The Academy of Natural Sciences of Philadelphia

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

Financial Statements
For the Years Ended June 30, 2020 and 2019

The Academy of Natural Sciences of Philadelphia
Index
June 30, 2020 and 2019

Report of Independent Auditors

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

We have audited the accompanying financial statements of The Academy of Natural Sciences of Philadelphia (a Pennsylvania not-for-profit corporation dba The Academy of Natural Sciences of Drexel University), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and of cash flows for the years then ended.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Academy of Natural Sciences of Philadelphia as of June 30, 2020 and 2019, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania
October 30, 2020

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The Academy of Natural Sciences of Philadelphia

Statements of Financial Position
June 30, 2020 and 2019 (in thousands)

		2020		2019
Assets:				
Cash and cash equivalents				
Operating	$	462	$	2,258
Grants and other receivables		751		1,238
Contributions receivables, net		999		1,631
Beneficial interest in trusts, at fair value		9,583		9,574
Investments, at fair value		58,754		61,884
Land, buildings and equipment, net		20,070		17,934
Operating lease right-of-use (ROU) asset		15		-
Other assets/Due from Drexel University		68		302
Total assets	$	90,702	$	94,821
Liabilities:				
Accounts payable	$	932	$	884
Accrued liabilities		746		710
Deferred revenue		1,813		1,784
Accrued retirement obligations		10,392		9,717
Line of credit - Drexel University		1,701		-
Operating lease liability		14		-
Other liabilities/Due to Drexel University		25		-
Total liabilities		15,623		13,095
Net Assets:				
Without donor restrictions		2,721		2,573
With donor restrictions		72,358		79,153
Total net assets		75,079		81,726
Total liabilities and net assets	$	90,702	$	94,821

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

The Academy of Natural Sciences of Philadelphia
Statement of Activities
For the Year Ended June 30, 2020 (in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Operating			
Revenues and releases:			
Grants and contracts	$ 1,668	$ 1,368	$ 3,036
Contributions	1,172	818	1,990
Allocation of endowment spending from financial capital	588	2,718	3,306
Investment Income, net	335	20	355
Auxiliary Enterprises	2,308	-	2,308
Other income	5,628	5	5,633
Total revenues	11,699	4,929	16,628
Net assets released from restriction	8,671	(8,671)	-
Total revenues and releases	20,370	(3,742)	16,628
Expenses:			
Salaries and wages	7,532	-	7,532
Employee benefits	2,534	-	2,534
Depreciation and amortization	1,194	-	1,194
Interest	23	-	23
Other operating expenses	7,056	-	7,056
Total expenses	18,339	-	18,339
Increase / (decrease) in net assets from operating activities	2,031	(3,742)	(1,711)
Non-operating			
Contributions - Endowment and other gifts	-	196	196
Realized/unrealized net gain (loss) on investments, net of endowment payout and expenses	(52)	(3,249)	(3,301)
Expenses related to frozen defined benefit pension plan	(1,831)	-	(1,831)
(Decrease) in net assets from non-operating activities	(1,883)	(3,053)	(4,936)
Total increase / (decrease) in net assets	148	(6,795)	(6,647)
Net assets, beginning of year	2,573	79,153	81,726
Net assets, end of year	$ 2,721	$ 72,358	$ 75,079

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

The Academy of Natural Sciences of Philadelphia

Statement of Activities

For the Year Ended June 30, 2019 (in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Operating			
Revenues and releases:			
Grants and contracts	$ 1,448	$ 1,594	$ 3,042
Contributions	1,067	958	2,025
Allocation of endowment spending from financial capital	534	2,536	3,070
Investment Income, net	328	9	337
Auxiliary Enterprises	3,145	-	3,145
Other income	4,696	5	4,701
Total revenues	11,218	5,102	16,320
Net assets released from restriction	5,738	(5,738)	-
Total revenues and releases	16,956	(636)	16,320
Expenses:			
Salaries and wages	7,471	-	7,471
Employee benefits	2,057	-	2,057
Depreciation and amortization	1,131	-	1,131
Other operating expenses	7,628	-	7,628
Total expenses	18,287	-	18,287
(Decrease) in net assets from operating activities	(1,331)	(636)	(1,967)
Non-operating			
Contributions - Endowment and other gifts	-	7	7
Realized/unrealized net gain on			-
investments, net of endowment payout and expenses	(7)	47	40
Expenses related to frozen defined benefit			-
pension plan	(1,789)	-	(1,789)
Other decreases	(26)	-	(26)
Increase / (decrease) in net assets from non-operating activit	(1,822)	54	(1,768)
Total (decrease) in net assets	(3,153)	(582)	(3,735)
Net assets, beginning of year	5,726	79,735	85,461
Net assets, end of year	$ 2,573	$ 79,153	$ 81,726

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

The Academy of Natural Sciences of Philadelphia

Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019

		2020		2019
Operating activities:				
Decrease in net assets	$	(6,647)	$	(3,735)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Depreciation and amortization		1,194		1,131
Loss on disposal of equipment		-		3
Change in market value in beneficial interests in trusts		(9)		(370)
Contributions restricted for long-term investment		(184)		(27)
Non-cash contributions received		(113)		(314)
Proceeds from sales of donated securities		112		306
Actuarial change on annuity liabilities		3		(24)
Realized/unrealized loss on investments		(191)		(2,917)
Changes in operating assets and liabilities				
Grants and other receivables		487		4,246
Contributions receivable		617		633
Other assets		233		(102)
Accounts payable and accrued liabilities		246		(3,026)
Accrued retirement obligations		675		737
Deferred revenue		29		(3,692)
Other net		24		(1,666)
Net cash (used in) / provided by operating activities		(3,524)		(8,817)
Investing activities:				
Purchase of investments		(5,885)		(9,131)
Proceeds from sales and maturities of investments		9,208		12,306
Purchase of buildings and equipment		(3,495)		(324)
Net cash (used in) / provided by investing activities		(172)		2,851
Financing activities:				
Contributions restricted for endowments		184		27
Proceeds from sales of donated securities		15		50
Proceeds from short-term debt from Drexel University		1,701		-
Net cash (used in) / provided by financing activities		1,900		77
Net decrease in cash and cash equivalents		(1,796)		(5,889)
Cash and cash equivalents, beginning of year		2,258		8,147
Cash and cash equivalents, end of year	$	462	$	2,258
Supplemental information				
Donated securities	$	128	$	364
Cash paid for interest		-		-

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

1. Nature of Organization and Summary of Significant Accounting Policies

The Academy of Natural Sciences of Philadelphia (the "Academy") is a not-for-profit corporation that has been granted tax-exempt status under Section 501 (c)(3) of the Internal Revenue Code. The Academy was founded in 1812. Pursuant to an affiliation agreement dated September 30, 2011 the Academy became a non-profit subsidiary of Drexel University ("Drexel"). The Academy is dedicated to encouraging and cultivating the sciences and advancing learning. The Academy operates a public museum in Philadelphia and conducts systematic research and research in aquatic ecosystems, including integrating such research with education regarding biodiversity and environmental science in collaboration with Drexel and its students.

Basis of Accounting and Financial Statement Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and with the provision of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") No. 958, *Not-for-Profit Entities*, which requires the Academy to classify its net assets into two categories according to donor-imposed restrictions; net assets without donor imposed restrictions and net assets with donor imposed restrictions.

Net Assets without Donor Restrictions – Net assets derived from Academy that are not subject to explicit donor-imposed restrictions. Net assets without donor restrictions include board designated funds functioning as endowment funds.

Net Assets with Donor Restrictions - Net assets which are subject to explicit donor-imposed restrictions on the expenditure of contributions or income and gains on contributed assets, net assets from endowments not yet appropriated for spending by the Academy. In some cases, donor restrictions can be fulfilled by actions of the Academy in accordance with those stipulations or by the passage of time. In other cases, some restrictions, such as endowed funds, are permanent, and typically, the donors of these assets permit the Academy to use all or part of the income earned on these assets for operations. Restrictions include support of specific departments of the Academy, research, scholarships and fellowships, building construction and other purposes. When time and purpose restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Measure of Operations

The Academy's measure of operations as presented in the statements of activities includes revenue from grants and contracts, contributions for operating programs, the allocation of endowment spending for operations, museum admissions, membership dues, and other revenues. Operating expenses are reported on the statements of activities by natural classification.

The Academy's non-operating activity within the statements of activities includes contributions to the Academy's endowment, investment returns and other activities related to endowment, and long-term benefit plan obligation funding changes that are not part of the Academy's operating activities.

Liquidity and Availability
The Academy's financial assets available within one year of the balance sheet date for general expenditure less non-financial assets and financial assets not available within one year as of June 30, 2020 are as follows:

(in thousands)		2020		2019
Total assets at year-end	$	90,702	$	94,821
Less non-financial and financial assets not available within one year:				
Contributions receivable due in more than one year		167		790
Beneficial Interests in trusts		9,583		9,574
Investments		58,754		61,884
Land, buildings and equipment, net		20,070		17,934
Operating lease right-of-use (ROU) asset		15		-
Other assets		68		241
Financial assets available at year-end for current use	$	2,045	$	4,398

The Academy has $2,045,000 of financial assets that are available within one year of the balance sheet date to meet cash needs for general expenditure. In addition to these available financial assets, a significant portion of the Academy's annual expenditures will be funded by current year operating revenues including museum income, membership dues, grant and contract income, and support from Drexel. The Academy structures its financial assets to be available as general expenditures, liabilities and other obligations come due.

The Academy's investments consist of donor-restricted and board-designated endowment funds. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. As described in Note 6, for fiscal year 2020 and 2019 the Board of Trustees approved a current distribution to 6.0% and 5.50%, respectively, of the fair market value of the pooled endowment assets for the prior seven years. Under the approved spending rules, the Academy received an allocation of $3,306,000 and $3,000,000. The endowment portfolio structures cash to be available for the endowment spend and to fulfill capital calls for alternative investments.

To help manage unanticipated liquidity needs, the Academy has a line of credit with Drexel in the amount of $5,000,000, which it could draw upon. At June 30, 2020, the Academy had drawn $1,700,000 on the line of credit. Additionally, the Academy has a board-designated endowment of $1,446,000 as of June 30, 2020. Although the Academy does not intend to spend from its board-designated endowment funds other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowment could be made available if necessary. However, the board-designated endowment funds contain investments with lock-up provisions that reduce the total investments that could be made available.

Cash and Cash Equivalents
Cash and cash equivalents represent demand deposits and other investments with an initial maturity date not exceeding 90 days. At June 30, 2020 and 2019, the Academy had cash balances in financial institutions, which exceed federal depository insurance limits. Management believes the credit risks related to these deposits to be minimal. Cash and cash equivalents are carried at cost, which approximates fair value. All money market funds that are held in endowment are considered investments by the Academy.

Contributions Receivable
Contributions and unconditional pledges are recorded at the present value of their expected future cash flows. Unconditional pledges that are expected to be collected within one year are recorded at their estimated net realizable value. Conditional pledges are not included as revenue until the conditions, which represent barriers that must be overcome before the Academy is entitled to the assets transferred, are fulfilled. Contributions are reported as an increase in the appropriate net asset category.

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

Fair Value of Financial Instruments
The Academy applies fair value measurements to contributions receivable, beneficial interests in trusts, endowment investments and annuities.

Functional and Natural Classification of Expenses
The costs of providing the various programs and other activities of the Academy have been summarized on a functional basis in Note 16. Accordingly, direct costs incurred have been allocated among the programs and supporting services benefited based on management estimates.

Fundraising
Fundraising costs were $539,827 and $678,355 in 2020 and 2019, respectively.

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

Contributed property and equipment are recorded at fair value as of the date of the donation. If the donor restricts how long the asset must be used or how the asset is used, the contributions are recorded as restricted. In the absence of stipulations, these contributions are recorded without restrictions.

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

Income Taxes
The Academy is a not-for-profit corporation that has been granted tax exempt status under Section 501 (c)(3) of the Internal Revenue Code, and accordingly files Federal Tax Form 990 (*Return of Organization Exempt from Income Tax*), annually.

The Academy has from time to time reported unrelated business income from investments held in the endowment fund when unrelated business income has been reported by the investment manager on Schedule K-1. The statute of limitations on the Academy's U.S. federal informational returns remains open for three years following the year they are filed.

The FASB issued ASC No. 740-10, *Accounting for Uncertainty in Income Taxes,* which requires that a tax position be recognized or derecognized based on a "more likely than not" threshold. The Academy does not believe there are any uncertain tax positions that would require recognition in the financial statements as of June 30, 2020 and 2019.

Recently Adopted Accounting Pronouncements
In February 2016, the FASB issued ASU No. 2016-02 *Leases (Topic 842)*, which is meant to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The guidance is effective for annual fiscal periods beginning after December 15, 2018. In July 2018, FASB issues ASU No. 2018-11 which amends the transition methods contained in ASU No. 2016-02. The Academy has early adopted the standard on a modified retrospective basis effective July 1, 2019. As a result, the Academy has recorded the operating right-of-use (ROU) assets and liabilities related to equipment leases. The impact is reflected in the Statements of Financial Position for the period ending June 30, 2020. There was no change to the beginning net assets for the period ending June 30, 2019.

In August 2016, the FASB issued ASU No. 2016-15, *Statements of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. ASU No. 2016-15 aims to reduce the diversity in practice that has resulted from the lack of consistent principles on this topic. ASU No. 2016-15 if effective for fiscal years beginning after December 15, 2017, with early adoption permitted. Entities must apply the guidance retrospectively to all periods presented but may apply it prospectively from the earliest date practicable if the retrospective application would be impracticable. The Academy has adopted ASU No. 2016-15 by applying the retrospective transition method which is reflected in the Statements of Cash Flow for both periods presented. The adoption of this guidance did not have a material impact on the financial statements.

In March 2017, the FASB issued ASU No. 2017-07, *Compensation – Retirement Benefits (Topic 715)*: ASU No. 2017-07 requires the service cost component of net periodic pension cost and net periodic postretirement benefit cost to be presented as part of fringe benefit expense in the Statement of Activities. The other components of net periodic benefit cost will be reported as non-operating activity in the Statement of Activities. ASU No. 2017-07 is effective for annual periods beginning after December 15, 2017, with early adoption permitted. Entities must apply the guidance retrospectively to all periods presented. The Academy has adopted ASU No. 2017-07 and the impacts of these changes are reflected in the Statement of Activities for both periods presented.

Recently Issued Accounting Pronouncements

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, which aims to improve the usefulness of the disclosures to financial statement users and reduce unnecessary costs to companies when preparing the disclosures. ASU No. 2018-13 is effective for annual periods beginning after December 15, 2019, with early adoption permitted. Changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively. All other amendments should be applied retrospectively to all periods presented. The Academy is currently evaluating the standard to determine the impact it will have on its financial statements.

In August 2018, the FASB issued ASU No. 2018-14, *Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20) – Disclosure Framework – Changes to Disclosure Requirements for Defined Benefit Plans*, which aims to improve the overall usefulness of disclosures to financial statement users and reduce unnecessary costs to companies when preparing the disclosures. ASU No. 2018-14 is effective for public business entities for annual periods beginning after December 15, 2021, with early adoption permitted in a retrospective basis to all periods presented. The Academy is currently evaluating the standard to determine the impact it will have on its financial statements.

In August 2018, the FASB issued ASU No. 2018-15, *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. ASU No. 2018-15 aligns the accounting for costs incurred to implement a cloud computing arrangement that is a service arrangement with the guidance on capitalizing costs associated with developing or obtaining internal-use software. ASU No. 2018-15 is effective for annual periods beginning after December 15, 2020, with early adoption permitted. Entities can apply the guidance prospectively or retrospectively. The Academy is currently evaluating the standard to determine the impact it will have on its financial statements.

In November 2018, the FASB issued ASU No. 2018-18, *Collaborative Arrangements (Topic 808) – Clarifying the Interaction between Topic 808 and Topic 606*, which seeks to clarify that certain transactions between collaborative arrangement participants should be accounted for as revenue and apply all relevant guidance under Topic 606 to these revenues. In addition, ASU No. 2018-18 provides more comparability in the presentation of revenue for certain transactions between collaborative arrangement participants. ASU No. 2018-18 is effective for annual periods beginning after December 15, 2020. The Academy is currently evaluating the standard to determine the impact it will have on the financial statements.

In March 2019, the FASB issued ASU No. 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections*, which seeks to align the definition of collections as defined in the American Alliance of Museums' (AAM) Code of Ethics for Museums with its definition of collections in the Master Glossary. The FASB is also making a technical correction in *Topic 360 – Property, Plant and Equipment*, to clarify the accounting and disclosure guidance for collections in *Subtopic 958-360, Not-for Profit Entities – Property, Plant and Equipment*. ASU No. 2019-03 is effective for fiscal years beginning after December 15, 2019. The Academy is currently evaluating the standard to determine the impact it will have on the financial statements.

2. Grants Receivable

Grants receivable represents invoices billed to grantor for services provided under the terms of the grant agreements which have not yet been collected as of June 30, 2020 and 2019. Grant receivables are written off against the allowance for doubtful accounts when they are determined to be uncollectible based upon management's assessment. The allowance for doubtful accounts is estimated based on the Academy's historical losses and periodic review of the accounts.

(in thousands)		**2020**		**2019**
Grants and other receivables	$	799	$	1,286
Allowance for doubtful accounts		(48)		(48)
Grants receivables	$	751	$	1,238

As of June 30, 2020, the Academy has outstanding unrecorded conditional grants receivable of $4,084,057. Revenue for these conditional grants will be recognized in future periods when the conditions are met.

3. Contributions Receivable

Unconditional pledges are reported as contributions receivable and revenue in the appropriate net asset category. Contributions receivable with a payment due more than a year from the pledge date are recorded net of a discount using rates as of June 30, 2020 and June 30, 2019 that range between 0.16% to 0.66% and 1.75 % to 2.00%, respectively. The Academy considers these discount rates to be a Level 3 input in the context of ASC No. 820-10 (Note 5)

When the conditional barriers are overcome and the donor's right of return has expired, the revenue is recorded and is generally restricted for operations, endowment and capital projects as stipulated by the donors. The Academy has conditional contributions receivable of $50,000 for each of the years ended June 30, 2020 and 2019.

Net contributions receivable at June 30 were as follows:

(in thousands)	**2020**	**2019**
Amounts due in		
Less than one year	$ 832	$ 841
One to five years	390	839
Greater than five years	-	-
Gross contributions receivable	1,222	1,680
Less:		
Allowance for uncollectibles	(219)	-
Discounts to present value	(4)	(49)
Total contributions receivable, net	$ 999	$ 1,631

4. Investments and Investment Return

At June 30, 2020 and 2019, the fair value of investments included the following:

	Fair value	
(in thousands)	**2020**	**2019**
Money market funds	$ 2,013	$ 805
U.S. equity	13,917	14,486
Global equity	12,468	13,344
Fixed income securities and bond funds	8,099	10,287
Real estate and real assets funds	5,730	9,150
Hedge funds	3,783	3,464
Private equity	12,744	10,348
Total investments	58,754	61,884

The following summarizes the Academy's total investment return and its classification in the financial statements for the year ended June 30, 2020 and 2019:

	2020		
(in thousands)	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Investment income, net of expenses	$ 7	$ 474	$ 481
Realized/unrealized gains	529	(1,008)	(479)
Endowment payout under spending formula	(588)	(2,718)	(3,306)
Realized/unrealized gain on investments, net	(52)	(3,252)	(3,304)
Operating investment income	335	20	355
Total return on investments	$ 283	$ (3,232)	$ (2,949)

	2019		
(in thousands)	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Investment income, net of expenses	$ 11	$ 707	$ 718
Realized/unrealized gains	516	1,876	2,392
Endowment payout under spending formula	(534)	(2,536)	(3,070)
Realized/unrealized gain on investments, net	(7)	47	40
Operating investment income	328	9	337
Total return on investments	$ 321	$ 56	$ 377

5. Fair Value of Financial Instruments

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

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

In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. In those cases, the lowest level input that is significant to a fair value measurement in its entirety determines the applicable level in the fair value hierarchy. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment and consideration of factors specific to the asset. Fair value measurements are categorized as Level 3 when a significant number of price or other inputs, considered to be unobservable, are used in their valuations. The fair value hierarchy and inputs to valuation techniques are as follows:

Level 1 — Quoted prices (unadjusted) in active markets for identical assets and liabilities at the measurement date. Instruments categorized in Level 1 primarily consist of a broadly traded range of equity and debt securities.

Level 2 — Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable for the asset or liability, including quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability and inputs that are derived from observable market data by correlation or other means.

Level 3 — Unobservable inputs for the asset or liability, including situations where there is little, if any, market activity for the asset or liability. Instruments categorized in Level 3 primarily consist of trusts and annuities.

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

As of June 30, 2020, and 2019, assets and liabilities at fair value were as follows:

2020 *(in thousands)*	Level 1	Level 2	Level 3	Investments at NAV	Total
Assets					
Beneficial interest in trusts	$ -	$ -	$ 9,583	$ -	$ 9,583
Investments					
Money market funds	2,013	-	-	-	2,013
U.S. Equity	12,495	-	-	1,422	13,917
Global Equity	8,578	-	-	3,890	12,468
Fixed Income securities and bond funds	6,733	-	-	1,366	8,099
Real estate and real assets funds	-	-	-	5,730	5,730
Hedge funds	-	-	-	3,783	3,783
Private Equity	-	-	-	12,744	12,744
Total investments	29,819	-	-	28,935	58,754
Total assets at fair value	$ 29,819	$ -	$ 9,583	$ 28,935	$ 68,337
Liabilities					
Split-interest agreements	$ -	$ -	$ 213	$ -	$ 213
Annuities	-	-	40	-	40
Total liabilities at fair value	$ -	$ -	$ 253	$ -	$ 253

2019 *(in thousands)*	Level 1	Level 2	Level 3	Investments at NAV	Total
Assets					
Beneficial interest in trusts	$ -	$ -	$ 9,574	$ -	$ 9,574
Investments					
Money market funds	805	-	-	-	805
U.S. Equity	13,165	-	-	1,321	14,486
Global Equity	9,208	-	-	4,136	13,344
Fixed Income securities and bond funds	8,870	-	-	1,417	10,287
Real estate and real assets funds	-	-	-	9,150	9,150
Hedge funds	-	-	-	3,464	3,464
Private Equity	-	-	-	10,348	10,348
Total investments	32,048	-	-	29,836	61,884
Total assets at fair value	$ 32,048	$ -	$ 9,574	$ 29,836	$ 71,458
Liabilities					
Split-interest agreements	$ -	$ -	$ 230	$ -	$ 230
Annuities	-	-	20	-	20
Total liabilities at fair value	$ -	$ -	$ 250	$ -	$ 250

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

			2020	
(in thousands)	**Fair Value**	**Unfunded Commitments**	**Redemption Frequency (If Currently Eligible)**	**Redemption Notice Period (If Applicable)**
Hedge Funds:				
Multi-Strategy Hedge Funds (a)	$ 8	$ -		
Fixed Income and Related Hedge Funds (b)	2,712	-	Quarterly	45 days
Real Estate Hedge Funds (c)	1,063	-	Quarterly	60 days
Subtotal Hedge Funds	3,783	-		
Private Equity:				
Private Capital Funds-Secondaries (d)	557	285		
Private Capital Funds-Buy-out (e)	6,483	4,410		
Private Capital Funds-Debt (f)	897	1,495		
Private Capital-Real Assets (g)	3,131	4,768		
Private Capital-Real Estate (h)	1,676	1,665		
Subtotal Private Equity	12,744	12,623	Close-ended funds not available for redemption	
US Equity (i)	1,422	-		
Global Equity (i)	3,890	-		
Fixed Income Securities and Bond Funds (i)	1,366	-		
Real Estate and Real Assets Funds (i)	5,730	-		
	$ 28,935	$ 12,623		

a. This category invests in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. As of June 30, 2020, the composite portfolio includes 100% in private equity investments which can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets in the portfolio. If these investments were held, it is estimated that the underlying assets would be liquidated over the next 1 to 4 years. The fair values of the investments have been estimated using the reported net asset value per share of the hedge fund.

b. This category includes investment in hedge funds that invest in U.S. mortgage backed securities. The fair values of the investments have been estimated using the reported net asset value per share of the hedge fund.

c. This category includes investment in hedge funds that invest in diversified U.S. real estate properties. The fair values of the investments have been estimated using the reported net asset value per share of the hedge fund.

d. This category includes investments in private equity funds that invest in the private equity secondary market. The private equity secondary market refers to the buying and selling of pre-existing investor commitments to private equity and other alternative investment funds.

These investments can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets of the fund. It is estimated that 100% of the underlying assets will be liquidated over 1 to 4 years. The fair value has been estimated using the reported net asset value per share of the private capital fund.

e. This category includes investments in private equity funds that invest in buy-outs. A buy-out is a purchase of a company or a controlling interest of a corporation's shares or product line of some business. These investments are primarily diversified across asset classes, and are primarily in the U.S. These investments can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets of the fund. It is estimated that 6% of the underlying assets of the fund will be liquidated over 1 to 4 years, 74% over 5 to 7 years, and 20% over 8 to 10 years. The fair value has been estimated using the net asset value per share of the private capital fund.

f. This category includes investments in private equity funds that provide debt financing to middle market firms. These investments can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets of the fund. It is estimated that 0% of the underlying assets of the fund will be liquidated over 1 to 4 years, 88% in 5 to 7 years, and 12% in 8 to 10 years. The fair value has been estimated using the reported net asset value per share of the private capital fund.

g. This category includes investments in private equity funds that invest primarily in real assets (e.g. investments with intrinsic value, such as real estate or commodities). These investments can never be redeemed. Instead, distributions are received through the liquidation of the underlying assets of the fund. It is estimated that 37% of the underlying assets of the fund will be liquidated over approximately 1 to 4 years, 27% over 5 to 7 years, and 36% over 8 to 10 years. The fair value has been estimated using the reported net asset value per share of the private capital fund.

h. This category includes investments in private equity funds that invest in U.S. commercial real estate, and a broad range of mortgage-related investments. These investments can never be redeemed. Instead, distributions are received through the liquidation of the underlying assets of the fund. It is estimated that 19% of the underlying assets of the fund will be liquidated over approximately 1 to 4 years, 75% over 5 to 7 years, and 6% over 8 to 10 years. The fair value has been estimated using the reported net asset value per share of the private capital fund.

i. This category includes investments in U.S. equity, global equity, fixed income securities and bond funds, and real estate and real assets funds. Investments in this category reflect the fair value of the specific assets or the underlying ventures' net assets. The valuations of these investments are the net asset values prepared by fund managers. The majority of these investments are commingled funds.

The change in the Academy's Level 3 assets and liabilities as of June 30 included the following:

(in thousands)		2020		2019
Assets at beginning of year	$	9,574	$	9,204
Net realized/unrealized gain		406		673
Purchases of investments		-		-
Sales of investments		(397)		(303)
Assets at end of year	$	9,583	$	9,574

(in thousands)		2020		2019
Liabilities at beginning of year	$	250	$	274
Changes in annuities and split-interest agreements		3		(24)
Liabilities at end of year	$	253	$	250

6. Endowment Funds

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

To satisfy its rate-of-return objectives, the Academy relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Endowment assets are invested in several asset classes and subclasses thereof to moderate the volatility of the returns for the entire portfolio.

For the years ended June 30, 2020 and 2019, the Academy had an endowment spending rule that limited the spending of endowment resources to 6.0% and 5.50%, respectively, of the average fair value of the pooled endowment portfolio for the prior seven fiscal years. This rule was applied except in cases where the spending rate had been stipulated by the donor (typically 5.0%).

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

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

Interpretation of Relevant Law

The Board of Trustees has interpreted Pennsylvania Act 141 ("PA Act 141") as requiring the preservation of the fair value of the original gift as specified in the individual trust instruments. Because of this interpretation, the Academy internally classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) earnings of the endowment made in accordance with the direction of the applicable donor designation. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by PA Act 141. Both permanently restricted and temporarily restricted net assets are considered net assets with donor restrictions as per the applicable accounting standards. The Academy's policy is to not allocate spend from underwater endowment funds.

Endowment Funds with Deficiencies

From time to time, the fair value of some assets associated with individual donor-restricted endowment funds may fall below the level that donors require to be retained as a perpetual fund. The aggregate amount of deficiencies of these funds is reported in net assets with donor restrictions in the statement of activities. Subsequent investment gains will be used to restore the balance to the fair market value of the original amount of the gift. Aggregate deficiencies for the years ended June 30, 2020 and 2019 were approximately $1,294,603 and $648,648, respectively. The original gift amount and the fair value of the underwater endowment funds in the aggregate were $18,281,323 and $16,986,721 as of June 30, 2020 and $9,885,765 and $9,237,117 as of June 30, 2019, respectively.

Endowment composition by type of fund as of June 30, 2020 and 2019 was as follows:

		2020	
(in thousands)	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Donor-restricted endowment funds	$ -	$ 57,312	$ 57,312
Board-designated endowment funds	1,446	-	1,446
Total assets	$ 1,446	$ 57,312	$ 58,758

		2019	
(in thousands)	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Donor-restricted endowment funds	$ -	$ 60,384	$ 60,384
Board-designated endowment funds	1,496	-	1,496
Total assets	$ 1,496	$ 60,384	$ 61,880

Changes in the Academy's endowment assets (excluding annuities and trusts) for the years ended June 30, 2020 and 2019 were as follows:

	2020		
(in thousands)	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Endowment at beginning of year	$ 1,496	$ 60,384	$ 61,880
Endowment return:			
Investment income, net of fees	7	474	481
Net realized/unrealized gain	(7)	(498)	(505)
Total endowment return	-	(24)	(24)
Contributions	-	209	209
Use of endowment assets:			
Endowment payout used in operations	(51)	(3,256)	(3,307)
Other	-	-	-
Total uses of endowment assets	(51)	(3,256)	(3,307)
Endowment at end of year	$ 1,445	$ 57,313	$ 58,758

	2019		
(in thousands)	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Endowment at beginning of year	$ 1,501	$ 60,697	$ 62,198
Endowment return:			
Investment income, net of fees	11	707	718
Net realized/unrealized gain	31	1,969	2,000
Total endowment return	42	2,676	2,718
Contributions	-	7	7
Use of endowment assets:			
Endowment payout used in operations	(47)	(3,023)	(3,070)
Other	-	27	27
Total uses of endowment assets	(47)	(2,996)	(3,043)
Endowment at end of year	$ 1,496	$ 60,384	$ 61,880

7. Land, Buildings and Equipment

Land, buildings, and equipment are stated at cost or, if acquired by gift, at the appraised value on the date of acquisition. Amortization and depreciation are computed on a straight-line basis over the lesser of the estimated useful lives of the assets ranging from 3 to 30 years for equipment, 3 to 5 years for software, and 5 to 60 years for building and improvements.

The Academy determined that there were legal obligations to retire certain facilities and equipment. The total asset retirement cost and obligation was $7,917 and $13,039 at June 30, 2020 and $8,187 and $12,799 at June 30, 2019, respectively, and is included in building and improvements and accrued expenses on the Statements of Financial Position. The depreciation and accretion expense amounted to $2,904 and $240 at June 30, 2020 and $384 and $610 at June 30, 2019, respectively.

Land, buildings, and equipment consisted of the following as of June 30, 2020 and 2019:

(in thousands)	2020	2019
Land and improvements	$ 34	$ 34
Buildings and improvements	24,698	21,731
Equipment, software and library books	5,567	5,431
Construction in progress	933	717
	31,232	27,913
Less: Accumulated depreciation	(11,162)	(9,979)
Total land, buildings and equipment	$ 20,070	$ 17,934

Depreciation and amortization expenses for the years ended June 30, 2020 and 2019 were $1,193,729 and $1,130,666, respectively.

8. Leases

In February 2016, the FASB issued ASU 2016-02 (Topic 842) "Leases." Topic 842 supersedes the lease requirements in Accounting Standards Codification Topic 840, "Leases." Under Topic 842, lessees are required to recognize assets and liabilities on the balance sheet for most leases and provide enhanced disclosures. Leases can be classified as either financing or operating.

The Academy has adopted and applied Topic 842 to all leases effective July 1, 2019 with comparative periods continuing to be reported under Topic 840. The Academy has elected the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. The Academy has also elected the policy exemption that allows lessees to chose to not separate lease and non-lease components by class of underlying asset and are applying this expedient to all relevant asset classes.

The Academy determines if an arrangement is or contains a lease at inception of the contract. The right-of-use assets represent the right to use the underlying assets for the lease term and the lease liabilities represent the obligation to make lease payments arising from the leases. Right-of-use assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Academy uses the implicit rate noted within the contract. If not readily available, the Academy uses the estimated incremental borrowing rate, which is derived using a collateralized borrowing rate and term as the associated lease. A right-of-use asset and lease liability is not recognized for the leases with an initial term of 12 months or less and a lease expense is recognized for these leases on a straight-line basis over the lease term within lease and rental expense.

The components of lease expense for the fiscal year ended June 30, 2020 are as follows:

(in thousands)	**Fiscal Year Ending 6/30/2020**
Lease Expense	
Operating lease expense	4
Total	4
Other Information	
Cash paid for amounts included in the measurement of lease liabilities for finance leases	
Operating - Operating cash flows	5
ROU assets obtained in the exchange for lease liabilities	
Operating leases	-
Weighted-average remaining lease terms (in years)	
Operating leases	3.69
Weighted-average discount rate	
Operating leases	1.62%

Maturities of lease liabilities were as follows:

Maturity Analysis	**Operating**
07/01/2020 - 06/30/2021	4
07/01/2021 - 06/30/2022	4
07/01/2022 - 06/30/2023	4
07/01/2023 - 06/30/2024	2
07/01/2024 - 06/30/2025	-
Thereafter	-
Total	**14**
Less: present value discount	-
Lease liability	**14**

9. Collections

Collections acquired through purchases and contributions are not recognized as assets on the Statement of Financial Position. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired or net assets with donor restrictions if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected on the financial statements.

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

10. Retirement Plans

Defined Contribution Plans

The Academy participates in the Drexel University Defined Contribution Retirement Plan ("DU DC") effective January 1, 2016. Drexel University is the DU DC administrator. The trustees of the DU DC are Teachers Insurance and Annuity Association – College Retirement Equities Fund, as agent for JP Morgan Chase Bank, N.A. ("TIAA-CREF), Vanguard Fiduciary Trust Company ("Vanguard") and Fidelity Management Trust Company ("Fidelity").

Defined Benefit Plan

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

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

(in thousands)		2020		2019
Weighted average assumptions as of June 30				
Discount rate		2.90 %		3.60 %
Expected return on plan assets		6.25 %		6.25 %
Accumulated benefit obligation				
Accumulated benefit obligation at June 30	$	21,966	$	21,096
Change projected in benefit obligation				
Net benefit obligation at June 30	$	21,096	$	19,650
Service costs		240		230
Interest costs		739		822
Actuarial (gain)/loss		1,208		1,589
Gross benefits paid		(1,317)		(1,195)
Net benefit obligation at June 30	$	21,966	$	21,096

(in thousands)		2020		2019
Change in plan assets				
Fair value of plan assets at beginning of year	$	11,379	$	10,670
Actual return on plan assets		116		621
Employer contributions		1,396		1,283
Gross benefits paid		(1,317)		(1,195)
Fair value of plan assets at June 30	$	11,574	$	11,379

Fair value of plan assets	$	11,574	$	11,379
Benefit obligation		21,966		21,096
Net amount recognized at June 30*	$	(10,392)	$	(9,717)

* These amounts are recognized in the Statements of Financial Position in the post-retirement and pension benefits classification.

The components of net periodic benefit cost are noted below:

(in thousands)		2020		2019
Weighted average assumptions used to determine net periodic benefit costs				
Discount rate		3.60 %		4.30 %
Expected return on plan assets		6.25 %		6.25 %
Components of net periodic benefit costs				
Service costs	$	240	$	230
Interest costs		739		822
Expected return on assets		(728)		(666)
Amortization of actuarial loss		1,820		1,633
Net periodic benefit cost	$	2,071	$	2,019

As of June 30, 2020, and 2019 the pension plan had a projected benefit obligation and an accumulated benefit obligation in excess of plan assets. Both the projected and accumulated benefit obligation were $21,966,053 and $21,096,071 at June 30, 2020 and 2019, respectively.

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

Expected benefit payments *(in thousands)*	
June 30,	
2021	1,187
2022	1,282
2023	1,295
2024	1,308
2025	1,330
2026-2030	6,509

Plan Assets
The Academy's pension plan weighted-average asset allocations at June 30, 2020 and 2019 by asset category are as follows:

	2020	2019
Asset category		
Equity securities	46.1%	46.2%
Fixed income securities	30.6%	28.6%
Hedge fund and alternative investments	21.8%	22.0%
Cash	1.5%	3.2%
	100.0%	100.0%

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

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

The following tables present the plan assets at fair value as of June 30, 2020, and 2019 according to the valuation hierarchy:

				2020						
(in thousands)		Level 1		Level 2		Level 3		Investments		Total
Assets at fair value										
Cash equivalents	$	175	$	-	$	-	$	-	$	175
Mutual funds		9,149		-		-		-		9,149
Alternative investments		-		-		-		2,250		2,250
	$	9,324	$	-	$	-	$	2,250	$	11,574

				2019						
(in thousands)		Level 1		Level 2		Level 3		Investments		Total
Assets at fair value										
Cash equivalents	$	364	$	-	$	-	$	-	$	364
Mutual funds		8,847		-		-		-		8,847
Alternative investments		-		-		-		2,168		2,168
	$	9,211	$	-	$	-	$	2,168	$	11,379

11. Due from / to Drexel University

The amount due from and due to Drexel University is $24,566 and $0, and $59,813 and $0 on June 30, 2020 and 2019, respectively. The intercompany accounts are repaid on a periodic basis excluding draws on the line of credit (Note 12).

12. Line of Credit

The Academy has an unsecured line of credit with Drexel. This agreement allows the Academy to borrow up to $5,000,000 to meet short term cash flow needs. Under the terms of the line of credit agreement, the full principal amount is available at an annual interest of 2.00%. The initial term of the line of credit shall be from June 30, 2012 to June 30, 2014 and shall automatically renew for an additional 12 months on each June 30th thereafter, unless notice of non-renewal is provided in writing by either Drexel or the Academy, 30 days in advance of the termination date. Interest on each advance shall be payable in arrears on the first business day of each month. The outstanding principal balance of any advance under the line of credit must be reduced to and remain at zero dollars for any consecutive 30-day period during the current term of the line. If the Academy is unable to reduce outstanding advances to zero and remain at zero for a consecutive 30-day period thereafter, the line of credit will be considered in default and will terminate immediately and not renew. For the years ended June 30, 2020 and 2019, the outstanding balances on the line of credit were $1,700,932 and $0, respectively.

13. Net Assets

Net assets included the following:

(in thousands)		2020		2019
Without donor restrictions:				
Operating	$	(24,634)	$	(21,379)
Physical plant		25,910		22,456
Quasi-endowment funds		1,445		1,496
Total net assets without donor restrictions		2,721		2,573
With donor restrictions:				
Funds for programs and capital expenditures		5,668		9,413
Funds for endowments		57,313		60,383
Life income annuities		(8)		13
Beneficial interests in trusts		9,385		9,344
Total net assets with donor restrictions		72,358		79,153
Total net assets	$	75,079	$	81,726

14. Related Party Transactions

Per an affiliation agreement dated September 2011, the Academy is a subsidiary of Drexel. Drexel provided services valued at $1,924,477 and $2,117,648 for the years ending June 30, 2020 and 2019, respectively. The Academy paid the full cost of the services, reported as Services provided by Drexel in the accompanying Statements of Activities.

The total administrative and non-administrative services paid by the Academy in fiscal years 2020 and 2019 are as follows:

(in thousands)		2020		2019
Drexel affiliated support expenses	$	1,924	$	2,118
Center for Systematic Biology and Evolution		440		462
Patrick Center for Environmental Research		202		176
Institutional Advancement		24		8
Learning and Engagement		99		33
Administration		66		61
	$	2,755	$	2,858

In addition, Drexel provided $5,287,287 and $4,152,086 to the Academy for operations in the fiscal years 2020 and 2019, respectively, reported within Other Income in the accompanying Statements of Activities.

15. Revenue Recognition

For the Academy's revenue streams, the performance obligations are within contracts with durations of one year or less. Therefore, the optional exemption to not disclose remaining performance obligations was applied.

As the performance obligations are met, revenue is recognized based upon allocated transaction price. In assessing collectability, the Academy has elected the portfolio approach with similar characteristics as a practical expedient. The Academy expects that the effect of applying a portfolio approach to a group of contracts would not differ materially from considering each contract separately.

The portfolios, by major revenue stream, are outlined in the table below:

(in thousands)	**2020**	**2019**
Other Income		
Affiliate support	$ 5,287	$ 4,152
Miscellaneous income	280	469
Vireo rights	29	40
Royalties income	22	32
Sponsorship income	15	8
Total other income	$ 5,633	$ 4,701

The Academy receives grant and contract revenue from governmental and private sources, which are considered non-exchange revenue transactions. The Academy generally recognizes revenue associated with the direct and the applicable indirect costs of sponsored programs as the related costs are incurred in accordance with the related cost principles outlined in the grant agreement. The Academy negotiates its federal indirect rate with its cognizant federal agency.

The following table disaggregates grants and contracts revenue for the years ended June 30, 2020 and 2019:

(in thousands)	2020		
	Without donor restrictions	**With donor restrictions**	**Total**
Government grants and contracts:			
Federal	1,602	-	1,602
State	14	-	14
Local	-	-	-
Private grants and contracts	52	1,368	1,420
Total grants and contracts	1,668	1,368	3,036

(in thousands)	2019		
	Without donor restrictions	**With donor restrictions**	**Total**
Government grants and contracts:			
Federal	1,161	-	1,161
State	(26)	-	(26)
Local	(12)	-	(12)
Private grants and contracts	325	1,594	1,919
Total grants and contracts	1,448	1,594	3,042

16. Functional and Natural Classification of Expenses

Expenses are presented by functional classification in accordance with the overall service mission of the Academy. Each functional classification displays all expenses related to the underlying operations by natural classification. Depreciation and interest expenses are allocated based on the square footage occupancy. Plant operations and maintenance represent space related costs which are allocated to the functional categories directly and/or based on the square footage occupancy.

Expenses by functional classification for the year ended June 30, 2020 and 2019 consist of the following:

(in thousands)		2020		
Operating Expenses:	**Program Services**	**Management and General**	**Fundraising**	**Total**
Salaries and wages	5,902	1,314	316	7,532
Employee benefits	3,434	751	181	4,366
Depreciation and amortization	1,136	44	14	1,194
Interest	-	23	-	23
Other operating expenses	4,408	2,115	533	7,056
Total expenses	14,880	4,247	1,044	20,171

(in thousands)		2019		
Operating Expenses:	**Program Services**	**Management and General**	**Fundraising**	**Total**
Salaries and wages	5,866	1,304	301	7,471
Employee benefits	1,628	348	81	2,057
Depreciation and amortization	1,076	42	13	1,131
Interest	-	-	-	-
Other operating expenses	4,964	2,091	573	7,628
Total expenses	13,534	3,785	968	18,287

17. Subsequent Events

COVID-19

The outbreak of the COVID-19 pandemic has caused domestic disruptions in the operations for the Academy. In March 2020, the Academy closed its museum in accordance with applicable governmental mandates. The long-term effect to the Academy of the COVID-19 pandemic depends on various factors, which cannot be fully quantified at this time. As of June 30, 2020, and through the date of these financial statements, the Academy evaluated its accounting estimates for any potential future impacts of the pandemic. While this evaluation did not result in a material effect to the Academy's financial statements as of June 30, 2020, future evaluations could result in a material effect depending on the eventual impact and duration of the pandemic.

The Academy has evaluated subsequent events from June 30, 2020 through the report issue date, October 30, 2020 and determined that there were no additional subsequent events requiring adjustment or disclosure.