# California Academy of Sciences

## Consolidated Financial Statements
## June 30, 2022 and 2021

# California Academy of Sciences
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## June 30, 2022 and 2021

RSM US LLP

**Independent Auditor's Report**

Audit Committee
California Academy of Sciences

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the consolidated financial statements of California Academy of Sciences (the Academy) and its subsidiary, which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, 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).

In our opinion, based on our audits, the accompanying financial statements present fairly, in all material respects, the financial position of the Academy as of June 30, 2022 and 2021, 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.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (Government Auditing Standards). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Academy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management 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 and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

***Auditor's Responsibilities for the Audit of Financial Statements***
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Academy's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**Other Reporting Required by Government Auditing Standards**
In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2022, 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
October 20, 2022

# California Academy of Sciences
## Consolidated Statements of Financial Position
## June 30, 2022 and 2021

| | 2022 | 2021 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 3,620,736 | $ 2,685,077 |
| Restricted cash | - | 100 |
| Investments (Note 4) | 446,828,771 | 476,809,121 |
| Receivables, net | | |
| Investment-related receivables | 2,523,215 | 18,256,589 |
| Other receivables, net | 1,077,362 | 676,207 |
| Contributions receivable, net (Note 7) | 24,209,296 | 24,192,156 |
| Prepaid expenses and other | 634,940 | 1,179,585 |
| Notes receivable, net (Note 8) | 136,025 | 244,271 |
| Investments held in trusts (Note 4) | 5,182,559 | 6,619,381 |
| Property and equipment, net (Note 9) | 292,219,868 | 301,568,403 |
| Total assets | $ 776,432,772 | $ 832,230,890 |
| **Liabilities and net assets** | | |
| Liabilities | | |
| Accounts payable and accrued expenses | $ 6,185,994 | $ 5,794,301 |
| Deferred revenue | 6,716,672 | 5,395,550 |
| Payable for investments purchased | 280,018 | 1,111,394 |
| Annuities payable and other long-term liabilities (Note 10) | 2,030,669 | 10,366,524 |
| Bonds payable, net (Note 11) | 279,770,529 | 279,505,376 |
| Total liabilities | 294,983,882 | 302,173,145 |
| Net assets (Note 5) | | |
| Without donor restrictions | 332,489,788 | 366,539,211 |
| With donor restrictions | 148,959,102 | 163,518,534 |
| Total net assets | 481,448,890 | 530,057,745 |
| Total liabilities and net assets | $ 776,432,772 | $ 832,230,890 |

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

# California Academy of Sciences
## Consolidated Statements of Activities
## Years Ended June 30, 2022 and 2021

| | 2022 | 2021 |
|---|---|---|
| **Change in net assets without donor restrictions** | | |
| Operating revenue and support | | |
| Admissions | $ 16,598,508 | $ 4,610,980 |
| Contributions and grants (Note 2, Note 6) | 9,487,148 | 9,961,824 |
| Memberships | 6,497,528 | 4,392,028 |
| Auxiliary activities | 5,512,747 | 1,160,493 |
| Support from the City and County of San Francisco (Note 13) | 5,834,370 | 5,461,493 |
| Endowment support for current operations (Note 5) | 5,907,595 | 7,978,701 |
| Net assets released from restrictions | 15,393,956 | 22,494,388 |
| Other transfers | (2,264,244) | - |
| Total operating revenue and support | 62,967,608 | 56,059,907 |
| Operating expenses | | |
| Salaries and benefits | 43,896,551 | 37,735,907 |
| Professional services | 7,923,169 | 4,528,331 |
| Supplies and equipment | 6,295,335 | 3,409,870 |
| Printing and advertising | 3,816,047 | 2,371,916 |
| Occupancy | 4,278,976 | 3,161,751 |
| Depreciation and amortization (Note 9) | 12,908,743 | 12,786,648 |
| Interest and debt-related fees | 1,715,544 | 1,541,928 |
| Other expenses | 1,891,116 | 1,060,971 |
| Total operating expenses | 82,725,481 | 66,597,322 |
| Change in net assets from operations before other income (expense) | (19,757,873) | (10,537,415) |
| Other income (expense) | | |
| Gain on extinguishment of debt | 8,106,745 | - |
| Total income (expense) | 8,106,745 | - |
| Change in net assets from operations | (11,651,128) | (10,537,415) |
| Non-operating | | |
| Investment return, net (Note 4) | (22,398,295) | 25,279,678 |
| Change in net assets from non-operating activities | (22,398,295) | 25,279,678 |
| Change in net assets without donor restrictions | (34,049,423) | 14,742,263 |
| **Change in net assets with donor restrictions** | | |
| Operating | | |
| Contributions and grants (Note 2, Note 6) | 25,182,715 | 27,140,282 |
| Endowment support for current operations | (5,907,595) | (7,978,701) |
| Net assets released from restrictions | (15,046,201) | (22,494,388) |
| Other transfers | 2,264,244 | - |
| Change in net assets from operations | 6,493,163 | (3,332,807) |
| Non-operating | | |
| Contributions and grants | 2,006,169 | 290,063 |
| Net assets released from restrictions | (347,755) | - |
| Investment return, net (Note 4) | (22,711,009) | 31,910,943 |
| Change in net assets from non-operating activities | (21,052,595) | 32,201,006 |
| Change in net assets with donor restrictions | (14,559,432) | 28,868,199 |
| Total change in net assets | (48,608,855) | 43,610,462 |
| **Net assets, beginning of period** | 530,057,745 | 486,447,283 |
| **Net assets, end of period** | $ 481,448,890 | $ 530,057,745 |

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, 2022

| | Program Activities | | | | | Supporting Activities | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Aquarium | Biodiversity science and sustainability | Education and outreach | Exhibits and public engagement | Program Subtotal | Development | Membership | Management and general | Supporting Subtotal | Total expenses |
| Salaries and benefits | $ 5,362,755 | $ 10,033,996 | $ 2,384,505 | $ 13,321,070 | $ 31,102,326 | $ 3,827,676 | $ 906,338 | $ 8,060,211 | $ 12,794,225 | $ 43,896,551 |
| Professional services | 527,956 | 1,317,267 | 404,217 | 1,919,748 | 4,169,188 | 551,558 | 1,248,846 | 1,953,577 | 3,753,981 | 7,923,169 |
| Supplies and equipment | 1,333,330 | 1,082,602 | 284,398 | 1,918,295 | 4,618,625 | 700,268 | 32,386 | 944,056 | 1,676,710 | 6,295,335 |
| Printing and advertising | 828,350 | 41,747 | 23,204 | 1,954,950 | 2,848,251 | 76,568 | 843,002 | 48,226 | 967,796 | 3,816,047 |
| Occupancy | 708,262 | 823,574 | 77,650 | 1,323,530 | 2,933,016 | 29,050 | 4,097 | 1,312,813 | 1,345,960 | 4,278,976 |
| Depreciation and amortization | 2,620,496 | 2,827,352 | 292,470 | 4,788,133 | 10,528,451 | 105,154 | 15,431 | 2,259,707 | 2,380,292 | 12,908,743 |
| Interest and debt-related fees | 346,795 | 374,170 | 38,705 | 633,659 | 1,393,329 | 13,916 | 2,042 | 306,257 | 322,215 | 1,715,544 |
| Other expenses | 197,778 | 686,253 | 103,267 | 267,990 | 1,255,288 | 131,394 | 25,687 | 478,747 | 635,828 | 1,891,116 |
| Total expenses | $ 11,925,722 | $ 17,186,961 | $ 3,608,416 | $ 26,127,375 | $ 58,848,474 | $ 5,435,584 | $ 3,077,829 | $ 15,363,594 | $ 23,877,007 | $ 82,725,481 |

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

| | Program Activities | | | | | Supporting Activities | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Aquarium | Biodiversity science and sustainability | Education and outreach | Exhibits and public engagement | Program Subtotal | Development | Membership | Management and general | Supporting Subtotal | Total expenses |
| 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 |
| Total expenses | $ 10,103,031 | $ 14,500,049 | $ 2,813,778 | $ 18,919,681 | $ 46,336,539 | $ 3,583,050 | $ 2,055,323 | $ 14,622,410 | $ 20,260,783 | $ 66,597,322 |

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

# California Academy of Sciences
## Consolidated Statement of Cash Flows
## Years Ended June 30, 2022 and 2021

| | 2022 | 2021 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Change in net assets | $ (48,608,855) | $ 43,610,462 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities | | |
| Depreciation and amortization | 12,908,743 | 12,786,648 |
| Amortization of deferred bond financing costs | 265,153 | 79,377 |
| Bad debt expense | 69,932 | 141,155 |
| Realized and unrealized (gains)/losses on investments, net | 49,100,020 | (52,099,028) |
| Gain on extinguishment of debt | (8,106,745) | - |
| Changes in investments held in trusts | 1,277,545 | (759,443) |
| Contributions permanently restricted for endowment | (571,956) | (240,100) |
| Proceeds from sale of donated securities restricted for endowment | (41,211) | (55,912) |
| Changes in assets and liabilities | | |
| Other receivables | (321,205) | 215,314 |
| Contributions receivable | (31,205) | (17,346,262) |
| Prepaid expenses and other | 544,645 | (104,536) |
| Accounts payable, accrued expenses, and other liabilities | 421,569 | (11,450) |
| Deferred revenue | 1,321,122 | 753,301 |
| Net cash provided by (used in) operating activities | 8,227,552 | (13,030,474) |
| **Cash flows from investing activities** | | |
| Purchase of investments | (406,472,991) | (950,365,503) |
| Proceeds from sale of investments | 402,456,700 | 964,005,625 |
| Purchases of property and equipment | (3,580,166) | (2,404,614) |
| Net cash provided by (used in) investing activities | (7,596,457) | 11,235,508 |
| **Cash flows from financing activities** | | |
| Contributions restricted for endowment | 571,956 | 240,100 |
| Proceeds from sale of donated securities restricted for endowment | 41,211 | 55,912 |
| Contributions restricted for capital additions and improvements | - | 50 |
| Investment change on annuity trusts | 224,569 | 113,771 |
| Annuity trust payments to beneficiaries | (533,272) | (262,284) |
| Proceeds from revolving lines of credit | - | 16,600,000 |
| Principal payment of revolving lines of credit | - | (16,600,000) |
| Net cash provided by (used in) financing activities | 304,464 | 147,549 |
| Net change in cash, cash equivalents, and restricted cash | 935,559 | (1,647,417) |
| **Cash, cash equivalents, and restricted cash at beginning of period** | 2,685,177 | 4,332,594 |
| **Cash, cash equivalents, and restricted cash at end of period** | $ 3,620,736 | $ 2,685,177 |
| **Supplemental information** | | |
| Cash paid for interest | $ 1,450,391 | $ 1,380,506 |
| Noncash investing/financing activities: | | |
| Gain on extinguishment of debt | 8,106,745 | - |
| Accrued purchases of property and equipment | - | 42,962 |

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

## 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. 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 *Hidden Wonders* exhibit provides an unprecedented peek at some of the standout specimens from our scientific collections—including

some on view for the very first time. *Bugs* enables visitors to see the world from insects' point of view, and learn how they've evolved their unique adaptations and behaviors. The *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, (the "Partnership") 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, unappropriated 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 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 net assets with donor restrictions 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, through the line items endowment support for current 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.

***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 Scope and 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.

Contract assets as of June 30, 2020 were $905,993 and contract liabilities as of June 30, 2020 were $4,642,249.

*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. The Academy records revenue and a corresponding asset or expense as applicable for these contributed assets and services based on market rates for equivalent assets or services.

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.

Contributions are reviewed for collectability and reserves for uncollectible amounts are established when needed. There was no allowance against contributions receivable at June 30, 2022 or 2021.

As of June 30, 2022 and 2021, one and two donors, respectively, accounted for 10% or more of contributions receivable. During each of the fiscal years ended June 30, 2022 and 2021, 27% 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, 2022 or 2021.

*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, executive director’s office, audiovisual support, information technology, and building operations costs as well as depreciation and amortization. Marketing, executive director’s office, and audiovisual support costs are allocated based on estimates of time and effort, information technology costs are allocated based on a combination 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 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. As of June 30, 2022 and 2021, respectively, nonmarketable alternative investments held at NAV were $114,770,473 and $117,418,510. Refer to Note 4 for additional information regarding the Academy's investments.

Unrealized gains or losses are the difference between the cost and the fair value of investments at June 30, 2022 and 2021. 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 the existence or absence of donor imposed 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. 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 9 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, 2022 and 2021, 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. Refer to Note 10 for additional information on government loans.

***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, 2019, 2020, and 2021 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, 2019, 2020, and 2021 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, 2022 or 2021.

**Recently Issued Accounting Pronouncements**

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 to the consolidated financial statements.

**Newly adopted 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 adopted this standard for the fiscal year ended June 30, 2022, and the adoption did not have a material impact to the Academy's 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 adopted this standard for the fiscal year ended June 30, 2022, and the adoption did not have a material impact to the Academy's 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 adopted this standard for the fiscal year ended June 30, 2022, and the adoption did not have a material impact to the Academy's consolidated financial statements.

## 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, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents | $ 3,620,736 | $ 2,685,077 |
| Restricted cash | - | 100 |
| Investments | 446,828,771 | 476,809,121 |
| Investment-related receivables | 2,523,215 | 18,256,589 |
| Other receivables, net | 1,077,362 | 676,207 |
| Contributions, net | 24,209,296 | 24,192,156 |
| Notes receivable, net | 136,025 | 244,271 |
| Investments held in trusts | 5,182,559 | 6,619,381 |
| Total financial assets | 483,577,964 | 529,482,902 |
| **Less financial assets unavailable for general expenditures within one year** | | |
| Amounts unavailable for general expenditures within one year: | | |
| Restricted by donor with time or purpose restrictions | (20,931,097) | (6,066,358) |
| Restricted by donor in perpetuity | (91,508,144) | (90,929,519) |
| Perpetual and term endowments accumulated earnings subject to appropriation beyond one year | (16,233,994) | (42,419,222) |
| Investment portfolio assets sold that are pending settlement | (1,390,579) | (850,081) |
| Investments held in trusts and various state-required annuity reserves | (5,182,559) | (6,619,381) |
| Notes receivable collectible beyond one year | (135,570) | (241,882) |
| Amounts unavailable to management without Board's approval: | | |
| Board-designated for quasi-endowment | (63,753,030) | (73,281,468) |
| Financial assets available to meet cash needs for general expenditures within one year | $284,442,991 | $309,074,991 |

### 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, 2022 and 2021, the Academy had a total of $20,000,000 and $15,000,000 available for borrowing from its credit facilities, respectively. Refer to Note 10 for additional information regarding the Academy's revolving credit facilities. 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, 2022 and 2021, the fair values of investments were as follows:

| | 2022 | 2021 |
|---|---|---|
| Cash and cash equivalents | $ 116,456 | $ 526,934 |
| Money market mutual funds | 9,240,044 | 130,425,498 |
| Government agency and foreign government obligations | 106,969,163 | 12,296,461 |
| Corporate bonds, mortgage/asset-backed securities, and privately placed debt obligations | 166,364,914 | 155,312,520 |
| Domestic and foreign equity securities and mutual funds | 41,241,194 | 50,494,962 |
| Exchange traded funds | 3,148,348 | 9,610,735 |
| Equity hedge funds | 20,421,303 | 20,553,222 |
| Commingled funds | 46,442,687 | 67,993,469 |
| Private equity funds | 47,906,483 | 28,871,819 |
| Real estate and other | 4,978,179 | 723,501 |
| Total investments | $ 446,828,771 | $ 476,809,121 |

The following schedule summarizes the Academy's investment return for the fiscal years ended June 30, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| Investment income, net | $ 4,860,620 | $ 4,348,016 |
| Realized and unrealized gains, net | (49,969,924) | 52,842,605 |
| Investment return, net | $ (45,109,304) | $ 57,190,621 |

The Academy's non-endowment investment portfolio without donor restrictions had a fair value of $264,611,981 as of June 30, 2022, comprised of $264,239,786 of investments plus $372,195 in net pending trades. As of June 30, 2021, the Academy's non-endowment investment portfolio without donor restrictions had a fair value of $276,839,536, comprised of $275,989,099 of investments plus $850,437 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 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, 2022 and 2021, respectively, investments held in the Partnership were $181,489,100 and $199,244,298 and total assets were $182,966,201 and $216,864,196. 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, 2022 and 2021.

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

**Equity 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, 2022 allow for a range of quarterly to rolling 3-year redemptions, with a range of 30 to 105 days' notice, with the exception of "side pockets" that are illiquid until realization, "special investments" not subject to redemptions where distributions to investors are determined solely by the investment manager, and inaugural investments subject to extended "lock-up" periods before redemptions may be requested by investors.

**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, 2022 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, and inaugural investments subject to extended "lock-up" periods before redemptions may be requested by investors.

**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, 2022 and 2021, the Partnership had unfunded commitments of $23,761,090 and $27,267,097, respectively, to underlying private equity funds. The Academy also had $11,880,309 of unfunded private equity commitments outside of the Partnership as of June 30, 2022. There were no such unfunded private equity commitments outside of the Partnership as of June 30, 2021. 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.

**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, 2022 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, 2022.

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Cash and cash equivalents | $ 116,456 | $ - | $ - | $ 116,456 |
| Money market mutual funds | 9,240,044 | - | - | 9,240,044 |
| Government agency and foreign government obligations | - | 106,969,163 | - | 106,969,163 |
| Corporate bonds, mortgage/asset-backed securities, and privately placed debt obligations | - | 166,364,914 | - | 166,364,914 |
| Domestic and foreign equity securities and mutual funds | 41,241,194 | - | - | 41,241,194 |
| Exchange traded funds | 3,148,348 | - | - | 3,148,348 |
| Real estate and other | - | 4,353,179 | 625,000 | 4,978,179 |
| Total investments | 53,746,042 | 277,687,256 | 625,000 | 332,058,298 |
| Investments held in trusts | 5,182,559 | - | - | 5,182,559 |
| Total assets included in the fair value hierarchy | $ 58,928,601 | $277,687,256 | $ 625,000 | 337,240,857 |
| Nonmarketable equity investments at NAV | | | | 114,770,473 |
| Total investments and investments held in trusts | | | | $ 452,011,330 |

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.

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Cash and cash equivalents | $ 526,934 | $ - | $ - | $ 526,934 |
| Money market mutual funds | 130,425,498 | - | - | 130,425,498 |
| 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 | $197,677,510 | $167,707,482 | $ 625,000 | 366,009,992 |
| Nonmarketable equity investments at NAV | | | | 117,418,510 |
| Total investments and investments held in trusts | | | | $ 483,428,502 |

**Derivative Instruments**

As of June 30, 2022, the Academy did not hold derivative investments.

As of June 30, 2021, the Academy invested in futures contracts as a means to manage exposure to certain market risks. The Academy records all derivative instruments at fair value. Fair value adjustments are recorded and recognized as realized or unrealized gains/(losses) in the accompanying consolidated statements of activities.

The Academy utilizes futures contracts with the primary risk exposure being to interest rates, 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 investments 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 fair 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 fair value and notional amount of a derivative instrument or contract.

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.

**Futures Contracts**
As of June 30, 2022, the Academy did not hold an investment in futures contracts. As of June 30, 2021, the Academy had futures contracts with notional amounts totaling $24,279,922. Such contracts involve centralized, third-party counterparties. Changes in value are recognized as realized or unrealized gains/(losses) until the positions are closed.

**Collateral for Financial Instruments**
As of June 30, 2022 and 2021, the Academy had posted no collateral for centrally cleared swaps.

As of June 30, 2022, the Academy had posted no collateral for futures. As of June 30, 2021, the Academy had posted collateral for futures in the amount of $83,000.

**Notional Amounts and Fair Values**
As of June 30, 2022, the Academy did not hold derivative investments or contracts.

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:

| | Notional Amount | Fair Value Asset / (Liability) |
|---|---|---|
| **Derivative type** | | |
| Futures contracts | $ 24,279,922 | $ - |
| | $ 24,279,922 | $ - |

**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, 2022 and 2021 are as follows:

| | 2022 | 2021 |
|---|---|---|
| **Derivative type** | | |
| Futures contracts | $ - | $ 44,688 |
| Total loss on derivatives | $ - | $ 44,688 |

**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 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.

As of June 30, 2022, the Academy did not have a net counterparty exposure. As of June 30, 2021, the Academy's net counterparty exposure amounted to $83,000.

## 5. Endowments and Net Assets

The Academy's endowment consists of approximately 44 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.

(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, 2022:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Donor-restricted endowment funds | $ - | $ 119,707,455 | $ 119,707,455 |
| Board-designated endowment funds | 68,757,320 | - | 68,757,320 |
| Total endowment funds | $ 68,757,320 | $ 119,707,455 | $ 188,464,775 |

Changes in endowment net assets for the fiscal year ended June 30, 2022:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Endowment net assets at beginning of year | $ 77,871,615 | $ 145,111,446 | $ 222,983,061 |
| Investment return, net | (13,048,093) | (22,711,009) | (35,759,102) |
| Contributions | 68,990 | 1,298,122 | 1,367,112 |
| Appropriation of endowment assets for expenditure | 3,864,808 | (3,991,104) | (126,296) |
| Endowment net assets at end of year | $ 68,757,320 | $ 119,707,455 | $ 188,464,775 |

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

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Donor-restricted endowment funds | $ - | $ 145,111,446 | $ 145,111,446 |
| Board-designated endowment funds | 77,871,615 | - | 77,871,615 |
| Total endowment funds | $ 77,871,615 | $ 145,111,446 | $ 222,983,061 |

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

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Endowment net assets at beginning of year | $ 69,461,337 | $ 120,889,141 | $ 190,350,478 |
| Investment return, net | 17,803,038 | 31,910,943 | 49,713,981 |
| Contributions | 27,450 | 290,063 | 317,513 |
| Appropriation of endowment assets for expenditure | (9,420,210) | (7,978,701) | (17,398,911) |
| Endowment net assets at end of year | $ 77,871,615 | $ 145,111,446 | $ 222,983,061 |

**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:

| | 2022 | 2021 |
|---|---|---|
| Undesignated | $ 263,732,468 | $ 288,667,596 |
| Board designated for quasi-endowment | 68,757,320 | 77,871,615 |
| Total net assets without donor restrictions | $ 332,489,788 | $ 366,539,211 |

**Net Assets With Donor Restrictions**

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

| | 2022 | 2021 |
|---|---|---|
| Endowments subject to expenditure for specified purpose or period: | | |
| Restricted for research support | $ 28,360,372 | $ 34,123,272 |
| Restricted for public program support | 22,530,385 | 24,757,168 |
| Restricted for plant projects | 944,237 | 236,191 |
| Restricted for general operations | 3,123,157 | 11,664,534 |
| Total net assets subject to expenditure for specified purpose or period | 54,958,151 | 70,781,165 |
| Endowments subject to the Academy's spending policy and appropriation: | | |
| Restricted for research support | 21,590,748 | 21,427,622 |
| Restricted for public program support | 34,201,069 | 34,085,295 |
| Restricted for general operations | 38,209,134 | 37,224,452 |
| Total endowments subject to the Academy's spending policy and appropriation | 94,000,951 | 92,737,369 |
| Total net assets with donor restrictions | $ 148,959,102 | $ 163,518,534 |

**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. Deficiencies of this nature exist in 3 donor-restricted endowment funds, which together have an original gift value of $17,384,258, a current fair value of $17,020,577, and a deficiency of $363,681 as of June 30, 2022. These deficiencies resulted from unfavorable market fluctuations 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.

**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.

**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, 2022 and 2021, the allocation from the endowment funds for operating support for fiscal years 2023 and 2022 amounted to $10,868,750 and $9,758,184, respectively.

## 6. Contributed Nonfinancial Assets

During the years ended June 30, 2022 and 2021, contributed nonfinancial assets recognized within the consolidated statements of activities were as follows:

| | 2022 | 2021 |
|---|---|---|
| Flight travel vouchers | $ 191,350 | $ - |
| Food | 63,799 | 7,921 |
| Computer equipment | 55,000 | 88,000 |
| Laboratory supplies | 1,196 | 63,582 |
| Other | - | 3,380 |
| Total contributed nonfinancial sssets | $ 311,345 | $ 162,883 |

The Academy recognized contributed nonfinancial assets within revenue, including contributed computer equipment, food, laboratory supplies, and flight travel vouchers. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

The contributed flight travel vouchers were used primarily for Academy staff travel expenses, including domestic travel to conferences and international travel for research expeditions. In valuing the flight travel vouchers, the Academy estimated the fair value on the basis of current market rates to purchase similar services at the time of donation.

Contributed food was used to support the Academy's fundraising events SuperNatural and the Big Bang Gala. In valuing the food, the Academy estimated fair value on the basis of current market rates to purchase similar products at the time of donation.

The contributed computer equipment was used for general and administrative activities. In valuing the computer equipment, the Academy estimated the fair value on the basis of current market rates to purchase similar equipment at the time of donation.

The contributed laboratory supplies were used for research-focused programs, primarily within the Academy's Institute for Biodiversity Science and Sustainability. In valuing the laboratory supplies, the Academy estimated the fair value on the basis of current market rates to purchase similar products at the time of donation.

The other contributed nonfinancial assets were used to support the mission of the Academy, through programmatic, research, or general support. In valuing these donated goods and/or services, the Academy estimated the fair value on the basis of current market rates to purchase similar products and/or services at the time of donation.

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 do not meet the criteria for recognition as contributions under U.S. GAAP.

## 7. Contributions Receivable, net

As of June 30, 2022 and 2021, contributions receivable were as follows:

| | 2022 | 2021 |
|---|---|---|
| Contributions receivable before discount | $ 25,717,686 | $ 24,532,964 |
| Less: Unamortized discount | (1,508,390) | (340,808) |
| Contributions receivable, net | $ 24,209,296 | $ 24,192,156 |
| Amounts due | | |
| Within one year | $ 4,162,156 | $ 19,020,453 |
| Two to five years | 18,505,530 | 2,462,511 |
| More than five years | 3,050,000 | 3,050,000 |
| Contributions receivable before discount and allowance | $ 25,717,686 | $ 24,532,964 |

Discount rates used to calculate the present value of contributions receivable for the fiscal years ended June 30, 2022 and 2021 ranged from 0.13% to 3.34%.

## 8. 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, 2022 and 2021 was $1,441,213 and $1,359,635, respectively. As of June 30, 2022 and 2021, 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, 2022 and 2021, the Academy held promissory notes from four employees and six employees, respectively, for housing support. The notes have fixed interest rates ranging from 2.22% to 3.22%, payable monthly or annually. The notes receivable including accrued interest at June 30, 2022 and 2021 were $136,025 and $244,271, respectively. There was no allowance against these notes receivable at June 30, 2022 or 2021.

## 9. Property and Equipment, net

At June 30, 2022 and 2021, the major classes of property and equipment were as follows:

| | 2022 | 2021 |
|---|---|---|
| Land | $ 710,000 | $ 710,000 |
| Building and improvements | 371,431,788 | 371,192,625 |
| Aquarium | 34,226,292 | 34,226,292 |
| Planetarium | 7,696,517 | 7,232,301 |
| Library and rare books | 12,526,087 | 12,526,087 |
| Furniture, equipment, and software | 30,700,271 | 30,416,944 |
| Phone and information technology/infrastructure | 7,047,143 | 7,111,871 |
| Exhibit halls | 31,850,926 | 30,412,749 |
| Construction in progress | 4,562,243 | 3,752,358 |
| | 500,751,267 | 497,581,227 |
| Less: Accumulated depreciation and amortization | (208,531,399) | (196,012,824) |
| | $ 292,219,868 | $ 301,568,403 |

Depreciation and amortization expense for the fiscal years ended June 30, 2022 and 2021 was $12,908,743 and $12,786,648, respectively.

## 10. Debt Obligations

At June 30, 2022 and 2021, the components of annuities payable and other long-term liabilities were as follows:

| | 2022 | 2021 |
|---|---|---|
| Annuities payable | $ 1,831,184 | $ 2,090,169 |
| Paycheck Protection Program loan | - | 8,106,745 |
| Other long-term liabilities | 199,485 | 169,610 |
| Annuities payable and other long-term liabilities | $ 2,030,669 | $ 10,366,524 |

### 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 for individuals and organizations impacted by COVID-19. In April 2020, the Academy applied for and was granted a loan from JPMorgan Chase Bank, National Association in the aggregate amount of $8,106,745, administered by the U.S. 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 payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations and are eligible for loan forgiveness to the extent they are used for qualifying expenses and certain employee retention criteria are met within the eight week period subsequent to the funding date. In June 2020, the Paycheck Protection Program Flexibility Act ("PPPFA") was enacted into U.S. law which, among other adjustments and clarifications, extended the eight-week PPP loan period to twenty-four weeks.

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 loan forgiveness has been included in these consolidated financial statements as a gain on extinguishment of debt in accordance with FASB ASC 470-50*, "Debt Modification and Extinguishment."* The forgiveness of the loan is subject to potential audit by the SBA for a period of six years after forgiveness.

**Revolving Credit Facilities**
Effective April 10, 2020, the Academy entered into a revolving credit facility with Wells Fargo Bank, National Association. The facility was amended on August 14, 2020, and the maturity date was extended on April 1, 2021 and June 10, 2021. The amended and extended facility allowed 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 was 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 was due quarterly or on the last day of each interest period. The LIBOR rate loans interest rate was the sum of 1-month LIBOR (or 1%, whichever is greater) plus 1%. Commitment fees of 0.35% were due quarterly based on the average daily unused portion of the commitment.

Effective October 1, 2021, the existing revolving credit facility with Wells Fargo Bank, National Association matured, and the Academy entered into a new revolving credit facility with Wells Fargo Bank, National Association. The new agreement allows the Academy to borrow, repay, and reborrow loans up to the amount of $10,000,000 through the maturity date of October 1, 2023. Interest is accrued either at a fluctuating rate per annum equal to 1.10% plus the 1-month LIBOR in effect on the first day of a selected 1-month period during which all or a portion of the outstanding principal balance of the loans bears interest in relation to LIBOR, or at a fixed rate per annum determined by the lender to be equal to be 1.10% plus LIBOR in effect on the first day of the applicable LIBOR period. Interest is due on the last day of each month or upon repayment. As of June 30, 2022 and 2021, 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 and unaudited consolidated financial statements no later than 60 days after the end of each quarter of the first three fiscal quarters.

Effective May 13, 2020, the Academy entered into a revolving credit facility with JPMorgan Chase Bank, National Association. The facility was amended on May 10, 2021 and October 7, 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 an extension to the facility's maturity date. Interest is payable at a variable rate and due monthly 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 0.20% are due quarterly based on the average daily unused portion of the commitment.

Effective June 10, 2022, the revolving credit facility with JPMorgan Chase Bank, National Association was amended. The amended facility allows the Academy to borrow, repay, and reborrow CB Floating Rate ("CBFR") loans and/or Secured Overnight Financing Rate ("SOFR") loans up to the amount of $10,000,000 through the maturity date of May 5, 2023. 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 an extension to the facility's maturity date. Interest is payable at a variable rate and due monthly on the last day of each interest period. The CBFR loans interest rate is the greater of the Prime Rate or 2.50% plus 0.25%. The SOFR loans interest rate is the Adjusted Term SOFR Rate plus 1.00%. Commitment fees of 0.20% are due quarterly based on the average daily unused portion of the commitment. As of June 30, 2022 and 2021, 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 the fiscal year and unaudited consolidated financial statements no later than 90 days after the end of each quarter of the first three fiscal quarters.

## 11. Bonds Payable, net

In August 2018, the Academy issued Series 2018 A-D revenue bonds ("2018 Bonds") through the 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 remarketed in an Index Mode with an Initial Index Mode Rate Period scheduled to end on July 31, 2024.

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, 2022 and 2021, the Academy incurred bond interest costs and remarketing fees of $1,450,391 and $1,462,551, 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 0.37% to 1.17% and 0.38% to 0.50% during the fiscal years ended June 30, 2022 and 2021, 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 $1,679,471 and $1,944,624 as of June 30, 2022 and 2021, respectively. The Academy recognized amortization expense of $265,153 and $79,377 for the fiscal years ended June 30, 2022 and 2021, respectively.

As of June 30, 2022 and 2021, 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, 2022, 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.

## 12. 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 $20,500 and $19,500 in calendar years 2022 and 2021. Eligible employees over 50 years of age could also contribute an additional $6,500 on a tax-deferred basis in calendar years 2022 and 2021. As of June 30, 2022, the Academy matches 3%, 4%, or 5% of employee contributions up to a maximum company contribution of 5% of base salary. Employees must contribute a minimum of 3% to receive a matching contribution. The Academy temporarily suspended matching contributions during the fiscal year ended June 30, 2021 but reinstated contribution matches for the fiscal year ended June 30, 2022. For the fiscal year ended June 30, 2022, the Academy made matching payments of $1,207,216.

## 13. 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, 2022 and 2021, the City contributed $5,834,370 and $5,461,493, respectively, to the Academy for this support.

## 14. 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 outstanding investigations and pending litigation are not expected to have a material effect on the Academy's financial position.

## 15. 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. This has allowed the Academy to gradually increase capacity in accordance with state guidelines. During the year ended June 30, 2022, the Academy operated at regular capacity while maintaining precautions and requirements to safeguard the health and safety of visitors and employees.

Future potential impacts of the COVID-19 pandemic on the Academy may include limitations on 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. As of June 30, 2022, the Academy had received the full outstanding balance related to the SVOG. 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. As of June 30, 2022, the outstanding receivable balance related to the ERTC was $2,234,601.

**16. Subsequent Events**

The Academy has evaluated the consolidated financial statements for subsequent events through October 20, 2022, which is the date of issuance of this report. No subsequent events were identified.