financial statements are available on its website.

##### **Overview**

The Academy is a renowned scientific and educational institution with a mission to regenerate the natural world through science, learning, and collaboration. Based in San Francisco’s Golden Gate Park, it is home to a world-class aquarium, planetarium, rainforest, and natural history museum as well as innovative programs in scientific research and environmental education, all under one living roof.

##### **Major Programs**

##### ***Aquarium***

The Steinhart Aquarium is home to nearly 40,000 live animals from around the world and hosts the largest and deepest indoor coral reef in the world. The four-story rainforest has free-flying birds and butterflies and exotic reptiles and amphibians. African Hall is home to a colony of African penguins.

##### ***Biodiversity Science and Sustainability***

The Academy’s Institute for Biodiversity Science and Sustainability (IBSS) is home to more than 100 world-class scientists, over 100 international Associates, and more than 450 distinguished Fellows who gather new knowledge about life’s diversity and the process of evolution and rapidly apply that understanding to our efforts to regenerate the natural world. Through innovative partnerships and community engagement initiatives, they also guide critical conservation decisions worldwide, inspire and mentor the next generation of scientists, and foster responsible stewardship of our planet so that humans and nature can thrive together.

##### ***Education and Outreach***

The Academy is an innovative leader in efforts to increase scientific and environmental literacy worldwide. The museum is home to science educators and communicators as well as highly trained docents who engage people of all ages—here in California and around the world—in the scientific concepts and issues that will shape our future. Through intensive partnerships with schools and teachers, innovative programs for all ages, engaging online learning and digital media offerings, and immersive science visualization productions, Academy educators work to increase the public’s understanding and appreciation of the natural world and inspire participants to ensure the rich diversity of life on Earth.

Volunteers help support the Academy annually and provide a connection between the diverse Bay Area community and the Academy’s museum, research, and administration. As one of the Bay Area’s leading cultural institutions dedicated to opening its doors to the entire community, the Academy offers a variety of free and reduced admission opportunities and access programs to serve all visitors.

##### ***Exhibits and Public Engagement***

The all-digital Morrison Planetarium uses scientific data to share current discoveries and present immersive shows that rotate throughout the year. The *Sharks* exhibit explores the often misunderstood biology and history of these complex ocean predators with immersive interactives

# California Academy of Sciences

## Notes to Consolidated Financial Statements

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and real fossils. *Giants of Land and Sea* exhibit celebrates Northern California's iconic natural phenomena like redwoods, marine mammals, and fog. The *Color of Life* exhibit explores the role of color in the natural world with vibrant live animals, specimens, and immersive interactives. *Gems and Minerals Unearthed* showcases specimens from the Academy's renowned geology collection. *BigPicture* showcases winning images from the Academy's annual, international wildlife photography competition with a display that rotates annually.

## 2. Summary of Significant Accounting Policies

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

The Academy's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

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

The consolidated financial statements include the Academy and The California Academy of Sciences Endolith Endowment Fund, LP, a limited partnership which serves as a single investor fund for the administrative convenience of the Academy. All intercompany balances and transactions have been eliminated in the consolidated financial statements.

### ***Use of Estimates***

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses, and related disclosures. The Academy bases its estimates on historical experience and various other assumptions that management believes to be reasonable under the circumstances. Actual results could differ from the estimates made by management.

### ***Net Asset Classifications***

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Academy and the changes therein are classified and reported as follows:

#### ***Net Assets Without Donor Restrictions***

Net assets without donor restrictions are net assets that are not subject to donor-imposed restrictions. Items that are included in this net asset category principally consist of fees for services and related expenses associated with the core activities of the Academy. These net assets may be designated for specific purposes by action of the Board of Trustees for special programs, expenditures for plant and equipment, and/or general operating support.

#### ***Net Assets With Donor Restrictions***

Net assets with donor restrictions are net assets that are subject to donor-imposed restrictions which can be fulfilled either by actions of the Academy pursuant to those restrictions and/or expire with the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met, including grants for buildings and equipment not yet placed in service, pledges, investment returns on donor-endowed funds, and endowment, annuity, and life income gifts.

The Academy reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor-imposed restrictions that limit the use of the donated assets. Upon satisfaction of such stipulations, the net assets are released from net assets with donor restrictions and recognized as net assets without donor restrictions.

The Academy accounts for receipts of unconditional promises to give with payments due in future

# California Academy of Sciences

## Notes to Consolidated Financial Statements

### June 30, 2021 and 2020

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periods as increases in net assets with donor restrictions, unless explicit donor stipulations or circumstances surrounding the receipt of a promise make clear that the donor intended it to be used to support activities of the current period.

Some net assets are subject to donor-imposed restrictions which stipulate that only income earned by the net assets can be used while the original gift is kept intact permanently by the Academy. These net assets consist of endowment funds for which the donated assets are invested to provide a permanent source of income for the Academy. Donor-endowed funds are managed according to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) of the state of California. If the donor restricts the allowed use of the investment income earned by the endowment, the Academy classifies the income as a net asset with donor restriction until amounts are appropriated for expenditure by the Academy in a manner consistent with the standard of prudence prescribed by UPMIFA.

#### ***Measure of Operations***

The Academy's change in net assets from operations includes all operating revenues and expenses that are an integral part of its programs and supporting activities, net assets released from donor restrictions to support operating expenditures, and transfers from Board-designated and other non-operating funds to support current operating activities. The measure of operations includes support for operating activities from both donor-restricted net assets and net assets without donor restrictions designated for long-term investment (i.e., quasi-endowment) according to the Academy's spending policy, which is described in Note 5. The measure of operations excludes investment return in excess of (less than) amounts related to the current year appropriation of expenditures from donor-restricted and quasi-endowments. Included in the line items endowment support for current operations are earnings on endowment funds appropriated for the support of general operations and earnings on contributions and bequests designated by the Board of Trustees as quasi-endowments to be used for general operations.

#### ***Revenue Recognition***

The Academy recognizes revenue based on whether it arises from a contribution or exchange transaction. Transactions where the Academy receives assets are analyzed to determine whether commensurate value is received by the resource provider in return for the resources provided. The Academy does not consider the resource provider to be synonymous with the general public. If commensurate value is not received by the resource provider, the receipt of asset is recorded as a contribution in accordance with ASU No. 2018-08: *Clarifying the of the Accounting Guidance for Contributions Received and Contributions Made*.

If commensurate value is received by the resource provider, the transaction is recorded as an exchange transaction in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 606, "*Revenue from Contracts with Customers*", which provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

The transaction price is the amount of consideration to which the Academy expects to be entitled in exchange for transferring goods and services to customers. When consideration is received and revenue has not yet been recognized, a contract liability is also recorded in the form of deferred revenue.

# California Academy of Sciences

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#### Admissions

Admissions sales are considered to comprise of only an exchange element, whereby revenue is recognized when the performance obligation is fulfilled, which occurs either upon use of the ticket on its stated date or when the ticket expires, whichever comes first.

#### Contributions

In accordance with ASC 958, "Not-for-Profit Entities", contributions are recognized as revenue at fair value when received if there are no conditions present. A contribution is conditional if a barrier must be overcome before the Academy is entitled to the asset and a right of return or release exists. Conditional promises to give are recognized as revenue when the barriers outlined by the donor have been met.

Contributions received which relate to the Academy's core activities are classified as increases in net assets without donor restrictions. Gifts of cash and other assets are reported as increases in net assets with donor restrictions if received with donor stipulations that limit the use, either for time and/or purpose, of the donated assets. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues in net assets with donor restrictions and net assets released from restriction to reflect the expiration of such restrictions. Contributions received for specific events are recognized upon the occurrence of the event. Contributions for capital improvements are released from restriction when the capital asset is placed in service.

Contributions received to acquire or construct long-lived assets are recorded as a donor-restricted gift until the related asset is placed in service at which time the capital gift is released from net assets with donor restrictions to net assets without donor restrictions.

The Academy receives corporate sponsorships for which revenue is recognized as both an exchange transaction and a contribution. In such instances, the Academy determines the fair value of the benefit provided to the sponsor and records that portion as earned revenue over the period the benefit was provided and the remaining portion as a contribution in the period received or in which conditions are met, if applicable.

The Academy receives gifts in kind, such as equipment and supplies, in addition to contributed services, principally in the form of advertising. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Academy. The Academy records revenue and a corresponding asset or expense as applicable for these contributed goods and services based on fair value of those goods and services as of the report date. Fair value is determined from market rates for equivalent assets or services. In the fiscal years ended June 30, 2021 and 2020, contributed goods and services totaled \$162,883 and \$13,244, respectively. No significant contributions of professional services were received during the years ended June 30, 2021 and 2020, respectively. A substantial number of volunteers have contributed significant amounts of time to the Academy; however, no amounts have been reflected in the accompanying consolidated financial statements for such contributed services as these services do not meet the criteria for recognition as contributions under U.S. GAAP.

A discount based on management's estimates is added to the present value of contributions and represents an additional factor in the fair value measurements. The discounts on those contributions are computed using an interest rate for the year in which the promise was received which considers market and credit risk as applicable. Amortization of the discount is included in contribution revenue.

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Contributions are reviewed for collectability and reserves for uncollectible amounts are established when needed. There was no allowance against contributions receivable at June 30, 2021 or 2020.

As of June 30, 2021 and 2020, two and four donors each accounted for 10% or more of contributions receivable. During the fiscal years ended June 30, 2021 and 2020, respectively, 27% and 10% of contribution revenue was received from one donor.

#### Government Grant Revenue

The Academy receives grants from various government agencies. If commensurate value is received by the grantor from the Academy, a grant is considered to be an exchange transaction, and revenue is recognized in accordance with ASC 606 and reported on the consolidated statements of activities within auxiliary activities. Grants that are considered non-exchange transactions are recorded as contribution revenue at fair value when received if there are no conditions present. If conditions exist, such grants are recognized as contribution revenue when the barriers outlined by the grantor have been met. The grants recorded by the Academy are primarily classified as contributions.

Grants receivable are presented on the consolidated statements of financial position as part of contributions receivable. Grants receivable are reviewed by management for collectability, and reserves for uncollectible amounts are established when needed. There was no allowance against grants receivable at June 30, 2021 or 2020.

#### Memberships

Membership fees, which are nonrefundable, are comprised of only an exchange element whereby commensurate value is received in exchange for consideration paid. Fees are charged to members at the commencement of their membership. In exchange, the Academy is obligated to transfer goods and services, such as admission and discounts, over the term of the membership at the discretion of the member. In accordance with ASC 606, revenue related to this performance obligation is recognized ratably over the life of the membership.

#### Auxiliary Activities

Auxiliary activities primarily include revenue from special event rental fees and catering commissions, occupancy fees related to the on-site retail stores and restaurants, other special programs, and tickets to the Academy's weekly Thursday night event, NightLife. These are considered exchange transactions whereby revenues are recognized in the period in which the performance obligations are met, which is when the event takes place or the commissions/fees are earned.

#### Support from the City and County of San Francisco

The Academy receives funding from the City and County of San Francisco in support of operation of the Steinhart Aquarium and maintenance of the building in Golden Gate Park. This revenue is recognized as contribution revenue in the period in which the Academy meets the conditions of the grant, which is in the period in which the Academy has incurred eligible operating expenses.

#### **Allocation of Expenses**

The costs of providing program and supporting activities have been summarized on the consolidated statements of functional expenses by function and natural classification. Expenses that relate to more than one program or support activity include marketing, guest experience, audiovisual support, information technology, and building operations costs as well as depreciation and amortization. Marketing, guest experience, and audiovisual support costs are allocated based on estimates of time and effort, information technology costs are allocated based on a combination

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of time and costs of specific technology utilized, and building operations and depreciation and amortization are allocated based on square footage.

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

Cash and cash equivalents include all unrestricted cash balances and short-term, highly liquid investments with a maturity of three months or less from the date acquired that are not held for long-term investment. Cash is held on deposit at various institutions. At times, cash deposits may exceed federally insured limits.

#### ***Restricted Cash***

Restricted cash consists of cash balances that have donor-imposed restrictions and are due to be transferred to the endowment investment account within the next fiscal year. Restricted cash is held on deposit at various institutions. At times, cash deposits may exceed federally insured limits.

#### ***Investments and Fair Value Measurements***

FASB ASC 820, "Fair Value Measurements," defines fair value, establishes a framework for measuring fair value under U.S. GAAP, and enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The Academy's financial assets and liabilities are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis, and purchases and sales are recorded on a trade date basis.

The Academy uses a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value and gives precedence to observable inputs in determining fair value. An instrument's level within the hierarchy is based on the lowest level of any significant input to the fair value measurement. The following levels were established for each input:

Fair value for Level 1 is based upon quoted prices in active markets that the Academy has the ability to access for identical assets and liabilities. Market price data is generally obtained from exchange or dealer markets. The Academy does not adjust the quoted price for such assets and liabilities.

Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers, and brokers.

Fair value for Level 3 is based on valuation techniques that use significant inputs that are unobservable as they trade infrequently or not at all.

The fair value of all debt and equity securities with a readily determinable fair value is based on quotations obtained from national securities exchanges. The fair value of investments in real estate is based on appraisals from qualified real estate appraisers using values for comparable properties in the area.

The Academy follows the concept of the "practical expedient" under U.S. GAAP. The practical expedient is an acceptable method under U.S. GAAP to determine the fair value of certain net

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asset value (“NAV”) investments that (a) do not have a readily determinable fair value predicated upon a public market and (b) either have the attributes of an investment company or prepare their financial statements consistent with the measurement principles of an investment company under U.S. GAAP. Accordingly, the Academy’s alternative investments (principally limited partnership interests in hedge, commingled, and private equity funds) which are not readily marketable are carried at estimated fair values based on the NAV of the fund as provided by the general partner of each investment fund. If no public market exists for the investment securities, the fair value is determined by the general partner taking into consideration among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. The Academy reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. These estimated fair values may differ significantly from the values that would be used if a ready market for the securities existed.

Unrealized gains or losses are the difference between the cost and the fair market value of investments at June 30, 2021 and 2020. Realized gains and losses are recorded at the time of disposition during the year and are calculated on a first-in, first-out basis. The net effect of unrealized and realized gains and losses is included in the consolidated statements of activities. The Academy’s investments are primarily held by three financial institutions and the Academy utilizes third party investment managers to manage its investment portfolio.

Investment securities are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect the Academy’s investments and total net asset balances. The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Academy believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

#### ***Investments Held in Trusts***

Pooled income funds and charitable remainder trusts represent gifts for which the Academy is the remainderman and the trustee; donors retain a lifetime interest in a portion of fund and trust income. Pooled income fund and charitable remainder trust investments are recorded at fair value based upon quoted market prices and are held with two commercial institutions. Annuities payable are calculated at fair value based upon the estimated life of each participant using discount rates ranging from 3.25% to 6.10%. The classification of the change in value of the pooled income funds and charitable remainder trusts is recorded on the consolidated statements of activities based on donor restrictions.

#### ***Endowment Management***

The Academy follows a total return approach to managing its endowment funds. Each year the Board of Trustees approves an amount to be allocated to support operations in accordance with its endowment spending allocation and investment objectives as disclosed in Note 5.

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

Building and related building improvements are valued at cost less accumulated depreciation and amortization. Depreciation and amortization on buildings, exhibits, and equipment is calculated on a straight-line basis over the estimated useful lives of those assets, ranging from 3 to 40 years.



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Upon retirement or sale, the cost and related accumulated depreciation and amortization of the assets are removed and any related gain or loss is reflected in the consolidated statements of activities. Maintenance and repairs are charged to expense as incurred. Refer to Note 8 for additional information on each asset class.

Buildings and related building improvements are reflected in the accompanying consolidated statements of financial position because a substantial portion of the costs are being funded through support from the Academy's donors, the assets are integral to operations, and the Academy has free use of the facilities for its charitable purposes. Under the terms of the Charter of the City and County of San Francisco ("the City"), no one other than the City may hold title to buildings on City property. These assets cannot be converted or sold for the benefit of the Academy.

The library collection is valued at historical cost. The Academy believes that the collection consists of rare books with a perpetual value and therefore the library collection is not depreciated.

Contributions of living and other specimens held as part of a collection – for education, science or public exhibition rather than for sale – are not recognized or capitalized. Such items which have been acquired through purchase have similarly not been capitalized.

Proceeds realized from a sale of collections must be used for acquisitions of specimens or materials or for the direct care of existing collections. The Academy defines direct care as the preservation of and/or investment in the existing collections by enhancing their life, usefulness, and/or quality. Direct care expenditures are consistent with responsible long-term fiscal planning and best practices in collections management and make a physical and/or immediate impact on an object that increases or restores its cultural and/or scientific value, thus prolonging its life and usefulness.

#### ***Accounting for Impairment of Long-Lived Assets***

In accordance with U.S. GAAP, the Academy evaluates the recoverability of property and equipment and other assets, including identifiable intangible assets with definite lives, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is measured by comparison of the carrying amount of an asset or an asset group to estimated undiscounted future net cash flows expected to be generated by the asset or asset group. If the carrying amount of an asset exceeds these estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the assets exceeds the fair value of the asset or asset group, based on discounted cash flows. Assets to be disposed of are reported at the lower of their carrying amount or fair value less cost to sell. For the fiscal years ended June 30, 2021 and 2020, the Academy did not record impairment charges related to long-lived assets.

#### ***Government Loans***

Loans from government agencies are recorded per FASB ASC 470, "Debt", and presented on the consolidated statements of financial position under annuities payable and other long-term liabilities. Per subtopic 30 of FASB ASC 835, "Interest", the Academy does not calculate imputed interest on transactions in which below-market interest rates have been established by government agencies. Government loans which are eligible for loan forgiveness are accounted for as liabilities until the period in which the loan is, in part or wholly, forgiven, at which point a gain on extinguishment of debt is recognized in the corresponding amount of the loan obligations forgiven.

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#### ***Deferred Bond Financing Costs***

Deferred bond financing costs, which include bond issuance fees, are amortized over the life of the bonds and are reflected on the consolidated statements of financial position under bonds payable, net. Financing costs are amortized using the straight-line method, which approximates the effective interest method, and are included in the functional expense allocation within interest and debt-related fees in the consolidated statements of activities.

#### ***Income Taxes***

The Academy is exempt from federal income taxes under the provisions of Section 501(a) of the Internal Revenue Code (“IRC” or “the Code”) as an organization described in IRC Section 501(c)(3) and is not classified as a private foundation under Section 509(a) of the Code. The Academy is also a public-benefit, tax-exempt corporation under the laws of the State of California and is therefore exempt from California income and franchise taxes on operations related to its exempt purpose and any excludable investment income.

The Academy files U.S. exempt organization returns and, as applicable, unrelated business income tax returns in federal and state jurisdictions. The Academy’s tax returns for the fiscal years ended June 30, 2018, 2019, and 2020 are open for potential IRS/state tax board examination. The Partnership files U.S. partnership tax returns and, as applicable, income tax returns in state jurisdictions. The Partnership’s tax returns for the calendar years ended December 31, 2018, 2019, and 2020 are open for potential IRS/state tax board examination. To date, neither the Academy nor the Partnership have been notified by taxing authorities of any pending examination.

The Academy follows the provisions of FASB ASC 740-10, “Accounting for Uncertainty in Income Taxes”. Management evaluated the Academy’s tax positions and concluded that there were no material uncertainties in income taxes as of June 30, 2021 or 2020.

#### **Recently Issued Accounting Pronouncements**

In February 2016, the FASB issued ASU No. 2016-02 (“ASU 2016-02”), “*Leases (Topic 842)*”, which generally requires companies to recognize operating and financing lease liabilities and corresponding right-of-use assets on the statements of financial position. Subsequent to the issuance of ASU 2016-02, the FASB issued several related ASUs such as ASU No. 2018-10, “*Codification Improvements to Topic 842, Leases*,” ASU No. 2018-11, “*Leases (Topic 842): Targeted Improvements*,” ASU No. 2018-20, “*Leases (Topic 842): Narrow-Scope Improvements for Lessors*,” and ASU No. 2019-01, “*Leases (Topic 842): Codification Improvements*”. In November 2019, the FASB issued ASU No. 2019-10 (“ASU 2019-10”), “*Financial Instruments-Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)-Effective Dates*,” which delayed the effective date of ASU 2016-02 for non-public entities by one year. In June 2020, the FASB issued ASU No. 2020-05 (“ASU 2020-05”), “*Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*,” which delays the effective date of ASU 2016-02 for non-public entities that have not yet issued their financial statements reflecting the adoption, although early adoption continues to be permitted. These ASUs do not change the core principle of the guidance stated in ASU 2016-02. This guidance will be effective for non-public entities for fiscal years beginning after December 15, 2021 on a modified retrospective basis. The Academy is currently evaluating the impact of adoption to the consolidated financial statements.

In November 2018, the FASB issued ASU No. 2018-18 (“ASU 2018-18”), “*Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606*.” ASU 2018-18 is effective for non-public entities for annual periods beginning after December 15, 2021, although early adoption is permitted. The Academy is currently evaluating the impact of adoption

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## Notes to Consolidated Financial Statements

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to the consolidated financial statements.

In March 2020, the FASB issued ASU No. 2020-04 (“ASU 2020-04”), *“Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting”*. This accounting standard is elective and applies to all entities, subject to meeting certain criteria, that have contracts, hedging relationships, and other transactions that reference London Inter-bank Offered Rate (“LIBOR”) or another reference rate expected to be discontinued because of reference rate reform. Among other amendments, ASU 2020-04 states that modifications of contracts within the scope of ASC 310, “Receivables”, and ASC 470, “Debt”, should be accounted for by prospectively adjusting the effective interest rate. ASU 2020-04 is effective for all entities as of March 12, 2020 through December 31, 2022. The Academy is currently evaluating the impact of adoption to the consolidated financial statements.

In September 2020, the FASB issued ASU No. 2020-07 (“ASU 2020-07”), *“Not-for-Profit Entities (Topic 958)-Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets”*. This accounting standard update increases the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The amendments in this Update should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. . The Academy is currently evaluating the impact of adoption to the consolidated financial statements

#### **Newly adopted accounting pronouncements**

In May 2014, the FASB issued ASU No. 2014-09 (“ASU 2014-09”), *“Revenue from Contracts with Customers (Topic 606).”* ASU 2014-09 outlines a single comprehensive standard for revenue recognition across all industries and supersedes most existing revenue recognition guidance. In addition, ASU 2014-09 requires new and enhanced disclosures. In August 2015, the FASB issued ASU No. 2015-14 (“ASU 2015-14”), *“Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date,”* which delayed the effective date of ASU 2014-09 by one year for all entities. In June 2020, the FASB issued ASU No. 2020-05 (“ASU 2020-05”), *“Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities,”* which delayed the effective date of ASU 2014-09 for all entities that had not yet issued their financial statements reflecting the adoption to annual reporting periods beginning after December 15, 2019. The Academy adopted ASU-2020-05 in adopting ASU 2014-09 for the year ended June 30, 2021.

Subsequent to the issuance of ASU 2014-09, the FASB issued several related ASUs such as ASU No. 2016-08, *“Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net),”* ASU No. 2016-10, *“Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing,”* and ASU No. 2016-12, *“Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients,”* among others. These ASUs do not change the core principle of the guidance stated in ASU 2014-09.

The two permitted transition methods under ASU 2014-09 and the related ASUs are the full retrospective method, in which the standard would be applied to each prior reporting period presented and the cumulative effect of applying the standard would be recognized at the earliest period shown, and the modified retrospective method, in which the cumulative effect of applying the standard would be recognized at the date of initial application. The Academy adopted this standard for the year ended June 30, 2021, and the adoption of this guidance did not have a material impact to the Academy's consolidated financial statements for any year presented.

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In June 2018, the FASB issued ASU No. 2018-08 (“ASU 2018-08”), “*Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.*” This accounting standard update clarified and improved the scope of contribution guidance relating to evaluation of contributions versus exchange transactions, or nonreciprocal versus reciprocal transactions, respectively. This ASU also provided clarity in determining whether a contribution is conditional. ASU 2018-08 became effective for non-public entities which serve as resource recipients for annual periods beginning after December 15, 2018. The Academy adopted this standard for the year ended June 30, 2020, and the adoption did not have a material impact on the Academy's consolidated financial statements. ASU 2018-08 is effective for non-public entities that serve as resource providers for annual periods beginning after December 15, 2019. The Academy has adopted the portion of the standard for contributions made as of June 30, 2021 and the adoption of this guidance did not have a material impact to the Academy's consolidated financial statements for the year ended June 30, 2021.

In August 2018, the FASB issued ASU No. 2018-13 (“ASU 2018-13”), “*Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement.*” This accounting standard update includes removals, modifications, and additions to Topic 820, and certain disclosures required by the update are not required for non-public entities. ASU 2018-13 is effective for annual periods beginning after December 15, 2019, although early adoption is permitted. The Academy adopted this standard for the year ended June 30, 2021, and the adoption of this guidance did not have a material impact to the Academy's consolidated financial statements.

In March 2019, the FASB issued ASU No. 2019-03 (“ASU 2019-03”), “*Not-for-Profit Entities (Topic 958): Updating the Definition of Collections.*” This accounting standard update modifies one condition in the definition of collections by expanding the scope of an organization's internal collection policy to allow proceeds from sales of collection items to be used for not only acquisition of other items for collections, as per the current guidance, but also direct care of existing collections. ASU 2019-03 is effective for annual periods beginning after December 15, 2019, although early adoption is permitted. The Academy adopted this standard for the fiscal year ended June 30, 2021, and the adoption did not have a material impact to the Academy's consolidated financial statements.

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**3. Liquidity and Availability of Resources**

The Academy's financial assets available within one year of the consolidated statements of financial position date for general expenditures are as follows as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
<b>Financial assets</b>		
Cash and cash equivalents	\$ 2,685,077	\$ 3,932,594
Restricted cash	100	400,000
Investments	476,809,121	426,010,358
Investment-related receivables	18,256,589	46,964,285
Other receivables, net	676,207	905,993
Contributions, net	24,192,156	6,885,654
Notes receivable, net	244,271	324,471
Investments held in trusts	6,619,381	5,634,873
Total financial assets	<u>529,482,902</u>	<u>491,058,228</u>
<b>Less financial assets unavailable for general expenditures within one year</b>		
Amounts unavailable for general expenditures within one year:		
Restricted by donor with time or purpose restrictions	(6,066,358)	(4,929,980)
Restricted by donor in perpetuity	(90,929,519)	(90,639,271)
Perpetual and term endowments accumulated earnings subject to appropriation beyond one year	(42,419,222)	(19,512,993)
Investment portfolio assets sold that are pending settlement	(850,081)	(26,377,456)
Investments held in trusts and various state-required annuity reserves	(6,619,381)	(5,634,873)
Notes receivable collectible beyond one year	(241,882)	(319,425)
Amounts unavailable to management without Board's approval:		
Board-designated for quasi-endowment	(73,281,468)	(64,971,963)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 309,074,991</u>	<u>\$ 278,672,267</u>

**Liquidity Management**

The Academy manages liquidity by maintaining financial assets sufficient to pay liabilities including salaries and benefits, other operating expenses, and debt and other obligations as they become due. At any point in time, the Academy keeps approximately \$1.5 million to \$4.0 million of cash available in its operating account in excess of outstanding checks to pay liabilities due within the next two weeks. Funding for operating expenses is obtained from earned revenue streams, contributions without donor restrictions, endowment support for current operations, and support from the City and County of San Francisco. Refer to Note 5 for additional information regarding the Academy's endowment spending allocation and investment objectives. When cash flows from operating activities need to be supplemented in order to pay liabilities, the Academy will borrow from revolving lines of credit. As of June 30, 2021 and 2020, the Academy had a total of \$15,000,000 and \$20,000,000 available for borrowing from its credit facilities, respectively. Refer to Note 9 for additional information regarding the Academy's revolving credit facilities.

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When cash in the Academy's operating account substantively exceeds the level needed to pay short-term liabilities, the Academy repays outstanding revolving line of credit balances and transfers cash to investment accounts. Cash and cash equivalent balances are monitored on a daily basis, and the Academy consults with its investment advisor to optimize the timing of investment transactions. Refer to Note 4 for additional information regarding the Academy's investments.

**4. Investments**

At June 30, 2021 and 2020, the fair values of investments were as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 130,952,432	\$ 1,945,100
Government agency and foreign government obligations	12,296,461	25,845,502
Corporate bonds, mortgage/asset-backed securities, and privately placed debt obligations	155,312,520	245,833,175
Domestic and foreign equity securities and mutual funds	50,494,962	52,306,615
Exchange traded funds	9,610,735	4,009,670
Equity hedge funds	20,553,222	17,808,371
Commingled funds	67,993,469	59,626,563
Private equity funds	28,871,819	17,659,055
Real estate and other	723,501	976,307
Total investments	<u>\$ 476,809,121</u>	<u>\$ 426,010,358</u>

The following schedule summarizes the Academy's investment return for the fiscal years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Investment income, net	\$ 4,348,016	\$ 8,053,255
Realized and unrealized gains, net	<u>52,842,605</u>	<u>3,157,233</u>
Investment return, net	<u>\$ 57,190,621</u>	<u>\$ 11,210,488</u>

The Academy's non-endowment investment portfolio without donor restrictions had a fair value of \$276,839,536 as of June 30, 2021, comprised of \$275,989,099 of investments plus \$850,437 in net pending trades. As of June 30, 2020, the Academy's non-endowment investment portfolio without donor restrictions had a fair value of \$270,049,591, comprised of \$261,464,932 of investments plus \$8,584,659 in net pending trades.

**Endolith Endowment Fund**

The California Academy of Sciences Endolith Endowment Fund, LP (the "Partnership") is a limited partnership which commenced operations on December 22, 2014. The Partnership serves as a single investor fund for the administrative convenience of the Academy (the "Limited Partner"). Since December 22, 2014 there has only been one Limited Partner, the Academy. The Partnership shall be dissolved any time there are no Limited Partners of the Partnership or upon

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## Notes to Consolidated Financial Statements

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an event occurring as described in the Amended and Restated Limited Partnership Agreement, effective as of February 1, 2020 (the “Partnership Agreement”). Hall Capital Partners LLC (the “Investment Manager”), a SEC registered investment advisor, is the sole member of HCP CAS Management, LLC and is the investment manager of the Partnership.

As of June 30, 2021 and 2020, respectively, investments held in the Partnership were \$199,244,298 and \$159,506,111 and total assets were \$216,864,196 and \$180,361,394. The Partnership’s investments are included in the Academy’s consolidated financial statements and accompanying disclosures as the Academy owned 100% of the Partnership as of June 30, 2021 and 2020.

Additional information related to alternative investments of the Partnership is as follows:

#### **Hedge Funds**

Hedge funds are generally open-end funds as they typically offer subscription and redemption options to investors. The amount of liquidity provided to investors in a particular fund is generally consistent with the liquidity and risk associated with the underlying portfolio (i.e., the more liquid the investments in the portfolio, the greater the liquidity provided to the investors). Liquidity of individual hedge funds varies based on various factors and may include “gates,” “holdbacks”, and “side pockets” imposed by the manager of the hedge fund as well as redemption fees which may also apply. The Academy invests in hedge funds with investment strategies including multi-strategy portfolios and portfolios consisting of a core group of growth stock positions in equity markets. The hedge funds held by the Academy as of June 30, 2021 allow for a range of quarterly to rolling 3-year redemptions, with a range of 30 to 90 days’ notice, with the exception of “side pockets” that are illiquid until realization.

#### **Commingled Funds**

Commingled funds consist of assets from multiple accounts that are pooled together to create economies of scale. The Academy invests in commingled funds with investment strategies including equity investments in emerging markets, the U.S., global developed public markets excluding the U.S., and global balanced portfolios. The commingled funds held by the Academy as of June 30, 2021 allow for a range of quarterly to rolling 3-year redemptions, with a range of 30 to 105 days’ notice requirements, with the exception of a “side pocket” that is illiquid until realization.

#### **Private Equity Funds**

Private equity funds are structured as closed-end, commitment-based investment funds where the Academy, through the Partnership, commits a specified amount of capital upon inception of the fund (i.e., committed capital) which is then drawn down over a specified period of the fund’s life. Such funds generally do not provide redemption options for investors and, subsequent to final closing, do not permit commitments by new or existing investors.

The Partnership may invest in secondary funds of funds (collectively, the “Underlying Funds”) that purchase interests in other funds on the secondary market.

As of June 30, 2021 and 2020, the Partnership had unfunded commitments of \$27,267,097 and \$15,975,955, respectively, to underlying private equity funds. These Underlying Funds are expected to be liquidated in 0-12 years unless terminated earlier or extended longer as permitted in the Underlying Funds’ partnership agreements.

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**Classification of Investments - Valuation Hierarchy**

The following table presents the investments and investments held in trusts carried at fair value on the consolidated statements of financial position as of June 30, 2021 by the ASC 820 valuation hierarchy defined in Note 2. There were no transfers out of or into Level 3 during the year ended June 30, 2021.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 130,952,432	\$ -	\$ -	\$ 130,952,432
Government agency and foreign government obligations	-	12,296,461	-	12,296,461
Corporate bonds, mortgage/asset-backed securities, and privately placed debt obligations	-	155,312,520	-	155,312,520
Domestic and foreign equity securities and mutual funds	50,494,962	-	-	50,494,962
Exchange traded funds	9,610,735	-	-	9,610,735
Real estate and other	-	98,501	625,000	723,501
Total investments	191,058,129	167,707,482	625,000	359,390,611
Investments held in trusts	6,619,381	-	-	6,619,381
Total assets included in the fair value hierarchy	<u>\$ 197,677,510</u>	<u>\$ 167,707,482</u>	<u>\$ 625,000</u>	366,009,992
Nonmarketable equity investments at NAV				117,418,510
Total investments and investments held in trusts				<u>\$ 483,428,502</u>

The following table presents the investments and investments held in trusts carried at fair value on the consolidated statements of financial position as of June 30, 2020 by the ASC 820 valuation hierarchy defined in Note 2.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,945,100	\$ -	\$ -	\$ 1,945,100
Government agency and foreign government obligations	124,404	25,721,098	-	25,845,502
Corporate bonds	-	245,833,175	-	245,833,175
Domestic and foreign equity securities and mutual funds	52,306,615	-	-	52,306,615
Exchange traded funds	4,009,670	-	-	4,009,670
Real estate and other	-	351,307	625,000	976,307
Investments - excluding nonmarketable equity investments at NAV	58,385,789	271,905,580	625,000	330,916,369
Investments held in trusts	5,634,873	-	-	5,634,873
Total assets included in the fair value hierarchy	<u>\$ 64,020,662</u>	<u>\$ 271,905,580</u>	<u>\$ 625,000</u>	336,551,242
Nonmarketable equity investments at NAV				95,093,989
Total investments and investments held in trusts				<u>\$ 431,645,231</u>

**Derivative Instruments**

The Academy invests in derivative instruments as a means to manage exposure to certain market risks and primarily through one investment manager. The Academy records all derivative instruments at fair value. Fair value adjustments are recorded and recognized as realized or



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unrealized gains/(losses) in the accompanying consolidated statements of activities.

The Academy utilizes a variety of derivative instruments and contracts including foreign currency contracts, futures contracts, credit default swaps, and options contracts, with each instrument's primary risk exposure being interest rate, credit, and foreign exchange, as well as a combination of secondary risk factors. Such contracts involve, to varying degrees, risk of loss from the possible inability of counterparties to meet the terms of their contracts.

Derivative instruments and contracts use notional amounts as a metric from which to calculate counterparty payment obligations. For example, the notional amount of the Academy's U.S. Treasury futures contracts is the face value of the underlying Treasuries on which the contract is based. The change in market value of that notional face value of Treasuries determines the payments made or received by the Academy or its counterparty. There is typically a wide disparity between the market value and notional amount of a derivative instrument or contract.

The Academy enters into forward foreign currency contracts whereby it agrees to exchange one currency for another on an agreed-upon date at an agreed-upon exchange rate to target and manage exposure to fluctuations in currency markets.

The Academy enters into futures contracts whereby it is obligated to deliver or receive various U.S. government debt instruments at a specified future date. The Academy engages in futures to target and manage exposure to interest rate movements and spreads.

The Academy enters into credit default swaps to simulate credit positions that are either unavailable or considered to be less attractively priced in the bond market. The Academy uses these swaps to take an active long or short position with respect to the likelihood of an event of default. The reference obligation of the swap can be a single issuer, a "basket" of issuers, or an index. The underlying referenced assets can include corporate debt, sovereign debt and asset backed securities.

The buyer of a credit default swap is generally considered to be "receiving protection" in the event of an adverse credit event affecting the underlying reference obligation, and the seller of a credit default swap is generally considered to be "providing protection" in the event of such credit event. The buyer is generally obligated to pay the seller a periodic stream of payments over the term of the contract in return for a contingent payment upon the occurrence of a credit event with respect to an underlying reference obligation. Generally, a credit event for corporate or sovereign reference obligations means bankruptcy, failure to pay, obligation acceleration, repudiation/moratorium or restructuring. For credit default swaps on asset-backed securities, a credit event may be triggered by events such as failure to pay principal, maturity extension, rating downgrade or write-down. If a credit event occurs, the seller typically must pay the contingent payment to the buyer, which is typically the par value (full notional value) of the reference obligation, though the actual payment may be mitigated by terms of the International Swaps and Derivative Agreement (ISDA), allowing for netting arrangements and collateral. The contingent payment may be a cash settlement or a physical delivery of the reference obligation in return for payment of the face amount of the obligation. If the Academy is a buyer and no credit event occurs, the Academy may lose its investment and recover nothing. However, if a credit event occurs, the buyer typically receives full notional value for a reference obligation that may have little or no value. As a seller, the Academy receives a fixed rate of income throughout the term of the contract, provided that no credit event occurs. If a credit event occurs, the seller may pay the buyer the full notional value of the reference obligation.

Credit default swaps are carried at their estimated fair value, as determined in good faith by the

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Academy. As payment and performance risk increases, the value of a credit default swap increases. Conversely, as payment and performance risk decreases, unrealized gains are recognized for short positions and unrealized losses are recognized for long positions. Any current or future declines in the fair value of the swap may be partially offset by upfront payments received by the Academy as a seller of protection if applicable.

Credit default swaps may involve greater risks than if the Academy had invested in the reference obligation directly. In addition to general market risks, credit default swaps are subject to liquidity risk and counterparty credit risk. The Academy enters into credit default swaps with counterparties meeting defined criteria for financial strength. The list of approved counterparties is reviewed periodically and a potential counterparty is removed if it no longer meets specified criteria.

The Academy enters into options contracts to take long or short positions on U.S. interest rates or currency exchange rates. The Academy enters into such contracts to target and manage its interest rate and currency exposure. The market value and unrealized gains or losses on these options are affected by actual and expected changes in current market interest rates and exchange rates.

#### **Foreign Currency Contracts**

As of June 30, 2021, the Academy had no foreign currency forward contracts. As of June 30, 2020, the Academy had foreign currency forward contracts with notional amounts totaling \$24,304,801. Such over-the-counter (“OTC”) contracts involve, to varying degrees, risks of loss from the possible inability of counterparties to meet the terms of their contracts. Changes in value are recognized as realized or unrealized gains/(losses) until the positions are closed.

#### **Futures Contracts**

As of June 30, 2021 and 2020, the Academy had futures contracts with notional amounts totaling \$24,279,922 and \$179,483,359, respectively. Such contracts involve centralized, third-party counterparties. Changes in value are recognized as realized or unrealized gains/(losses) until the positions are closed.

#### **Credit Default Swaps**

As of June 30, 2021, the Academy had no credit default swaps. As of June 30, 2020, the Academy had credit default swaps with notional amounts totaling \$1,119,000. Such OTC contracts involve, to varying degrees, risks of loss from the possible inability of counterparties to meet the terms of their contracts. Changes in value are recognized as realized or unrealized gains/(losses) until the positions are closed.

#### **Options Contracts**

As of June 30, 2021, the Academy had no options contracts. As of June 30, 2020, the Academy had options contracts with notional amounts totaling \$1,700,000. Such OTC contracts involve, to varying degrees, risks of loss from the possible inability of counterparties to meet the terms of their contracts. Changes in value are recognized as realized or unrealized gains/(losses) until the positions are closed.

#### **Collateral for Financial Instruments**

As of June 30, 2021, the Academy had no posted collateral for centrally cleared swaps. As of June 30, 2020, the Academy had posted collateral for centrally-cleared swaps in the amount of \$112,000.

As of June 30, 2021 and 2020, the Academy had posted collateral for futures and options in the

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amounts of \$83,000 and \$158,000, respectively.

**Notional Amounts and Fair Values**

The following table lists the notional amount and the fair value of the derivatives by contract type. The fair value is included within investments in the consolidated statements of financial position as of June 30, 2021:

	<b>Notional Amount</b>	<b>Fair Value Asset / (Liability)</b>
<b>Derivative type</b>		
Foreign currency contracts	\$ -	\$ -
Futures contracts	24,279,922	-
Credit default swaps	-	-
Options contracts	-	-
	\$ 24,279,922	\$ -

The following table lists the notional amount and the fair value of the derivatives by contract type. The fair value is included within investments in the consolidated statements of financial position as of June 30, 2020:

	<b>Notional Amount</b>	<b>Fair Value Asset / (Liability)</b>
<b>Derivative type</b>		
Foreign currency contracts	\$ 24,304,801	\$ (89,309)
Futures contracts	179,483,359	-
Credit default swaps	1,119,000	6,827
Options contracts	1,700,000	(1,587)
	\$ 206,607,160	\$ (84,069)

**Gains and Losses on Derivatives**

The realized or unrealized gains/(losses) on investments in derivatives by contract type included in the consolidated statements of activities for the fiscal years ended June 30, 2021 and 2020 are as follows:

	<b>2021</b>	<b>2020</b>
<b>Derivative type</b>		
Foreign currency contracts	\$ -	\$ (89,309)
Futures contracts	44,688	(18,365)
Credit default swaps	-	(46,322)
Options contracts	-	5,257
Total loss on derivatives	\$ 44,688	\$ (148,739)

**Counterparty Risk**

The use of derivative instruments introduces the risk that a counterparty won't fulfill a contractual obligation. In order to manage the risk of OTC derivative contracts, including foreign currency contracts, credit default swaps and cross currency swaps, the Academy's investment advisor vets counterparties on a firm-wide basis, utilizes master (such as ISDA) agreements and other collateral controls, and monitors counterparty exposure on a daily basis. The Academy's net

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counterparty exposure, quantified below, is equal to the excess market value of swaps and credit default swaps, and net realized or unrealized gains/(losses) for forward currency, over and above exchanged collateral. Derivatives cleared and traded via exchanges and centralized third-party counterparties include futures contracts, interest rate swaps, and options contracts.

For the fiscal years ended June 30, 2021 and 2020, the Academy's net counterparty exposure amounted to \$83,000 and \$7,184, respectively.

#### 5. Endowments and Net Assets

The Academy's endowment consists of approximately 42 donor restricted endowment funds and 23 board-designated endowment funds restricted for a variety of purposes. The net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

#### Interpretation of Relevant Law

The Board of Trustees has determined that the Academy is subject to the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). UPMIFA provides guidance and authority to charitable organizations concerning the management and investment of funds held by those organizations and imposes additional duties on those who manage and invest charitable funds.

In accordance with UPMIFA, the Academy classifies as net assets with donor restrictions (a time restriction in perpetuity) the original value of the gifts donated to the donor restricted endowment and the original value of subsequent gifts to the donor restricted endowment. Investment income from the donor restricted endowment is classified as net assets with donor restrictions (a purpose restriction) until those amounts are appropriated for expenditure by the Board. The Board of Trustees of the Academy has interpreted UPMIFA such that, subject to the intent of the Academy's donors, the Board may appropriate for expenditure or accumulate so much of an endowment fund as the Board determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund was established. The Board of Trustees of the Academy has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund unless a donor stipulates the contrary. When reviewing its donor-restricted endowment funds, the Academy considers a fund to be underwater if the fair value of the fund is less than the sum of: (a) the original value of initial and subsequent gift amounts donated to the fund, and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Academy has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

Additionally, in accordance with UPMIFA, the Academy considers the following factors in making a determination to appropriate or accumulate endowment funds:

- (1) The duration and preservation of the fund.
- (2) The purposes of the Academy and the donor restricted endowment fund.
- (3) General economic conditions.
- (4) The possible effect of inflation and deflation.
- (5) The expected total return from income and the appreciation of investments.

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- (6) Other resources of the Academy.  
(7) The investment policies of the Academy.

Endowment net asset composition by type of fund as of June 30, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 145,111,446	\$ 145,111,446
Board-designated endowment funds	77,871,615	-	77,871,615
Total endowment funds	<u>\$ 77,871,615</u>	<u>\$ 145,111,446</u>	<u>\$ 222,983,061</u>

Changes in endowment net assets for the fiscal year ended June 30, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets at beginning of year	\$ 69,461,337	\$ 120,889,141	\$ 190,350,478
Investment return, net	17,803,039	31,910,943	49,713,982
Contributions	27,449	290,063	317,512
Appropriation of endowment assets for expenditure	(9,420,210)	(7,978,701)	(17,398,911)
Endowment net assets at end of year	<u>\$ 77,871,615</u>	<u>\$ 145,111,446</u>	<u>\$ 222,983,061</u>

Endowment net asset composition by type of fund as of June 30, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 120,889,141	\$ 120,889,141
Board-designated endowment funds	69,461,337	-	69,461,337
Total endowment funds	<u>\$ 69,461,337</u>	<u>\$ 120,889,141</u>	<u>\$ 190,350,478</u>

Changes in endowment net assets for the fiscal year ended June 30, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets at beginning of year	\$ 71,021,538	\$ 123,468,881	\$ 194,490,419
Investment return, net	1,916,594	2,718,789	4,635,384
Contributions	58,637	191,216	249,853
Appropriation of endowment assets for expenditure	(3,535,432)	(5,489,745)	(9,025,177)
Endowment net assets at end of year	<u>\$ 69,461,337</u>	<u>\$ 120,889,141</u>	<u>\$ 190,350,478</u>

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**Description of Net Assets Without Donor Restrictions and Net Assets With Donor Restrictions**

***Net Assets Without Donor Restrictions***

The Academy's net assets without donor restrictions are comprised of undesignated and Board designated amounts for the following purposes at June 30:

	<u>2021</u>	<u>2020</u>
Undesignated	\$ 288,667,596	\$ 282,335,611
Board designated for quasi-endowment	77,871,615	69,461,337
Total net assets without donor restrictions	<u>\$ 366,539,211</u>	<u>\$ 351,796,948</u>

**Net Assets With Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes as follows at June 30:

	<u>2021</u>	<u>2020</u>
Restricted for research support	\$ 34,123,272	\$ 25,555,296
Restricted for public program support	24,757,168	13,130,594
Restricted for plant and new academy project	236,191	236,191
Restricted for general operations	11,664,534	3,280,945
Total subject to expenditure for specified purpose or period	<u>70,781,165</u>	<u>42,203,026</u>
Endowments subject to the Academy's spending policy and appropriation:		
Restricted for research support	21,427,622	21,360,148
Restricted for public program support	34,085,295	33,843,579
Restricted for general operations	37,224,452	37,243,582
Total endowments subject to the Academy's spending policy and appropriation	<u>92,737,369</u>	<u>92,447,309</u>
Total net assets with donor restrictions	<u>\$ 163,518,534</u>	<u>\$ 134,650,335</u>

**Underwater Endowment Funds**

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 UPMIFA requires the Academy to retain as a fund of perpetual duration. These deficiencies may result from unfavorable market fluctuations that occur shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs that were deemed prudent by the Board of Trustees. There were no underwater endowment funds as of June 30, 2021 or 2020.

**Return Objectives and Risk Parameters**

The Academy has adopted endowment investment and spending policies that attempt to provide a balance of the immediate need to sustain current operations and the long-term responsibility to preserve the endowment in order to assure the availability of the funds for future operations of the Academy. Under this policy, the return objective for the endowment assets, measured over a full market cycle, shall be to earn an average annual real total return equal to at least 5%. Actual returns in any given year may vary from this amount.

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**Endowment Spending Allocation and Investment Objectives**

The Board of Trustees of the Academy determines the method to be used to appropriate endowment funds for expenditure. The spending allocation is applied at the individual unitized endowment fund level and is calculated at the rate of 5% of the average market value of each fund on a unitized basis. The average market value is calculated based on a rolling 3-year average of the market value of each fund on a unitized basis. The corresponding calculated spending allocations are distributed in equal quarterly installments on the first day of each quarter from the current net total or accumulated net total investment returns for individual endowment funds. In establishing this policy, the Board of Trustees considered the expected long term rate of return on the Academy's endowment. As of June 30, 2021 and 2020, the allocation from the endowment funds for operating support for fiscal years 2022 and 2021 amounted to \$9,758,184 and \$17,398,911, respectively.

**6. Contributions Receivable, net**

As of June 30, 2021 and 2020, contributions receivable were as follows:

	<u>2021</u>	<u>2020</u>
Contributions receivable before discount	\$ 24,532,964	\$ 7,254,816
Less: Unamortized discount	(340,808)	(369,162)
Less: Allowance for doubtful contributions receivable	-	-
Contributions receivable, net	<u>\$ 24,192,156</u>	<u>\$ 6,885,654</u>
Amounts due		
Within one year	19,020,453	\$ 2,889,396
Two to five years	2,462,511	1,315,420
More than five years	3,050,000	3,050,000
Contributions receivable before discount and allowance	<u>\$ 24,532,964</u>	<u>\$ 7,254,816</u>

Discount rates used to calculate the present value of contributions receivable for the fiscal years ended June 30, 2021 and 2020 ranged from 0.13% to 3.34%.

**7. Notes Receivable, net**

The Academy holds a promissory note, dated December 30, 2010, for \$675,000 from the Music Concourse Community Partnership ("MCCP") related to the construction of a parking facility in Golden Gate Park. The note has a fixed interest rate of 6%. Interest payments are to be made on December 27 of each year. The note matures on December 1, 2040. The note receivable including accrued interest at June 30, 2021 and 2020 was \$1,359,635 and \$1,282,675, respectively. As of June 30, 2021 and 2020, the entire MCCP note receivable balance was reserved.

The Academy has adopted, as part of the compensation package to attract and retain talent for scientific research, a Home Purchase Loan Program. Under the program, the Academy extends loans to qualified employees. Individual notes cannot exceed \$150,000 and no more than ten notes can be outstanding at any point in time. As of June 30, 2021 and 2020, the Academy held promissory notes from six employees for housing support. The notes have fixed interest rates ranging from 2.22% to 3.22%, payable monthly or annually. The notes receivable including

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accrued interest at June 30, 2021 and 2020 were \$244,271 and \$324,471, respectively. There was no allowance against these notes receivable at June 30, 2021 or 2020.

**8. Property and Equipment, net**

At June 30, 2021 and 2020, the major classes of property and equipment were as follows:

	<u>2021</u>	<u>2020</u>
Land	\$ 710,000	\$ 710,000
Building and improvements	371,192,625	371,192,625
Aquarium	34,226,292	34,007,747
Planetarium	7,232,301	7,206,392
Library and rare books	12,526,087	12,526,087
Furniture, equipment, and software	30,416,944	30,001,560
Phone and information technology/infrastructure	7,111,871	7,111,871
Exhibit halls	30,412,749	30,412,749
Construction in progress	3,752,358	2,430,619
	<u>497,581,227</u>	<u>495,599,650</u>
Less: Accumulated depreciation and amortization	<u>(196,012,824)</u>	<u>(183,682,628)</u>
	<u>\$ 301,568,403</u>	<u>\$ 311,917,022</u>

Depreciation and amortization expense for the fiscal years ended June 30, 2021 and 2020 was \$12,786,648 and \$12,749,812, respectively.

**9. Debt Obligations**

At June 30, 2021 and 2020, the components of annuities payable and other long-term liabilities were as follows:

	<u>2021</u>	<u>2020</u>
Annuities payable	\$ 2,090,169	\$ 1,953,527
Paycheck Protection Program loan	8,106,745	8,106,745
Other long-term liabilities	169,610	208,157
Annuities payable and other long-term liabilities	<u>\$ 10,366,524</u>	<u>\$ 10,268,429</u>

**Annuities Payable**

The Academy's annuities payable relate to obligations of its investments held in trusts which include pooled income funds and charitable remainder trusts.

**Paycheck Protection Program Loan**

On March 27, 2020, the Coronavirus Aid Relief and Economic Security ("CARES") Act was enacted into U.S. law in response to the COVID-19 pandemic and created a variety of federal assistance programs, amended and expanded under later legislation, for individuals and organizations impacted by COVID-19. On April 16 2020, the Academy was granted a loan from JPMorgan Chase Bank, N.A. ("lender") in the aggregate amount of \$8,106,745, administered by the Small Business Administration ("SBA") and pursuant to the Paycheck Protection Program ("PPP") under Division A, Title I of the CARES Act. Funds from PPP loans may only be used for



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payroll costs and other qualifying expenses, including but not limited to employee benefits, mortgage interest, rent and utilities. PPP loans are eligible for loan forgiveness to the extent they are used for qualifying expenses and certain employee retention and pay criteria are met within the chosen eight to twenty-four week period subsequent to the funding date.

Any portion of the Academy's PPP loan which is not forgiven matures in April 2022 with an interest rate of 0.98% per annum, payable monthly commencing in August 2021, the end of the loan deferral period. Loan payments will be deferred further for borrowers who apply for loan forgiveness until the SBA remits the borrower's loan forgiveness amount to the lender. The PPP loan may be prepaid at any time prior to maturity with no prepayment penalties. As of June 30, 2021 and 2020, the entire \$8,106,745 loan balance was recorded in the consolidated statement of financial position within annuities payable and other long-term liabilities. As of June 30, 2021, the Academy had not applied for loan forgiveness. Refer to Note 15 for information on the forgiveness of the loan subsequent to June 30, 2021.

#### **Revolving Credit Facilities**

Effective April 10, 2020, the Academy entered into a revolving credit facility with Wells Fargo Bank, National Association. As of June 30, 2020, the facility allowed the Academy to borrow, repay, and reborrow loans up to the amount of \$10,000,000. The facility was amended on August 14, 2020. The maturity date was extended on April 1, 2021 and June 10, 2021. The amended and extended facility allows the Academy to borrow, repay, and reborrow loans up to the amount of \$5,000,000 through the maturity date of October 1, 2021. Interest is payable at a variable rate and due monthly or on the last day of each interest period, except for LIBOR rate loans for which interest is due quarterly or on the last day of each interest period. The LIBOR rate loans interest rate is the sum of 1-month LIBOR (or 1%, whichever is greater) plus 1%. Commitment fees of 0.35% are due quarterly based on the average daily unused portion of the commitment. As of June 30, 2021 and 2020, there were no outstanding amounts borrowed under the facility. The revolving credit facility with Wells Fargo Bank, National Association contains certain affirmative covenants, including a covenant for the Academy to provide audited consolidated financial statements no later than 150 days after the end of each fiscal year.

Effective May 13, 2020, the Academy entered into a revolving credit facility with JPMorgan Chase Bank, National Association. As of June 30, 2020, the facility allowed the Academy to borrow, repay, and reborrow loans up to the amount of \$10,000,000. The facility was amended on May 10, 2021. The amended facility allows the Academy to borrow, repay, and reborrow loans up to the amount of \$10,000,000 through the maturity date of May 6, 2022. With resolution from the Board of Trustees, the Academy has the right to increase the revolving credit facility's commitment on a single occasion by \$10,000,000. Within one to two months of the current maturity date, the Academy can request extension to the facility's maturity date. Interest is payable at a variable rate and due monthly or on the last day of each interest period. The Eurodollar loans interest rate is the sum of 1-month LIBOR plus 1.10%. Commitment fees of 0.30% are due quarterly based on the average daily unused portion of the commitment. As of June 30, 2021 and 2020, there were no outstanding amounts borrowed under the facility. The revolving credit facility with JPMorgan Chase Bank, National Association contains certain affirmative covenants, including covenants for the Academy to provide audited consolidated financial statements no later than 150 days after the end of each fiscal year and unaudited consolidated financial statements no later than 90 days after the end of each of the first three fiscal quarters.

#### **10. Bonds Payable, net**

In August 2018, the Academy issued Series 2018 A-D revenue bonds ("2018 Bonds") through the

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California Infrastructure and Economic Development Bank in the amount of \$281,450,000. The bond proceeds were used to repay all previously issued bonds in full which were issued to fund construction and improvements of the facilities in Golden Gate Park ("2008 Bonds"). The 2018 Bonds were to mature on August 1, 2047. Each Series of the 2018 Bonds was issued in an Index Mode with an Initial Index Mode Rate Period.

The 2018 Bonds were called and remarketed in June 2021. All Series were converted to an Index Mode Rate Period under the Index Mode Interest Rate. The final principal and maturity date of the bonds remained unchanged from 2018. The 2018 Bonds are subject to mandatory tender for purchase on August 1, 2024, and, at the election of the Academy, optional redemption after August 1, 2023.

During the fiscal years ended June 30, 2021 and 2020, the Academy incurred bond interest costs and remarketing fees of \$1,462,551 and \$4,314,148, respectively. Interest and remarketing costs are included in the functional expense allocation within interest and debt-related fees in the consolidated statements of activities. For all Series, average monthly interest rates ranged from 0.38% to 0.50% and 0.51% to 2.02% during the fiscal years ended June 30, 2021 and 2020, respectively.

The Academy amortizes debt issuance costs related to the 2018 Bonds over a 30 year life. These debt issuance costs are presented as a direct deduction from the carrying value of the debt liability. Unamortized debt issuance costs were \$1,944,624 and \$2,024,001 as of June 30, 2021 and 2020, respectively. The Academy recognized amortization expense of \$79,377 and \$158,067 for the fiscal years ended June 30, 2021 and 2020, respectively.

As of June 30, 2021 and 2020, the principal outstanding on the 2018 Bonds was \$281,450,000, with no principal payments due within the next five years.

Tax-exempt bonds issued on or after September 1, 1986 are subject to the arbitrage rebate requirements imposed by Section 148(f) (2) of the Internal Revenue Code (the "IRC"). The arbitrage rebate requirements require that any profit or arbitrage be rebated to the U.S. Government. The rebate amount due to the U.S. Government is equal to the excess of the amount earned on all non-purpose investments as defined in the IRC purchased with gross proceeds of the bonds over the amount which would have been earned if such non-purpose investments were invested at a rate equal to the yield on the bonds. The rebate is calculated over a five-year period. As of June 30, 2021, the Academy is in compliance with this requirement.

The 2018 Bond agreements contain certain affirmative covenants, including a covenant for the Academy to provide audited consolidated financial statements no later than 150 days after the end of each fiscal year.

#### **11. Employees' Retirement Plan**

The Academy maintains defined-contribution plans in the U.S., subject to Section 403(b) of the Internal Revenue Code. Based on federal limits, eligible employees could elect to contribute, on a tax-deferred basis, any percentage of their compensation to a maximum of \$19,500 in calendar years 2021 and 2020. Eligible employees over 50 years of age could also contribute an additional \$6,500 on a tax-deferred basis in calendar years 2021 and 2020. As of June 30, 2021, the Academy matches 3%, 4%, or 5% of employee contributions up to a maximum company contribution of 5% of base salary. However, the Academy temporarily suspended matching contributions during the year ended June 30, 2021. The Academy reinstated contribution matches

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for the year ending June 30, 2022. For the fiscal year ended June 30, 2020, the Academy made matching payments of \$1,185,282.

#### 12. Support from the City and County of San Francisco

Section 16.106 of the City and County of San Francisco charter states that the City and County of San Francisco shall provide funds necessary for the maintenance, operation, and continuance of the Steinhart Aquarium and funds deemed proper for the maintenance, operation, and continuance of other buildings and improvements placed under the control of the Academy. During the fiscal years ended June 30, 2021 and 2020, the City contributed \$5,461,493 and \$6,106,660, respectively, to the Academy for this support.

#### 13. Commitments and Contingencies

##### Legal Matters

The Academy is subject to certain legal proceedings, claims, investigations and administrative proceedings in the ordinary course of its business. The Academy records a provision for a liability when it is both probable that the liability has been incurred and the amount of the liability can be reasonably estimated. These provisions, if any, are reviewed at least quarterly and adjusted to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel, and other information and events pertaining to a particular case. In the opinion of management, the outcome of pending litigation is not expected to have a material effect on the Academy's financial position.

#### 14. COVID-19

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, as of March 19, 2020, California Governor Gavin Newsom ordered the closure for what may be an extended period of time of the physical location of every "non-life sustaining" ("non-essential") business and for individuals to stay at their places of residence except as needed to maintain continuity of operations of the federal critical infrastructure sectors. On March 12, 2020, the Academy temporarily closed its doors to the public and remained closed through October 12, 2020. Employees who care for animals and maintain the operations of the building continued to work at the Academy's headquarters in Golden Gate Park during the closure period while the remaining employees worked remotely to the extent possible. On June 12, 2020, the Academy enacted layoffs and furloughs representing approximately 43% of the organization's workforce. On October 13, 2020, the Academy re-opened for visitors to limited capacity after undertaking various health and safety precautions and receiving clearance from state and local authorities. On November 29, 2020, Governor Newsom again ordered non-essential businesses in San Francisco to close due to a rise in COVID-19 cases in the area. The Academy continued to conduct activities related to the care of its animals and maintenance of the site until it was permitted to reopen on March 15, 2021. The Academy reopened at significantly reduced building capacity while implementing various health and safety precautions. On April 15, 2021, COVID-19 vaccines became available to all adults. On June 15, 2021, in light of improving pandemic circumstances due to the vaccination program, Governor Newsom lifted public health restrictions which has allowed the Academy to gradually increase capacity in accordance with state guidelines. The Academy continues to operate at reduced capacity, and implement precautions and requirements for safeguarding the health and safety of visitors and employees.

Future potential impacts of the COVID-19 pandemic on the Academy may include limitations on

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## Notes to Consolidated Financial Statements

### June 30, 2021 and 2020

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the number of visitors to the Academy, continued disruptions or restrictions on employees' ability to work, and impairment of the Academy's ability to earn revenue, obtain contributions, and host volunteers. The full extent and duration of the continuation of these impacts on the Academy's operations and financial performance is currently unknown and depends on future developments that are uncertain and unpredictable including, but not limited to, the duration and spread of the pandemic, its impact on capital and financial markets on a macroscale, and new information that may emerge concerning the severity of COVID-19, its spread to other regions, the emergence and spread of variants, and the actions taken to contain the virus or treat its impact. The accompanying consolidated financial statements contain no adjustments related to the effects of the pandemic.

The pandemic continues to limit the Academy's earned revenue, particularly the revenue from admissions, memberships, and auxiliary activities. Several government relief programs have helped to provide liquidity to the Academy in light of reduced operations. During the year ended June 30, 2021, the Academy was awarded an amount of \$10,000,000 in the form of the Shuttered Venue Operator Grant ("SVOG") from the SBA which was recorded as contributions receivable and contribution revenue without donor restrictions. In April 2020, the CARES Act created the Employee Retention Tax Credit ("ERTC"), administered by the IRS, for which the Academy recorded \$4,629,663 in contributions receivable and contribution revenue with donor restrictions in the consolidated financial statements as of and for the year ended June 30, 2021. During the year ended June 30, 2020, the Academy received a loan of \$8,106,745 through the Paycheck Protection Program ("PPP"). Refer to Note 9 for additional information about the PPP loan received and to Note 15 for additional information on the forgiveness of the loan subsequent to June 30, 2021.

#### 15. Subsequent Events

The Academy has evaluated the consolidated financial statements for subsequent events through December 22, 2021, which is the date of issuance of this report. No subsequent events were identified except as follows:

On July 20, 2021, the Academy applied for PPP loan forgiveness with the SBA. On August 11, 2021, the SBA authorized full forgiveness of the \$8,106,745 loan. No principal or interest payments were made or required. The forgiveness of the loan has no impact to the financial statements for the year ended June 30, 2021 and will be accounted for in accordance with FASB ASC 470-50, *Debt Modifications and Extinguishment*.