The Academy of Natural Sciences of Philadelphia

Financial Statements
June 30, 2013 and 2012

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(A Pennsylvania not-for-profit corporation)
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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of The Academy of Natural Sciences of Philadelphia (the "Academy") which comprises the statement of financial position as of June 30, 2013, and the related statement of activities and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Academy of Natural Sciences of Philadelphia at June 30, 2013, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The consolidated financial statements of the Academy as of June 30, 2012 and for the year then ended were audited by other auditors whose report, dated October 10, 2012 expressed an unmodified opinion on those statements.

PricewaterhouseCoopers LLP

February 25, 2014

The Academy of Natural Sciences of Philadelphia
Statements of Financial Position
As of June 30, 2013 and 2012

	2013	2012
Assets		
Cash	$ 1,365,598	$ 150,244
Grants and other receivable, net of reserve for uncollectible accounts (2013 - $73,416 and 2012 - $73,416) (Notes 1 and 2)	3,169,061	1,994,573
Unconditional promises to give (Notes 1 and 3)	199,379	382,620
Investments (Notes 1 and 5)	48,899,644	46,210,143
Property and equipment, net of accumulated depreciation and amortization (2013 - $10,681,642 and 2012 - $9,675,091) (Notes 1 and 8)	21,636,265	20,476,900
Beneficial interest in trusts (Note 1)	7,746,661	7,334,567
Other assets	93,085	500,446
Total assets	$ 83,109,693	$ 77,049,493
Liabilities and Net Assets		
Liabilities		
Discretionary Line of Credit (Note 12)	$ 1,078,218	$ -
Accounts payable and accrued expenses	296,179	512,358
Deferred revenue	822,838	366,146
Other liabilities (Notes 4, 10 and 17)	6,661,784	7,954,023
Long-term debt (Note 13)	722,680	900,000
Total liabilities	9,581,699	9,732,527
Net assets (Note 15)		
Unrestricted	15,277,709	12,775,258
Temporarily restricted	7,897,818	6,869,093
Permanently restricted	50,352,467	47,672,615
Total net assets	73,527,994	67,316,966
Total liabilities and net assets	$ 83,109,693	$ 77,049,493

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

The Academy of Natural Sciences of Philadelphia
Statement of Activities
For the Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenues				
Support from Parent	$ 5,339,106	$ -	$ -	$ 5,339,106
Research programs				
Environmental Group	929,876	-	-	929,876
Center for Systematic Biology and Evolution	1,139,686	-	-	1,139,686
Other programs and grants	29,530	1,584,711	-	1,614,241
Endowment payout under spending formula	2,079,134	815,836	-	2,894,970
Contributions and bequests	200,328	1,628,144	442,665	2,271,137
Annual fund contributions	1,398,999	5,000	-	1,403,999
Museum admissions	1,205,258	-	-	1,205,258
Public programs income	628,387	-	-	628,387
Membership dues	398,815	-	-	398,815
Museum shop income	134,304	-	-	134,304
Museum restaurant	13,171	-	-	13,171
Realized/unrealized net gain on investments, net of endowment payout	148,226	427,687	2,237,187	2,813,100
Interest income	4,761	244	-	5,005
Other income	722,407	7,508	-	729,915
Total support and revenues	14,371,988	4,469,130	2,679,852	21,520,970
Net assets released from restriction	3,440,405	(3,440,405)		-
Total support, revenues and other revenues	17,812,393	1,028,725	2,679,852	21,520,970
Expenses				
Affiliate Services	2,897,754	-	-	2,897,754
Environmental group	1,850,767	-	-	1,850,767
Center for Systematic Biology and Evolution	1,861,024	-	-	1,861,024
Public programs	2,754,804	-	-	2,754,804
Museum shop	63,597	-	-	63,597
Museum restaurant	3,392	-	-	3,392
Library	526,882	-	-	526,882
Administration	1,288,284	-	-	1,288,284
Development and membership	788,956	-	-	788,956
Communications	819,459	-	-	819,459
Building operations	1,823,174	-	-	1,823,174
Computer services	274,204	-	-	274,204
Depreciation and amortization	854,928	-	-	854,928
Interest expense	10,110	-	-	10,110
Other expense	266,707			266,707
Total expenses	16,084,042	-	-	16,084,042
Increase (decrease) in net assets	1,728,351	1,028,725	2,679,852	5,436,928
Expenses related to frozen defined benefit pension plan	774,100	-	-	774,100
Changes in net assets	2,502,451	1,028,725	2,679,852	6,211,028
Net assets				
Beginning of year	12,775,258	6,869,093	47,672,615	67,316,966
End of year	$ 15,277,709	$ 7,897,818	$ 50,352,467	$ 73,527,994

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

The Academy of Natural Sciences of Philadelphia
Statement of Activities
For the Six Months Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenues (Note 1G)				
Support from Parent	$ 1,232,605	$ -	$ -	$ 1,232,605
Research programs				
Environmental Group	495,344	441,658	-	937,002
Center for Systematic Biology and Evolution	74,326	696,751	-	771,077
Other programs and grants	172,971	68,534	-	241,505
Endowment payout under spending formula	1,057,297	334,247	-	1,391,544
Contributions and bequests (Note 1G)	374,348	(80,072)	296,539	590,815
Annual fund contributions	680,340	-	-	680,340
Museum admissions	559,903	206	-	560,109
Public programs income	227,107	197,711	-	424,818
Membership dues	164,044	-	-	164,044
Museum shop income	236,265	107	-	236,372
Museum restaurant	29,336	-	-	29,336
Gain from adjusting building to fair value	5,869,233			5,869,233
Net realized/unrealized gains (losses) (Notes 1C, 1F, and 6)	20,287	224,249	1,097,862	1,342,398
Interest income	144	4,759	-	4,903
Other income	137,437	42,627	-	180,064
Total support and revenues	11,330,987	1,930,777	1,394,401	14,656,165
Net assets released from restriction (Note 15)	2,209,160	(2,209,160)	-	-
Total support, revenues and other revenues	13,540,147	(278,383)	1,394,401	14,656,165
Expenses				
Environmental group	$ 1,177,264	$ -	$ -	$ 1,177,264
Center for Systematic Biology and Evolution	1,310,731	-	-	1,310,731
Public programs	1,855,058	-	-	1,855,058
Museum shop	272,424	-	-	272,424
Museum restaurant	2,033	-	-	2,033
Library	487,225	-	-	487,225
Administration	858,329	-	-	858,329
Development and membership	460,100	-	-	460,100
Communications	295,657	-	-	295,657
Building operations	928,987	-	-	928,987
Computer services	174,340	-	-	174,340
Depreciation and amortization	529,334	-	-	529,334
Interest expense	6,060	-	-	6,060
Other expense	277,423	-	-	277,423
Total expenses	8,634,965	-	-	8,634,965
Increase (decrease) in net assets	4,905,182	(278,383)	1,394,401	6,021,200
Expenses related to frozen defined benefit pension plan	(912,603)	-	-	(912,603)
Changes in net assets	3,992,579	(278,383)	1,394,401	5,108,597
Net assets				
Beginning of period	8,782,679	7,147,476	46,278,214	62,208,369
End of period	$ 12,775,258	$ 6,869,093	$ 47,672,615	$ 67,316,966

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

The Academy of Natural Sciences of Philadelphia
Statement of Cash Flows
For the Year Ended June 30, 2013 and Six Months Ended June 30, 2012

	2013	2012
Cash flows from operating activities		
Increase in net assets	$ 6,211,028	$ 5,108,597
Adjustment to reconcile increase (decrease) in net assets to net cash used in operating activities		
Depreciation and amortization	1,006,552	628,525
Realized and unrealized gains	(4,594,310)	(2,515,107)
Gain from adjusting building to fair value	-	(5,869,233)
Change in value of beneficial interest in trust	(412,094)	(232,379)
Proceeds from the sales of donated securities	389,563	-
Contributions restricted for endowment	(442,665)	(300,000)
Noncash contributions received	(755,429)	-
(Increase) decrease in operating assets		
Grants and other receivable	(1,174,488)	(534,089)
Other assets	407,361	296,451
Unconditional promises to give	183,241	(128,513)
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	(216,179)	(87,068)
Contracts and other exchange transactions	456,692	(186,080)
Other liabilities	(1,292,239)	1,302,377
Net cash used in operating activities	(232,967)	(2,516,519)
Cash flows from investing activities		
Proceeds from sale of investments	2,737,771	2,752,838
Purchase of investments	(834,101)	(167,701)
Capital expenditures	(2,165,917)	(542,588)
Net cash (used in) provided by investing activities	(262,247)	2,042,549
Cash flows from financing activities		
Net (Repayments) Borrowings on Discretionary Line of Credit	1,078,218	-
Payments on long-term debt	(177,320)	(1,100,000)
Proceeds from long-term debt	-	900,000
Proceeds from the sales of donated securities	367,005	-
Proceeds from contributions restricted for endowment	442,665	300,000
Net cash provided by financing activities	1,710,568	100,000
Net increase (decrease) in cash	1,215,354	(373,970)
Cash		
Beginning of year	150,244	524,214
End of year	$ 1,365,598	$ 150,244
Supplemental disclosure of cash flow information		
Cash paid during the year for		
Interest, net of amounts capitalized	$ 10,110	$ 6,060
Donated Securities	$ 755,429	$ -

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

1. Nature of Organization and Summary of Significant Accounting Policies

The Academy of Natural Sciences of Philadelphia (the "Academy"), (d.b.a The Academy of Natural Sciences of Drexel University) is a non-profit organization that has been granted tax-exempt status under Section 501 (c)(3) of the Internal Revenue Code. The Academy was founded in 1812. On September 30, 2011 the Academy became a non-profit subsidiary of Drexel University.

A summary of the Academy's significant accounting policies consistently applied in the preparation of the accompanying financial statements is as follows:

Basis of Accounting and Financial Statement Presentation
The accompanying financial statements are prepared on the accrual basis of accounting. The Academy reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Allowance for Doubtful Accounts
The Academy provides an allowance for doubtful accounts equal to the estimated losses that will be incurred in the collection of all receivables. The estimated losses are based on a review of the current status of the existing receivables.

Accounting for Certain Investments
Investments are presented in the financial statements at fair value. Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Fair values are determined by using quoted market prices where available. No investment or group of investments represents a significant concentration of market risk. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Life Income Gifts
The Academy, which serves as Trustee of these investments, is the recipient of Life Income gifts under gift annuity and irrevocable split-interest agreements. Assets received are recorded at fair value at the date of the gift and revenue is recognized for the Academy's portion of the remainder interest.

Property and Equipment
At June 30, 2012, Drexel University selected to use push-down accounting and directed the Academy to adjust the carrying value of the building and building improvements from cost to fair market value, which was determined to be $19,100,000. The resulting increase of $5,869,233 was recorded as "gain from adjusting building to fair value" in the statement of activities.

Vehicles and equipment are carried at cost. Equipment under capital lease is amortized over the lesser of the term of the lease or the estimated useful life of the asset. Depreciation and amortization are computed using the straight-line method over the estimated useful lives ranging from three to fifty years. Repairs and maintenance costs are charged to expense as incurred. Values of the existing scientific and library collections are not readily determinable, and therefore, are not recorded on the financial statements.

Beneficial Interest in Trusts
The Academy is the beneficiary of the income of certain trusts but has neither possession nor control of the investments. Beneficial interests in trusts are recorded at the present value of expected future cash flows and are primarily composed of equity and fixed income securities that

have readily determinable values and would, if not for being held by third parties, be classified as Level 1. The primary unobservable inputs used in the fair value measurement of the trusts are the underlying securities held by the trust. Significant fluctuation in the securities held in the trusts could result in a material change in fair value.

Under the terms of various perpetual trusts held and administered by third parties, the Academy is the beneficiary of income earned on those trusts' assets in perpetuity. The Academy recognized the fair value of those trusts' assets as permanently restricted contribution revenue and an asset (beneficial interest in trusts) when it is notified of the trusts' existence. Changes in the fair value of the trusts' assets are recognized in the period the change occurs as permanently restricted unrealized gains or (losses). The change in value recognized in 2013 and 2012 was $412,094 and $232,379, respectively. The Academy records income, in the period it is received from the trusts, as unrestricted or temporarily restricted depending on the existence and/or nature of any donor restrictions. Interest income received was as follows:

	2013	2012
Unrestricted	$ 200,328	$ 90,000
Temporarily restricted	65,940	49,310
	$ 266,268	$ 139,310

Contributions and Revenue Recognition
Contributions received, including unconditional promises to give, are recognized as revenues in the period received at their fair values. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. In addition, donor-restricted contributions, whose restrictions are met in the same reporting period are included as net assets released from restrictions. Exchange transactions are accounted for under contract accounting in accordance with accounting principles generally accepted in the United States of America. The majority of contracts and other exchange transactions consist of fee for service activities. Revenue is recognized on these contracts by the percentage-of-completion method.

Functional Allocation of Services
The costs of providing the various programs and other activities of the Academy have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management estimates.

Fund-Raising
Fund-raising costs were $850,201and $494,339 in 2013 and 2012, respectively.

Cash and Cash Equivalents
The Academy considers all unrestricted highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents.

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Classification of Net Assets
Resources in the financial statements are classified for accounting and reporting purposes into classes of net assets according to the existence of restrictions which donors place on grants and other gifts. All assets, liabilities, and activities are accounted for in the following net asset classifications:

Unrestricted
Unrestricted net assets are used to account for funds which have not been restricted by donors, and over which the Board has discretionary control.

Temporarily Restricted
Temporarily Restricted net assets are subject to donor-imposed stipulations that may be fulfilled by actions of the Academy to meet the stipulations or become unrestricted at the date specified by the donor.

Permanently Restricted
Permanently Restricted net assets are subject to donor-imposed stipulations that they be retained and invested permanently by the Academy. The donors require the Academy to use net assets for specified or unspecified purposes.

2. Grants Receivable

Grants receivable represents invoices billed to grantor for services provided under the terms of the grant agreements which have not yet been collected as of June 30, 2013 and 2012.

3. Conditional and Unconditional Promises to Give

Conditional
Conditional promises to give are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional. The Academy had no conditional promises to give for the year ended June 30, 2013 and six months ended June 30, 2012.

Unconditional
Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows.

Unconditional promises to give include the following:

	2013	2012
Unconditional promises to give due in		
Less than one year	$ 167,975	$ 226,988
One year to five years	33,333	161,544
	201,308	388,532
Less: Discount to present value	(1,929)	(5,912)
Net unconditional promises to give	$ 199,379	$ 382,620

Unconditional promises to give are recorded in the following net asset classification:

	2013	2012
Unrestricted	$ 34,643	$ -
Temporarily restricted	65,877	186,081
Permanently restricted	98,859	196,539
	$ 199,379	$ 382,620

Unconditional promises to give with a maturity greater than one year that were received were discounted at 1.20%. The fair value of the unconditional promises to give approximates the carrying value as determined by discounting the expected future cash flows by a risk-adjusted rate of return for similar terms to the years in which the promises are received.

4. Life Income Gifts

The Academy is the recipient of contributions under Life Income agreements. Under the terms of the instruments of transfer, the interest income attributable to the property transferred (cash or securities) is paid to the income beneficiaries over the agreements' term (usually the designated beneficiary's lifetime). At the end of the term, the value of the remaining interest is transferred to the Academy for its general use and purposes or for donor-imposed purposes.

The portion of the trust attributable to the future interest of the Academy is recorded in the statement of activities as either unrestricted or temporarily restricted contributions and bequests, as identified in the agreement, in the period the Academy is notified of the agreement. The Academy has recorded the assets of the plans at fair value at the date of the gifts (see Note 6) in the statement of financial position. On an annual basis, the Academy revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments is calculated using a discount rate of 1.20% and applicable mortality tables.

The liability for distributions included in other liabilities in the statements of financial position at June 30, 2013 and 2012, is $282,626 and $308,490, respectively.

5. Investments

Investments in marketable securities are presented in the financial statements at fair value at June 30, 2013 and 2012 and consisted of the following:

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Life income gifts	$ -	$ 542,564	$ -	$ 542,564
Board designated funds	1,371,405	-	-	1,371,405
Donor restricted endowments	-	4,476,597	42,509,078	46,985,675
	$ 1,371,405	$ 5,019,161	$ 42,509,078	$ 48,899,644

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Other projects	$ 10,355	$ -	$ -	$ 10,355
Life income gifts	19,051	500,049	-	519,100
Board designated funds	1,482,097	-	-	1,482,097
Donor restricted endowments	-	4,057,082	40,141,509	44,198,591
	$ 1,511,503	$ 4,557,131	$ 40,141,509	$ 46,210,143

	2013		2012	
	Cost	Fair Value	Cost	Fair Value
Investments at fair value as Determined by quoted market prices				
Mutual funds				
Equity	$ 17,716,537	$ 21,498,399	$ 17,747,295	$ 18,777,601
Real assets	1,194,284	909,706	2,050,128	1,807,245
Bonds	5,111,042	5,002,046	4,850,348	5,015,557
Time deposits	3,111,429	3,111,429	545,649	545,649
	27,133,292	30,521,580	25,193,420	26,146,052
Investments at estimated fair value				
Fixed income securities	2,107,500	2,073,028	2,611,945	2,611,614
Real estate and commodities	3,234,955	3,512,542	3,099,055	3,394,240
Derivative financial instruments	8,540,634	9,766,911	10,249,967	10,801,818
Private equity investments	2,590,825	3,025,583	3,247,699	3,256,419
	$ 43,607,206	$ 48,899,644	$ 44,402,086	$ 46,210,143

The following tabulation summarizes the relationship between cost and fair values of investment assets as of June 30, 2013 and 2012 and for the year ended and six month period then ended.

	2013		
	Cost	Fair Value	Excess of Fair Value Over Cost
Balance at end of year	$43,607,206	$48,899,645	$ 5,292,439
Balance at beginning of year	44,402,086	46,210,143	1,808,057
Increase in unrealized gains for the year			3,484,382
Realized gains for the year			1,063,470
Interest and Dividends			616,446
Increase in value of beneficial interest in trusts			412,094
Investment income transferred			(2,763,292) *
Net gain for the year			$ 2,813,100

* In the statement of activities the endowment payout under spending formula is $2,894,970 which includes $131,678 for prior year endowment spending.

	2012		
	Cost	Fair Value	Excess of Fair Value Over Cost
Balance at end of year	$44,402,086	$46,210,143	$ 1,808,057
Balance at beginning of year	45,060,912	46,280,173	1,219,261
Increase in unrealized gains for the year			588,796
Realized gains for the year			1,645,957
Interest and Dividends			266,810
Increase in value of beneficial interest in trusts			232,379
Investment income transferred			(1,391,544)
Net gain for the year			$ 1,342,398

6. Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets; Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets at fair value.

Mutual Funds: Valued at the net asset value of shares held by the Academy at year end.

Alternative Investments: Valued at the net asset value of shares held by the Academy at year end, valued at the closing price reported on the active market on which the individual securities are traded, and valued using a present value methodology derived from the future projected cash flows of each investment.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although 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 fair value measurement at the reporting date.

Colchester Global Bond Fund, which had a fair value at June 30, 2012 of $2,611,614, has been reclassified from level 3 to level 2 to conform with the June 30, 2013 presentation. During 2013, the Academy determined that beneficial interests in trusts of $7,334,567 were Level 3 in the fair value hierarchy and were reclassified from Level 1.

The following table sets forth by level, within the fair value hierarchy, the plan's assets at fair value as of June 30, 2013 and 2012:

	2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash	$ 1,365,598	$ -	$ -	$ 1,365,598
Mutual funds	19,740,648	2,667,457	-	22,408,105
Fixed income securities	4,073,378	3,001,696	-	7,075,074
Time deposits	3,111,429	-	-	3,111,429
Alternative investments	-	-	16,305,036	16,305,036
Beneficial interest in trusts	-	-	7,746,661	7,746,661
Total assets at fair value	$ 28,291,053	$ 5,669,153	$ 24,051,697	$ 58,011,903

	2012			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash	$ 150,244	$ -	$ -	$ 150,244
Mutual funds	20,584,846	-	-	20,584,846
Fixed income securities	5,015,557	-	2,611,614	7,627,171
Time deposits	545,649	-	-	545,649
Alternative investments	-	-	17,452,477	17,452,477
Beneficial interest in trusts	7,334,567	-	-	7,334,567
Total assets at fair value	$ 33,630,863	$ -	$ 20,064,091	$ 53,694,954

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

	(in thousands)			
	2013			
	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period (If Applicable)
Multi-Strategy Hedge Funds (a)	$ 3,261	$ -	Annual	45–60 days
Distressed Debt Hedge Funds (b)	1,097	-	Annual	90 days
Fixed Income and Related Hedge Funds (c)	2,659	-	Monthly/Quarterly	45/65 days
Private Capital Funds-Secondaries (d)	719	1,371		
Private Capital Funds-Buy-out (e)	2,307	743		
Real Asset Funds (f)	1,972	1,551		
Real Estate Funds (g)	1,540	510		
Long/Short Equity Hedge Funds (h)	2,750	-	Annual/Quarterly	95/45 days
	$ 16,305	$ 4,175		

a. This category invests in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. As of June 30, 2013, the composite portfolio includes approximately 50% in distressed investments with a liquidation period of 1 to 3 years, 19% long/short equity, 16% arbitrage opportunities, 8% cash, and 7% in private equity investments which can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets in the portfolio. If these investments were held, it is estimated that the underlying assets would be liquidated over the next 1 to 3 years. The fair values of the investments have been estimated using the net asset value per share of the hedge fund.

b. This category includes investments in hedge funds that invest in debt of companies that are in or facing bankruptcy. The investment managers seek to liquidate these investments in 1 to 3 years. The fair values of the investments have been estimated using the net asset value per share of the hedge fund.

c. This category includes investment in hedge funds that invest in: U.S. mortgage backed securities, publicly traded corporate bonds, and sovereign debt and currency forward contracts of emerging market countries. The fair values of the investments have been estimated using the net asset value per share of the hedge fund.

d. This category includes investments in private equity funds that invest in the private equity secondary market. The private equity secondary market refers to the buying and selling of pre-existing investor commitments to private equity and other alternative investment funds. These investments can never be redeemed with the funds. Instead, distributions are received through the liquidation of the underlying assets of the fund. It is estimated that the underlying assets of the fund will be liquidated over 2 to 12 years, given the addition of the new investment. The fair value has been estimated using the net asset value per share of the private capital fund.

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

f. This category includes investments in private equity funds that invest primarily in real assets (e.g. investments with intrinsic value, such as real estate or commodities). These investments can never be redeemed. Instead, distributions are received through the liquidation of the underlying assets of the fund. It is estimated that the underlying assets of the fund will be liquidated over 4 to 11 years. The fair value has been estimated using the net asset value per share of the real asset fund.

g. This category includes investments in private equity funds that invest in U.S. commercial real estate, and a broad range of mortgage-related investments. These investments can never be redeemed. Instead, distributions are received through the liquidation of the underlying assets of the fund. It is estimated that the underlying assets of the fund will be liquidated over the following time frames: approximately 1% in 1 to 2 years, 70% in 4 to 6 years and 29% in 7 to 9 years. The fair value has been estimated using the net asset value per share of the real estate fund.

h. This category includes investments in hedge funds that invest both long and short primarily in U.S. common stocks. Management of the hedge funds has the ability to shift investments from value to growth strategies, from small to large capitalization stocks and from a net long position to a net short position. The fair values of the investments have been estimated using the net asset value per share of the hedge fund.

The following table sets forth a summary of changes in the fair value of the Academy's level 3 assets for the year then ended June 30, 2013 and six month ended June 30, 2012:

	2013	2012
Balance at beginning of year	$ 20,064,091	$ 19,484,284
Transfers into level 3	7,334,567	-
Transfers out of level 3	(2,611,614)	-
Total gain or losses (realized and unrealized)	2,322,977	623,679
Dividends and interest income	10,362	85,320
Purchases and sales	(3,068,686)	(129,192)
Balance at end of year	$ 24,051,697	$ 20,064,091

7. Endowments

The Academy's endowments consist of approximately 55 individual funds established to support a variety of purposes. The endowment includes both donor restricted funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with the endowment are classified and reported based on the existence or absence of donor-imposed restrictions. The Academy classifies all donor restricted endowment gifts as permanently restricted net assets.

Income, gains and losses whose use is subject to donor restrictions, net of spending, are recorded in the permanently restricted fund. Income, gains and losses whose use is not subject to donor restrictions are classified as temporarily restricted net assets.

Endowment net assets consisted of the following as of June 30, 2013 and 2012:

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board designated fund	$ 1,371,405	$ -	$ -	$ 1,371,405
Donor restricted endowments		5,019,161	42,248,046	47,267,207
	$ 1,371,405	$ 5,019,161	$ 42,248,046	$ 48,638,612

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board designated fund	$ 1,482,097	$ -	$ -	$ 1,482,097
Donor restricted endowments		4,057,082	40,141,509	44,198,591
	$ 1,482,097	$ 4,057,082	$ 40,141,509	$ 45,680,688

The following table sets forth a summary of changes in endowment net assets for the year ended June 30, 2013 and six month period ended June 30, 2012:

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year	$ 1,482,097	$ 4,057,082	$ 40,141,509	$ 45,680,688
Investment return				
Investment income net of fees	11,993	8,286	517,500	537,779
Net appreciation (realized and unrealized)	292,389	414,693	3,841,693	4,548,775
Total investment return	304,382	422,979	4,359,193	5,086,554
Contributions	1,000	20,000	281,446	302,446
Endowment and board designated expenditures	(416,074)		(2,534,102)	(2,950,176)
Split income trust	-	519,100	-	519,100
Endowment net assets at end of year	$ 1,371,405	$ 5,019,161	$ 42,248,046	$ 48,638,612

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year	$ 2,761,668	$ 3,857,439	$ 39,175,027	$ 45,794,134
Investment return				
Investment income net of fees	38,054	-	237,404	275,458
Net appreciation (realized and unrealized)	196,934	199,643	1,814,282	2,210,859
Total investment return	234,988	199,643	2,051,686	2,486,317
Contributions	-	-	152,200	152,200
Endowment and board designated expenditures	(1,514,559)	-	(1,237,404)	(2,751,963)
Endowment net assets at end of year	$ 1,482,097	$ 4,057,082	$ 40,141,509	$ 45,680,688

The Academy's endowment portfolio is invested with the objective of providing long term capital growth and to meet the annual budget needs. The endowment assets are invested in a diversified manner with the mix of asset classes set so as not to be highly correlated. The primary investment objective is to achieve a sufficient long-term return to preserve the purchasing power of the assets, plus an amount to support future activities.

The spending policy uses a total return spending approach to calculate the annual amount available for spending. This approach, spending a set percentage of a rolling average market value of seven years, balances the need to protect endowed assets from a decrease in purchasing power with the needs of the Academy. The current spending percentage is 6.5%.

Donor restricted gifts that provide special spending instructions are not included in the three-year rolling average calculation. Spending on these gifts follow specific instructions imposed by the donor.

8. Property and Equipment

Property and equipment consisted of the following as of June 30, 2013 and 2012:

	2013	2012
Buildings	$ 20,764,268	$ 19,100,000
Equipment	11,515,111	11,013,463
Vehicles	38,528	38,528
	32,317,907	30,151,991
Less: Accumulated depreciation and amortization	10,681,642	9,675,091
	$ 21,636,265	$ 20,476,900

Depreciation and amortization expenses for the year ended June 30, 2013 and six months ended June 30, 2012 were $1,006,552 and $628,525, respectively.

Depreciation and amortization expenses for the year ended June 30, 2013 and six months ended June 30, 2012 are recorded in the statement of activities in the amount of $854,929 and $529,334. In addition, $151,623 for 2013 and $99,191 for 2012 in depreciation and amortization expenses was included in the respective functional areas.

9. Collections

Collections acquired through purchases and contributions are not recognized as assets on the statement of financial position. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired or as temporarily or permanently restricted net assets if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected on the financial statements.

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

10. Pension Plan

Up through December 31, 2009, the Academy offered participation in either a defined benefit pension plan or a defined contribution pension plan. These plans covered all full-time employees with a minimum of one year of service.

The Board of Trustees approved freezing the Academy's Defined Benefit Pension Plan and the TIAA-CREF Defined Contribution Plan, effective December 31, 2009, replacing them with a new Defined Contribution 403(b) Retirement Plan for all eligible Academy employees, effective January 1, 2010.

The new defined contribution plan effective January 1, 2010 does not require annual employer contribution; rather The Board of Directors may declare an employer contribution at their discretion. The defined contribution plan is a calendar year plan, with declared employer contributions made at the conclusion of the plan year. The Board approved a 2% employer contribution in the amount of $53,355 for the 2012 calendar year.

The assumptions for the pension liabilities, the Accumulated Benefit Obligation, change in Projected Benefit Obligation, and change in Plan Assets are noted as follows:

	2013	2012
Weighted average assumptions as of June 30		
Discount rate	5.00 %	4.40 %
Expected return on plan assets	6.75 %	6.75 %
Accumulated benefit obligation		
Accumulated benefit obligation at June 30	$ 14,841,014	$ 15,468,162
Change in projected benefit obligation		
Benefit obligation at beginning of year	$ 15,468,162	$ 14,396,798
Service cost	92,000	46,000
Interest cost	664,799	350,131
Actuarial (gain)/loss	(771,364)	938,152
Benefits paid	(612,583)	(262,919)
Benefit obligation at end of year	$ 14,841,014	$ 15,468,162

	2013	2012
Change in plan assets		
Fair value of plan assets at beginning of year	$ 8,644,740	$ 8,215,332
Actual return on plan assets	759,535	421,680
Employer contributions	545,799	270,647
Benefits paid	(612,583)	(262,919)
Fair value of plan assets at end of year	$ 9,337,491	$ 8,644,740
Fair value of plan assets	$ 9,337,491	$ 8,644,740
Benefit obligation	(14,841,014)	(15,468,162)
Net amount recognized at end of year*	$ (5,503,523)	$ (6,823,422)

* These amounts are recognized in the financial statements including the statement of financial position in the Other Liabilities classifications.

The components of net periodic benefit cost are noted below:

	2013	2012
Weighted average assumptions used to used to determine net periodic benefit cost		
Discount rate	4.40 %	5.00 %
Expected return on plan assets	6.75 %	7.00 %
Components of net periodic benefit cost		
Service costs	$ 92,000	$ 46,000
Interest costs	664,799	350,131
Expected return on assets	(587,201)	(288,818)
Amortization of actuarial (gain) loss	(943,698)	805,290
Net periodic benefit cost	$ (774,100)	$ 912,603

As of June 30, 2013 and 2012 the pension plan had a projected benefit obligation in excess of plan assets and an accumulated benefit obligation in excess of plan assets. The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the pension plan are as follows as of June 30, 2013 and 2012:

	Projected Benefit Obligation Exceeds Fair Value of Plan Assets	
	2013	2012
Projected benefit obligation	$ 14,841,014	$ 15,468,162
Fair value of plan assets	9,337,491	8,644,740

	Accumulated Benefit Obligation Exceeds Fair Value of Plan Assets 2013	2012
Accumulated benefit obligation	$ 14,841,014	$ 15,468,162
Fair value of plan assets	9,337,491	8,644,740

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

Expected benefit payments	
2014	$ 700,465
2015	739,581
2016	774,028
2017	836,949
2018	904,081
2019-2022	$ 5,020,814

Plan Assets

The Academy's pension plan weighted-average asset allocations at June 30, 2013 and 2012 by asset category are as follows:

	2013	2012
Asset category		
Equity securities	30.6 %	27.6 %
Fixed income securities	37.5	37.4
Hedge fund and alternative investments	28.0	32.5
Cash	3.9	2.5
	100.0 %	100.0 %

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

The target composition of the Academy's plan assets is a 40%, 22%, and 38% allocation between equity, alternative investments and fixed income investments. The strategy currently utilizes indexed equity funds and fixed income funds, and a number of alternative investment vehicles. The alternative investments are allocated among various classes, including but not limited to: equities, hedge funds, fixed income, natural resources, and real estate. The strategy allows the Academy to invest in a diversified manner with a mix of assets that are set not to be highly correlated. The expected rate of return on assets was based on the current interest rate environment and historical market premiums of equity and other asset classes relative to fixed income rates.

The following table sets forth by level, within the fair value hierarchy, the Academy pension plan assets at fair value at June 30, 2013 and 2012:

	2013			
	Level 1	Level 2	Level 3	Total
Assets at fair value				
Cash equivalents	$ 356,102	$ -	$ -	$ 356,102
Mutual funds	5,884,606	-		5,884,606
Alterative investments	-	-	3,096,783	3,096,783
Total assets at fair value	$ 6,240,708	$ -	$ 3,096,783	$ 9,337,491

	2012			
	Level 1	Level 2	Level 3	Total
Assets at fair value				
Cash equivalents	$ 207,770	$ -	$ -	$ 207,770
Mutual funds	5,403,371	-	-	5,403,371
Alterative investments	-	-	3,033,599	3,033,599
Total assets at fair value	$ 5,611,141	$ -	$ 3,033,599	$ 8,644,740

The following table sets forth a summary of changes in the fair value of Academy plan's Level 3 assets for the year ended June 30, 2013 and six months ended June 30, 2012:

	2013	2012
Assets at beginning of year	$ 3,033,599	$ 3,001,085
Dividend and Interest	38,094	-
Net unrealized gain (loss)	196,436	159,295
Transfers in (out)	$ (171,346)	(126,781)
Assets at end of year	$ 3,096,783	$ 3,033,599

11. Contributed Services

For the year ended June 30, 2013 and the six months ended June 30, 2012, the Academy received in-kind advertising services valued at $157,063 and $2,940 respectively from various media outlets. This amount is included in Unrestricted Contributions and in Development and External Affairs expenditures. Additionally, a substantial number of unpaid volunteers have made significant contributions of their time to develop the Academy's programs. The value of the contributed time is not reflected in these statements as the services rendered are clerical in nature.

12. Discretionary Line of Credit

The Academy's $2,500,000 line of credit agreement with Citizen's Bank expired on June 30, 2012. The Academy replaced the facility with a new 365-day line of credit with Drexel University. The new unsecured line of credit agreement allows the Academy to borrow up to $1,500,000 to meet short term cash flow needs. Under the terms of the line of credit agreement, the full principal amount is available at an annual interest of 1.00%. The initial term of the line of credit shall be from June 30, 2012 to June 30, 2014 and shall automatically renew for an additional 12 months on each June 30th thereafter, unless notice of non-renewal is provided in writing by either Drexel University or the Academy, 30 days in advance of the termination date. The 30 day notice period can be mutually waived. Interest on each advance shall be payable in arrears on the first business day of each month. The outstanding principal balance of any advance under the line of credit must be reduced to and remain at zero dollars for any consecutive 30 day period during the current term of the line. If the Academy is unable to reduce outstanding advances to zero and remain at zero for a consecutive 30 day period thereafter, the line of credit will be considered in default and will terminate immediately and not renew.

$1,078,218 was outstanding under this agreement at June 30, 2013. The outstanding balance was the result of the Pennsylvania Redevelopment Assistance Capital Program. The program uses a reimbursement process to fund projects. Grantees must incur the costs before applying for periodic payments to reimburse the project expenses. The Academy received a $1.5 million grant to renovate laboratories, classrooms and collection areas. The line will be retired upon receipt of the reimbursement from the Commonwealth of Pennsylvania. The amount of interest accrued on these borrowings was $3,360 in 2013.

13. Long-Term Debt

On February 1, 2012 the Academy entered into a $900,000 five-year unsecured term loan agreement with Drexel University. Interest on the outstanding principal of the term loan accrues at a rate per annum of 0.75%. The five-year term loan allows for prepayment in full or in part, without premium or penalty at any time, provided the Academy may not re-borrow any such amounts prepaid.

The principal repayment schedule for the Drexel five-year term loan is as follows:

2014	$ 178,650
2015	179,990
2016	181,340
2017	182,700
2018	
	$ 722,680

The Drexel five-year term loan allowed for early retirement of the $1,100,000 term loan with Citizen's Bank. The Academy combined the $900,000 of loan proceeds from Drexel, with $200,000 of Board designated reserves to retire the $1,100,000 of Citizen's Bank debt on February 6, 2012.

14. Net Assets Released From Restrictions

Net assets released from donor restrictions by incurring expenses to satisfy the restricted purposes, or by occurrence of other events specified by donors as of June 30, 2013 and 2012, are as follows:

	2013	2012
Operating		
Research programs	$ 2,154,724	$ 1,416,532
Public programs	632,801	475,833
Other programs	652,880	316,795
	$ 3,440,405	$ 2,209,160

15. Restriction on Assets

The restrictions on net assets at June 30, 2013 and 2012, relate to funds raised prior to June 30, 2013, to be used for research and education programs, and to support non-operating activities such as the expansion of research and museum facilities.

Temporarily restricted net assets are available for the following purposes:

	2013	2012
Support of designated programs	$ 7,637,880	$ 6,666,607
Life income gifts	259,938	202,486
	$ 7,897,818	$ 6,869,093

Permanently restricted net assets are as follows:

	2013	2012
Endowment	$ 50,352,467	$ 47,672,615

16. Accounting for Uncertainty in Income Taxes

The Academy is a nonprofit organization that has been granted tax exempt status under Section 501 (c)3 of the Internal Revenue Code. The Academy has, from time to time, reported unrelated business income from investments held in the endowment fund, when unrelated business income has been reported by the investment manager on Schedule K-1.

The Academy also annually reviews the items available for sale in the Academy's gift shop. Although the purpose of each sale is to further the museums exempt purpose, thus excluding it from unrelated business income, the Academy identifies certain items (i.e. foodstuffs and water) as unrelated business income items.

The Academy's management has not taken any uncertain tax position with regard to income tax that would, in management's opinion, "more likely than not" produce a benefit that would be sustained upon IRS examination, and as such, does not reflect a benefit in the financial statements for uncertain tax positions.

17. Related Party Transactions

Per an affiliation agreement dated September 2011, the Academy of Natural Sciences is a subsidiary of Drexel University. Beginning On July 1, 2012, Drexel University began allocating administrative services to the Academy. Drexel provided services valued at $2,897,754 for the year ended June 30, 2013. The Academy paid the full cost of the services, reported as Affiliate Services expense in the accompanying statements of activities. In addition, Drexel provided $5,339,106 and $1,232,605 to the Academy in fiscal years 2013 and 2012, respectively, for operations, reported as Support from Parent. In fiscal 2012 an additional $157,395 of Drexel support was deferred for the Academy’s bicentennial programing in fiscal 2013 under Other Liabilities on the statement of financial position. The total of both administrative and non-administrative services paid by the Academy in fiscal years 2013 and 2012 are as follows:

	2013	2012
Drexel Affiliated Support Expenses	$ 2,897,754	$ -
Center for Systematic Biology and Evolution	252,944	1,449
Environmental group	127,559	-
Public programs	125,886	3,891
Development and membership	-	47,171
Administration	-	6,177
Building	-	3,135
Communications	-	2,125
Other		7,791
	$ 3,404,143	$ 71,739

18. Subsequent Events

The Academy of Natural Sciences of Drexel University has evaluated events subsequent to June 30, 2013 through February 25, 2014 and determined that there were no additional events requiring adjustment to or disclosure in the financial statements.