California Academy of Sciences

Consolidated Financial Statements
June 30, 2019 and 2018

California Academy of Sciences
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RSM US LLP

Independent Auditor's Report

Audit Committee
California Academy of Sciences

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the California Academy of Sciences (the Academy) and its subsidiary, which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of California Academy of Sciences Endolith Endowment Fund, LP (the Partnership), whose statements reflect total assets constituting 21% and 22% of consolidated total assets at June 30, 2019 and 2018, respectively, and total revenues, gains and support constituting 13% and 16% of consolidated total revenues, gains and support for the respective years then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Partnership, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, based on our audits and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the financial position of the Academy and its subsidiary as of June 30, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Note 2 to the financial statements, the Academy retroactively adopted the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The adoption of this standard resulted in additional footnote disclosures. Our opinion is not modified with respect to this matter.

RSM US LLP

San Francisco, California
November 25, 2019

California Academy of Sciences
Consolidated Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	$ 4,458,815	$ 3,148,202
Restricted cash	1,060,612	1,063,000
Investments (Note 4)	470,330,580	445,494,808
Receivables, net		
Investment-related receivables	56,876,017	8,175,745
Other receivables, net	1,693,174	3,421,664
Contributions, net (Note 6)	12,234,721	15,305,531
Prepaid expenses and other	696,189	1,225,062
Notes receivable, net (Note 7)	1,636,864	1,634,640
Investments held in trusts (Note 4)	5,932,109	5,864,359
Property and equipment, net (Note 8)	322,978,525	335,207,186
Total assets	$ 877,897,606	$ 820,540,197
Liabilities and net assets		
Liabilities		
Accounts payable and accrued expenses	$ 7,997,299	$ 7,775,843
Deferred revenue	6,595,636	6,760,179
Payable for investments purchased	72,110,968	2,397,987
Annuities payable and other long-term liabilities	2,229,855	2,302,707
Bonds payable, net (Note 10)	279,267,932	279,207,893
Total liabilities	368,201,690	298,444,609
Net assets (Note 5)		
Without donor restrictions	372,568,116	379,991,038
With donor restrictions	137,127,800	142,104,550
Total net assets	509,695,916	522,095,588
Total liabilities and net assets	$ 877,897,606	$ 820,540,197

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

California Academy of Sciences
Consolidated Statements of Activities
Years Ended June 30, 2019 and 2018

	2019	2018
Change in net assets without donor restrictions		
Operating revenue and support		
Admissions	$ 19,407,477	$ 19,254,825
Contributions and grants	8,234,281	7,191,541
Memberships	8,714,475	7,694,402
Auxiliary activities	8,134,833	7,900,795
Support from the City and County of San Francisco (Note 11)	6,490,334	7,022,327
Endowment support for current operations	5,996,730	5,275,693
Net assets released from restrictions	11,628,433	14,535,888
Total operating revenue and support	68,606,563	68,875,471
Operating expenses		
Salaries and benefits	45,542,980	44,364,253
Professional services	6,837,905	6,970,740
Supplies and equipment	6,320,304	5,747,370
Printing and advertising	5,358,184	4,981,326
Occupancy	3,645,561	3,149,122
Depreciation and amortization	14,378,867	16,844,244
Interest and debt-related fees	6,020,848	5,203,204
Other expenses	2,246,967	2,035,365
Total operating expenses	90,351,616	89,295,624
Change in net assets from operations	(21,745,053)	(20,420,153)
Non-operating		
Net assets released from restrictions	755,646	2,489,448
Investment income, net	8,839,077	7,560,507
Realized and unrealized gains (losses), net	2,492,408	5,259,646
Other transfers	2,235,000	-
Change in net assets from non-operating activities	14,322,131	15,309,601
Change in net assets without donor restrictions	(7,422,922)	(5,110,552)
Change in net assets with donor restrictions		
Operating		
Contributions and grants	9,235,084	12,318,360
Endowment support for current operations	(5,996,730)	(5,275,693)
Net assets released from restrictions	(11,628,433)	(14,535,888)
Change in net assets from operations	(8,390,079)	(7,493,221)
Non-operating		
Contributions and grants	232,602	11,975,315
Net assets released from restrictions	(755,646)	(2,489,448)
Investment income, net	759,970	515,610
Realized and unrealized gains (losses), net	5,411,403	8,067,506
Other transfers	(2,235,000)	-
Change in net assets from non-operating activities	3,413,329	18,068,983
Change in net assets with donor restrictions	(4,976,750)	10,575,762
Total change in net assets	(12,399,672)	5,465,210
Net assets, beginning of year	522,095,588	516,630,378
Net assets, end of year	$ 509,695,916	$ 522,095,588

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

California Academy of Sciences
Consolidated Statement of Functional Expenses
Year Ended June 30, 2019

	Program Activities					Supporting Activities				
	Aquarium	Biodiversity science and sustainability	Education and outreach	Exhibits and public engagement	Program Subtotal	Development	Membership	Management and general	Supporting Subtotal	Total expenses
Salaries and benefits	$ 5,263,373	$ 10,067,098	$ 2,156,931	$ 13,740,553	$ 31,227,955	$ 2,898,186	$ 784,489	$ 10,632,350	$ 14,315,025	$ 45,542,980
Professional services	598,342	1,076,511	441,623	1,462,568	3,579,044	356,450	847,800	2,054,611	3,258,861	6,837,905
Supplies and equipment	1,345,494	869,854	252,611	1,843,865	4,311,824	807,387	33,853	1,167,240	2,008,480	6,320,304
Printing and advertising	1,160,604	74,358	28,454	2,594,758	3,858,174	115,251	1,270,078	114,681	1,500,010	5,358,184
Occupancy	618,848	676,489	67,844	1,193,433	2,556,614	26,033	3,579	1,059,335	1,088,947	3,645,561
Depreciation and amortization	2,918,934	3,149,347	325,779	5,333,433	11,727,493	117,130	17,189	2,517,055	2,651,374	14,378,867
Interest and debt-related fees	1,222,242	1,318,723	136,413	2,233,263	4,910,641	49,046	7,197	1,053,964	1,110,207	6,020,848
Other expenses	194,372	651,328	124,609	600,876	1,571,185	81,173	19,900	574,709	675,782	2,246,967
Total expenses	$ 13,322,209	$ 17,883,708	$ 3,534,264	$ 29,002,749	$ 63,742,930	$ 4,450,656	$ 2,984,085	$ 19,173,945	$ 26,608,686	$ 90,351,616

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

California Academy of Sciences
Consolidated Statement of Functional Expenses
Year Ended June 30, 2018

	Program Activities					Supporting Activities				
	Aquarium	Biodiversity science and sustainability	Education and outreach	Exhibits and public engagement	Program Subtotal	Development	Membership	Management and general	Supporting Subtotal	Total expenses
Salaries and benefits	$ 4,958,326	$ 8,550,645	$ 3,266,391	$ 12,882,459	$ 29,657,821	$ 2,960,714	$ 877,344	$ 10,868,374	$ 14,706,432	$ 44,364,253
Professional services	402,532	811,757	1,306,632	1,214,647	3,735,568	527,610	910,451	1,797,111	3,235,172	6,970,740
Supplies and equipment	1,301,514	829,119	172,921	1,573,475	3,877,029	756,053	49,932	1,064,356	1,870,341	5,747,370
Printing and advertising	1,055,758	54,076	43,380	2,377,961	3,531,175	141,605	1,220,040	88,506	1,450,151	4,981,326
Occupancy	532,161	578,711	59,669	1,005,028	2,175,569	21,796	3,059	948,698	973,553	3,149,122
Depreciation and amortization	3,419,409	3,689,329	381,636	6,247,895	13,738,269	137,212	20,136	2,948,627	3,105,975	16,844,244
Interest and debt-related fees	1,056,259	1,139,638	117,888	1,929,981	4,243,766	42,385	6,220	910,833	959,438	5,203,204
Other expenses	174,855	627,384	154,661	406,150	1,363,050	59,368	7,891	605,056	672,315	2,035,365
Total expenses	$ 12,900,814	$ 16,280,659	$ 5,503,178	$ 27,637,596	$ 62,322,247	$ 4,646,743	$ 3,095,073	$ 19,231,561	$ 26,973,377	$ 89,295,624

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

California Academy of Sciences
Consolidated Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	$ (12,399,672)	$ 5,465,210
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	14,378,867	16,844,244
Amortization of deferred bond financing costs	60,039	105,774
Realized and unrealized (gains)/losses on investments, net	(7,776,790)	(13,164,952)
Changes in investments held in trusts	101,432	(211,676)
Contributions permanently restricted for endowment	(311,702)	(11,793,083)
Contributions restricted for capital additions and improvements	(100,000)	(1,600,000)
Donated securities	(474,430)	(1,028,027)
Donated property and equipment	(3,899)	(232,970)
Proceeds from sale of donated securities	423,771	963,127
Changes in assets and liabilities		
Other receivables, net	1,726,266	(2,281,822)
Contributions, net	1,353,565	920,304
Prepaid expenses and other	528,873	156,215
Accounts payable, accrued expenses, and other liabilities	509,194	1,266,948
Deferred revenue	(164,543)	1,954,173
Net cash used in operating activities	(2,149,029)	(2,636,535)
Cash flows from investing activities		
Purchase of investments	(2,057,654,382)	(1,378,265,317)
Proceeds from sale of investments	2,061,418,925	1,374,330,375
Purchases of property and equipment	(3,576,844)	(6,123,644)
Proceeds from legal settlement	1,138,281	-
Net cash provided by (used in) investing activities	1,325,980	(10,058,586)
Cash flows from financing activities		
Contributions restricted for endowment	2,031,657	11,856,542
Proceeds from sale of donated securities restricted for endowment	50,658	64,900
Contributions restricted for capital additions and improvements	100,000	1,600,000
Investment change on annuity trusts	182,605	127,063
Annuity trust payments to beneficiaries	(233,646)	(203,968)
Net cash provided by financing activities	2,131,274	13,444,537
Net change in cash, cash equivalents, and restricted cash	1,308,225	749,416
Cash, cash equivalents, and restricted cash at beginning of year	4,211,202	3,461,786
Cash, cash equivalents, and restricted cash at end of year	$ 5,519,427	$ 4,211,202
Supplemental information		
Cash paid for interest	$ 5,940,809	$ 5,097,430
Noncash transactions		
Accrued purchases of property and equipment	59,747	199,155
Donated securities	474,430	1,028,027

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

1. Organization

The California Academy of Sciences (the "Academy") is a not-for-profit organization founded in 1853. The website address is www.calacademy.org. The Academy's annual consolidated financial statements are available on its website.

Overview

The Academy is a renowned scientific and educational institution dedicated to exploring, explaining, and sustaining life on Earth. Based in San Francisco's Golden Gate Park, it is home to a world-class aquarium, planetarium, and natural history museum as well as innovative programs in scientific research and education, all under one living roof.

Major Programs

Aquarium

The Steinhart Aquarium is home to 38,000 live animals from around the world and hosts the largest and deepest indoor coral reef in the world. The four-story rainforest has free-flying birds and butterflies and exotic reptiles and amphibians. African Hall is home to a colony of African penguins.

Biodiversity Science and Sustainability

The Academy's Institute for Biodiversity Science and Sustainability (the "Institute") is at the forefront of efforts to understand two of the most important topics of our time: the nature and sustainability of life on Earth. The Institute is home to more than 100 scientists, state-of-the-art facilities, and nearly 46 million scientific specimens from around the world. The Institute also leverages the expertise and efforts of more than 100 international Associates and 450 distinguished Fellows. Through expeditions around the globe, investigations in the lab, and analysis of vast biological datasets, the Institute's scientists work to understand the evolution and interconnectedness of organisms and ecosystems, the threats they face around the world, and the most effective strategies for sustaining them into the future. Through innovative partnerships and public engagement initiatives, they also guide critical sustainability and conservation decisions worldwide, inspire and mentor the next generation of scientists, and foster responsible stewardship of our planet.

Education and Outreach

The Academy is an innovative leader in efforts to increase scientific and environmental literacy worldwide. The museum is home to 159 science educators and communicators as well as more than 300 highly trained docents who engage people of all ages—both here in California and around the world—in the scientific concepts and issues that will shape our future. Through intensive partnerships with schools and teachers, innovative programs and exhibits for all ages, engaging online learning and digital media offerings, and immersive science visualization productions, Academy educators increase the public's understanding and appreciation of the natural world and inspire participants to help sustain the rich diversity of life on Earth.

As one of the Bay Area's leading cultural institutions dedicated to opening its doors to the entire community, the Academy offers a variety of free and reduced admission opportunities and access programs to serve all visitors.

Exhibits and Public Engagement
More than 750 volunteers support the Academy annually and provide a connection between the diverse Bay Area community and the Academy's museum, research, and administration. The all-digital Morrison Planetarium uses scientific data to share current discoveries and present immersive shows. The *Giants of Land and Sea* exhibit celebrates Northern California's iconic natural phenomena like redwoods, marine mammals, and fog. The *Color of Life* exhibit explores the role of color in the natural world with vibrant live animals, specimens, and immersive interactives. *Gems and Minerals Unearthed* showcases specimens from the Academy's renowned geology collection. The new *Skin* exhibit explores how this dynamic organ functions in the natural world and shapes the way humans perceive themselves and others.

2. Summary of Significant Accounting Policies

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

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

Reclassifications
The prior year presentation of the Academy's consolidated financial statements included segregation of assets, liabilities, and net assets as well as the corresponding changes in net assets by internally designated funds related to specific activities and objectives. The presentation of financial statements on a fund accounting basis is not required by U.S. GAAP, and accordingly the current year presentation of the consolidated financial statements does not contain any segregation by fund. Based on materiality, certain line items have also been aggregated in the current year presentation. Certain prior year amounts have been reclassified for consistency with the current year presentation. Management believes the current year presentation which distinguishes between operating and non-operating changes in net assets is more relevant than reporting changes in nets assets of internally designated funds and will improve the usefulness of the Academy's consolidated financial statements to its readers. These reclassifications had no effect on the change in net assets.

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

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

Net Assets Without Donor Restrictions
Net assets without donor restrictions are net assets that are not subject to donor-imposed

restrictions. Items that are included in this net asset category principally consist of fees for service and related expenses associated with the core activities of the Academy. These net assets may be designated for specific purposes by action of the Board of Trustees for special programs, expenditures for plant and equipment, and/or general operating support.

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

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

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

Consolidated Statements of Activities
Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Investment income and gains or losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless restricted by the donor or by law. Expirations of net assets with donor restrictions (i.e. when the donor-restricted purposes have been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restriction.

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

Revenue Recognition

Admissions
Revenue from ticket sales is recognized either when the ticket is used, on the date of the ticket, or when the ticket expires, whichever comes first.

Contributions
The Academy receives gifts in kind, such as equipment and supplies, in addition to contributed services, principally in the form of advertising. The Academy records revenue and a corresponding asset or expense as applicable for these contributed assets and services based on market rates for equivalent assets or services. In the fiscal years ended June 30, 2019 and 2018, contributed assets and services totaled $115,728 and $418,011, respectively. A substantial number of volunteers have contributed significant amounts of time to the Academy; however, no amounts have been reflected in the accompanying consolidated financial statements for such contributed services as these services do not meet the criteria for recognition as contributions under U.S. GAAP.

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

In adopting ASU 2016-14 "*Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*," the placed in service approach must be used when capital gifts to acquire or construct a long-lived asset are received. The gifts are recorded as a donor-restricted gift until the related asset is placed in service, at which time the capital gift is released from net assets with donor restrictions to net assets without donor restrictions. As a result of adopting the placed in service approach on a prospective basis during the fiscal year ended June 30, 2019, the Academy reclassified $755,646 of net assets with donor restrictions due to the related long-lived asset being placed in service. This activity is presented within net assets released from restrictions on the consolidated statements of activities.

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

Contributions are recognized as revenue at fair value when received or unconditionally promised. Conditional promises to give are not recognized as revenue until the donor conditions are substantially met. A discount based on management's estimates is added to the present value of contributions and represents an additional factor in the fair value measurements. The discounts on those contributions are computed using an interest rate for the year in which the promise was received which considers market and credit risk as applicable. Amortization of the discount is included in contribution revenue.

Contributions are reviewed for collectability and reserves for uncollectible amounts are established when needed. There was an allowance against contributions receivable of $325,000 at June 30, 2019 and $0 at June 30, 2018.

At June 30, 2019 and 2018, 32% and 39% of contributions receivable were due from two and three donors, respectively. During the fiscal years ended June 30, 2019 and 2018, respectively, 15% and 33% of contribution revenue was received from one donor.

Government Grant Revenue
Revenue related to grants that are considered exchange transactions or a purchase of a service where the results are turned over to the grantor is recognized within auxiliary activities in the statement of activities as the work under the contract is performed. Grants that are considered non-exchange transactions or gifts which further the programs of the Academy are recorded when the Academy receives notification of the grant award or gift, or, if conditions for performance are imposed, revenue is recognized when conditions have been met. Grants receivable are presented on the statement of financial position as part of contributions receivable and are reviewed by management for collectability and reserves for uncollectible amounts are established when needed. There was no allowance against grants receivable at June 30, 2019 or 2018.

Memberships
Membership fees are charged to members at the commencement of their membership and are recognized ratably over the life of the membership.

Auxiliary Activities
Auxiliary activities primarily include revenue from special event rental fees and catering commissions, occupancy fees related to the on-site retail stores and restaurants, other special programs, and tickets to the Academy’s weekly Thursday night event, NightLife. These revenues are recognized in the period in which the event takes place or the commissions/fees are earned.

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

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

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

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

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

The Academy's financial assets and liabilities are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis, and purchases and sales are recorded on a trade date basis. The carrying amount of cash equivalents, other receivables, trade accounts payable, and accrued expenses approximates fair value because of the short maturity of these financial instruments. Contributions receivable are discounted at a risk-adjusted rate commensurate with the duration of the donor's payment plan.

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

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

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

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

The fair value of all debt and equity securities with a readily determinable fair value is based on quotations obtained from national securities exchanges.

The fair value of investments in real estate is based on appraisals from qualified real estate appraisers using values for comparable properties in the area.

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

Unrealized gains or losses are the difference between the cost and the fair market value of investments at June 30, 2019 and 2018. Realized gains and losses are recorded at the time of disposition during the year and are calculated on a first-in, first-out basis. The net effect of unrealized and realized gains and losses is included in the consolidated statements of activities. The Academy's investments are primarily held by three financial institutions and the Academy utilizes third party investment managers to manage its investment portfolio.

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

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

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

Property and Equipment
Building and related building improvements are valued at cost less accumulated depreciation and amortization. Depreciation and amortization on buildings, exhibits, and equipment is calculated on a straight-line basis over the estimated useful lives of those assets, ranging from 3 to 40 years. Upon retirement or sale, the cost and related accumulated depreciation and amortization of the assets are removed and any related gain or loss is reflected in the consolidated statements of activities. Maintenance and repairs are charged to expense as incurred. Refer to Note 8 for additional information on each asset class.

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

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

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

Accounting for Impairment of Long-Lived Assets

In accordance with U.S. GAAP, the Academy evaluates the recoverability of property and equipment and other assets, including identifiable intangible assets with definite lives, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is measured by comparison of the carrying amount of an asset or an asset group to estimated undiscounted future net cash flows expected to be generated by the asset or asset group. If the carrying amount of an asset exceeds these estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the assets exceeds the fair value of the asset or asset group, based on discounted cash flows. Assets to be disposed of are reported at the lower of their carrying amount or fair value less cost to sell. For the fiscal years ended June 30, 2019 and 2018, the Academy did not record impairment charges related to long-lived assets.

Deferred Bond Financing Costs

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

Income Taxes

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

The Academy files U.S. exempt organization returns and, as applicable, unrelated business income tax returns in federal and state jurisdictions. The Academy's tax returns for the fiscal years ended June 30, 2016, 2017, and 2018 are open for potential IRS/state tax board examination. The Partnership files U.S. partnership tax returns and, as applicable, income tax returns in state jurisdictions. The Partnership's tax returns for the calendar years ended December 31, 2016, 2017, and 2018 are open for potential IRS/state tax board examination. To date, neither the Academy nor the Partnership have been notified by taxing authorities of any pending examination.

The Academy follows the provisions of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification (ASC) 740-10, "Accounting for Uncertainty in Income Taxes". Management evaluated the Academy's tax positions and concluded that there were no material uncertainties in income taxes as of June 30, 2019 or 2018.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09 ("ASU 2014-09") "*Revenue from Contracts with Customers (Topic 606)*." ASU 2014-09 outlines a single comprehensive standard for revenue recognition across all industries and supersedes most existing revenue recognition guidance. In addition, ASU 2014-09 will require new and enhanced disclosures. In August 2015, the FASB issued Accounting Standards Update No. 2015-14 ("ASU 2015-14") "*Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*," which delays the effective date of ASU 2014-09 by one year. The FASB also agreed to allow entities to choose to adopt the standard as of the original effective date. Subsequent to the issuance of ASU 2014-09, the FASB has issued several ASUs such as ASU No. 2016-08 "*Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*," ASU No. 2016-10 "*Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*," and Accounting Standards Update No. 2016-12 "*Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*," among others. These ASUs do not change the core principle of the guidance stated in ASU 2014-09.

The two permitted transition methods under the new standard are the full retrospective method, in which case the standard would be applied to each prior reporting period presented and the cumulative effect of applying the standard would be recognized at the earliest period shown, or the modified retrospective method, in which case the cumulative effect of applying the standard would be recognized at the date of initial application. ASU 2014-09 will become effective for non-public entities for annual reporting periods beginning after December 15, 2018. The Academy is currently evaluating the impact of adoption to the consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01 ("ASU 2016-01") "*Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*." ASU 2016-01 amends various aspects of the recognition, measurement, presentation, and disclosure for financial instruments. ASU 2016-01 is effective for non-public entities for fiscal years beginning after December 15, 2018. The Academy is currently evaluating the impact of adoption to the consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02 ("ASU 2016-02") "*Leases (Topic 842)*" which generally requires companies to recognize operating and financing lease liabilities and corresponding right-of-use assets on the statements of financial position. Subsequent to the issuance of ASU 2016-02, the FASB has issued several ASUs such as ASU No. 2018-10 "*Codification Improvements to Topic 842, Leases*," ASU No. 2018-11 "*Leases (Topic 842): Targeted Improvements*," ASU No. 2018-20 "*Leases (Topic 842): Narrow-Scope Improvements for Lessors,*" and Accounting Standards Update No. 2019-01 "*Leases (Topic 842): Codification Improvements*". These ASUs do not change the core principle of the guidance stated in ASU 2016-02. This guidance will be effective for non-public entities for fiscal years beginning after December 15, 2019 on a modified retrospective basis and early adoption is permitted. The Academy is currently evaluating the impact of adoption to the consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15 ("ASU 2016-15") "*Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)*." The new guidance addresses eight specific cash flow presentation and classification issues in the statement of cash flows to reduce existing diversity in practice. ASU 2016-15 is effective for non-public entities for annual periods beginning after December 15, 2018, although early adoption is permitted. The Academy is currently evaluating the impact of adoption to the consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-08 ("ASU 2018-08") "*Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*." This accounting standard update clarifies and improves the scope of contribution guidance relating to evaluation of contributions versus exchange transactions, or nonreciprocal versus reciprocal transactions, respectively. This ASU also provides clarity in determining whether a contribution is conditional. ASU 2018-08 is effective for annual periods beginning after December 15, 2019, although early adoption is permitted. The Academy is currently evaluating the impact of adoption to the consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13 ("ASU 2018-13") "*Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*." This accounting standard update includes removals, modifications, and additions to Topic 820, and certain disclosures required by the update are not required for non-public entities. ASU 2018-13 is effective for annual periods beginning after December 15, 2019, although early adoption is permitted. The Academy is currently evaluating the impact of adoption to the consolidated financial statements.

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

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

Newly adopted accounting pronouncements

In August 2016, the FASB issued ASU No. 2016-14 ("ASU 2016-14") "*Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*," which revised the not-for-profit financial reporting model and enhanced the required disclosures. The major changes included: (a) requiring the presentation of only two classes of net assets now titled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring an analysis of expenses by function and nature, in either the statement of activities, a separate statement, or in the notes, and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of not-for-profit financial statements. ASU 2016-14 became effective for fiscal years beginning after December 15, 2017. The Academy adopted this standard for the fiscal year ended June 30, 2019.

In November 2016, the FASB issued ASU No. 2016-18 ("ASU 2016-18") "*Statement of Cash Flows (Topic 230): Restricted Cash*". During the fiscal year ended June 30, 2018, the Academy elected to early adopt this pronouncement effective July 1, 2017, using the required retrospective transition method to each period presented. The new guidance requires the statements of cash flows to reconcile the changes in the total of cash, cash equivalents, and restricted cash. As a result, transfers between cash, cash equivalents, restricted cash, and restricted cash equivalents will no longer be presented in the statement of cash flows.

In January 2017, the FASB issued ASU No. 2017-02 ("ASU 2017-02") "*Not-for-Profit Entities – Consolidation (Subtopic 958-810): Clarifying When a Not-For Profit Entity That Is a General Partner or a Limited Partner Should Consolidate a For-Profit Limited Partnership or Similar Entity*." This ASU issued final guidance that retains the presumption that a not-for-profit entity that is a general partner of a for-profit limited partnership or similar entity controls the limited partnership. The presumption was eliminated by ASU 2015-02 but is now reinstated within the not-for-profit consolidation guidance. Under ASU 2017-02, a limited partner that owns, either directly or indirectly, more than 50 percent of the limited partnership kick-out rights is deemed to have a controlling financial interest and must consolidate the limited partnership. ASU 2017-02 became effective for annual periods beginning after December 15, 2016. The Academy consolidates The California Academy of Sciences Endolith Endowment Fund, LP, and the adoption of this ASU for the fiscal year ended June 30, 2018 did not have an impact on the Academy's consolidated financial statements.

3. Liquidity and Availability of Resources

The Academy's financial assets available within one year of the consolidated statements of financial position date for general expenditures are as follows as of June 30, 2019:

Financial assets	
Cash and cash equivalents	$ 4,458,815
Restricted cash	1,060,612
Investments	470,330,580
Investment-related receivables	56,876,017
Other receivables, net	1,693,174
Contributions, net	12,234,721
Notes receivable, net	1,636,864
Investments held in trusts	5,932,109
Total financial assets	554,222,892
Less financial assets unavailable for general expenditures within one year	
Amounts unavailable for general expenditures within one year:	
Restricted by donor with time or purpose restrictions	6,508,182
Restricted by donor in perpetuity	89,895,164
Perpetual and term endowments accumulated earnings subject to appropriation beyond one year	27,511,803
Investment portfolio assets to be used to pay portfolio liabilities from pending trades	72,110,968
Investments held in trusts and various state-required annuity reserves	5,932,109
Notes receivable collectible beyond one year	1,632,518
Amounts unavailable to management without Board's approval:	
Board-designated for quasi-endowment	53,892,252
Board-designated for repayment of bonds	267,978,822
Financial assets available to meet cash needs for general expenditures within one year	$ 28,761,074

Liquidity Management

The Academy manages liquidity by maintaining appropriate balances of readily-marketable Level 1 equity, debt, and money market securities such that sufficient cash is available to pay liabilities including salaries and benefits and other operating expenses. At any point in time, the Academy keeps approximately $1.5 million to $2.0 million cash available in its operating account in excess of outstanding checks to pay liabilities due within the next two weeks. When cash flows from operating activities need to be supplemented in order to pay liabilities, the Academy will sell investments without donor restrictions and transfer the proceeds to its operating account. Additional funding for operating expenses is obtained from earned revenue streams and support from the City and County of San Francisco. The Academy has not needed to obtain an ancillary line of credit in order to pay liabilities. Although the Academy does not intend to spend from its quasi-endowment or investments designated for repayment of bonds these amounts could be made available if necessary with Board of Trustees approval.

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

Debt Service Liquidity Management

The Academy's bonds payable liabilities are paid from earnings generated by investment balances without restrictions. Since net investment income has exceeded debt-related liabilities in recent years, the Academy's investment balances without donor restrictions have increased. If net investment income were to decrease in the future, due to market conditions or other circumstances, the Academy would be able to pay bonds payable liabilities from net assets without donor restrictions.

4. Investments

At June 30, 2019 and 2018, the fair value of investments is as follows:

	2019	2018
Cash and cash equivalents	$ 2,883,800	$ 8,295,720
Government agency and foreign government obligations	39,443,687	19,944,324
Corporate bonds	260,793,891	248,345,824
Domestic and foreign equity securities and mutual funds	69,459,600	71,175,598
Exchange traded funds	4,806,377	4,744,395
Equity hedge funds	20,172,545	24,790,396
Commingled funds	56,123,504	52,079,244
Private equity funds	15,588,915	15,187,028
Real estate and other	1,058,261	932,279
Total investments	$470,330,580	$445,494,808

The Academy's investment portfolio designated for repayment of bonds comprised $283,744,395 and $265,812,305 of total investments as of June 30, 2019 and 2018, respectively.

The following schedule summarizes the Academy's investment return for the fiscal years ended June 30, 2019 and 2018:

	2019	2018
Investment income, net	$ 9,599,047	$ 8,076,117
Realized and unrealized gains (losses), net	7,903,811	13,327,152
	$ 17,502,858	$ 21,403,269

Endolith Endowment Fund

The California Academy of Sciences Endolith Endowment Fund, LP (the “Partnership”) is a limited partnership which commenced operations on December 22, 2014. The Partnership serves as a single investor fund for the administrative convenience of the Academy (“Limited Partner”). Cambridge Associates Resources, LLC serves as the General Partner. Since December 22, 2014 there has only been one Limited Partner, the Academy. As of June 30, 2019 and 2018, respectively, investments held in the Partnership were $181,890,080 and $175,791,931 and total assets were $182,420,703 and $181,396,279. The Partnership’s investments are included in the Academy’s consolidated financial statements and accompanying disclosures as the Academy owns 99.9% of the Partnership.

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

Equity Hedge Funds

Hedge funds are generally open-end funds as they typically offer subscription and redemption options to investors. The amount of liquidity provided to investors in a particular fund is generally consistent with the liquidity and risk associated with the underlying portfolio (i.e. the more liquid the investments in the portfolio, the greater the liquidity provided to the investors). Liquidity of individual hedge funds varies based on various factors and may include “gates,” “holdbacks” and “side pockets” imposed by the manager of the hedge fund as well as redemption fees which may also apply. The Academy invests in hedge funds with investment strategies including multi-strategy portfolios and portfolios consisting of a core group of growth stock positions in equity markets. The capacity for redemptions is dictated by each fund’s respective governing documents; 15-90 day redemption notices are required for the Academy’s hedge fund investments. The hedge funds held by the Academy allow for quarterly redemptions with the exception of three which allow for either semi-monthly, annual, or biennial redemptions.

Commingled Funds

Commingled funds consist of assets from multiple accounts that are pooled together to create economies of scale. The Academy invests in commingled funds with investment strategies including equity investments in emerging markets, equity investments in global developed public markets excluding the United States and global balanced portfolios. The capacity for redemptions are dictated by each fund’s respective governing documents; 30 to 60 day redemption notices are required for the Academy’s commingled fund investments. The commingled funds held by the Academy allow for either daily, monthly, or quarterly redemptions excluding one which only allows annual redemptions.

Private Equity Funds

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

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

As of June 30, 2019 and 2018, the Partnership had unfunded commitments of $20,961,852 and $11,258,831, respectively, to underlying private equity funds. These Underlying Funds are expected to be liquidated in 0-12 years unless terminated earlier or extended longer as permitted in the Underlying Funds’ partnership agreements.

Classification of Investments - Valuation Hierarchy

The following table presents the investments and investments held in trusts carried at fair value on the consolidated statements of financial position as of June 30, 2019 by the ASC 820 valuation hierarchy defined in Note 2.

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 2,883,800	$ -	$ -	$ 2,883,800
Government agency and foreign government obligations	-	39,443,687	-	39,443,687
Corporate bonds	-	260,793,891	-	260,793,891
Domestic and foreign equity securities and mutual funds	69,459,600	-	-	69,459,600
Exchange traded funds	4,806,377	-	-	4,806,377
Real estate and other	-	433,261	625,000	1,058,261
Investments - excluding nonmarketable equity investments at NAV	77,149,777	300,670,839	625,000	378,445,616
Investments held in trusts	5,932,109	-	-	5,932,109
Total assets included in the fair value hierarchy	$83,081,886	$300,670,839	$625,000	384,377,725
Nonmarketable equity investments at NAV				91,884,964
Total investments and investments held in trusts				$476,262,689

The following table presents the investments and investments held in trusts carried at fair value on the consolidated statements of financial position as of June 30, 2018 by the ASC 820 valuation hierarchy defined in Note 2.

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 8,295,720	$ -	$ -	$ 8,295,720
Government agency and foreign government obligations	74,714	19,869,610	-	19,944,324
Corporate bonds	-	248,345,824	-	248,345,824
Domestic and foreign equity securities and mutual funds	71,175,598	-	-	71,175,598
Exchange traded funds	4,744,395	-	-	4,744,395
Real estate and other	-	206,961	725,318	932,279
Investments - excluding nonmarketable equity investments at NAV	84,290,427	268,422,395	725,318	353,438,140
Investments held in trusts	5,864,359	-	-	5,864,359
Total assets included in the fair value hierarchy	$90,154,786	$268,422,395	$725,318	359,302,499
Nonmarketable equity investments at NAV				92,056,668
Total investments and investments held in trusts				$451,359,167

Derivative Instruments

The Academy invests in derivative instruments as a means to manage exposure to certain market risks and primarily through one investment manager. The Academy records all derivative instruments at fair value. Fair value adjustments are recorded and recognized as realized or unrealized gains/(losses) in the accompanying consolidated statements of activities.

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

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

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

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

The Academy enters into interest rate swaps whereby it is obligated to either pay or receive a fixed interest rate on a specified notional amount and receive or pay a floating interest rate on the same notional amount. The Academy also utilizes call or put swaptions that bestow the Academy the right but not the obligation to enter into underlying swap positions. The floating rate is generally calculated as a spread amount added to or subtracted from a specified London InterBank Offering Rate (“LIBOR”) indexed interest rate. The Academy enters into such contracts to target and manage interest rate exposure. The market value and unrealized gains or losses on interest rate swaps and swaptions are affected by actual movements of, and market expectations of, changes in current market interest rates.

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

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

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

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

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

Foreign Currency Contracts

As of June 30, 2019 and 2018, the Academy had foreign currency forward contracts with notional amounts totaling $21,244,136 and $2,387,719, respectively. Such over-the-counter (“OTC”) contracts involve, to varying degrees, risks of loss from the possible inability of counterparties to meet the terms of their contracts. Changes in value are recognized as realized or unrealized gains/(losses) until the positions are closed.

Futures Contracts

As of June 30, 2019 and 2018, the Academy had futures contracts with notional amounts totaling $163,353,063 and $174,151,094, respectively. Such contracts involve centralized, third-party counterparties. Changes in value are recognized as realized or unrealized gains/(losses) until the positions are closed.

Credit Default Swaps

As of June 30, 2019 and 2018, the Academy had credit default swaps with notional amounts totaling $8,900,000 and $600,000, respectively. Such OTC contracts involve, to varying degrees, risks of loss from the possible inability of counterparties to meet the terms of their contracts. Changes in value are recognized as realized or unrealized gains/(losses) until the positions are closed.

Swaptions
As of June 30, 2019 and 2018, the Academy had swaptions with notional amounts totaling $14,600,000 and $4,500,000, respectively. Such OTC contracts involve, to varying degrees, risks of loss from the possible inability of counterparties to meet the terms of their contracts. Changes in value are recognized as realized or unrealized gains/(losses) until the positions are closed.

Collateral for Financial Instruments
As of June 30, 2019 and 2018, the Academy had posted collateral for centrally-cleared swaps in the amounts of $139,000 and $22,000, respectively.

As of June 30, 2019 and 2018, the Academy had posted collateral for futures and options in the amounts of $276,000 and $288,155, respectively.

Notional Amounts and Fair Values
The following table lists the notional amount and the fair value of the derivatives by contract type. The fair value is included within investments in the consolidated statements of financial position as of June 30, 2019:

	Notional Amount	Fair Value Asset / (Liability)
Derivative type		
Foreign currency contracts	$ 21,244,136	$ (40,842)
Futures contracts	163,353,063	-
Credit default swaps	8,900,000	(230,246)
Swaptions	14,600,000	(5,068)
	$ 208,097,199	$ (276,156)

The following table lists the notional amount and the fair value of the derivatives by contract type. The fair value is included within investments in the consolidated statements of financial position as of June 30, 2018:

	Notional Amount	Fair Value Asset / (Liability)
Derivative type		
Foreign currency contracts	$ 2,387,719	$ 18,329
Futures contracts	174,151,094	-
Credit default swaps	600,000	(34,472)
Swaptions	4,500,000	(4,587)
	$ 181,638,813	$ (20,730)

Gains and Losses on Derivatives

The realized or unrealized gains/(losses) on investments in derivatives by contract type included in the consolidated statements of activities for the fiscal years ended June 30, 2019 and 2018 are as follows:

	2019	2018
Derivative type		
Foreign currency contracts	$ (40,843)	$ 18,329
Futures contracts	(2,404,741)	(178,290)
Credit default swaps	(21,680)	5,854
Swaptions	10,627	1,616
Total gain (loss) on derivatives	$ (2,456,637)	$ (152,491)

Counterparty Risk

The use of derivative instruments introduces the risk that a counterparty won't fulfill a contractual obligation. In order to manage the risk of OTC derivative contracts, including foreign currency contracts, credit default swaps, swaptions, and cross currency swaps, the Academy's investment advisor vets counterparties on a firm-wide basis, utilizes master (such as ISDA) agreements and other collateral controls, and monitors counterparty exposure on a daily basis. The Academy's net counterparty exposure, quantified below, is equal to the excess market value of swaps, swaptions and credit default swaps, and net realized or unrealized gains/(losses) for forward currency, over and above exchanged collateral. Derivatives cleared and traded via exchanges and centralized third-party counterparties include futures contracts, interest rate swaps, and options contracts.

For the fiscal years ended June 30, 2019 and 2018, the Academy's net counterparty exposure amounted to $195,501 and $15,577, respectively.

5. Endowments and Net Assets

The Academy's endowment consists of approximately 43 donor restricted endowment funds and 22 board-designated endowment funds restricted for a variety of purposes. The net assets associated with endowment funds including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

Interpretation of Relevant Law

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

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

(1) The duration and preservation of the fund.

(2) The purposes of the Academy and the donor restricted endowment fund.

(3) General economic conditions.

(4) The possible effect of inflation and deflation.

(5) The expected total return from income and the appreciation of investments.

(6) Other resources of the Academy.

(7) The investment policies of the Academy.

Endowment net asset composition by type of fund as of June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$123,468,881	$123,468,881
Board-designated endowment funds	71,021,538	-	71,021,538
Total endowment funds	$ 71,021,538	$123,468,881	$194,490,419

Changes in endowment net assets for the fiscal year ended June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	$ 70,067,043	$122,982,536	$193,049,579
Investment return, net	3,490,213	6,171,373	9,661,586
Contributions	174,463	311,702	486,165
Appropriation of endowment assets for expenditure	(2,710,181)	(5,996,730)	(8,706,911)
Endowment net assets at end of year	$ 71,021,538	$123,468,881	$194,490,419

Endowment net asset composition by type of fund as of June 30, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$122,982,536	$122,982,536
Board-designated endowment funds	70,067,043	-	70,067,043
Total endowment funds	$ 70,067,043	$122,982,536	$193,049,579

Changes in endowment net assets for the fiscal year ended June 30, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year, as revised	$ 66,751,658	$108,405,811	$175,157,469
Investment return	5,952,987	8,583,116	14,536,103
Contributions	-	11,793,083	11,793,083
Appropriation of endowment assets for expenditure	(2,637,602)	(5,799,474)	(8,437,076)
Endowment net assets at end of year	$ 70,067,043	$122,982,536	$193,049,579

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

Net Assets Without Donor Restrictions

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

	2019	2018
Undesignated	$ 34,931,469	$ 62,544,536
Board designated for bond repayment	283,744,395	265,812,305
Board designated for quasi-endowment	53,892,252	51,634,197
Total net assets without donor restrictions	$ 372,568,116	$ 379,991,038

Net Assets With Donor Restrictions

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

	2019	2018
Restricted for research support	$ 21,793,334	$ 30,849,632
Restricted for public program support	19,002,596	11,467,338
Restricted for plant and new academy project	7,595	60,071
Restricted for general operations	4,068,182	7,783,118
Total net assets subject to expenditure for specified purpose or period	44,871,707	50,160,159
Endowments subject to the Academy's spending policy and appropriation:		
Restricted for research support	21,275,017	21,203,844
Restricted for public program support	33,269,625	32,519,149
Restricted for general operations	37,711,451	38,221,398
Total endowments subject to the Academy's spending policy and appropriation	92,256,093	91,944,391
Total net assets with donor restrictions	$ 137,127,800	$ 142,104,550

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Academy to retain as a fund of perpetual duration. These deficiencies may result from unfavorable market fluctuations that occur shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs that were deemed prudent by the Board of Trustees. There were no underwater endowment funds as of June 30, 2019 or 2018.

Return Objectives and Risk Parameters

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

Endowment Spending Allocation and Investment Objectives

The Board of Trustees of the Academy determines the method to be used to appropriate endowment funds for expenditure. The spending allocation is applied at the individual unitized endowment fund level and is calculated at the rate of 5% of the average market value of each fund on a unitized basis. The average market value is calculated based on a rolling 3-year average of the market value of each fund on a unitized basis. The corresponding calculated spending allocations are distributed in equal quarterly installments on the first day of each quarter from the current net total or accumulated net total investment returns for individual endowment funds. In establishing this policy, the Board of Trustees considered the expected long term rate of return on the Academy’s endowment. As of June 30, 2019 and 2018, the allocation from the endowment funds for operating support for fiscal years 2020 and 2019 amounted to $8,670,057 and $8,048,035, respectively.

6. Contributions Receivable, net

As of June 30, 2019 and 2018, contributions receivable were as follows:

	2019	2018
Contributions receivable before discount	$ 13,027,462	$ 15,819,185
Less: Unamortized discount	(467,741)	(513,654)
Less: Allowance for doubtful contributions receivable	(325,000)	-
Contributions, net	$ 12,234,721	$ 15,305,531
Amounts due		
Within one year	$ 6,811,006	$ 6,922,429
Two to five years	3,166,456	5,846,756
More than five years	3,050,000	3,050,000
Contributions receivable before discount and allowance	$ 13,027,462	$ 15,819,185

Discount rates used to calculate the present value of contributions receivable for the fiscal years ended June 30, 2019 and 2018 ranged from 0.36% to 3.34%.

7. Notes Receivable, net

The Academy holds a Promissory Note, dated December 30, 2010, for $675,000 from the Music Concourse Community Partnership ("MCCP") related to the construction of a parking facility in Golden Gate Park. The note has a fixed interest rate of 6%. Interest payments are to be made on December 27 of each year. The note matures on December 1, 2040. The note receivable including accrued interest at June 30, 2019 and 2018 was $1,210,071 and $1,141,752, respectively.

The Academy has adopted, as part of the compensation package to attract and retain talent for scientific research, a Home Purchase Loan Program. Under the program, the Academy extends loans to qualified employees. Individual notes cannot exceed $150,000 and no more than ten notes can be outstanding at any point in time. As of June 30, 2019 and 2018, the Academy held Promissory Notes from six employees for housing support. The notes have fixed interest rates ranging from 2.22% to 3.22%, payable monthly or annually. The notes receivable including accrued interest at June 30, 2019 and 2018 were $426,793 and $492,888, respectively.

There was no allowance against notes receivable at June 30, 2019 or 2018.

8. Property and Equipment, net

At June 30, 2019 and 2018, the major classes of property and equipment were as follows:

	2019	2018
Land	$ 710,000	$ 710,000
Building and improvements	371,192,625	371,128,592
Aquarium	34,007,747	33,946,780
Planetarium	7,206,392	7,133,765
Library and rare books	12,526,087	12,526,087
Furniture, equipment, and software	28,335,609	27,389,435
Phone and information technology/infrastructure	6,917,321	6,917,321
Exhibit halls	30,311,512	30,311,512
Construction in progress	2,704,048	1,697,643
	493,911,341	491,761,135
Less: Accumulated depreciation and amortization	(170,932,816)	(156,553,949)
	$ 322,978,525	$ 335,207,186

Depreciation and amortization expense for the fiscal years ended June 30, 2019 and 2018 was $14,378,867 and $16,844,244, respectively.

9. Employees' Retirement Plan

The Academy maintains defined-contribution plans in the U.S., subject to Section 403(b) of the Internal Revenue Code. Based on federal limits, eligible employees could elect to contribute, on a tax-deferred basis, any percentage of their compensation to a maximum of $18,500 or $19,000 in calendar years 2018 and 2019, respectively. Eligible employees over 50 years of age could also contribute an additional $6,000 on a tax-deferred basis. As of June 30, 2019, the Academy matches 3%, 4%, or 5% of employee contributions up to a maximum company contribution of 5% of base salary. For the fiscal years ended June 30, 2019 and 2018, the Academy made matching payments of $1,187,533 and $1,318,494, respectively.

10. Bonds Payable, net

In August 2018, the Academy issued Series 2018 A-D revenue bonds ("2018 Bonds") through the California Infrastructure and Economic Development Bank in the amount of $281,450,000. The bond proceeds were used to refund all previously issued bonds in full which were issued to fund construction and improvements of the facilities in Golden Gate Park ("2008 Bonds"). The 2018 Bonds will mature on August 1, 2047. However, they are subject to mandatory redemption beginning in 2021.

Each Series of the 2018 Bonds was issued in an Index Mode with an Initial Index Mode Rate Period scheduled to end July 31, 2021. For all Series, average monthly interest rates ranged from 1.83% to 2.34% during the fiscal year ended June 30, 2019. For the 2008 Bonds, average monthly interest rates ranged from 1.63% to 2.14% during the fiscal year ended June 30, 2018.

During the fiscal years ended June 30, 2019 and 2018, the Academy incurred bond interest costs and remarketing fees of $5,940,809 and $5,097,430, respectively. Interest and remarketing costs are included in the functional expense allocation within interest and debt-related fees in the consolidated statements of activities.

The Academy amortizes debt issuance costs related to the 2018 bonds over a 30 year life. These debt issuance costs are presented as a direct deduction from the carrying value of the debt liability. Unamortized debt issuance costs were $2,182,068 and $2,242,107 as of June 30, 2019 and 2018 for the 2018 and 2008 Bonds, respectively. The Academy recognized amortization expense of $80,039 and $105,774 for the fiscal years ended June 30, 2019 and 2018, respectively. As of June 30, 2019 and 2018, there were no principal payments due within the next five years.

Tax-exempt bonds issued on or after September 1, 1986 are subject to the arbitrage rebate requirements imposed by Section 148(f) (2) of the Internal Revenue Code (the “IRC”). The arbitrage rebate requirements require that any profit or arbitrage be rebated to the U.S. Government. The rebate amount due to the U.S. Government is equal to the excess of the amount earned on all non-purpose investments as defined in the IRC purchased with gross proceeds of the bonds over the amount which would have been earned if such non-purpose investments were invested at a rate equal to the yield on the bonds. The rebate is calculated over a five-year period. As of June 30, 2019, the Academy is in compliance with this requirement.

The 2018 Bond agreements contain certain affirmative covenants, including a covenant for the Academy to provide audited financial statements no later than 150 days after the end of each fiscal year. At June 30, 2019 and 2018, the Academy was in compliance with all such covenants.

11. Support from the City and County of San Francisco

Section 16.106 of the City and County of San Francisco charter states that the City and County of San Francisco shall provide funds necessary for the maintenance, operation, and continuance of the Steinhart Aquarium and funds deemed proper for the maintenance, operation, and continuance of other buildings and improvements placed under the control of the Academy. During the fiscal years ended June 30, 2019 and 2018, the Academy received $6,490,334 and $7,022,327, respectively, from the City for this support.

12. Commitments and Contingencies

Legal Matters

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

13. Subsequent Events

The Academy has evaluated the consolidated financial statements for subsequent events through November 25, 2019, which is the date of issuance of this report. No subsequent events were identified.