California Academy of Sciences

Financial Statements
June 30, 2016 and 2015

California Academy of Sciences
Index
June 30, 2016 and 2015

Report of Independent Auditors

To the Board of Trustees
California Academy of Sciences

We have audited the accompanying financial statements of the California Academy of Sciences (the "Academy"), which comprise the statements of financial position as of June 30, 2016 and 2015, 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 Academy'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 Academy'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 California Academy of Sciences as of June 30, 2016 and 2015, and the changes in its 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

San Francisco, California
March 8, 2017

California Academy of Sciences
Statements of Financial Position
June 30, 2016 and 2015

	2016				2015			
	Operating	Plant	Endowment	Total	Operating	Plant	Endowment	Total
Assets								
Cash and cash equivalents	$ 4,414,802	$ -	$ -	$ 4,414,802	$ 2,288,747	$ -	$ -	$ 2,288,747
Investments	4,445,585	260,645,265	142,116,331	407,207,181	4,445,585	263,547,897	148,285,210	416,278,692
Receivables, net								
Research grants	197,669	-	-	197,669	267,340	-	-	267,340
Accrued interest and dividends	-	660,228	27,970	688,198	-	620,796	-	620,796
Other receivables, net	2,835,132	-	-	2,835,132	641,500	-	1,128,908	1,770,408
Contributions, net	11,640,989	3,045,065	6,871,121	21,557,175	13,484,554	2,748,457	3,447,400	19,680,411
Due (to) from other funds	7,477,330	(10,041,178)	2,563,848	-	7,573,011	(8,271,594)	698,583	-
Receivable for investments sold	-	36,372,291	1,412,449	37,784,740	-	9,095,445	-	9,095,445
Inventory	40,961	-	-	40,961	44,387	-	-	44,387
Prepaid expenses and other	903,347	256,926	3,000,000	4,160,273	1,002,060	105,986	3,100,000	4,208,046
Notes receivable, net	-	-	1,560,069	1,560,069	-	-	1,579,373	1,579,373
Investments held in trusts	-	-	5,401,747	5,401,747	-	-	5,185,362	5,185,362
Deferred bond financing costs, net	-	2,344,655	-	2,344,655	-	2,450,429	-	2,450,429
Property and equipment, less accumulated depreciation	-	355,973,443	-	355,973,443	-	369,448,681	-	369,448,681
Total assets	$ 31,955,815	$ 649,256,695	$ 162,953,535	$ 844,166,045	$ 29,747,184	$ 639,746,097	$ 163,424,836	$ 832,918,117

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

California Academy of Sciences
Statements of Financial Position
June 30, 2016 and 2015

	2016				2015			
	Operating	Plant	Endowment	Total	Operating	Plant	Endowment	Total
Liabilities and Net Assets								
Liabilities								
Accounts payable	$ 869,210	$ -	$ 1,104,287	$ 1,973,497	$ 1,984,825	$ -	$ -	$ 1,984,825
Accrued expenses and other liabilities	5,247,461	3,259	868,937	6,119,657	2,963,042	65,766	691,595	3,720,403
Deferred income	4,768,402	-	-	4,768,402	5,274,307	-	-	5,274,307
Annuities payable	-	-	2,087,706	2,087,706	-	-	1,435,872	1,435,872
Bonds payable	-	281,450,000	-	281,450,000	-	281,450,000	-	281,450,000
Other long-term liabilities	143,372	-	-	143,372	259,899	35,000	-	294,899
Payable for investments purchased	-	37,552,367	2,071,016	39,623,383	-	14,098,955	-	14,098,955
Total liabilities	11,028,445	319,005,626	6,131,946	336,166,017	10,482,073	295,649,721	2,127,467	308,259,261
Net assets								
Unrestricted								
Available for operations	2,268,912	249,410,774	7,598,209	259,277,895	2,733,918	257,982,534	7,583,300	268,299,752
Designated for property and equipment	-	77,112,166	-	77,112,166	-	82,682,321	-	82,682,321
Designated for endowment	-	-	41,080,381	41,080,381	-	-	48,862,639	48,862,639
Total unrestricted net assets	2,268,912	326,522,940	48,678,590	377,470,442	2,733,918	340,664,855	56,445,939	399,844,712
Temporarily restricted	18,658,458	3,728,129	32,107,706	54,494,293	16,531,193	3,431,521	38,345,990	58,308,704
Permanently restricted	-	-	76,035,293	76,035,293	-	-	66,505,440	66,505,440
Total net assets	20,927,370	330,251,069	156,821,589	508,000,028	19,265,111	344,096,376	161,297,369	524,658,856
Total liabilities and net assets	$ 31,955,815	$ 649,256,695	$ 162,953,535	$ 844,166,045	$ 29,747,184	$ 639,746,097	$ 163,424,836	$ 832,918,117

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

California Academy of Sciences
Statements of Activities
Years Ended June 30, 2016 and 2015

	2016				2015			
	Operating	Plant	Endowment	Total	Operating	Plant	Endowment	Total
Change in unrestricted net assets								
Revenue and gains (losses)								
Admissions	$ 18,631,334	$ -	$ -	$ 18,631,334	$ 17,908,283	$ -	$ -	$ 17,908,283
Contributions	8,368,469	-	345,059	8,713,528	7,266,257	500	399,209	7,665,966
Memberships	8,743,533	-	-	8,743,533	8,418,236	-	-	8,418,236
Tuition and program fees	2,187,583	-	-	2,187,583	1,999,331	-	-	1,999,331
Auxiliary activities	4,683,338	-	9,779	4,693,117	4,225,659	-	52,333	4,277,992
Government grant revenue	864,873	-	-	864,873	1,089,433	-	-	1,089,433
City and County of San Francisco	5,308,528	-	-	5,308,528	4,501,672	-	-	4,501,672
Net investment income	103	5,379,391	558,346	5,937,840	(5,121)	5,148,354	925,415	6,068,648
Net realized and unrealized gains (losses) on investments	14,209	(1,803,513)	(6,119,040)	(7,908,344)	927	(3,227,274)	(1,213,982)	(4,440,329)
Gain (loss) on sale of property and equipment	140,000	211,900	-	351,900	-	(18,421)	-	(18,421)
Total unrestricted revenue and gains	48,941,970	3,787,778	(5,205,856)	47,523,892	45,404,677	1,903,159	162,975	47,470,811
Net assets released from restrictions	9,848,368	1,225,500	3,001,087	14,074,955	7,770,052	4,165,047	6,803,733	18,738,832
Total unrestricted revenue, gains, and other support	58,790,338	5,013,278	(2,204,769)	61,598,847	53,174,729	6,068,206	6,966,708	66,209,643
Expenses								
Biodiversity Science	11,639,235	5,081,249	-	16,720,484	14,563,095	5,071,813	-	19,634,908
Exhibits & Public Engagement	20,443,798	7,574,982	-	28,018,780	23,453,793	7,560,916	-	31,014,709
Education & Outreach	12,442,772	259,181	-	12,701,953	12,556,959	258,699	-	12,815,658
Aquarium	8,718,437	4,393,629	-	13,112,066	8,770,084	4,349,190	-	13,119,274
Development	4,695,012	117,324	-	4,812,336	4,695,735	117,120	-	4,812,855
Management & General	7,533,120	535,449	-	8,068,569	6,965,745	533,320	-	7,499,065
Total operating expenses	65,472,374	17,961,814	-	83,434,188	71,005,411	17,891,058	-	88,896,469
Transfers between funds								
Capital expenditures	(337,121)	337,121	-	-	(542,747)	542,747	-	-
Other transfers	6,554,151	(1,530,500)	(5,023,651)	-	18,476,491	(3,550,128)	(14,926,363)	-
Reclassification of net assets	-	-	(538,929)	(538,929)	-	-	(720,251)	(720,251)
Contributed investment fund transfer	-	-	-	-	1,000,000	-	(1,000,000)	-
Change in unrestricted net assets	$ (465,006)	$ (14,141,915)	$ (7,767,349)	$ (22,374,270)	$ 1,103,062	$ (14,830,233)	$ (9,679,906)	$ (23,407,077)

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

California Academy of Sciences
Statements of Activities
Years Ended June 30, 2016 and 2015

	2016				2015			
	Operating	Plant	Endowment	Total	Operating	Plant	Endowment	Total
Change in unrestricted net assets	$ (465,006)	$ (14,141,915)	$ (7,767,349)	$ (22,374,270)	$ 1,103,062	$ (14,830,233)	$ (9,679,906)	$ (23,407,077)
Change in temporarily restricted net assets								
Contributions and fund transfers	11,975,633	1,522,108	210,823	13,708,564	2,927,636	1,974,731	6,212	4,908,579
Pledge write-off	-	-	-	-	-	(1,528,019)	-	(1,528,019)
Net investment income	-	-	519,335	519,335	-	-	1,228,963	1,228,963
Net realized and unrealized gains (losses) on investments	-	-	(3,754,061)	(3,754,061)	-	-	(1,019,977)	(1,019,977)
Change in value of investments held in trust	-	-	(213,294)	(213,294)	-	-	274,785	274,785
Net assets released from restrictions	(9,848,368)	(1,225,500)	(3,001,087)	(14,074,955)	(7,770,052)	(4,165,047)	(6,803,733)	(18,738,832)
Change in temporarily restricted net assets	2,127,265	296,608	(6,238,284)	(3,814,411)	(4,842,416)	(3,718,335)	(6,313,750)	(14,874,501)
Change in permanently restricted net assets								
Contributions	-	-	8,982,721	8,982,721	-	-	1,909,117	1,909,117
Reclassification of net assets	-	-	538,930	538,930	-	-	720,251	720,251
Net investment income	-	-	815	815	-	-	832	832
Change in value of investments held in trust			7,387	7,387	-	-	(21,394)	(21,394)
Change in permanently restricted net assets	-	-	9,529,853	9,529,853	-	-	2,608,806	2,608,806
Total change in net assets	1,662,259	(13,845,307)	(4,475,780)	(16,658,828)	(3,739,354)	(18,548,568)	(13,384,850)	(35,672,772)
Net assets								
Beginning of year	19,265,111	344,096,376	161,297,369	524,658,856	23,004,465	362,644,944	174,682,219	560,331,628
End of year	$ 20,927,370	$ 330,251,069	$ 156,821,589	$ 508,000,028	$ 19,265,111	$ 344,096,376	$ 161,297,369	$ 524,658,856

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

California Academy of Sciences
Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Change in net assets	$ (16,658,828)	$ (35,672,772)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	15,070,934	15,373,775
Amortization of deferred bond financing costs	105,774	105,774
Loss on sale of property and equipment	104,837	17,913
Net realized and unrealized losses on investments	11,662,405	5,457,558
Changes in investments held in trust	(184,513)	(532,840)
Contributions restricted for endowment	(8,948,078)	(1,909,117)
Contributions restricted for capital improvements	(1,156,950)	(1,738,987)
Donated securities	(4,052,417)	(2,101,723)
Proceeds from sale of donated securities	3,469,670	2,101,723
Changes in assets and liabilities		
Receivables, net	1,265,369	6,157,059
Inventory	3,426	1,030
Prepaid expenses and other	(52,227)	256,614
Accounts payable, accrued expenses and other liabilities	2,199,252	(216,312)
Deferred income	(505,905)	5,404
Other long-term liabilities	(151,527)	37,692
Net cash provided by (used in) operating activities	2,171,222	(12,657,209)
Cash flows from investing activities		
Purchase of investments	(855,855,346)	(1,110,747,248)
Proceeds from sale of investments	850,328,002	1,124,380,727
Purchase of property and equipment	(1,700,532)	(4,412,743)
Net cash (used in) provided by investing activities	(7,227,876)	9,220,736
Cash flows from financing activities		
Cash contributions restricted for endowment	4,790,764	3,028,699
Proceeds from sale of donated securities restricted for endowment	582,747	-
Contributions restricted for capital improvements	1,156,950	1,738,987
Contributions to investments in trusts	940,515	-
Investment return on annuity trusts	(120,140)	148,899
Annuity trust payments to beneficiaries	(168,127)	(158,243)
Net cash provided by financing activities	7,182,709	4,758,342
Net increase in cash and cash equivalents	2,126,055	1,321,869
Cash and cash equivalents		
Beginning of year	2,288,747	966,878
End of year	$ 4,414,802	$ 2,288,747
Supplemental information		
Interest paid	$ 2,617,327	$ 2,367,434
Noncash transactions		
Donated securities	4,052,417	2,101,723

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

1. Organization

The California Academy of Sciences (the "Academy") is a not-for-profit organization founded in 1853. Our website address is www.calacademy.org. We make our annual financial statements available on our 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.

Our Major Programs

Biodiversity Science and Sustainability
The Academy's Institute for Biodiversity Science and Sustainability is focused on understanding two important topics: the nature and sustainability of life on Earth. Based in San Francisco, the Institute is home to more than 100 scientists, state-of-the-art facilities, and nearly 46 million scientific specimens from around the world. Through expeditions around the globe, investigations in the lab, and analysis of 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 partnerships and public engagement initiatives, they also guide 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 a leader in efforts to increase scientific and environmental literacy worldwide. The Academy is home to 170 science educators and communicators as well as more than 300 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 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 strive to increase the public's understanding and appreciation of the natural world and inspire participants to help sustain the rich diversity of life on Earth.

Exhibits and Public Engagement
The all-digital Morrison Planetarium uses scientific data to share current discoveries and present immersive shows. The *Earthquake* exhibit delves into the science of our dynamic planet and how to prepare for seismic events. The *Color of Life* exhibit explores the role of color in the natural world with vibrant live animals, specimens, and immersive interactives.

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.

2. Critical Accounting Policies and Significant Management Estimates

The Academy's financial statements are prepared in accordance with generally accepted accounting principles, or GAAP, in the United States. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses and related disclosures. The Academy bases its estimates on historical experience and on 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:

Unrestricted Net Assets

Unrestricted net assets are net assets that are not subject to donor-imposed restrictions. These 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.

Temporarily Restricted Net Assets

Temporarily restricted net assets 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. Temporarily restricted net assets consist of grants, pledges, and contributions restricted for science and education.

Permanently Restricted Net Assets

Permanently restricted net assets are net assets that are subject to donor-imposed restrictions which stipulate that only income earned by the assets can be used while the original gift is kept intact permanently by the Academy. Permanently restricted net assets consist of endowment funds.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Investment income and gains or losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets, unless restricted by the donor or by law. Expirations of temporary restrictions on net assets (i.e., the donor-restricted purposes have been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restriction.

Description of Funds

Endowment Fund

The Academy's endowment fund includes permanently restricted contributions, purpose-restricted contributions and unrestricted contributions which have been internally designated as endowment funds by the Board of Trustees, as well as the realized and unrealized gains and losses associated with these funds.

Plant Fund
The plant fund includes the Academy's fixed assets, net of related debt and depreciation expenses, restricted and board designated resources contributed specifically for construction projects, exhibit fabrication, plant additions, and the general capital improvement of the Academy's facilities. This fund also includes investment balances, the liability for the Academy's bonds and the related investment income and debt related expenses, respectively.

Operating Fund
The operating fund captures all other activity.

Revenue Recognition
Admissions
Revenue for tickets purchased for use on the day of purchase is recognized at the point of sale.

Retail Sales
The Academy sells branded apparel and other merchandise and accessories, and the revenue for these items is recognized at the point of sale.

Memberships and Program Fees
Membership fees are charged to members at the commencement of their membership and are recognized ratably over the life of the membership. Program fees are recognized in the period in which they are earned.

Contributions
Contributed materials and equipment are reflected as contributions in the accompanying statements at their estimated values at date of receipt. Contributions received which relate to the Academy's core activities are classified as unrestricted.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues in temporarily restricted net assets and net assets released from restriction to reflect the expiration of such restrictions. Contributions received for specific events are recognized upon the occurrence of the event. Contributions for capital improvements are released from restriction when the capital asset is placed in service.

Contributions are reviewed for collectability and reserves for uncollectible amounts are established when needed.

At June 30, 2016 and 2015, 38% and 34% of contributions receivable were due from three donors, respectively. During fiscal years 2016 and 2015, 31% and 29% of contribution revenue was received from three donors, respectively.

Grants
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 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. Grants receivable are reviewed by management for collectability and reserves for uncollectible amounts are established when needed. There was no allowance against grants receivable at June 30, 2016 and 2015.

Contributed Assets and Services
The Academy receives contributed services, principally in the form of advertising, in addition to gifts in-kind such as equipment and supplies. The Academy records revenue and a corresponding expense for these contributed assets and services based on market rates for equivalent assets or services. In fiscal years 2016 and 2015, contributed assets and services totaled $187,846 and $230,565, respectively.

Fundraising Expenses
Fundraising expenses incurred by the Academy were $4,812,336 and $4,812,855 for the years ended June 30, 2016 and 2015, respectively. These are reflected as development expenses in the statements of activities.

Allocation of Expenses
Significant expenses which relate to two or more programs or support activities are allocated to the respective programs and activities. These costs principally relate to occupancy and support costs and are allocated based on the square footage used by the departments and by direct or estimated usage. Support costs include: Web Services department, which drives attendance and donations via the Website; Information Technology, while supporting all areas, focuses most of its time on interactive educational efforts; Marketing and Communications efforts benefit Education and Public Engagement Programs, the Aquarium, Development and Biodiversity Science; the Security staff is located mostly in public areas and allocated accordingly; Purchasing provides support primarily to Public Programs and the Aquarium as these are areas of unique needs, such as food for the animals.

Cash and Cash Equivalents
Cash and cash equivalents include all cash balances and short-term, highly liquid investments with a remaining 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.

Fair Value of Financial Instruments
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 financial statements on a recurring basis and purchases and sales are recorded on a trade date basis. The carrying amount of cash equivalents, trade accounts receivable, other receivables, trade accounts payable, and other accrued liabilities 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.

Method Used to Value Investments
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 an appraisal from a qualified real estate appraiser using values for comparable properties in the area.

The Academy follows the concept of the "practical expedient" under GAAP. The practical expedient is an acceptable method under 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 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. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed.

Unrealized gains or losses are the difference between the cost and the fair market value of investments at June 30, 2016 and 2015. Realized gains and losses are recorded at time of disposition during the year and are determined on a first-in, first-out basis. The net effect of unrealized and realized gains and losses is included in the Statement 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 carried 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 5.40% to 6.60%. The classification of the change in value of the pooled income funds and the investments held in trusts is recorded on the statement 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. For fiscal years 2016 and 2015, the allocation from the endowment funds for operating support amounted to $6,038,651 and $15,926,363, respectively. (See Note 4.)

Property and Equipment
Building and related building improvements under construction by the Academy in Golden Gate Park are valued at cost less accumulated depreciation. Depreciation 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.

Buildings and related building improvements are reflected in the accompanying 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.

Property and equipment acquired through the use of operating funds are accounted for as transfers to the plant fund. Maintenance and repairs are charged to expense as incurred. Expenditures that substantially increase an asset's useful life are capitalized.

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 FASB ASC Subtopic 360-10, "Property, Plant and Equipment", 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 fiscal years 2016 and 2015, there was no impairment of long-lived assets.

Deferred Bond Financing Costs
Deferred bond financing costs, which include bond issuance fees, are amortized over the life of the bonds.

Income Taxes
The Academy is qualified as a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code and is not a private foundation. The Academy is also a public-benefit, tax-exempt corporation under the laws of the State of California. Accordingly, the operations of the Academy are currently considered exempt from federal income and state franchise taxes.

Reclassifications
Certain prior year amounts have been reclassified to conform to the current year presentation. Such reclassifications had no effect on total assets, liabilities, or net assets.

Recently Issued Accounting Pronouncements
In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers." 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. ASU 2014-09 will become effective for annual reporting periods beginning after December 15, 2017. The Academy is currently evaluating the effect of adoption to its financial statements.

In April 2015, the FASB issued ASU No. 2015-03, "Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs." The ASU was issued in connection with the FASB's efforts to simplify accounting standards for the presentation of debt issuance costs. The ASU requires companies to present debt issuance costs in the same manner that debt discounts are currently reported, as a direct deduction from the carrying value of that debt liability. The applicability of this requirement does not impact the recognition and measurement guidance for debt issuance costs. ASU 2015-03 will become effective for annual reporting periods beginning after December 15, 2015. The Academy is currently evaluating the effect of adoption to its financial statements.

In August 2016, the FASB issued ASU 2016-14, "Presentation of Financial Statements for Not-for-Profit Entities", which revises the not-for-profit financial reporting model. ASU 2016-14 streamlines and clarifies net asset reporting, provides flexibility regarding the definition of reported operating subtotals, and imposes new reporting requirements related to expenses. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted. The Academy is currently evaluating the effect of adoption to the financial statements.

Revision

The Academy's 2015 financial statements overstated the release from restriction of temporarily restricted net assets by a total of $5.9 million. In addition, beginning temporarily restricted net assets for the year ended June 30, 2015 were understated by $3.7 million and unrestricted net assets were overstated by a corresponding amount. Accordingly, management has revised the accompanying 2015 financial statements to reflect corrections for these amounts. Revised amounts are as follows:

	Statement of Financial Position					
	2015- as Previously Reported		2015- Adjustments		2015- as Revised	
	Endowment	Total	Endowment	Total	Endowment	Total
Net assets						
Unrestricted						
Available for operations	$ 7,583,300	$ 268,299,752	$ -	$ -	$ 7,583,300	$ 268,299,752
Designated for property and equipment	-	82,682,321	-	-	-	82,682,321
Designated for endowment	58,423,645	58,423,645	(9,561,006)	(9,561,006)	48,862,639	48,862,639
Total unrestricted net assets	66,006,945	409,405,718	(9,561,006)	(9,561,006)	56,445,939	399,844,712
Temporarily restricted	28,784,984	48,747,698	9,561,006	9,561,006	38,345,990	58,308,704
Permanently restricted	66,505,440	66,505,440	-	-	66,505,440	66,505,440
Total net assets	$ 161,297,369	$ 524,658,856	$ -	$ -	$ 161,297,369	$ 524,658,856

	Statement of Activities					
	2015- as Previously Reported		2015- Adjustments		2015- as Revised	
	Endowment	Total	Endowment	Total	Endowment	Total
Change in unrestricted net assets						
Net assets released from restrictions	$ 12,654,025	$ 24,589,124	$ (5,850,292)	$ (5,850,292)	$ 6,803,733	$ 18,738,832
Total unrestricted revenue, gains, and other support	$ 12,817,000	$ 72,059,935	$ (5,850,292)	$ (5,850,292)	$ 6,966,708	$ 66,209,643
Change in unrestricted net assets	$ (3,829,614)	$ (17,556,786)	$ (5,850,292)	$ (5,850,292)	$ (9,679,906)	$ (23,407,077)
Change in temporarily restricted net assets						
Net assets released from restrictions	$ (12,654,025)	$ (24,589,124)	$ 5,850,292	$ 5,850,292	$ (6,803,733)	$ (18,738,832)
Change in temporarily restricted net assets	$ (12,164,042)	$ (20,724,792)	$ 5,850,292	$ 5,850,292	$ (6,313,750)	$ (14,874,501)

There was no impact of these revisions on total assets, liabilities, net assets, revenues, expenses, or fund balances as previously reported. Management believes these revisions are not material to the 2015 financial statements.

3. Investments

At June 30, 2016 and 2015, the fair value of investments is as follows:

	2016			2015		
	Plant	Endowment and Operating	Total	Plant	Endowment and Operating	Total
Cash and cash equivalents	$ 3,361,939	$ 10,722,432	$ 14,084,371	$ (667,407)	$ 6,656,094	$ 5,988,687
Government agency and foreign government obligations	19,639,155	1,584,085	21,223,240	33,318,248	-	33,318,248
Corporate bonds	237,127,099	2,413,305	239,540,404	230,040,652	-	230,040,652
Domestic and foreign equity securities and mutual funds	112,592	51,960,565	52,073,157	517,885	75,943,923	76,461,808
Exchange traded funds		1,776,180	1,776,180	-	3,378,512	3,378,512
Equity hedge funds		29,655,063	29,655,063	-	27,358,029	27,358,029
Commingled funds		36,417,098	36,417,098	-	31,861,167	31,861,167
Private equity funds		11,398,052	11,398,052	-	6,897,934	6,897,934
Real estate & other	404,480	635,136	1,039,616	338,519	635,136	973,655
Total investments	$ 260,645,265	$ 146,561,916	$ 407,207,181	$ 263,547,897	$ 152,730,795	$ 416,278,692

The following schedule summarizes the Academy's investment return for the years ended June 30, 2016 and 2015:

	2016			
	Operating	Plant	Endowment	Total
Net investment income	$ 103	$ 5,379,391	$ 1,078,496	$ 6,457,990
Net realized and unrealized gains (losses) on investment	14,209	(1,803,513)	(9,873,101)	(11,662,405)
	$ 14,312	$ 3,575,878	$ (8,794,605)	$ (5,204,415)

	2015			
	Operating	Plant	Endowment	Total
Net investment income	$ (5,121)	$ 5,148,354	$ 2,155,210	$ 7,298,443
Net realized and unrealized gains (losses) on investment	927	(3,227,274)	(2,233,959)	(5,460,306)
	$ (4,194)	$ 1,921,080	$ (78,749)	$ 1,838,137

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 365 day redemption notices are required for the Academy's commingled fund investments. The commingled funds held by the Academy allow for daily or monthly redemptions excluding one which only allows annual redemptions.

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 vary 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 are dictated by each fund’s respective governing documents; 30-90 day redemption notices are required for the Academy’s hedge fund investments. The hedge funds held by the Academy allow for quarterly redemptions excluding two which only allow bi-annual, annual or biennial redemptions.

Endolith Endowment Fund
Pursuant to the Revised Uniform Limited Partnership Act of the State of Delaware, the Academy formed a partnership on October 30, 2014. 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, 2016, investments held in the Partnership were $141,196,065 and total assets were $145,636,484. The Partnership’s investments are included in the Academy’s financial statements and accompanying disclosures as the Academy owns 99.9% of the Partnership.

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, which are Underlying Funds that purchase interests in other funds on the secondary market.

As of June 30, 2016 and 2015, the Partnership had unfunded commitments of $10,669,876 and $9,171,068, respectively, to underlying private equity funds. These underlying Funds are expected to be liquidated in 6-9 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 statement of financial position as of June 30, 2016 by the ASC 820 valuation hierarchy defined above. As evaluated under ASU 2015-07, the fair value of $29,655,063, $36,417,098, and $11,398,052 of hedge, commingled, and private equity fund investments, respectively, are excluded:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 14,084,371	$ -	$ -	$ 14,084,371
Government agency and foreign government obligations	7,659,811	13,563,429	-	21,223,240
Corporate bonds	-	239,540,404	-	239,540,404
Domestic and foreign equity securities and mutual funds	52,073,157	-	-	52,073,157
Exchange traded funds	1,776,180	-	-	1,776,180
Real estate & other	-	404,480	635,136	1,039,616
Total investments	75,593,519	253,508,313	635,136	329,736,968
Investments held in trusts	5,401,747	-	-	5,401,747
Total	$ 80,995,266	$ 253,508,313	$ 635,136	$ 335,138,715

The following table presents the investments and investments held in trusts carried at fair value on the statement of financial position as of June 30, 2015 by the ASC 820 valuation hierarchy defined above. As evaluated under ASU 2015-07, the fair value of $27,358,029, $31,861,167, and $6,897,934 of hedge, commingled, and private equity fund investments, respectively, are excluded:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 5,988,687	$ -	$ -	$ 5,988,687
Government agency and foreign government obligations	15,967,544	17,350,704	-	33,318,248
Corporate bonds	-	230,040,652	-	230,040,652
Domestic and foreign equity securities and mutual funds	76,461,808	-	-	76,461,808
Exchange traded funds	3,378,512	-	-	3,378,512
Real estate & other	-	338,519	635,136	973,655
Total investments	101,796,551	247,729,875	635,136	350,161,562
Investments held in trusts	5,185,362	-	-	5,185,362
Total	$ 106,981,913	$ 247,729,875	$ 635,136	$ 355,346,924

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 statements of activities.

The Academy utilizes a variety of derivative instruments and contracts including foreign currency contracts, futures, swaps, swaptions, and options 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.

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 lnterBank 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 cross currency swaps whereby it is obligated to pay interest and/or principal on a specified notional loan amount in one currency and receive interest and/or principal on the same notional loan amount in another currency. The Academy enters into such contracts to manage its interest rate and currency exposures. The market value and unrealized gains or losses on cross currency swaps are affected by actual movements of, and market expectations of, changes in current market interest rates and exchange 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 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, 2016 and 2015, the Academy had foreign currency forward contracts with notional amounts totaling $7,313,405 and $6,211,749, 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, 2016 and 2015, the Academy had futures contracts with notional amounts totaling $222,609,297and $39,219,375, respectively. Such contracts involve centralized, third-party counterparties. Changes in value are recognized as realized or unrealized gains/(losses) until the positions are closed.

Interest Rate Swaps
As of June 30, 2016 and 2015, the Academy had interest rate swaps in which the Academy was paying a fixed interest rate with notional amounts totaling $24,355,000 and $5,600,000, respectively. Such contracts involve centralized, third-party counterparties. As of June 30, 2016, and June 30, 2015, the cost-to-exit via countervailing positions was $383,368 and $31,679, respectively. Changes in value are recognized as realized or unrealized gains/(losses) until the positions are closed.

Credit Default Swaps
As of June 30, 2016, and June 30, 2015, the Academy had credit default swaps with notional amounts totaling $800,000 and $944,698, 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.

Options
As of June 30, 2016, and June 30, 2015, the Academy had options with notional amounts totaling $1,000,000 and $520,000,000. Such contracts involve centralized, third-party counterparties. Changes in value are recognized as realized or unrealized gains/(losses) until the positions are closed.

Swaptions
As of June 30, 2015, the Academy had swaptions with notional amounts totaling $8,545,000. Such OTC contracts involve, to varying degrees, risks of loss from the possible inability of counterparties to meet the terms of their contracts. Changes in value are recognized as realized or unrealized gains/(losses) until the positions are closed.

Cross Currency Swaps
As of June 30, 2015, the Academy had cross currency swaps with notional amounts totaling $359,000. Such OTC contracts involve, to varying degrees, risks of loss from the possible inability of counterparties to meet the terms of their contracts. Changes in value are recognized as realized or unrealized gains/(losses) until the positions are closed.

Collateral for Financial Instruments
As of June 30, 2016, and June 30, 2015, the Academy had posted collateral for centrally-cleared swaps in the amounts of $119,000 and $56,000, respectively.

As of June 30, 2016, and June 30, 2015, the Academy had posted collateral for futures and options in the amounts of $366,000 and $655,000, respectively.

Notional Amounts and Fair Values
The following table lists the notional amount and the fair value of the derivatives by contract type. The fair value is included within investments in the statement of financial position as of June 30, 2016:

	Notional Amount	Fair Value Asset / (Liability)
Derivative type		
Foreign currency contracts	$ 7,313,405	$ (108,961)
Futures contracts	222,609,297	-
Interest rate swaps	24,355,000	(383,368)
Credit default swaps	800,000	(10,904)
Options contracts	1,000,000	(4,745)
	$ 256,077,702	$ (507,978)

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 statement of financial position as of June 30, 2015:

	Notional Amount	Fair Value Asset / (Liability)
Derivative type		
Foreign currency contracts	$ 6,211,749	$ (13,416)
Futures contracts	39,219,375	-
Interest rate swaps	5,600,000	(31,679)
Credit default swaps	944,698	(531)
Options contracts	520,000,000	(328,238)
Swaptions	8,545,000	(94,006)
Cross currency swaps	359,000	245,291
	$ 580,879,822	$ (222,579)

Gains and Losses on Derivatives

The realized or unrealized gains/(losses) on investments in derivatives by contract type included in the statement of activities for years ended June 30, 2016 and 2015 is as follows:

	2016	2015
Foreign currency contracts	$ (108,961)	$ (13,416)
Futures contracts	(2,582,836)	(54,092)
Interest rate swaps	(365,641)	(9,414)
Credit default swaps	778	6,746
Options contracts	157	42,502
Swaptions	-	(92,987)
Cross currency swaps	-	241,441
	$ (3,056,503)	$ 120,780

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 years ended June 30, 2016 and 2015, the Academy's net counterparty exposure amounted to $119,592 and $152,676, respectively.

4. Endowments and Net Assets

The Academy's endowment consists of approximately 40 individual donor restricted endowment funds and 20 board-designated endowment funds restricted for a variety of purposes. In addition, the following assets are also for endowment: pledges receivable, split interest agreements, and other net assets. 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.

The Board of Trustees of the Academy has interpreted the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Academy 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) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. 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 Academy in a manner consistent with the standard of prudence prescribed by UPMIFA. 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, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 32,107,706	$ 76,035,293	$ 108,142,999
Board-designated endowment funds	48,678,590	-	-	48,678,590
Total endowment funds	$ 48,678,590	$ 32,107,706	$ 76,035,293	$ 156,821,589

Changes in endowment net assets for the year ended June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year	$ 56,445,939	$ 38,345,990	$ 66,505,440	$ 161,297,369
Investment return				
Investment income	558,346	519,335	815	1,078,496
Realized and unrealized gains (losses)	(6,119,040)	(3,967,355)	7,387	(10,079,008)
Contributions	354,838	210,823	8,982,721	9,548,382
Withdrawals/transfers	(2,561,493)	(3,001,087)	538,930	(5,023,650)
Endowment net assets at end of year	$ 48,678,590	$ 32,107,706	$ 76,035,293	$ 156,821,589

Endowment net asset composition by type of fund as of June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 38,345,990	$ 66,505,440	$ 104,851,430
Board-designated endowment funds	56,445,939	-	-	56,445,939
Total endowment funds	$ 56,445,939	$ 38,345,990	$ 66,505,440	$ 161,297,369

Changes in endowment net assets for the year ended June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year	$ 66,125,845	$ 44,659,740	$ 63,896,634	$ 174,682,219
Investment return				
Investment income	925,415	1,228,963	832	2,155,210
Realized and unrealized gains (losses)	(1,213,982)	(745,192)	(21,394)	(1,980,568)
Contributions	451,542	6,212	1,909,117	2,366,871
Withdrawals/transfers	(9,842,881)	(6,803,733)	720,251	(15,926,363)
Endowment net assets at end of year	$ 56,445,939	$ 38,345,990	$ 66,505,440	$ 161,297,369

Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowments Only)

Permanently Restricted Net Assets

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by California UPMIFA as of June 30, 2016:

Restricted for research support	$ 19,663,652
Restricted for public program support	22,946,391
Restricted for general operations	33,425,250
Total endowment assets classified as permanently restricted net assets	$ 76,035,293

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by California UPMIFA as of June 30, 2015:

Restricted for research support	$ 19,612,694
Restricted for public program support	21,259,623
Restricted for general operations	25,633,123
Total endowment assets classified as permanently restricted net assets	$ 66,505,440

Temporarily Restricted Net Assets

The portion of permanent endowment funds not yet appropriated by the Board of Trustees under California UPMIFA as of June 30, 2016:

Restricted for research support	$ 20,717,809
Restricted for public program support	8,889,897
Restricted for division chair support	2,500,000
Total endowment assets classified as temporarily restricted net assets	$ 32,107,706

The portion of permanent endowment funds not yet appropriated by the Board of Trustees under California UPMIFA as of June 30, 2015:

Restricted for research support	$ 25,417,091
Restricted for public program support	10,428,899
Restricted for division chair support	2,500,000
Total endowment assets classified as temporarily restricted net assets	$ 38,345,990

Endowment Funds with Deficits

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist, they are classified as a reduction of unrestricted net assets. Deficits of this nature reported in unrestricted net assets were $1,226,013 and $48,005 as of June 30, 2016 and 2015, respectively. These deficits resulted from unfavorable market fluctuations. The Academy does not authorize any spending from such funds.

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. Beginning in fiscal year 2016, calculations are performed for individual endowment funds at a rate of 5% of the rolling 3 year average market value on a unitized basis one year subsequent to the calculation. Prior to 2016, the calculations were based on 6% of the rolling 3 year average market value. 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 its endowment. The allocation from the endowment fund for operating support for the years ended June 30, 2016 and 2015 was $6,038,651 and $15,926,363, respectively.

For fiscal year 2015, the Board of Trustees approved the use of $1,000,000 of a previously established reserve fund. This funding is reflected as the Contributed Investment Fund transfer in the Statement of Activities. Subsequent to fiscal year 2015, the reserve fund was eliminated. For fiscal year 2015, the Board of Trustees also approved a supplemental endowment allocation to cover certain unanticipated expenses.

Temporarily restricted net assets at June 30, 2016 and 2015 are restricted for the following purposes:

	2016	2015
Research	$ 23,781,059	$ 26,494,224
Public programs	21,814,161	23,818,307
Plant and new academy project	3,750,012	3,431,521
General operations	2,500,000	2,501,350
Investments held in trust	2,649,061	2,063,302
	$ 54,494,293	$ 58,308,704

5. Contributions Receivable

As of June 30, 2016 and 2015, contributions receivable were as follows:

	2016	2015
Contributions receivable before discount	$ 22,223,556	$ 20,314,631
Less: Unamortized discount	(234,799)	(232,069)
Less: Allowance for doubtful contributions receivable	(431,582)	(402,151)
Net contributions receivable	$ 21,557,175	$ 19,680,411
Amounts due		
Within one year	$ 11,663,343	$ 9,602,868
Two to five years	10,560,213	10,611,538
More than five years	-	100,225
	$ 22,223,556	$ 20,314,631

Discount rates used to calculate the present value of contributions receivable for the fiscal years ended June 30, 2016 and 2015 range from 0.125% to 5.125%.

6. Notes Receivable

The Academy holds a Promissory Note for $675,000 from the Music Concourse Community Partnership (the "MCCP"). 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, 2042. The note receivable including accrued interest at June 30, 2016 and 2015 was $1,016,313 and $958,786, respectively.

The Academy holds Promissory Notes from six employees for housing support. The notes have fixed interest rates ranging from 2.57% to 3.53%, payable monthly or on their respective anniversary dates of each year. The notes receivable including accrued interest at June 30, 2016 and 2015 were $543,756 and $620,587, respectively.

7. Property and Equipment

At June 30, 2016 and 2015, the major classes of property and equipment are as follows:

	2016	2015
Land	$ 710,000	$ 760,000
Building and improvements	368,442,730	368,468,192
Aquarium	32,999,161	32,834,624
Planetarium	4,862,119	4,862,119
Library and rare books	12,516,087	12,516,087
Furniture, equipment and software	27,000,696	26,019,320
Phone and information technology/infrastructure	6,868,166	6,868,166
Exhibit halls	26,137,151	26,100,707
Construction in progress	612,030	312,983
	480,148,140	478,742,198
Less: Accumulated depreciation	(124,174,697)	(109,293,517)
	$ 355,973,443	$ 369,448,681

Depreciation expense for the years ended June 30, 2016 and 2015 was $15,070,934 and $15,373,755, respectively.

8. Employees' Retirement Plan

The Academy has a retirement plan offering individual annuity contracts and a variety of other investment vehicles for all regular staff members who are at least age 21 with one year of service and work 20 or more hours per week. Retirement plan expenses for the years ended June 30, 2016 and 2015 were $1,140,883 and $988,773, respectively.

9. Bonds Payable

In July 2008, the Academy issued Series 2008 A-F revenue bonds ("2008 Bonds") through the California Infrastructure and Economic Development Bank in the amount of $281,450,000. The bond proceeds were used to refund previously issued bonds in full, and to fund construction and improvements of the facilities in Golden Gate Park. The 2008 Bonds will mature on September 1, 2038, however, they are subject to mandatory redemption beginning in 2034. Interest rates on the $24,595,000 Series 2008 E Bonds are set daily, and ranged from .93% to 1.27% and 0.93% to 1.03% during the years ended June 30, 2016 and 2015, respectively. Interest rates on the remaining Series are set monthly and ranged from .93% to 1.11% and 0.90% to 0.92% during the years ended June 30, 2016 and 2015, respectively. The remaining Series were converted to the Index Interest Rate on December 2, 2013. During the years ended June 30, 2016 and 2015, the Academy incurred bond interest costs and auction related fees of $2,617,326 and $2,367,434, respectively. The aggregate fair value of bonds payable approximates carrying value as the interest rates on the Academy's bonds reset periodically. The fair value of bonds payable is classified as a Level 2 measurement within the Academy's fair value hierarchy.

As of June 30, 2016, The Academy maintained a standby credit facility for the Series 2008 E Bonds in the amount of $24,595,000 with a commercial bank to provide alternative liquidity to support the repurchase of tendered variable rate bonds in the event they were unable to be remarketed. Financing obtained through standby credit facilities to fund the repurchase of such bonds would have born interest rates and maturities different from those associated with the original bond issues. See Note 12 for a subsequent event update related to the Series 2008 E Bonds.

The Academy amortizes debt issuance costs related to the 2008 bonds over a 30 year life. The Academy recognized amortization expense of $105,774 for each of the years ended June 30, 2016 and 2015.

Tax-exempt bond issues which were 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, 2016 the Academy is in compliance with this requirement.

The 2008 Bonds agreements contain certain restrictive covenants, including a covenant requiring the Academy's adjusted Unrestricted Net Asset ("UNA") Ratio to equal at least 70. At June 30, 2016 and 2015, the Academy was in compliance with all such covenants.

10. City and County of San Francisco Support of Operations

Section 16.106 of the City Charter states that the City shall provide funds necessary for the maintenance of the Academy and funds for the maintenance of its Golden Gate Park building. During the fiscal years ended June 30, 2016 and 2015, the Academy received $5,308,528 and $4,501,672, respectively, from the City for this support.

11. Commitments and Contingencies

Legal Matters

The Academy is involved from time to time in claims that arise in the normal course of its business. The Academy is not presently subject to any material litigation nor, to management's knowledge, is any litigation threatened against the Academy that collectively is expected to have a material adverse effect on the Academy's financial position.

12. Subsequent Events

The Academy has evaluated the financial statements for subsequent events through March 8, 2017, which is the date of issuance of this report. On February 1, 2017 the bond direct purchase agreement between the Academy and J.P. Morgan Chase bank was extended for a five year term. Concurrently, the existing letter of credit with Northern Trust Bank supporting the Series E bonds was terminated and a direct purchase agreement between the Academy and J.P. Morgan Chase bank was enacted governing the Series E bonds for a period of five years. Both transactions represent a nominal change in terms.