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, 2021 and 2020

The Academy of Natural Sciences of Philadelphia
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June 30, 2021 and 2020

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Report of Independent Auditors

To the Board of Trustees of Drexel University

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, 2021 and 2020, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2021 and 2020, 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 28, 2021

The Academy of Natural Sciences of Philadelphia

Statements of Financial Position

June 30, 2021 and 2020 (in thousands)

	2021	2020
Assets:		
Cash and cash equivalents		
Operating	$ 664	$ 462
Grants and other receivables	800	751
Contributions receivables, net	1,178	999
Beneficial interest in trusts	11,571	9,583
Investments, at fair value	73,443	58,754
Land, buildings and equipment, net	19,043	20,070
Operating lease right-of-use (ROU) asset	11	15
Other assets/Due from Drexel University	142	68
Total assets	$ 106,852	$ 90,702
Liabilities:		
Accounts payable	$ 1,025	$ 932
Accrued liabilities	656	746
Deferred revenue	3,132	1,813
Accrued retirement obligations	6,141	10,392
Line of credit - Drexel University	-	1,701
Operating lease liability	10	14
Other liabilities/Due to Drexel University	-	25
Total liabilities	10,964	15,623
Net Assets:		
Without donor restrictions	5,727	2,721
With donor restrictions	90,161	72,358
Total net assets	95,888	75,079
Total liabilities and net assets	$ 106,852	$ 90,702

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, 2021 (in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Operating			
Revenues and releases:			
Grants and contracts	$ 2,050	$ 2,165	$ 4,215
Contributions	1,295	1,604	2,899
Allocation of endowment spending from financial capital	679	2,962	3,641
Investment Income, net	332	19	351
Auxiliary Enterprises	772	-	772
Other income	6,211	3	6,214
Total revenues	11,339	6,753	18,092
Net assets released from restriction	5,397	(5,397)	-
Total revenues and releases	16,736	1,356	18,092
Expenses:			
Salaries and wages	6,831	-	6,831
Employee benefits	1,566	-	1,566
Depreciation and amortization	1,323	-	1,323
Other operating expenses	6,962	-	6,962
Total expenses	16,682	-	16,682
Increase in net assets from operating activities	54	1,356	1,410
Non-operating			
Contributions - Endowment and other gifts	-	172	172
Realized/unrealized net gain on investments, net of endowment payout and expenses	216	16,275	16,491
Change in funded status of defined benefit plan	2,736	-	2,736
Increase in net assets from non-operating activities	2,952	16,447	19,399
Total increase in net assets	3,006	17,803	20,809
Net assets, beginning of year	2,721	72,358	75,079
Net assets, end of year	$ 5,727	$ 90,161	$ 95,888

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	2,236	-	2,236
Other income	5,700	5	5,705
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)
Change in funded status of defined benefit 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
Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020

		2021		2020
Operating activities:				
Increase (Decrease) in net assets	$	20,809	$	(6,647)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Depreciation and amortization		1,323		1,194
Loss on disposal of equipment		3		-
Change in market value in beneficial interests in trusts		(1,988)		(9)
Contributions restricted for long-term investment		(172)		(184)
Non-cash contributions received		(204)		(113)
Proceeds from sales of donated securities		197		112
Actuarial change on annuity liabilities		1		3
Realized/unrealized gain on investments		(18,203)		(191)
Changes in operating assets and liabilities				
Grants and other receivables		(49)		487
Contributions receivable		(179)		617
Other assets		(74)		233
Accounts payable and accrued liabilities		(379)		246
Accrued retirement obligations		(4,251)		675
Deferred revenue		1,320		29
Other net		(24)		24
Net cash (used in) operating activities		(1,870)		(3,524)
Investing activities:				
Purchase of investments		(11,080)		(5,885)
Proceeds from sales and maturities of investments		14,602		9,208
Purchase of buildings and equipment		79		(3,495)
Net cash provided by / (used in) investing activities		3,601		(172)
Financing activities:				
Contributions restricted for endowments		172		184
Proceeds from sales of donated securities		-		15
Proceeds from short-term debt from Drexel University		(1,701)		1,701
Net cash (used in) / provided by financing activities		(1,529)		1,900
Net increase (decrease) in cash and cash equivalents		202		(1,796)
Cash and cash equivalents, beginning of year		462		2,258
Cash and cash equivalents, end of year	$	664	$	462
Supplemental information				
Donated securities	$	204	$	128
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 activities 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.

Certain reclassifications of prior year's data have been made to conform to the current year's presentation.

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, 2021 and 2020 are as follows:

(in thousands)		2021		2020
Total assets at year-end	$	106,852	$	90,702
Less non-financial and financial assets not available within one year:				
Contributions receivable with donor restrictions		1,178		999
Beneficial Interests in trusts		11,571		9,583
Investments		73,443		58,754
Land, buildings and equipment, net		19,043		20,070
Operating lease right-of-use (ROU) asset		11		15
Other assets		142		68
Financial assets available at year-end for current use	$	1,464	$	1,213

The Academy has $1,464,000 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 2021 and 2020 the Board of Trustees approved a current distribution to 7.0% and 6.0%, 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 $3,641,000 and $3,306,000. 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, 2021, the Academy had not drawn on the line of credit. Additionally, the Academy has a board-designated endowment of $1,664,000 as of June 30, 2021. 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, 2021 and 2020, 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 $444,961 and $539,827 in 2021 and 2020, 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, 2021 and 2020.

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 issued ASU No. 2018-11 which amends the transition methods contained in ASU No. 2016-02. The Academy early adopted the standard on a modified retrospective basis effective July 1, 2019. As a result, the Academy recorded the operating right-of-use (ROU) assets and liabilities related to equipment leases. The impact is reflected in the Statements of Financial Position and Note 8 for the period ending June 30, 2021 and 2020.

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. After the adoption of ASU No. 2018-13, the Academy is no longer required to disclose the amount and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy; the policy for timings of transfers between levels; the valuation processes for Level 3 fair value measurements; and the changes in unrealized gains and losses for the period included in earnings for recurring Level 3 fair value measurements held at the end of the reporting period. The ASU also eliminated the requirement to disclose a rollforward for Level 3 fair value measurements. ASU No. 2018-13 is effective for annual periods beginning after December 15, 2019, with early adoption permitted. The Academy has adopted the standard effective July 1, 2020. The adoption of the guidance did not have a material impact on the 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 has early adopted the standard on a prospective basis effective July 1, 2020. The adoption of this guidance did not have a material impact 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. ASU No 2019-03 indicates the definition of the term collections and requires that a collection-holding entity disclose its policy for the use of proceeds from collections items that are deaccessioned (that is, removed from a collection). If a collection-holding entity has a policy that allows proceeds from deaccessioned collection items to be used for direct care, it should disclose its definition of direct care. ASU No. 2019-03 is effective for fiscal years beginning after December 31, 2019, and interim periods within fiscal years beginning after December 31, 2020. Early adoption is permitted, and the standard should be applied on a prospective basis when adopted. The Academy has adopted the standard on a prospective basis effective July 1, 2020. The adoption of this guidance did not have a material impact on the financial statements.

Recently Issued Accounting Pronouncements
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 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.

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, 2021 and 2020. 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)		2021		2020
Grants and other receivables	$	847	$	799
Allowance for doubtful accounts		(47)		(48)
Grants receivables	$	800	$	751

As of June 30, 2021, the Academy has outstanding unrecorded conditional grants receivable of $3,600,481. 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, 2021 and June 30, 2020 that range between 0.25% to 1.45% and 0.16 % to 0.66%, 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, 2021 and 2020.

Net contributions receivable at June 30 were as follows:

(in thousands)	2021		2020	
Amounts due in				
Less than one year	$	1,124	$	832
One to five years		255		390
Greater than five years		25		-
Gross contributions receivable		1,404		1,222
Less:				
Allowance for uncollectibles		(219)		(219)
Discounts to present value		(7)		(4)
Total contributions receivable, net	$	1,178	$	999

4. Investments and Investment Return

At June 30, 2021 and 2020, the fair value of investments included the following:

	Fair value			
(in thousands)	2021		2020	
Money market funds	$	2,343	$	2,013
U.S. equity		18,274		13,917
Global equity		16,052		12,468
Fixed income securities and bond funds		5,669		8,099
Real estate and real assets funds		9,077		5,730
Hedge funds		3,370		3,783
Private equity		18,658		12,744
Total investments		73,443		58,754

The following summarizes the Academy's total investment return and its classification in the financial statements for the year ended June 30, 2021 and 2020:

	2021		
(in thousands)	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Investment income, net of expenses	$ 6	$ 374	$ 380
Realized/unrealized gains	889	18,863	19,752
Endowment payout under spending formula	(679)	(2,962)	(3,641)
Realized/unrealized gain on investments, net of endowment payout	216	16,275	16,491
Operating investment income	332	19	351
Total return on investments	$ 548	$ 16,294	$ 16,842

	2020		
(in thousands)	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Investment income, net of expenses	$ 7	$ 474	$ 481
Realized/unrealized gains	529	(469)	60
Endowment payout under spending formula	(588)	(3,306)	(3,894)
Realized/unrealized loss on investments, net of endowment payout	(52)	(3,301)	(3,353)
Operating investment income	335	355	690
Total return on investments	$ 283	$ (2,946)	$ (2,663)

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, 2021, and 2020, assets and liabilities at fair value were as follows:

(in thousands)	Level 1	Level 2	Level 3	Investments at NAV	Total
Assets					
Beneficial interest in trusts	$ -	$ -	$ 11,571	$ -	$ 11,571
Investments					
Money market funds	2,343	-	-	-	2,343
U.S. Equity	16,212	-	-	2,062	18,274
Global Equity	7,935	-	-	8,117	16,052
Fixed Income securities and bond funds	4,700	-	-	969	5,669
Real estate and real assets funds	-	-	-	9,077	9,077
Hedge funds	-	-	-	3,370	3,370
Private Equity	-	-	-	18,658	18,658
Total investments	31,190	-	-	42,253	73,443
Total assets at fair value	$ 31,190	$ -	$ 11,571	$ 42,253	$ 85,014
Liabilities					
Split-interest agreements	$ -	$ -	$ 216	$ -	$ 216
Annuities	-	-	36	-	36
Total liabilities at fair value	$ -	$ -	$ 252	$ -	$ 252

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

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:

	2021			
(in thousands)	**Fair Value**	**Unfunded Commitments**	**Redemption Frequency (If Currently Eligible)**	**Redemption Notice Period (If Applicable)**
Hedge Funds:				
Multi-Strategy Hedge Funds (a)	$ 7	$ -		
Fixed Income and Related Hedge Funds (b)	2,281	-	Quarterly	45 days
Real Estate Hedge Funds (c)	1,082	-	Quarterly	60 days
Subtotal Hedge Funds	3,370	-		
Private Equity:				
Private Capital Funds-Secondaries (d)	527	265		
Private Capital Funds-Buy-out (e)	9,932	4,323		
Private Capital Funds-Debt (f)	1,093	1,324		
Private Capital Funds-Real Assets (g)	5,310	3,777		
Private Capital Funds-Real Estate (h)	1,796	1,292		
Subtotal Private Equity	18,658	10,981	Close-ended funds not available for redemption	
US Equity (i)	2,062	-		
Global Equity (i)	8,117	-		
Fixed Income Securities and Bond Funds (i)	969	-		
Real Estate and Real Assets Funds (i)	9,077	-		
	$ 42,253	$ 10,981		

a. This category invests in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. As of June 30, 2021, 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 buyouts. 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 8% of the underlying assets of the fund will be liquidated over 1 to 4 years, 78% over 5 to 7 years, and 14% 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 34% of the underlying assets of the fund will be liquidated over 1 to 4 years, 56% in 5 to 7 years, and 10% 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 25% of the underlying assets of the fund will be liquidated over approximately 1 to 4 years, 64% over 5 to 7 years, and 11% 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 14% of the underlying assets of the fund will be liquidated over approximately 1 to 4 years, 69% over 5 to 7 years, and 17% 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.

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, 2021 and 2020, the Academy had an endowment spending rule that limited the spending of endowment resources to 7.0% and 6.0%, 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, 2021 and 2020 were approximately $6,270 and $1,294,603, respectively. The original gift amount and the fair value of the underwater endowment funds in the aggregate were $107,524 and $101,254 as of June 30, 2021 and $18,281,323 and $16,986,721 as of June 30, 2020, respectively.

Endowment composition by type of fund as of June 30, 2021 and 2020 was as follows:

	2021		
(in thousands)	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Donor-restricted endowment funds	$ -	$ 71,602	$ 71,602
Board-designated endowment funds	1,664	-	1,664
Total assets	$ 1,664	$ 71,602	$ 73,266

	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

Changes in the Academy's endowment assets (excluding annuities and trusts) for the years ended June 30, 2021 and 2020 were as follows:

	2021		
(in thousands)	Without Donor Restrictions	With Donor Restrictions	Total
Endowment at beginning of year	$ 1,445	$ 57,313	$ 58,758
Endowment return:			
Investment income, net of fees	6	374	380
Net realized/unrealized gain	270	17,329	17,599
Total endowment return	276	17,703	17,979
Contributions	-	171	171
Use of endowment assets:			
Endowment payout used in operations	(57)	(3,585)	(3,642)
Total uses of endowment assets	(57)	(3,585)	(3,642)
Endowment at end of year	$ 1,664	$ 71,602	$ 73,266

	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

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 $13,691 at June 30, 2021 and $7,917 and $13,039 at June 30, 2020, respectively, and is included in building and improvements and accrued expenses on the Statements of Financial Position. The depreciation and accretion expense amounted to $652 and $173 at June 30, 2021 and $2,904 and $240 at June 30, 2020, respectively.

Land, buildings, and equipment consisted of the following as of June 30, 2021 and 2020:

(in thousands)		**2021**		**2020**
Land and improvements	$	34	$	34
Buildings and improvements		25,729		24,698
Equipment, software and library books		5,613		5,567
Construction in progress		-		933
		31,376		31,232
Less: Accumulated depreciation		(12,333)		(11,162)
Total land, buildings and equipment	$	19,043	$	20,070

Depreciation and amortization expenses for the years ended June 30, 2021 and 2020 were $1,323,437 and $1,193,729, 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, 2021 and 2020 are as follows:

(in thousands)	**2021**	**2020**
Lease Expense		
Operating lease expense	4	4
Total	4	4
Other Information		
Cash paid for amounts included in the measurement of lease liabilities for finance leases		
Operating - Operating cash flows	4	5
ROU assets obtained in the exchange for lease liabilities		
Operating leases	-	-
Weighted-average remaining lease terms (in years)		
Operating leases	2.69	3.69
Weighted-average discount rate		
Operating leases	1.62%	1.62%

Maturities of lease liabilities were as follows:

Maturity Analysis	**Operating**
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	-
07/01/2025 - 06/30/2026	-
Thereafter	-
Total	**10**
Less: present value discount	-
Lease liability	**10**

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.

Proceeds from the sale of collection materials must be returned to the department from which the material was taken, or the overall unit for the specimen collections, and used only for the acquisition for new material or upgrading the conditions of existing collections thereby ensuring that each specimen or object in the permanent collection is given proper care to protect it from loss, breakage, or deterioration. Direct care is defined as the preventive conservation procedures the Academy has in place to minimize chemical, physical, and biological degradation to ensure long-term preservation of the collections.

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)		**2021**		**2020**
Weighted average assumptions as of June 30				
Discount rate		3.00 %		2.90 %
Expected return on plan assets		5.75 %		6.25 %
Accumulated benefit obligation				
Accumulated benefit obligation at June 30	$	21,195	$	21,966
Change projected in benefit obligation				
Net benefit obligation at June 30	$	21,966	$	21,096
Service costs		265		240
Interest costs		620		739
Actuarial (gain)/loss		(366)		1,208
Gross benefits paid		(1,290)		(1,317)
Net benefit obligation at June 30	$	21,195	$	21,966

(in thousands)		**2021**		**2020**
Change in plan assets				
Fair value of plan assets at beginning of year	$	11,574	$	11,379
Actual return on plan assets		2,990		116
Employer contributions		1,779		1,396
Gross benefits paid		(1,290)		(1,317)
Fair value of plan assets at June 30	$	15,053	$	11,574

Fair value of plan assets	$	15,053	$	11,574
Benefit obligation		21,195		21,966
Net amount recognized at June 30*	$	(6,142)	$	(10,392)

* 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)	2021	2020
Weighted average assumptions used to determine net periodic benefit costs		
Discount rate	2.90 %	3.60 %
Expected return on plan assets	5.75 %	6.25 %
Components of net periodic benefit costs		
Service costs	$ 265	$ 240
Interest costs	620	739
Expected return on assets	(690)	(728)
Amortization of actuarial loss	(2,666)	1,820
Net periodic benefit cost	$ (2,471)	$ 2,071

As of June 30, 2021, and 2020 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 $21,194,628 and $21,966,053 at June 30, 2021 and 2020, respectively.

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

Expected benefit payments *(in thousands)*	
June 30,	
2022	1,219
2023	1,307
2024	1,321
2025	1,344
2026	1,358
2027-2031	6,424

Plan Assets

The Academy's pension plan weighted-average asset allocations at June 30, 2021 and 2020 by asset category are as follows:

	2021	2020
Asset category		
Equity securities	50.4%	46.1%
Fixed income securities	33.0%	30.6%
Hedge fund and alternative investments	15.2%	21.8%
Cash	1.4%	1.5%
	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, 2021, and 2020 according to the valuation hierarchy:

2021					
(in thousands)	Level 1	Level 2	Level 3	Investments at NAV	Total
Assets at fair value					
Cash equivalents	$ 209	$ -	$ -	$ -	$ 209
Mutual funds	12,550	-	-	-	12,550
Alternative investments	-	-	-	2,294	2,294
	$ 12,759	$ -	$ -	$ 2,294	$ 15,053

2020					
(in thousands)	Level 1	Level 2	Level 3	Investments at NAV	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

11. Due from / to Drexel University

The amount due from and due to Drexel University is $28,863 and $0, and $24,566 and $0 on June 30, 2021 and 2020, 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, 2021 and 2020, the outstanding balances on the line of credit were $0 and $1,700,932, respectively.

13. Net Assets

Net assets included the following:

(in thousands)		2021		2020
Without donor restrictions:				
Operating	$	(21,981)	$	(24,634)
Physical plant		26,044		25,910
Quasi-endowment funds		1,664		1,445
Total net assets without donor restrictions		5,727		2,721
With donor restrictions:				
Funds for programs and capital expenditures		7,025		5,668
Funds for endowments		71,602		57,313
Life income annuities		6		(8)
Beneficial interests in trusts		11,528		9,385
Total net assets with donor restrictions		90,161		72,358
Total net assets	$	95,888	$	75,079

14. Related Party Transactions

Per an affiliation agreement dated September 2011, the Academy is a subsidiary of Drexel. Drexel provided services valued at $1,871,222 and $1,924,477 for the years ending June 30, 2021 and 2020, 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 2021 and 2020 are as follows:

(in thousands)		2021		2020
Drexel affiliated support expenses	$	1,871	$	1,924
Center for Systematic Biology and Evolution		434		440
Patrick Center for Environmental Research		217		202
Institutional Advancement		-		24
Learning and Engagement		36		99
Administration		87		66
	$	2,645	$	2,755

In addition, Drexel provided $5,952,052 and $5,287,287 to the Academy for operations in the fiscal years 2021 and 2020, 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)		**2021**		**2020**
Other Income				
Affiliate support	$	5,952	$	5,287
Miscellaneous income		196		280
Vireo rights		15		29
Royalties income		16		22
Rental Income		16		72
Sponsorship income		19		15
Total other income	$	6,214	$	5,705

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, 2021 and 2020:

(in thousands)	**2021**		
	Without donor restrictions	**With donor restrictions**	**Total**
Government grants and contracts:			
Federal	1,869	471	2,340
State	124	-	124
Private grants and contracts	57	1,694	1,751
Total grants and contracts	2,050	2,165	4,215

(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

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, 2021 and 2020 consist of the following:

(in thousands)		2021		
	Program Services	Management and General	Fundraising	Total
Salaries and wages	5,617	1,211	3	6,831
Employee benefits	1,805	380	1	2,186
Depreciation and amortization	1,259	49	15	1,323
Other operating expenses	4,501	2,374	87	6,962
Total expenses	13,182	4,014	106	17,302

(in thousands)		2020		
	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

17. Paycheck Protection Program

In 2021, The Academy received loan proceeds in the amount of $1,610,425 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of a qualifying business. The loans and accrued interest are forgivable after either eight weeks or twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes including payroll, benefits, rent and utilities, and maintains its payroll levels. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period.

At June 30, 2021, the Academy has recorded the loan proceeds in the deferred revenue line item of the Statement of Financial Position. This loan is expected to be forgiven by the Small Business Administration.

18. Subsequent Events

The Academy has evaluated subsequent events from June 30, 2021 through the report issue date, October 28, 2021 and determined that there were no subsequent events requiring adjustment or disclosure.