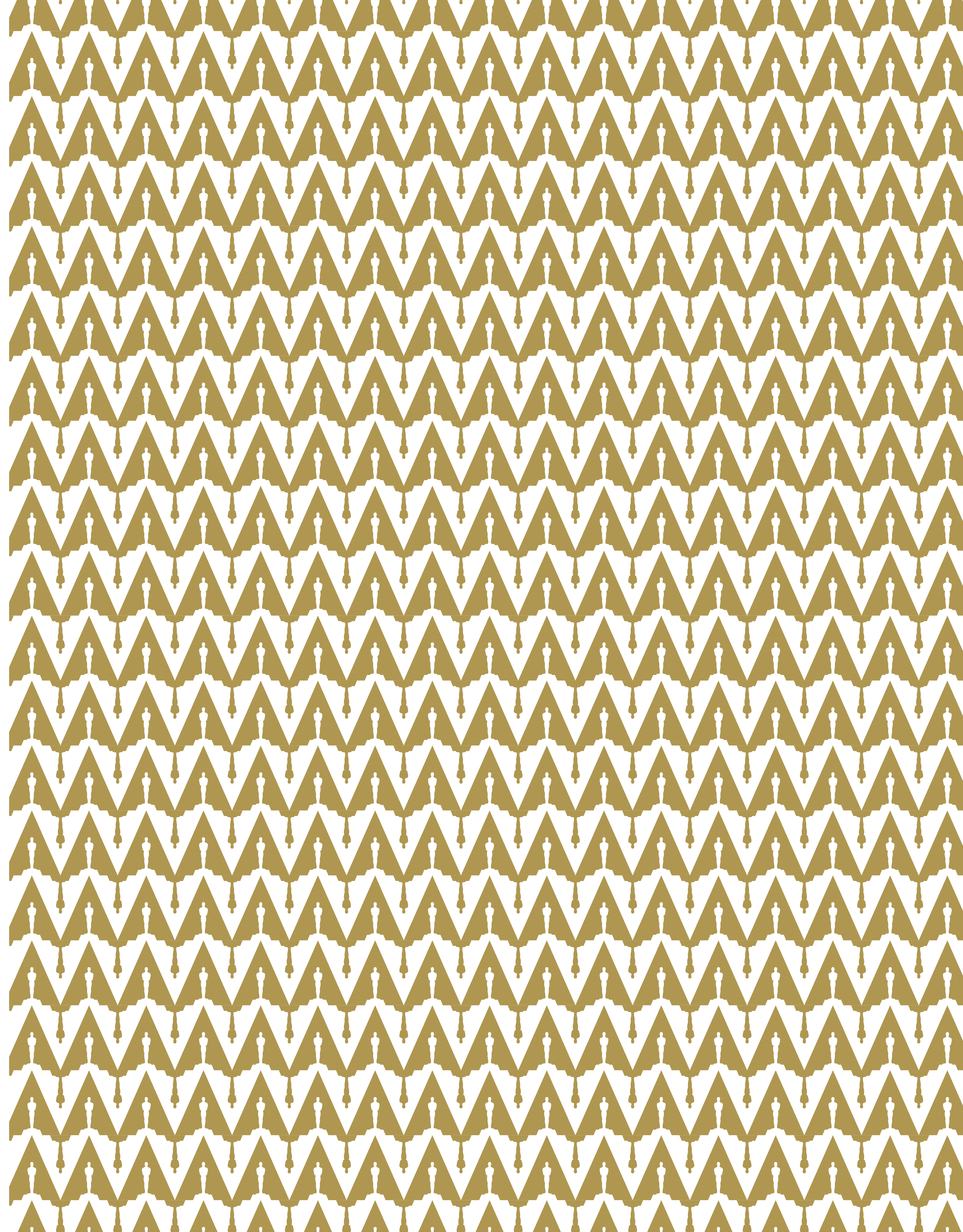
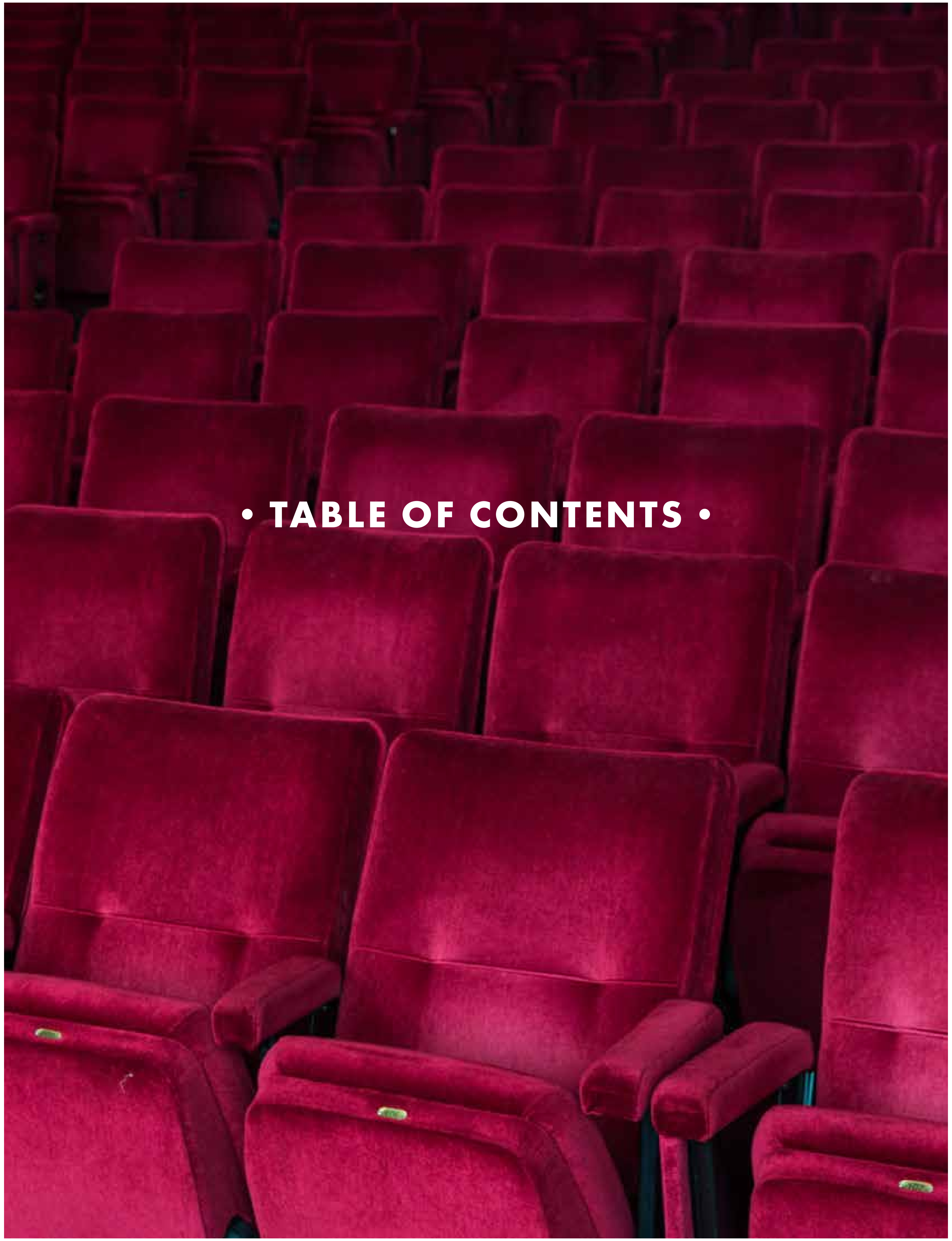
ACADEMY *of* MOTION PICTURE
ARTS *and* SCIENCES

ANNUAL REPORT

JULY 2015– JUNE 2016

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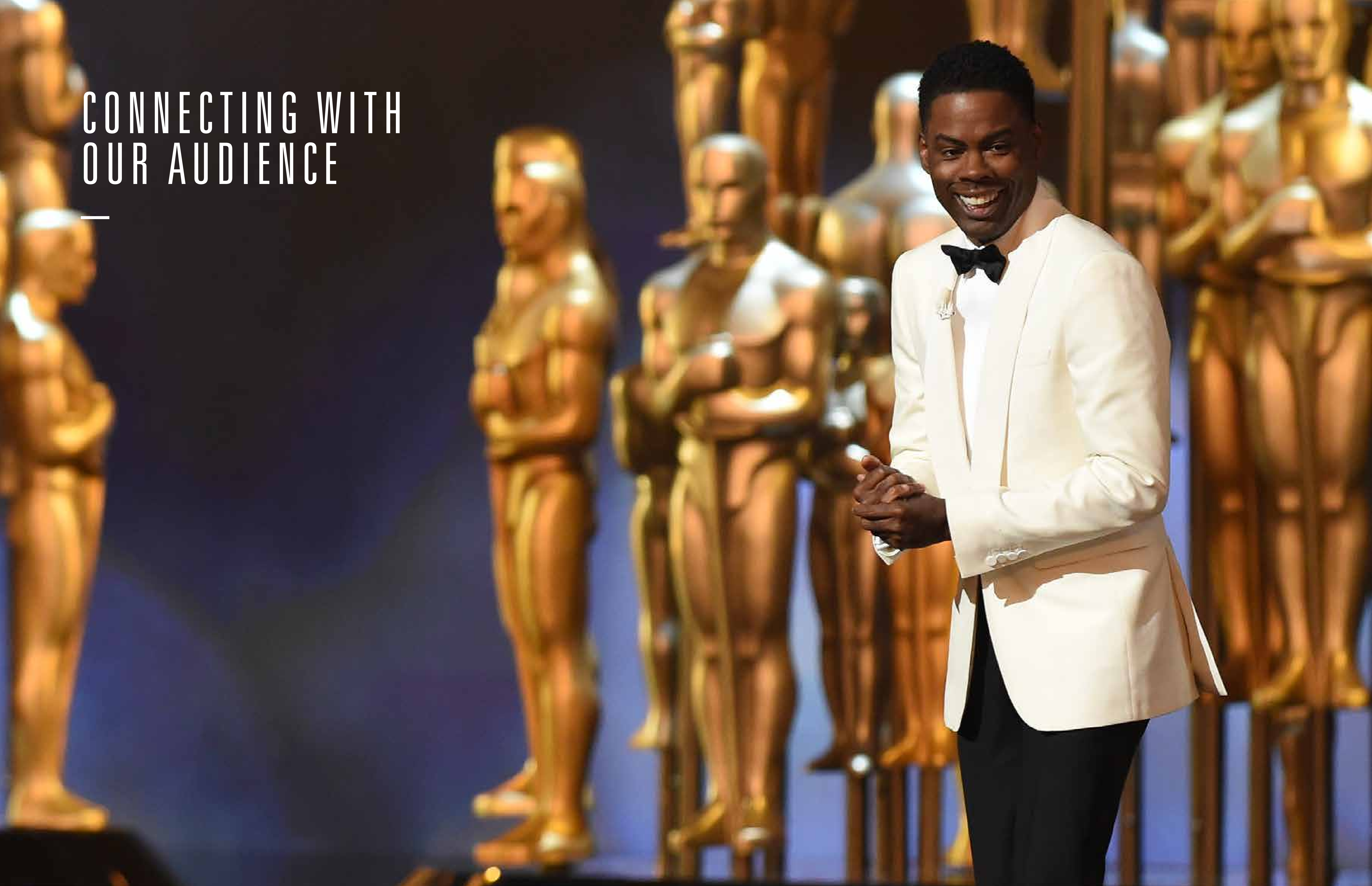
CONNECTING WITH OUR AUDIENCE



Film Editing winner Margaret Sixel (*Mad Max: Fury Road*) with presenters Liev Schreiber and Priyanka Chopra

ADDED 400,000 NEW SOCIAL MEDIA FANS ON OSCAR SUNDAY (9.5M TOTAL FOLLOWERS ACROSS ALL PLATFORMS)

OSCARS

STATISTICS

TV

34.5M viewers

TWITTER

- Set new record for Most Tweets Per Minute with 440,000 tweets posted the minute Leonardo DiCaprio won. This beat the Ellen DeGeneres selfie, which had 255,000 tweets the minute it was posted
- 3.9 billion views of Oscars-related tweets from 24M tweets (100% increase from last year when 12M tweets were posted)

FACEBOOK

- 24M people (+14% from last year) had 67M interactions (+16%) about the Oscars on Facebook
- 13.2M people reached with the 11 Facebook Live videos we posted

INSTAGRAM

- 19M people had 64M interactions about the Oscars on Instagram

SNAPCHAT

- 20M people watched our Snapchat Story. 7M of them were based in the US
- 78% of viewers were 13-24 years old. Only 6% were 35+
- 58% of viewers were female
- 54% of viewers (11M people) watched all 59 snaps posted in the story
- The average viewer watched 38 of the 59 snaps posted

OSCAR EVENTS

OCTOBER 14 (London)
Foreign Language Panel with Dawn Hudson/Mark Johnson at London Film Festival

DECEMBER (London)
Live Action and Animated Shorts: Phase II at Dolby

JANUARY 8, 9, 10
Foreign Language Phase II: London, Los Angeles, New York

JANUARY 9
Makeup and Hairstylists Bake-off and Brunch Reception
Visual Effects Bake-off and Evening Reception

FEBRUARY 23
Oscar Week: Shorts

FEBRUARY 24
Oscar Week: Documentaries

FEBRUARY 25
Oscar Week: Animated Features

FEBRUARY 26
Foreign Language Film Nominee Reception

FEBRUARY 27
Oscar Week: Foreign Language Film
Oscar Week: Makeup and Hairstyling

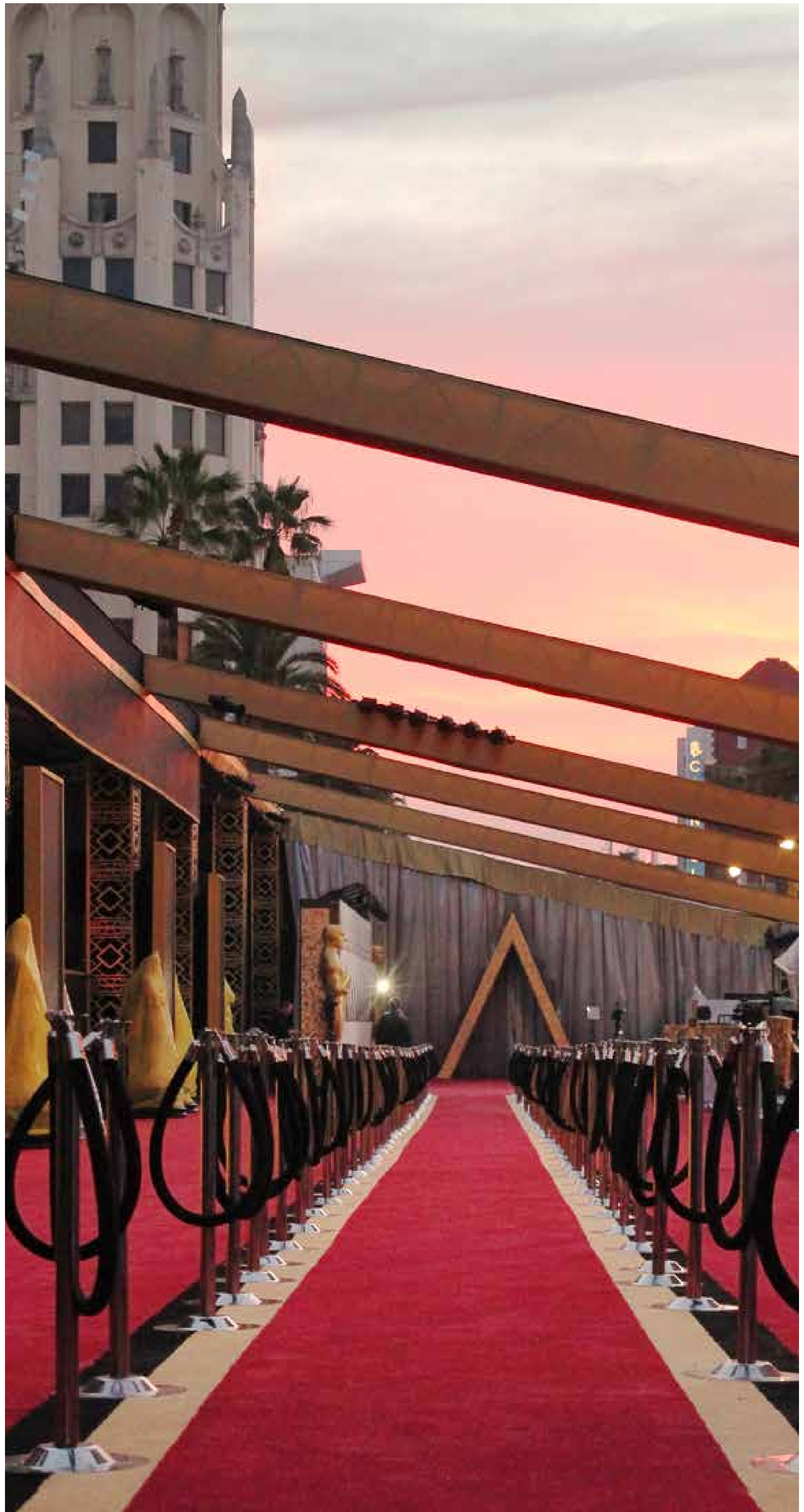
FEBRUARY 28
88th Annual Academy Awards at the Dolby Theatre in Hollywood

FEBRUARY 28 (New York)
Oscar night celebration at the Rainbow Room

FEBRUARY (London)
Oscar Night London live screening party at Ham Yard, supported by Swarovski
Recorded Oscars dinner at The RAC Club in Pall Mall

APRIL 16 (London)
European Nominees Luncheon at The Lanesborough

MAY 4 (London)
Reception for British Oscar winners at St James's Palace hosted by Their Royal Highnesses The Prince of Wales and The Duchess of Cornwall

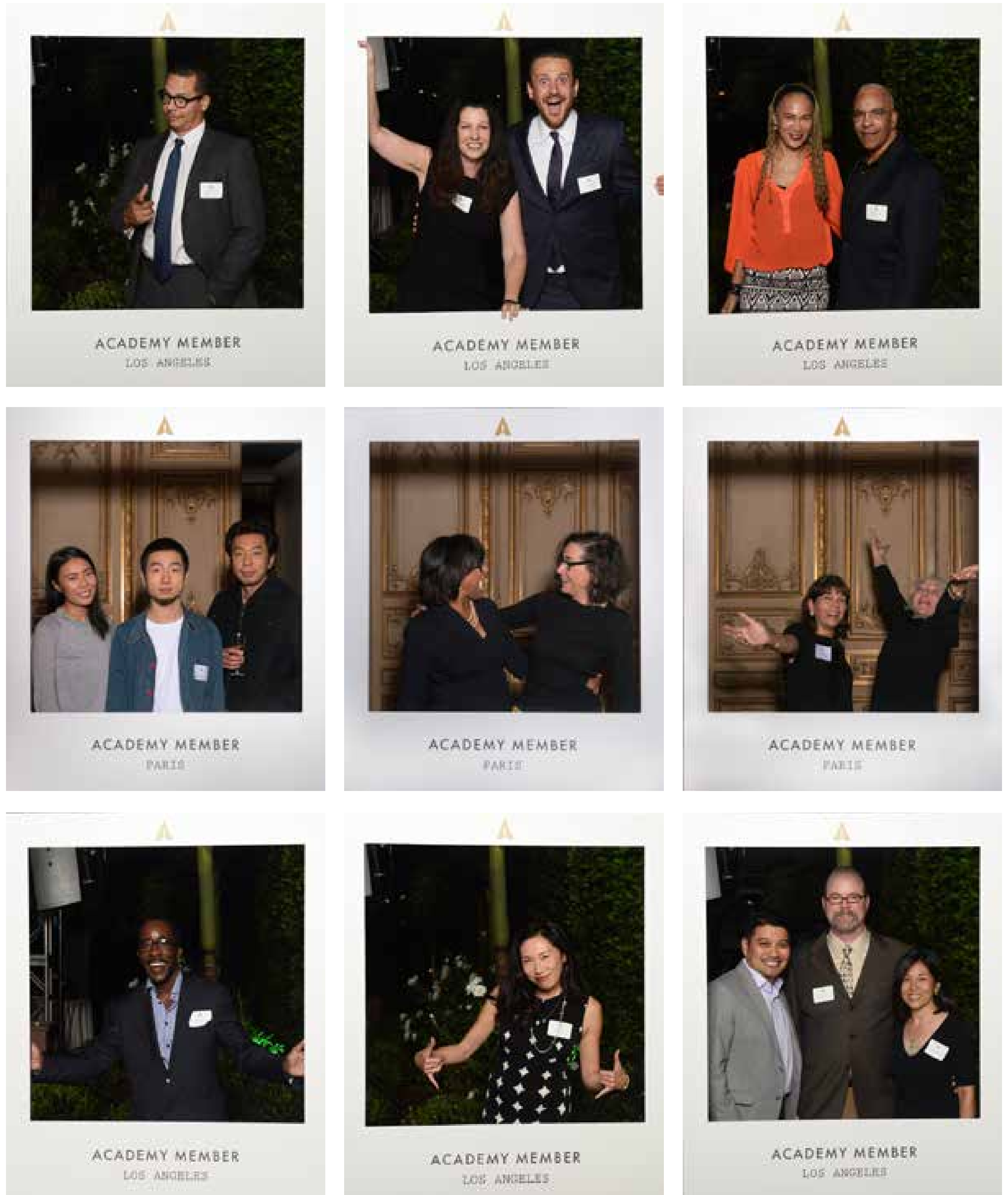


STUDENT ACADEMY AWARDS

- 14 medal-winning films
- 1,686 submissions
- 282 domestic colleges, 93 international colleges represented
- 47 countries participated, including Ghana, Germany and India

381 ACADEMY MEMBERS FROM AROUND THE GLOBE PARTICIPATED AS JUDGES

A UNIFIED ACADEMY



• NEW MEMBERS RECEPTIONS •
LOS ANGELES & PARIS 2015

MEMBERSHIP

EVENTS, RECEPTIONS AND MIXERS

JULY (London)
VR/AR Event at Dolby with Microsoft and Framestore

JULY 22
Member-staff lunch and discussion with production designer Jim Bissell

JULY 29
Member-staff lunch and discussion with actor Tobin Bell

SEPTEMBER 5 (Telluride)
Telluride Film Festival Member-Filmmaker Reception

SEPTEMBER (London)
Special screening of *Everest* at Ham Yard with Sound Q&A

SEPTEMBER 2
Member-staff lunch and discussion with Theresa Rygiel, Visual Effects Branch

SEPTEMBER 28
New Members Cocktail Reception

OCTOBER 5 (New York)
New Members Party at The Lincoln

OCTOBER (London)
New Members Reception hosted by U.S. Ambassador Matthew Barzun at Winfield House
Paris Membership Event at The Mona Bismarck American Center
Special screening of *Suffragette* at Ham Yard with Makeup Q&A

DECEMBER 9
Member-staff lunch and discussion with Roger Ross Williams, Documentary Branch

DECEMBER (London)
Special *Star Wars* screening at Ham Yard
Holiday archive screening of *Christmas in Connecticut*

JANUARY 23 (Park City)
Sundance Film Festival Docs Celebration Member Reception

MARCH (London)
Casting Directors Masterclass with Warner Bros. Creative Talent
New restoration archive screening of *Heaven Can Wait*

MARCH 30
Member-staff lunch and discussion with Simon Otto, Short Films & Feature Animation Branch

APRIL 16
Short Films & Feature Animation Branch Meeting

APRIL 16 (London)
Barbican Film Composers Series kicks off with screening of *The English Patient* and Q&A with Gabriel Yared
Special screening of *Our Kind of Traitor* with Women in Film

MAY 4
Discussion with cinematographer Daryn Okada

MAY 21
Makeup Artists & Hairstylists Branch Mixer

MAY 21 (London)
Screening of *La Strada* at Bulgari to celebrate Foreign Language Films
Music Composer Masterclass with Warner Bros. creative talent
Cannes Film Festival trip – outreach to European members and European film institutions

JUNE 23
Casting Directors LA Mixer

JUNE 27 (New York)
Casting Directors NY Mixer

JUNE (London)
Sound Masterclass with Warner Bros. creative talent
Barbican Film Composers Series continues with screening of *Shakespeare in Love* and Q&A with Stephen Warbeck
Tribute to production designer Stuart Craig at Ham Yard Hotel

JUNE 30
Film Editors Branch Event

DIGITAL MANAGEMENT SERVICES (DMS/DAM PROJECT)

PHASE ONE MIGRATION (FILM ARCHIVE DIGITAL COLLECTIONS AND MAVIS DATA)

1,000 fields of data reviewed and mapped

765,000 new records loaded in Adlib when it was launched on October 12, 2015

50 full-time staff trained to work in Adlib

Began migration of 350TB data of existing Film Archive assets (still in progress) into DMS platform

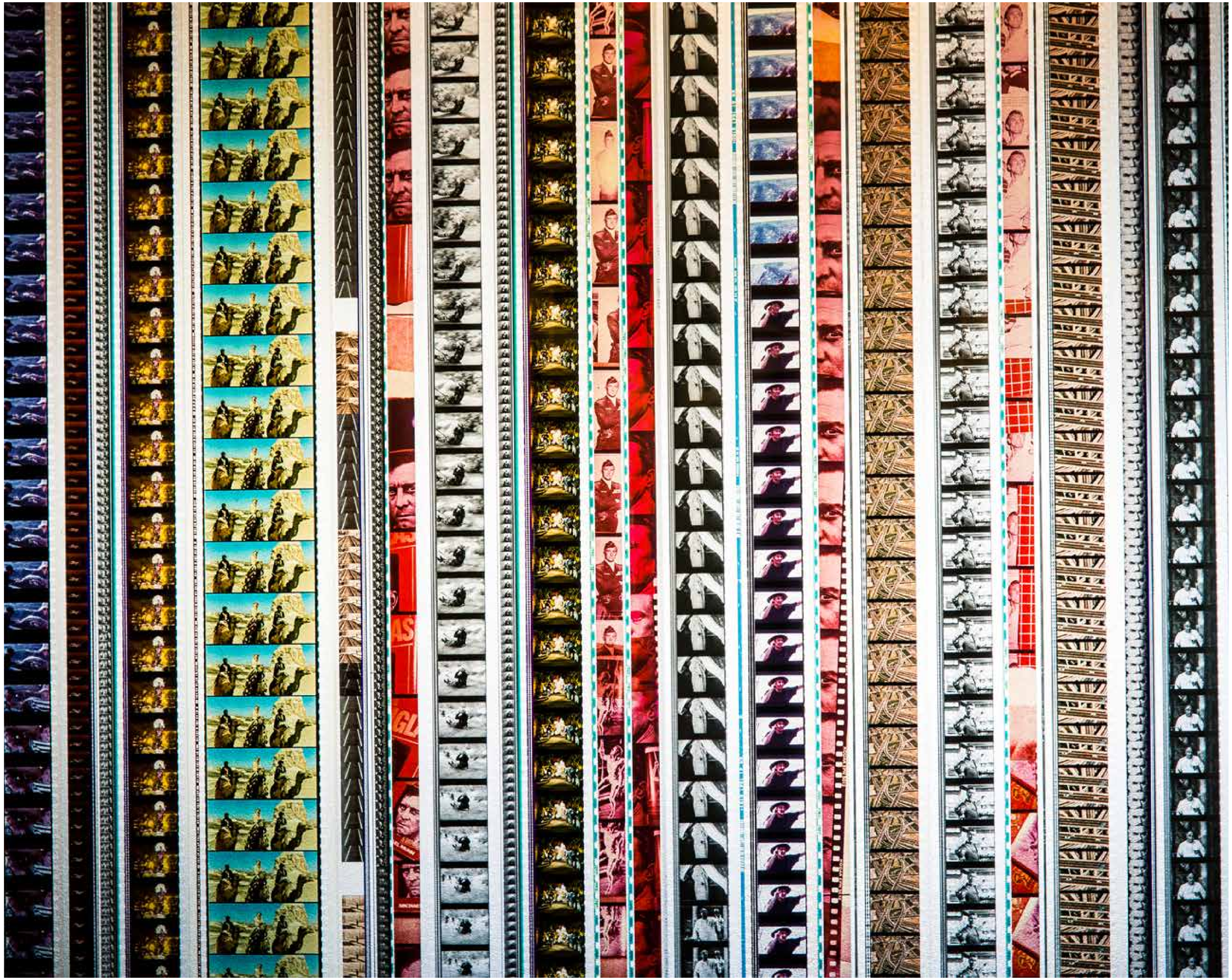
NEW TIME-BASED ASSETS MIGRATED IN FY16

650 videotapes digitized from the following formats: 1", 2", 3/4", Digibeta, Betacam, BetaSP, DVCPro, D1, MiniDV, HDCam, HDCam-SR

237 audiotapes digitized from various formats

2,140 digital assets were ingested this year (comprised of 749,275 individual files), including born-digital and digitized tapes, totaling 84TB data

BEGAN MIGRATION OF 350TB DATA OF EXISTING FILM ARCHIVE ASSETS INTO DMS PLATFORM



A MUSEUM IN THE MAKING

INSIDE THE ACADEMY MUSEUM WITH KATHLEEN KENNEDY

"I always thought it was crazy that the city of Los Angeles didn't have a preeminent motion picture museum," producer Kathleen Kennedy said in a recent interview. Kennedy is vice president of the Academy Board of Governors and Chair of the Academy committee overseeing the creation of the Academy Museum of Motion Pictures, now under construction adjacent to the Los Angeles County Museum of Art. The museum's mission: to explore and celebrate the history and future of the moving image and moviemaking.

The remarkable new facility, designed by world-renowned architect Renzo Piano, makes use of the famed art deco shell of the former May Company department store at the corner of Wilshire and Fairfax, but then soars up behind it with a new spherical state-of-the-art theater and vast glass-domed terrace with a panoramic view of the Hollywood Hills. "The scale is the first thing I felt when I walked onto the site," Kennedy said. "Wow, this is going to really be a significant destination for the city of Los Angeles."

From her very first film, *E.T. The Extra-Terrestrial*, Kennedy has produced an unparalleled series of extraordinary movies: *Back to the Future, The Color Purple, Schindler's List, Jurassic Park, The Sixth Sense, Star Wars: The Force Awakens* and *Rogue One: A Star Wars Story*. Not surprisingly, Kennedy views the museum project, which is the largest undertaking in Academy history, in the manner of a major motion picture production.

"You might say we're in the final script phase right now," she said. "Prior to that we were in the treatment phase, and prior to that we were in the pitching phase." With the building underway, the committee is turning its attention from structure to content.

"We're now looking more specifically at what acquisitions have been made by the Academy over time that our curators can begin to assign to different areas," she said. "And we're building relationships with people who have existing collections."

The committee recently reviewed ideas for the exhibition spaces with the Academy's Board of Governors. Next, a museum board will be formed to take an active role in operating the facility. "All of this, the building blocks of this, are just beginning to take shape."

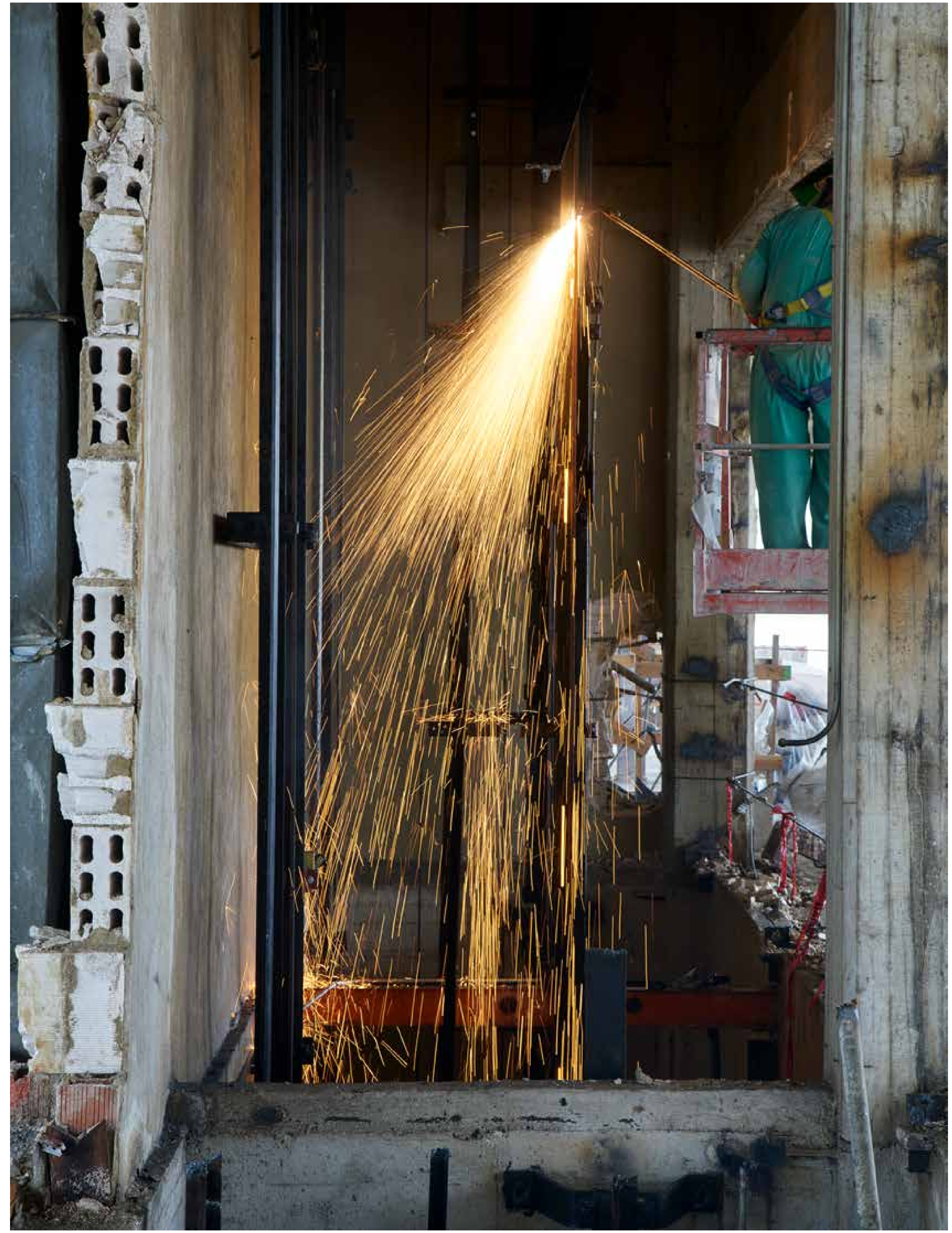
That's the exciting part for Kennedy. Like a film script coming to life on a set, the construction of the Academy Museum has progressed to the point where concepts — whether on paper, computer screens, or in models — are becoming reality.

"We can start to see beyond the concept art, how these spaces are beginning to lead us through a kind of narrative." That narration will not come just from static displays, but also interactive elements appropriate to a museum devoted to the moving picture. "You can have experiences in this environment that give you a sense of what it feels like when a film actually takes shape and begins to sweep you away, the way that only cinema can."

But as a producer, Kennedy is not so consumed with the wonder of the project that she can't see the practicalities of the venture long past opening day.

"Once you make and release a movie, you're essentially finished," she said. "With a museum, in a certain way, you've just begun because you move into the very important process of community relations and of finding ways in which you operate the museum appropriately. You keep exhibitions changing and moving so that the environment is as interesting as possible.

"There will be a large marketing component, which is somewhat similar to what you would go through with a movie, but the process goes on way after construction. When people come to visit this museum, they'll want to come back again and again because it's an experience that they'll want to have multiple times."



PASSING THE TORCH

EDUCATION

Our goal is to engage with our Los Angeles community and support underserved schools. This year, we reached 3,000 students, ranging from at-risk middle school students in our SPARK program to high school and college students attending our Careers in Film summit. Over 100 school programs were engaged and 50 Academy members offered their time and expertise.

- 37 Academy visiting artists
- 24 college students participated in the Academy internship program
- 32 SPARK @ The Academy apprenticeships/mentorships
- 688 students participated in media literacy program
- 500+ students attended Careers in Film Summit (from 42 different high schools and colleges)
- 48 Academy members participated in education programs

3,000 STUDENTS PARTICIPATED IN OUR EDUCATIONAL PROGRAMS

EDUCATIONAL PROGRAMS

JULY 6
Nicholl Fellow Kurt Kuene spoke to ICF students about documentary filmmaking

JULY 8
Discussion with Carole Kirschner, author of *Hollywood Game Plan*

JULY 10
Dodge College of Film at Chapman University archive tour and discussion with cinematographer Charles Minsky

JULY 17
The College of Southern Nevada cinematography class tour of archive and conversation with cinematographer Peter Collister

AUGUST 7
Dan Perri spoke with ICF students about title sequencing

AUGUST 7
Marc Davis Celebration of Animation: reception and screening of restored *Wallace & Gromit* films

AUGUST 9
Presentation of clips from preserved *Wallace & Gromit* films with Aardman's Dave Sproxton and Dave Alex Riddett at SIGGRAPH, LA Convention Center

AUGUST 9
Aardman shorts screenings

AUGUST 9
Stop-motion animation workshop

AUGUST 11
The American Pavilion Summer Program tour of archive and conversation with director Donald Petrie

AUGUST 14
Internship closing ceremony

AUGUST 18
Inner city filmmakers graduation and panel moderated by Reggie Hudlin

AUGUST 19
Producers guide interviews Riza Aziz and Joey McFarland

SEPTEMBER 1
Producers guide interviews Michael Barnathan, Nina Bongiovi and Don Hahn

SEPTEMBER 8
Producers guide interviews Stephanie Allain and Jerry Bruckheimer

SEPTEMBER 30-DECEMBER 9
Fall SPARK@The Academy

OCTOBER 2
STAR Prep Academy archive tour and member conversation with Andrew Lane

OCTOBER 7, 14, 21, 28
Fall SPARK@The Academy

OCTOBER 13
Prague FAMU Skype call member conversation with producer Don Hahn

OCTOBER 17
Careers in Film Summit

OCTOBER 20
Prague FAMU Skype call member conversation with producer Michael Barnathan

NOVEMBER 6
Middle school media literacy event

NOVEMBER 4, 18
Fall SPARK@The Academy

DECEMBER 2
Fall SPARK@The Academy Wrap party and screening

JANUARY 15
Discussion with Music Branch governor Michael Giacchino and 22 music students from Westminster School, Atlanta, GA.

JANUARY 18
Professional development workshop

JANUARY 24
Sundance conversation with director Kasi Lemmons for Blackhouse's 10th anniversary

MARCH 7
Cinemagic film students archive tour and member discussion with actor Tobin Bell

MARCH 16-MAY 25
SPARK @ The Academy

MARCH 19
Writers Guild Festival at WGA Theatre presented by Writers Guild Foundation in partnership with Academy and Nicholl Fellowship

MARCH 26
Austin Film Festival writers event with panels and reception, hosted by Writers Branch governor Robin Swicord and attended by more than 220 people.

MARCH 31
Cinematographers Branch member Julio Macat spoke to film students at Chapman University

EDUCATIONAL PROGRAMS

APRIL 7
Sound Branch member Peter Kurland, and Documentary Branch member, Tom Neff, spoke on Expert Panel at Leveraging UP! Entertainment Industry College Outreach Program at Tennessee State University

APRIL 11
Students from Oklahoma University and Pharr-San Juan Alamo ISD archive tour and member discussion with actor Edward James Olmos

APRIL 16
WriteGirls mentoring program

APRIL 16
Latino Film Institute Youth Cinema Project media literary screening with Edward James Olmos

APRIL 22
Aardman shorts screenings

APRIL 27
Film Independent Project Involve

APRIL 28
Cinematographers Branch member Charles Minsky spoke to film students at Chapman University

MAY 13
Directors Branch member Paul Weitz spoke to film students at Chapman University

MAY 19
Film Editors Branch members Mark Goldblatt and Paul Seydor spoke to film students at Chapman University

MAY 21
Archeology of the Moving Image workshop with Alejandra Espasande

MAY 26
SPARK @ The Academy closing ceremony/ Discovery night

JUNE 17
Designers Branch member Wynn Thomas participated in Campus MovieFest, Atlanta, GA

JUNE 23
FBI Junior Agent Camp archive tour and member conversation

JUNE 24
Chapman University film students archive tour and member conversation

JUNE 15, 16
2-day Academy Internship/ LA orientation

Wong Kar-Wai with host Matthew Weiner

LOS ANGELES PROGRAMMING

38 PUBLIC PROGRAMS
Including:

- *Toy Story* 20th Anniversary
- Conversations with Guillermo Del Toro and Hou Hsiao Hsien
- Disneyland Home Movies
- *Lois Weber in Early Hollywood*
- The Art of Casting
- Wong Kar-Wai: In Person
- *Beauty and the Beast* 25th Anniversary
- *Boyz N the Hood* 25th Anniversary
- *Giant*
- *Rebecca*

27 FILMS SCREENED
Attendance: 18,046

NEW YORK PROGRAMMING

25th anniversary screening of *The Silence of the Lambs* with actor Jodie Foster, director Jonathan Demme, producers Ron Bozman and Ed Saxon, and screenwriter Ted Tally. Partnership with The New York Times and Academy Museum

Spotlight on Screenwriting: Hollywood's Happiest Couple: Three films by Charles Brackett and Billy Wilder. Screened at Film Forum.

Spotlight on Screenwriting: Hollywood's Darkest Moment: Special Screening of *The Front* with blacklisted screenwriter Walter Bernstein. Screened at School of Visual Arts.

Spotlight on Screenwriting: 25th Anniversary Screening of *Boyz N the Hood* with writer-director John Singleton and author Walter Mosley. Screened at School of Visual Arts.

Spotlight on Screenwriting: Sneak Peek of *Ghostbusters* with screenwriter Katie Dippold. Screened at School of Visual Arts.

LONDON PROGRAMMING

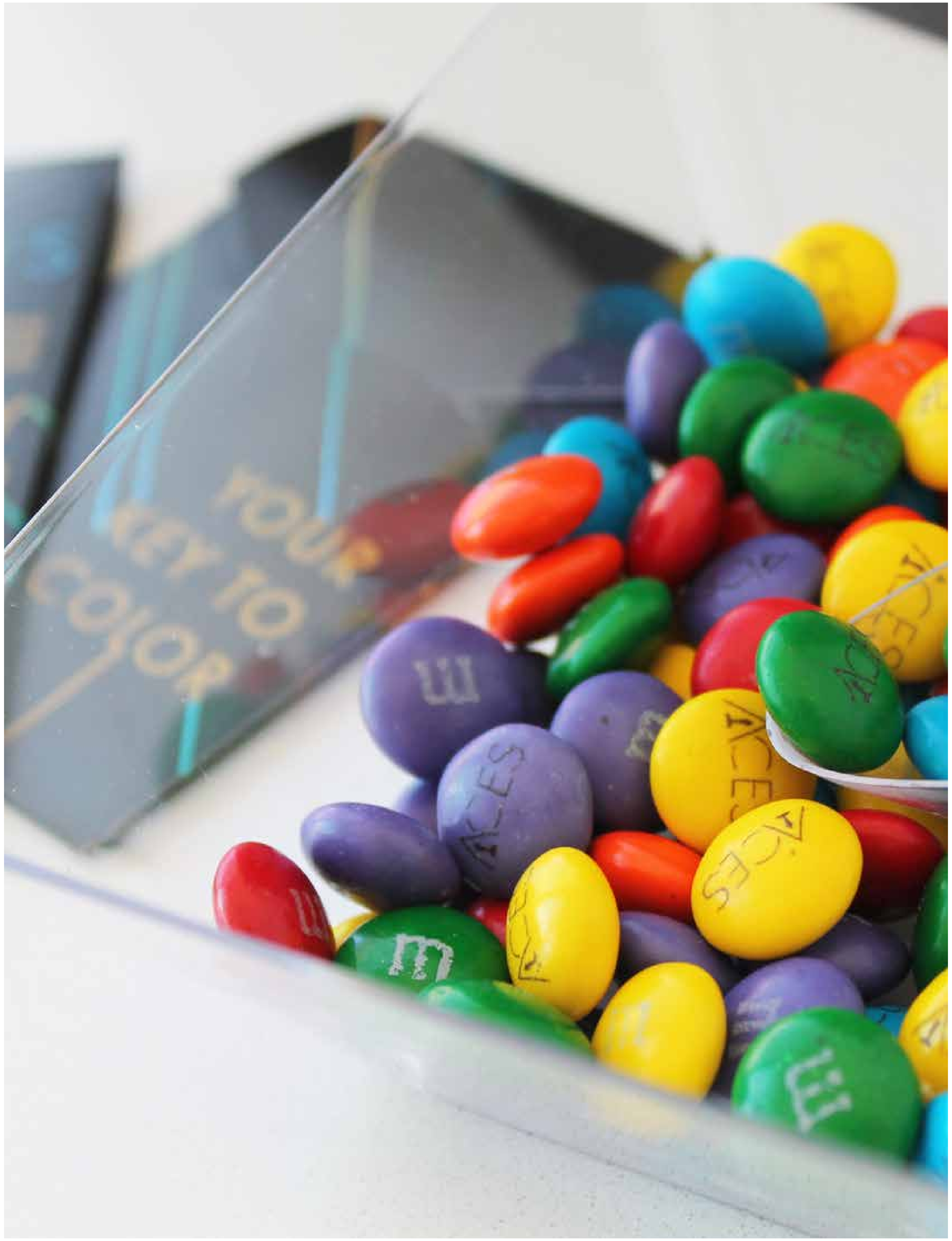
- VR/AR Event at Dolby with Microsoft and Framestore
- Holiday archive screening of *Christmas in Connecticut*
- Casting Directors Masterclass with Warner Bros. creative talent
- New restoration archive screening of *Heaven Can Wait*
- Barbican Film Composers Series screening of *The English Patient* and Q&A with Gabriel Yared
- Special screening of *Our Kind of Traitor* with Women in Film
- Music Composer Masterclass with Warner Bros. creative talent
- Sound Masterclass with Warner Bros. creative talent
- Barbican Film Composers Series screening of *Shakespeare in Love* and Q&A with Stephen Warbeck
- Tribute to production designer Stuart Craig at Ham Yard Hotel

NICHOLL FELLOWSHIPS 2015

- 7,442 entries for the 2015 Nicholl Fellowships in Screenwriting awards
- 208 Academy members judged in the semifinal round, including 55 Academy Award winners or nominees.
- Entries were received from 70+ foreign countries including Botswana, Croatia, Pakistan, Vietnam and the UK

GRANTS

- $500,000 distributed to 37 non-profits from the U.S., Canada and Jordan
- 14 states represented
- 2 Academy Film Scholars were awarded $25,000 each for book projects focused on female screenwriters in early Hollywood and the image of slavery onscreen



ACES REPORT

We have crossed a major threshold with our first studio, Universal Pictures, fully committed to adopting ACES in its future motion picture productions. Most of the other major studios have used or are using ACES to varying degrees and are collaborating with the Academy on the ACES archiving specification. Major VFX facilities, such as ILM and MPC in London, are also standardizing their internal workflows using ACES. Netflix has also fully committed.

The Academy launched the ACES Logo Program to encourage consistent, high-quality implementations of ACES concepts and technical specifications throughout the industry. Initially focused on production and post-production equipment such as cameras, color correctors, displays and visual effects, and animation software, the Logo Program is the first step toward enabling facilities and productions to take full advantage of ACES benefits. There are now 25 leading companies in the Logo Program: ARRI, Assimilate, Autodesk, Canon U.S.A., Codex, Colorfront, Deluxe Media Creative Services, Digital Vision, Dolby Laboratories, FilmLight, FotoKem, The Foundry, FireFly Cinema, FUJIFILM North America, Light Illusion, Marquise Technologies, MTI Film, Panasonic, Pomfort, Snell Advanced Media, RED Digital Cinema, SGO, Shotgun Software, Sony Electronics, and Technicolor.

All of the Product Partners have ACES capabilities, and there are a few companies (Canon, Sony, ARRI) that have added the full set of necessary features to meet our technical and quality standards and are quite close to receiving the ACES logo for use in the promotion of these products.

During the past year, the Academy has been educating industry professionals—from production, post, effect, and archival—about ACES at major industry events around the world, a few of which include:

MAY
- CineGear Expo, Los Angeles

AUGUST
- SIGGRAPH, Los Angeles
- International Organization for Standardization (ISO), Beijing
- International Broadcasting Convention

SEPTEMBER
- (IBC), Amsterdam
- Netherlands Film Festival

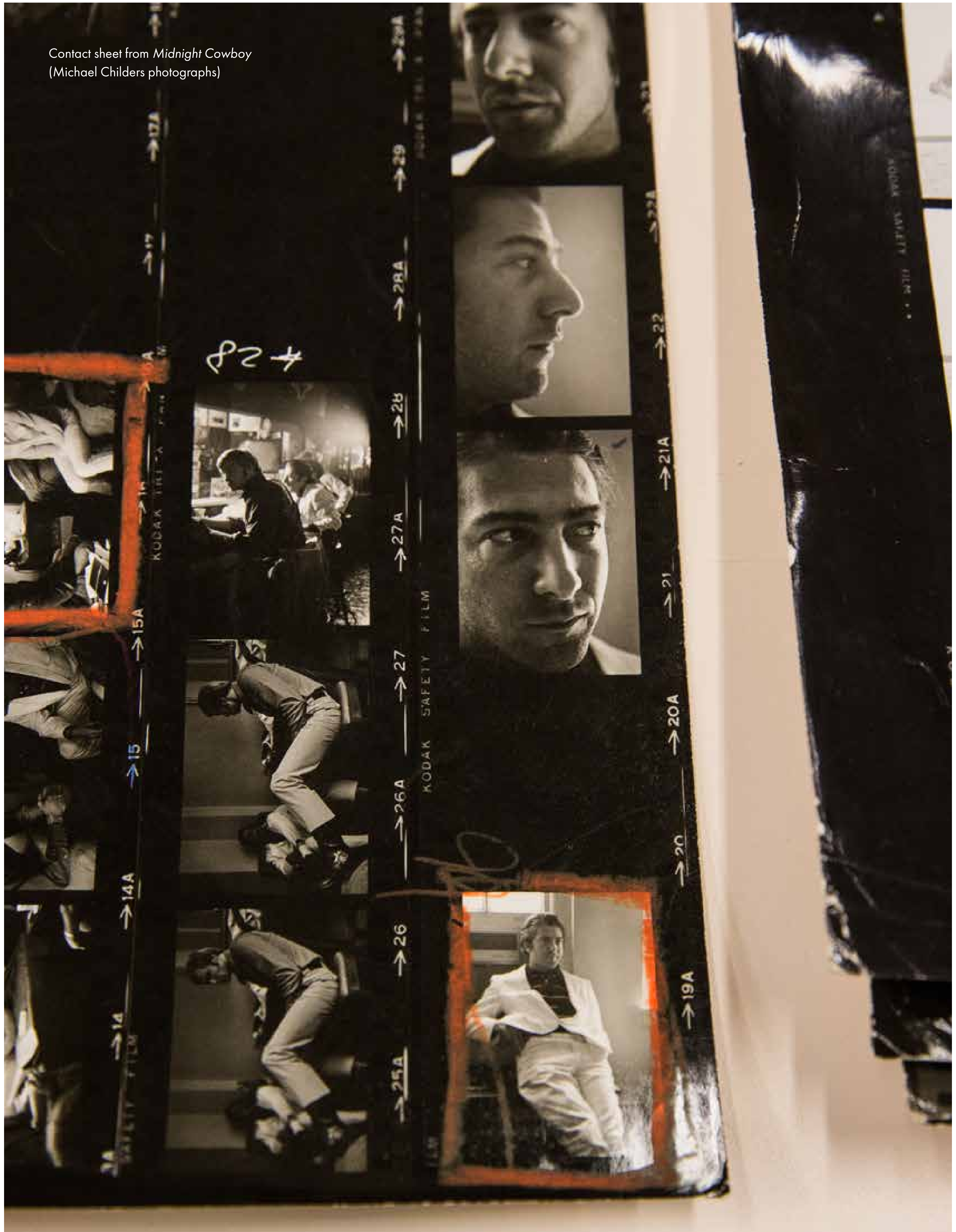
OCTOBER
- Society of Motion Picture and Television Engineers Technical Conference, Hollywood

NOVEMBER
- International Film Festival of the Art of Cinematography CAMERIMAGE, Poland
- Society of Motion Picture and Television Engineers-New York Section
- Association of Moving Image Archi vists (AMIA) Conference, Portland, Oregon
- Association of Moving Image Archivists (AMIA) Conference, Portland, Oregon

FEBRUARY
- Hollywood Professional Association Tech Retreat, California

APRIL
- NAB Show, Las Vegas

STUDY HALL



Contact sheet from *Midnight Cowboy*
(Michael Childers photographs)

MARGARET HERRICK LIBRARY

Graphic Arts: Posters now total 58,312; pieces of production art now total 74,396

Photographs: 124,172 photographs added bringing total to 13,124,000

Photograph collections acquired during the year include:

- Stanley Bielecki photographs (59 boxes)
- Michael Childers photographs (20 boxes)
- George Cukor papers (3 boxes)
- Marlene Dietrich photographs (75 photographs from her Manhattan apartment)
- Darlene Hammond photographs (22,280 photographs of celebrities)
- Harold Lloyd papers (11 boxes)
- Michael Mann photographs (13 boxes)
- Peggy Moffitt Claxton photographs (7000 original production photographs)
- Fred Niblo hand-tinted glass slides (817 glass lantern slides)
- Shirley Temple photograph albums (24 photograph albums)

Special Collections Manuscripts: 79 archival collections were acquired or received additional material. Total number of collections is 1606

HERMAN A. BLUMENTHAL PAPERS
Script material, correspondence, set and production materials, drawings and storyboards related to the career of the art director

CHINA KONG AND DONALD CAMMELL PAPERS
Scripts and film research related to the Scottish film director

CYD CHARISSE AND TONY MARTIN PAPERS
Scripts, correspondence, clippings, scrapbooks and ephemera

SAUL DAVID PAPERS
Scripts, correspondence and production art for *Logan's Run* and other films by the producer

MICHAEL FEINSTEIN COLLECTION OF SILENT FILM MUSIC
Cue sheets and music scores

MICHAEL GIACCHINO MUSIC SCORES
Scores by the composer for two dozen films including *The Incredibles, Star Trek Into Darkness* and *UP*

SAMUEL GOLDWYN JR. PAPERS
Production records and scripts related to the career of the producer

STEVE KIEFER COLLECTION
Comprehensive fan collection on Steve McQueen

JOAN LESLIE SCRAPBOOKS
17 scrapbooks documenting the actress's career

MAKEUP PORTFOLIOS SUBMITTED FOR ACADEMY AWARDS CONSIDERATION
More than a dozen makeup portfolios for films including *Mad Max: Fury Road, Mandela: Long Walk to Freedom* and *The Revenant*

STEVEN POSTER PAPERS
Scripts, production records, storyboards and photographs covering the career of the cinematographer

DAVID RAYFIEL PAPERS
Scripts, production material and correspondence from the screenwriter and frequent collaborator of director Sydney Pollack

ARNOLD RICHMOND COLLECTION ON JANE POWELL

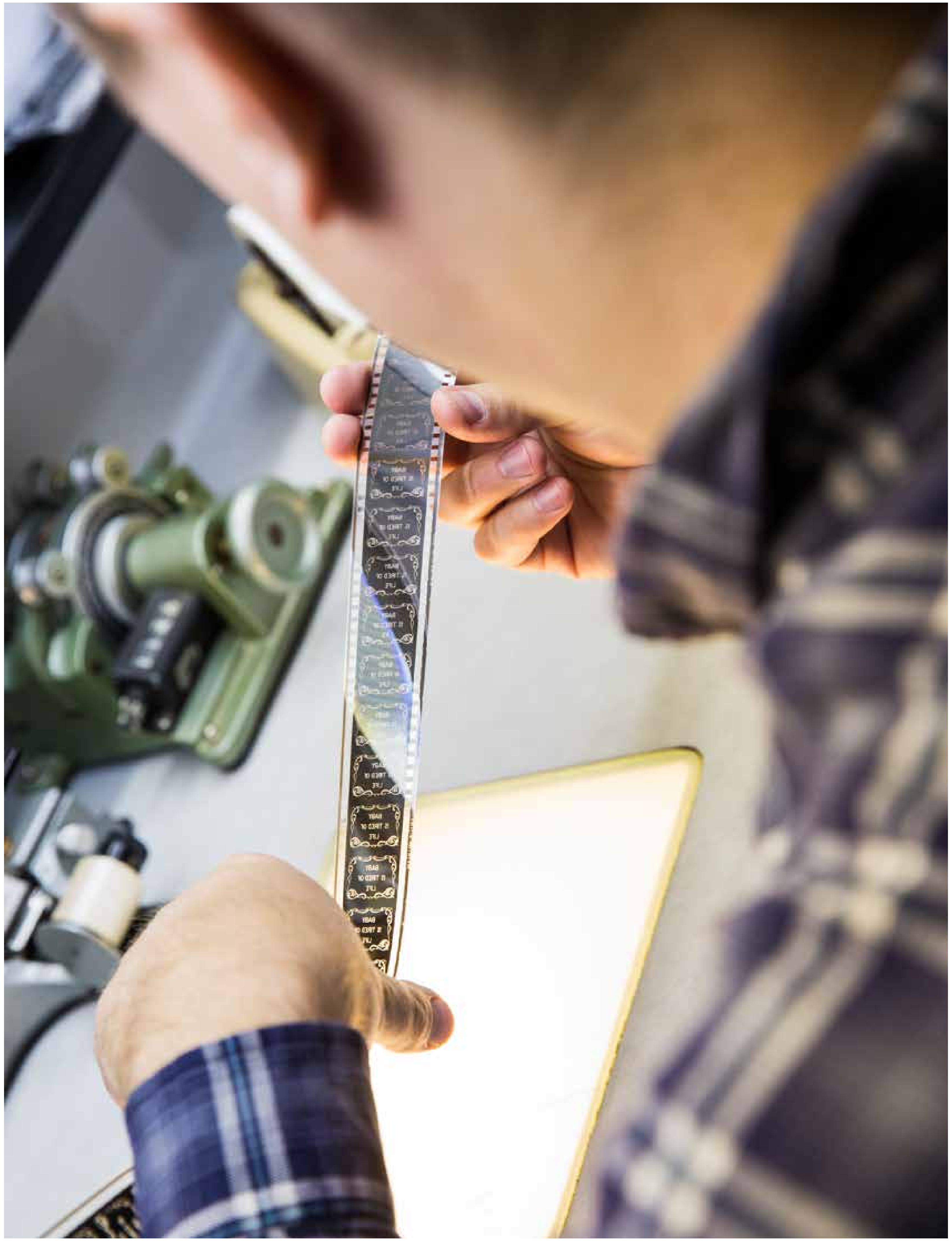
WATTERSON R. ROTHACKER SCRAPBOOKS AND PHOTOGRAPHS

ROD TAYLOR PAPERS
Scripts and correspondence covering many of the actor's films including *The Birds, The Time Machine* and *Raintree County*

JOAN TEWKESBURY PAPERS
Scripts from the screenwriter and frequent collaborator of director Robert Altman

Significant additions to the collections of George Cukor, Joe Dante, Robert Florey, John Frankenheimer, Samuel Goldwyn, Charles Guggenheim and Harold Lloyd

A gift from Leonard Stanley included three Dolores Del Rio scrapbooks and a scrapbook, autograph book and memoir manuscript related to costume designer Adrian



ACADEMY FILM ARCHIVE

THE APU TRILOGY
The collaboration between the Academy Film Archive and The Criterion Collection resulted in a 4k digital restoration of all three films in the *Apu Trilogy*. *Pather Panchali*, *Aparajito* and *The World of Apu* were re-released to theaters and in a new Blu-ray edition. The Academy's support of the restoration of Satyajit Ray's films through the Ray Preservation Project makes this a one-of-a-kind essential project only the Academy could accomplish.

THE FRONT PAGE
The restoration of *The Front Page* (1931), funded by The Film Foundation, was completed and screened at the Academy in August 2016. Using a rare 35mm domestic print from the Howard Hughes collection, the restoration presents the Academy Award-nominated film as it was originally seen by American audiences in 1931.

COCK OF THE AIR
Restoration of another Howard Hughes production, *Cock of the Air* (1930), was also completed and screened in August 2016 The Archive's preservationists collaborated with members of the Casting Directors and Actors Branches in order to recreate dialogue for scenes that had been cut from the film by censors. This creative solution allows audiences to see and hear the film in close to its original form.

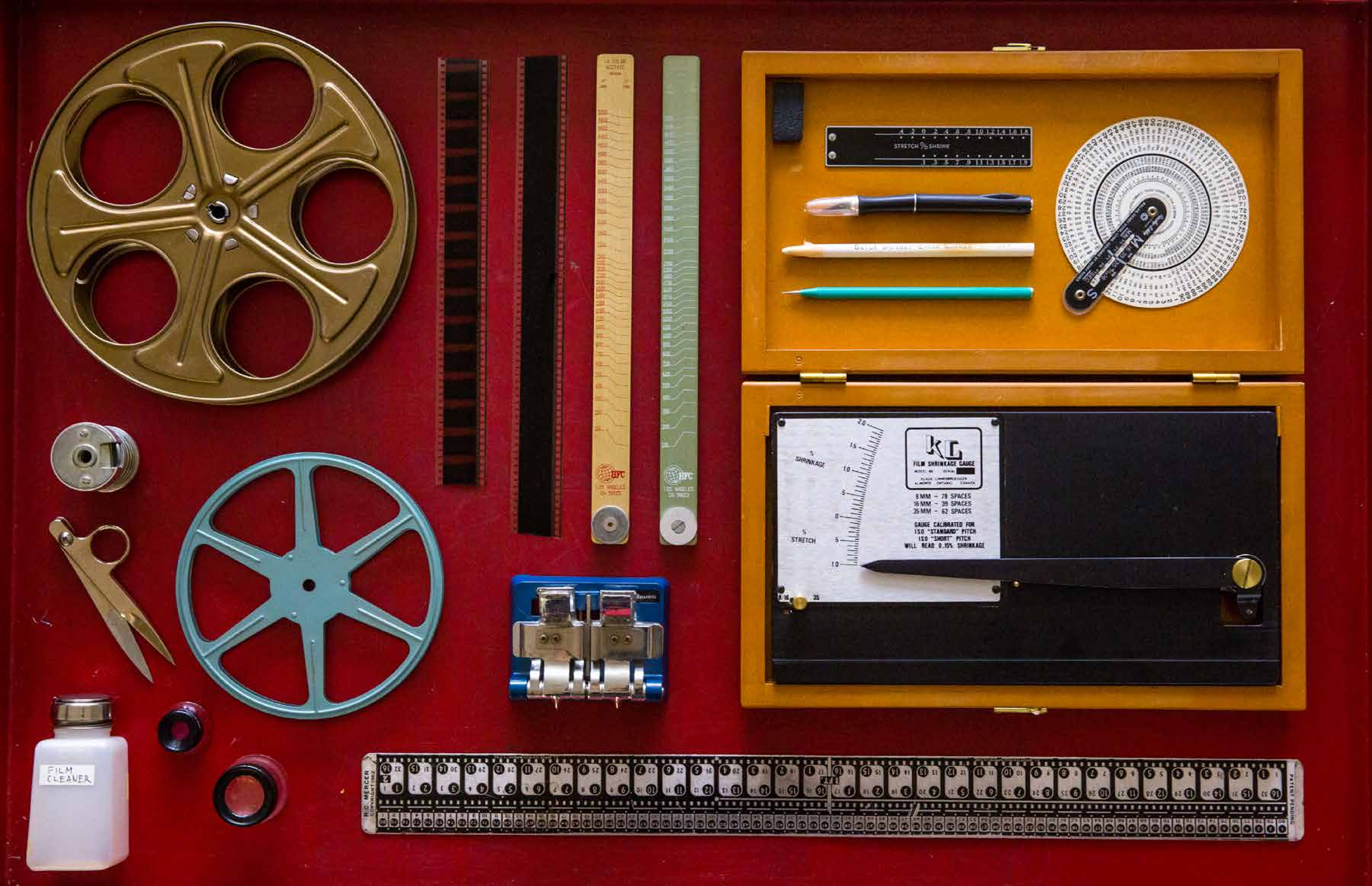
THE BALLAD OF GREGORIO CORTEZ
The Ballad of Gregorio Cortez (1982) was restored from the 16mm camera original negative. Director Robert Young's story of a Mexican-American farmer portrayed by Edward James Olmos was restored by the Academy Film Archive in conjunction with the Getty's LA/LA program and will be a key part of the Academy's participation in the effort.

HEAVEN CAN WAIT
Ernst Lubitsch's 1943 Technicolor classic *Heaven Can Wait* was restored to its full splendor in collaboration with The Film Foundation and 20th Century Fox, and screened at the Venice Film Festival, New York Film Festival as well as at the Academy's Linwood Dunn Theater.

THE MEMORY OF JUSTICE
Restored by theAcademy Film Archive in association with Paramount Pictures and The Film Foundation, *The Memory of Justice* (1976) won the Best Archive Restoration/Preservation Project at the FOCAL International Awards presented in London in May. This four-and-a-half hour documentary, directed by Marcel Ophuls, was restored in four different languages and premiered last year in Berlin.

OTHER PRESERVATION PROJECTS
The Archive continues to preserve and restore short subjects (including films by Gus Van Sant) and experimental films (including work by Suzan Pitt and Pat O'Neill), as well as home movies (including the Nicholas Brothers and Disney animator Frank Thomas), and advertising trailers (for films including Roger Corman titles).

In addition the Archive has received hundreds of film prints and negative elements from Deluxe and DuArt film laboratories. The Archive is making every effort to identify the material so that it can be returned to the original owners, or with their permission, added to our collection for safe-keeping. This ongoing project is the result of the transition from film to digital, which has created a temporary flood of orphaned elements that the Archive is working to safeguard.


STRETCH % SHRINK
% SHRINKAGE
% STRETCH
FILM SHRINKAGE GAUGE
8 MM - 78 SPACES
16 MM - 39 SPACES
35 MM - 62 SPACES
GAUGE CALIBRATED FOR
ISO "STANDARD" PITCH
ISO "SHORT" PITCH
WILL READ 0.15% SHRINKAGE
FILM CLEANER
W.C. MERCER
PATENT PENDING

ORAL/VISUAL HISTORY PROJECTS

2012 TO PRESENT:

- 109 Visual History interviews recorded
- 400 hours in the Visual History Program collection
- Average interview length of 4 hours
- 17 Academy branches represented
- 7 languages (Czech, French, Japanese, Mandarin, Spanish, Portuguese & English)
- 10 foreign countries (Czech Republic, Germany, Mauritania/Mali, India, Japan, England, France, Mexico, Taiwan & Brazil)
- 10 interviews completed for Pacific Standard Time project
- 34 female interviewees
- 8 oral history collections preserved from other institutions
- 776 interviews digitally preserved
- 3,472 total hours preserved

2015-16:

- 37 interviews
- 120 hours recorded
- 13 international interviews (Mexico City, Sao Paulo, Rio de Janeiro, Paris & London)

ORAL/VISUAL HISTORY INTERVIEWS

DAVID SPROXTON
(Producer/Director/Animator)
August 6 – LDT

DAVID RIDDETT
(Cinematographer)
August 6 – LDT

STEPHANIE ROTHMAN
(Director/Screenwriter)
August 10 – LDT

TYRUS WONG
(Production Illustrator)
August 11 – LDT

YOLANDA "TONGOLELE" MONTES
(Actor/Dancer)
September 22 – Mexico City

ARTURO RIPSTEIN
(Director/Screenwriter)
September 23 – Mexico City

PAZ ALICIA GARCIADIEGO
(Screenwriter)
September 23 – Mexico City

SILVIA PINAL
(Actor)
September 24 – Mexico City

MARIA NOVARO
(Director/Screenwriter)
September 25 – Mexico City

BERTHA NAVARRO
(Producer)
September 26 – Mexico City

RUTHIE TOMPSON
(Animator/Animation Artist)
October 2 – Woodland Hills

HOU HSIAO-HSIEN
(Filmmaker)
October 16 – LDT

BEVERLY WOOD
(Executive)
October 20 & December 3 – Hollywood

ANTHONY POWELL
(Costume Designer)
November 3 & January 14 – London

DEAN TAVOULARIS
(Production Designer)
November 4 – Los Angeles

DOUGLAS TRUMBULL
(Visual Effects Artist/Inventor/Director)
November 16 – LDT

RICK BAKER
(Makeup Artist)
November 24 – LDT

DAVID RUBIN
(Casting Director)
January 13 – LDT

ROBERT REHME
(Executive/Producer/Academy President)
January 15 – LDT

HARRISON ELLENSHAW
(Visual FX Artist/Matte Artist)
February 3 – Westlake Village

ALFONSO CUARÓN
(Director)
February 11 – London

FREIDA LEE MOCK
(Documentarian)
March 9 – SGT

GREGORY NAVA
(Director)
March 9 – SGT

FLOYD NORMAN
(Animator/Animation Artist)
March 15 – LDT

FERNANDA MONTENEGRO
(Actor)
March 21 – Rio de Janeiro

NELSON PEREIRA DOS SANTOS
(Director)
March 22 – Rio de Janeiro

CARLOS DIEGUES
(Director)
March 24 – Paris

SUZANA AMARAL
(Director/Screenwriter)
March 24 – São Paulo

HECTOR BABENCO
(Director/Producer/Writer)
March 25 – São Paulo

MARGE CHAMPION
(Dancer/Actor/Choreographer)
April 19 – Woodland Hills

CAROLYN PFEIFFER
(Producer/Executive)
April 26 – Austin

JOHN PRITCHETT
(Location Sound Mixer)
April 27 - Austin

SANDRA ADAIR
(Film Editor)
April 28 – Austin

EFRAIN GUTIERREZ
(Director/Producer)
April 29 – Austin

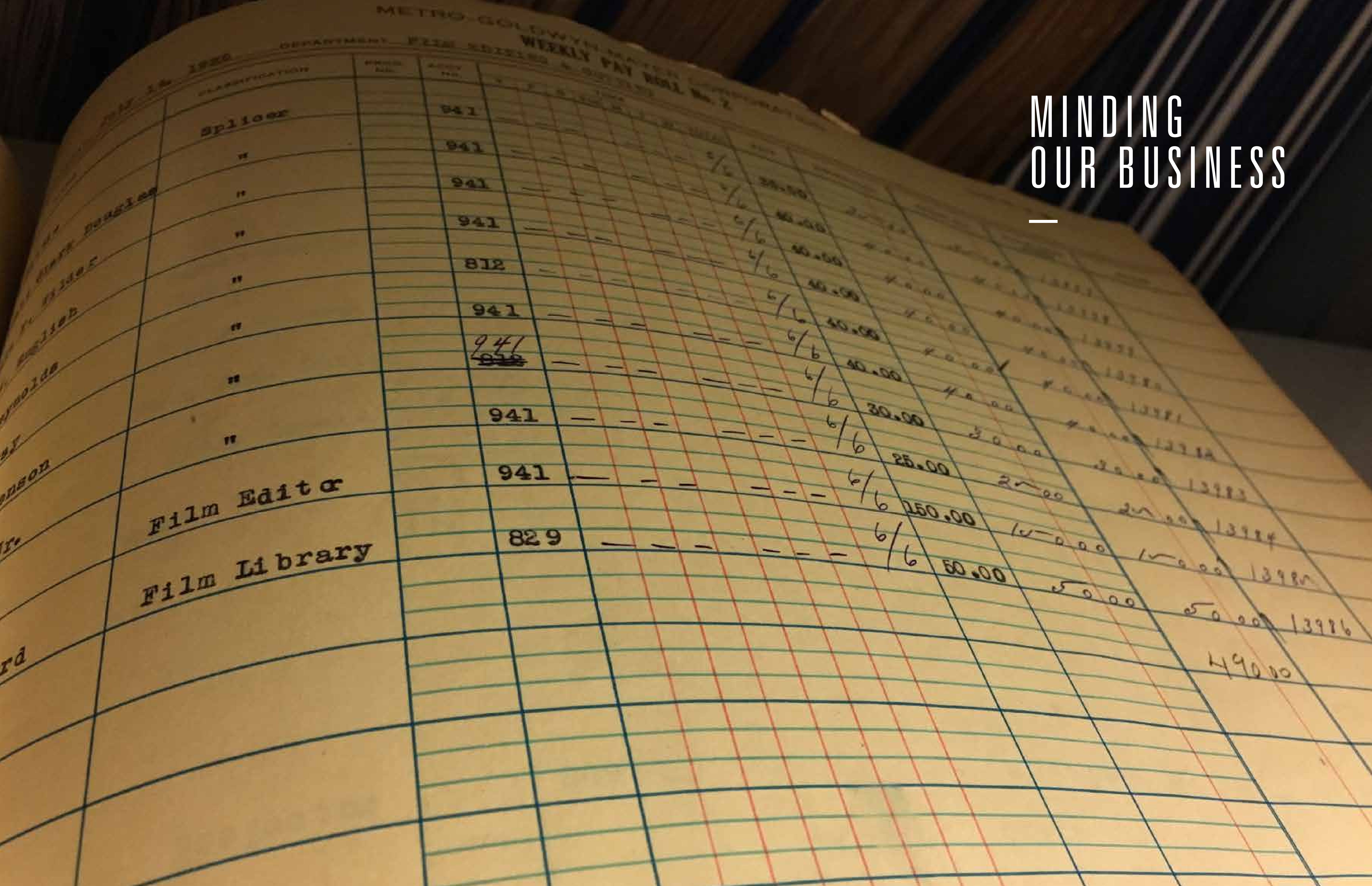
GORDON PADDISON
(Digital Marketing Executive)
May 13 – LDT

PETER ANDERSON
(Cinematographer/Visual Effects Supervisor)
May 20 – LDT

ELSA CÁRDENAS
(Actor)
June 24 – LDT

LDT = Linwood Dunn Theater
SGT = Samuel Goldwyn Theater

MINDING OUR BUSINESS



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REPORT TO INDEPENDENT AUDITORS

To the Board of Governors of the Academy of Motion Picture Arts and Sciences and its affiliates

We have audited the accompanying consolidated financial statements of the Academy of Motion Picture Arts and Sciences and its affiliates (the "Academy"), which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Academy of Motion Picture Arts and Sciences and its affiliates at June 30, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

October 26, 2016

8949 Wilshire Boulevard Beverly Hills California 90211-1907

ACADEMY OF MOTION PICTURE ARTS AND SCIENCES CONSOLIDATED STATEMENTS OF FINANCIAL POSITION JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
Cash and cash equivalents	$3,705,000	$ 9,503,300
Restricted cash	39,500	1,000,000
Investments	428,727,800	332,398,900
Restricted Investments	208,695,900	-
Accounts and other receivables, net	2,710,100	1,059,400
Pledges receivable, net	47,826,600	49,162,100
Prepaid expenses	1,097,400	800,300
Deferred rent expense, net	23,623,200	23,861,900
Property, equipment and building improvements, net	166,500,800	130,304,400
Academy collections, carried at no value	-	-
Other assets, net	1,191,200	1,201,100
Total assets	$ 884,117,500	$ 549,291,400
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	$ 8,648,400	$ 8,228,600
Accrued salaries and benefits	24,392,400	20,988,400
Grants payable, less discount	3,784,100	4,243,500
Deferred income	1,147,300	1,106,600
Debt	354,384,600	61,586,700
Derivative instrument	-	5,067,600
Total liabilities	392,356,800	101,221,400
Net assets		
Unrestricted		
Board designated for Fairbanks Center	41,949,200	40,875,700
Board designated for Academy Museum Foundation	61,366,800	53,540,600
Undesignated	347,933,000	325,825,200
Total unrestricted	451,249,000	420,241,500
Temporarily restricted (Note 1)	19,573,800	6,955,900
Permanently restricted		
Restricted for Fairbanks Center (Note 9)	12,875,100	12,875,100
Restricted for Nicholl Fellowship Program (Note 9)	5,624,000	5,624,000
Restricted for Academy Museum Project	2,438,800	2,373,500
Total permanently restricted	20,937,900	20,872,600
Total net assets	491,760,700	448,070,000
Total liabilities and net assets	$ 884,117,500	$ 549,291,400

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

ACADEMY OF MOTION PICTURE ARTS AND SCIENCES
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CHANGES IN UNRESTRICTED NET ASSETS		
Revenues and other support		
Academy Awards and related activities	$ 113,077,200	$ 109,268,900
Membership dues	2,159,500	1,825,000
Contributions, net	11,192,600	15,231,500
Research library and other educational & cultural activities	729,500	3,792,500
Theater rentals	543,000	349,100
Investment income (loss), net	7,364,800	(3,302,200)
Other income	966,800	188,100
Satisfaction of program restrictions	233,800	32,235,400
Total revenues and other support	136,267,200	159,588,300
Expenses		
Academy Awards and related activities	44,015,200	43,980,500
Membership, theater, and other operations	5,153,700	5,031,400
Preservation operations	18,364,000	17,097,600
Science and Technology Council operations	2,400,700	2,138,900
Museum development	7,383,300	7,410,400
Educational and cultural programs	3,720,900	8,395,200
Grants, contributions, and awards	827,000	333,200
General and administrative expenses	16,122,400	15,318,200
Interest expense	2,509,700	1,742,000
Loss on extinguishment of debt	812,300	-
Total expenses	101,309,200	101,447,400
Increase in unrestricted net assets	34,958,000	58,140,900
Pension and postretirement-related changes other than net period benefit cost	(3,950,500)	(2,652,900)
Increase in unrestricted net assets	31,007,500	55,488,000
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions received, net of discount	12,312,400	222,500
Net assets released from restrictions	(233,800)	(32,235,400)
Investment income from permanently restricted funds	539,300	61,700
Increase (decrease) in temporarily restricted net assets	12,617,900	(31,951,200)
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
Donor restricted contributions to Academy Museum Endowment	65,300	2,373,500
Increase in permanently restricted net assets	65,300	2,373,500

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

ACADEMY OF MOTION PICTURE ARTS AND SCIENCES
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Total increase in net assets	43,690,700	25,910,300
NET ASSETS		
Beginning of year	448,070,000	422,159,700
End of year	$ 491,760,700	$ 448,070,000

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

ACADEMY OF MOTION PICTURE ARTS AND SCIENCES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 43,690,700	$ 25,910,300
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	9,926,000	8,283,600
Debt premium accretion	(744,300)	-
Permanently restricted contributions and income	(65,400)	(2,373,500)
Contributions related to long-lived assets	(11,750,000)	(1,250,000)
Bad debt expense related to pledges receivable	9,514,500	881,700
Present value adjustment to pledges receivable	4,303,300	2,084,100
Present value adjustment to grants payable	90,600	100,900
Net realized and unrealized (gain) loss on investments	(1,192,700)	11,489,100
Unrealized loss on derivative instrument	655,400	280,900
Changes in assets and liabilities		
Accounts and other receivables	(1,650,700)	1,917,400
Pledges receivable	(14,157,300)	(9,040,900)
Prepaid expenses	(297,100)	29,100
Deferred rent expense	-	(22,276,400)
Other assets	(291,300)	(197,900)
Accounts payable and accrued expenses	2,929,600	(2,243,300)
Accrued salaries and benefits	3,404,000	3,442,900
Grants payable	(550,000)	(550,000)
Deferred income	40,700	286,900
Net cash provided by operating activities	43,856,000	16,774,900

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

ACADEMY OF MOTION PICTURE ARTS AND SCIENCES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales and maturities of investments	1,285,905,600	472,939,500
Purchases of investments	(1,589,737,700)	(451,043,100)
Proceeds from sale of land and building held for sale	20,900	3,590,200
Additions to property, equipment and building improvements	(46,939,900)	(28,874,400)
Net cash used in investing activities	(350,751,100)	(3,387,800)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from debt issuance	340,960,000	
Proceeds from debt issuance premium	18,565,400	-
Payment of debt	(63,000,000)	
Payment for extinguishment of derivative instrument	(5,723,000)	-
Payment of financing obligation	-	(12,725,800)
Debt issuance costs	(4,156,500)	(574,900)
Contributions for long-lived assets	13,425,100	3,775,000
Restricted cash	960,500	(1,000,000)
Permanently restricted contributions	65,300	2,373,500
Net cash provided by (used in) financing activities	301,096,800	(8,152,200)
Net (decrease) increase in cash and cash equivalents	(5,798,300)	5,234,900
CASH AND CASH EQUIVALENTS		
Beginning of year	9,503,300	4,268,400
End of year	$ 3,705,000	$ 9,503,300
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest (net of amounts capitalized)	$ 1,545,800	$ 1,208,300
SUPPLEMENTAL SCHEDULE OF NONCASH ACTIVITIES		
Property, equipment and building improvements included in accounts payable and accrued expenses	2,509,800	5,138,900
Write-off of fully depreciated property, equipment and building improvements	-	6,253,800

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

ACADEMY OF MOTION PICTURE ARTS AND SCIENCES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The accompanying consolidated financial statements include the accounts of the Academy of Motion Picture Arts and Sciences ("AMPAS") (tax-exempt entity under IRC 501(c)(6)) and its affiliates, including the Academy Foundation ("Foundation") (tax-exempt affiliate under IRC 501(c)(3)), the Vine Street Archive Foundation ("Vine Street"), the Academy Museum Foundation ("Museum"), and the Archival Foundation ("Archival") (collectively, the "Academy"). Vine, Museum and Archival are tax-exempt affiliates of Foundation under IRC 501(a)(3). All not-for-profit corporations. All inter-entity transactions eliminate in consolidation. The purpose of forming the Foundation is for promoting and supporting educational and cultural activities related to the motion picture industry. The purpose of forming Vine Street is for owning and operating the Mary Pickford Center for Motion Picture Study ("Pickford Center"). The purpose of forming Museum, previously known as Homewood Foundation, is for developing a museum devoted to exploring and curating the history and future of the moving image. The purpose of forming Archival is for operating the Douglas Fairbanks Center for Motion Picture Study Fairbanks Center, the Margaret Herrick Library, and the Academy Film Archive. AMPAS's Board of Governors selects the trustees of the Foundation and the Foundation's Board of Trustees selects the trustees of the other three foundations.

Recognition of Revenues and Expenses

Revenues and expenses are recognized on the accrual basis of accounting.

Minimum guarantees of domestic and foreign revenues from the annual awards program are recognized upon broadcast. Additional revenues in excess of the minimum guarantees are recognized upon receipt of the additional monies from the broadcast rights holders. The Academy has granted the domestic television broadcast rights to the American Broadcasting Company, Inc. ("ABC") through 2028 and the foreign broadcast rights to Buena Vista International ("BVI") through 2020. In the accompanying consolidated financial statements, revenues and expenses categorized as "Academy Awards and related activities" include the Academy Awards program, Governors' Ball, nominations screenings, nominees' luncheon, and copyright/trademark protection.

Membership dues are paid on a calendar year basis and are recognized as income proportionately during the year; the portion of dues not yet recognized at June 30 is included in deferred income in the accompanying consolidated statements of financial position.

Contributions received are recognized as revenue in the period in which they are received. Funds subsequently transferred from temporarily restricted net assets to unrestricted net assets, in amounts equal to such expenditures, have been reported in the accompanying consolidated statements of activities and changes in net assets as "net assets released from restrictions" and "satisfaction of program restrictions," respectively. Expenditures made for the purpose specified by the grantor are paid from unrestricted funds when incurred. When the restriction is satisfied in the year the contribution is received, then the contribution is recorded in unrestricted net assets. Cash received from donors for the express purpose of the construction of long-lived assets is reflected as temporarily restricted net assets, and as a financing source in the consolidated statements of cash flows.

Unconditional promises to give or pledges are recognized as revenue in the period the pledge is made. If the pledge is payable over more than one year, the pledge is discounted using an appropriate rate as of the date of the pledge. An allowance is established to provide for nonpayment of pledges if collectability is not reasonably assured.

Conditional promises to give consist of promises to give which contain donor imposed conditions that have not been met (Note 4). These promises to give are recognized when the donor condition are met.

The Academy provides grants, contributions and awards to various film festivals, charities and student films awards. Grants payable are recognized in the period in which the commitment is made. If the grant is payable over more than one year, the grant is discounted using an appropriate rate as of the date of the grant (Note 9).

Cash and Cash Equivalents

The Academy considers all highly liquid investments purchased with an original maturity of three months or less and held by the Academy to be cash equivalents except those held as part of the overall long-term investment portfolio strategy. The carrying value of these instruments approximates fair value because of their short maturity.

Restricted Cash

Restricted cash consists of contributions received by the Academy, which contain donor restrictions that require the Academy to maintain the contributions in a separate bank account until the funds are spent in accordance with the donor agreement.

Fair Value Measurements

The Academy follows authoritative guidance, which defines fair value, establishes methods for measuring fair value by applying one of three observable market techniques (market approach, income approach or cost approach) and expands required disclosures about fair value investments. This standard defines fair value as the price that would be received for an asset, or paid to transfer a liability, in the most advantageous market for the asset or liability in an arms-length transaction between willing market participants at the measurement date.

Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

Level I Quoted prices in active markets for assets or liabilities that the Academy has the ability to access at the measurement date. An active market for the asset is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. A quoted price in an active market provides the most reliable evidence of fair value and is used to measure fair value whenever available.

Level II Inputs other than quoted prices included within Level I that are observable for the asset or liability, either directly or indirectly. Level II inputs include quoted prices for similar assets or liabilities in markets that are either active or inactive, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level III Inputs are unobservable for the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available. Unobservable inputs reflect the Academy's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances.

Assets and liabilities measured at fair value are classified and disclosed in Note 3. There have been no transfers of assets and liabilities between levels.

Investments and Investment Income

All monies held by the Academy's investment portfolio managers are classified as investments. Exchange-traded securities are carried at fair value based on quoted market prices. Changes in fair value are reported as investment income (loss), net in the consolidated statements of activities and changes in net assets. Investment fees for mutual fund investments are a deduction in interest and dividend income by the mutual fund. Investment fees for investment portfolio managers are billed directly to the Academy and included as a component of investment income.

As disclosed in Note 3, the Academy invests in certain investments, with a fair value of $73,388,000 and $16,113,000 as of June 30, 2016 and 2015, respectively, which are not exchange-traded. The fair value of the units of the Academy's investments are determined by the Fund Manager at each valuation date.

As part of the Fund Manager's valuation process for real estate alternative investments, independent appraisers value properties on an annual basis (at a minimum). Property valuations and valuation-sensitive assumptions of each underlying asset are reviewed by the Fund Manager and values are adjusted if there has been a significant change in circumstances related to the underlying property since the last valuation. In addition, the Fund Manager may cause additional appraisals to be performed.

The Fund Manager estimates the fair value based on the most probable price in cash, or terms which can be expressed in cash equivalents, for which the alternative investments will sell in a competitive market under all conditions for a fair sale, with the buyer and seller each acting prudently, knowledgeably and for self-interest, and assuming that neither is under duress.

The fair value of investments is determined in accordance with the Academy's accounting policy for fair value measurements as noted above.

Restricted Investments

Restricted investments represent the unused proceeds of the October 22, 2015 bond issuance (Note 8) restricted for the use on the museum project. The restricted investments are within the investments and investment income accounts disclosed in Note 2.

Accounts and Other Receivables

Accounts and other receivables include trade receivables arising from the broadcast of the Academy Awards telecast and through the normal course of business and interest receivable on the Academy's investment portfolio representing interest earned but not received as of year-end and grants receivable.

Pledges Receivable

Pledges receivable represent unconditional promises to donate money to the proposed Academy Museum of Motion Pictures. Pledges in excess of one year are discounted to the net present value using a range of applicable discount rates (Note 4). The Academy has recorded an allowance for doubtful accounts to reduce the receivable balance to the estimated collectible balance (Note 4).

Deferred Rent Expense

Deferred rent expense represents amounts, which have been contractually paid in advance of the lease terms of the Fairbanks Center and the Academy Museum of Motion Pictures ("Academy Museum"). The Fairbanks Center lease is being amortized over thirty years, the Academy Museum land lease is being amortized over the lease term and its renewal period, and the Academy Museum parking lease is being amortized over its lease term. The unpaid portion of the Academy Museum parking lease is discussed in Note 6.

Property, Equipment and Building Improvements

Buildings, building improvements, furniture and equipment are carried at cost less accumulated depreciation. Expenditures, which substantially extend the useful lives of assets, are capitalized. Improvements to the property, which houses the Fairbanks Center, have been classified as building improvements. Improvements to the property, which will house the Academy Museum, have been classified as construction in progress. Applicable construction period interest and property taxes are capitalized to construction in progress when incurred. Maintenance and repairs are expensed as incurred. Depreciation expense is computed using the straight-line method over the useful lives of the assets: thirty years for the building and twenty to thirty years for building improvements, and three to ten years for furniture, fixtures and equipment.

When an asset is no longer useful, the asset is retired and any remaining net book value (historical cost less accumulated depreciation) is included in depreciation, which is allocated to program expenses in the accompanying consolidated statements of activities and changes in net assets.

Impairment
The Academy's long-lived assets are carried at cost. Whenever events or changes in circumstances suggest that the carrying amount may not be recoverable, management assesses the recoverability of the carrying amount of its long-lived assets in accordance with Generally Accepted Accounting Principles ("GAAP"). If impaired, the Academy will reduce the carrying amount to its estimated fair value.

Other Assets
Other assets consist primarily of computer software and the cash surrender value on executive life insurance. Computer software is amortized using the straight-line method over three years.

Debt Premium
Debt premium represents funds paid to the Academy in excess of the amount repayable on the fixed rate bonds at their maturity. Debt premium is amortized using the effective interest method over the life of the fixed rate bonds. The amortization is included in interest expense in the consolidated statements of activities and changes in net assets. The debt premium is included in the Debt balance on the consolidated statement of financial position (Note 8).

Debt Issuance Costs
The Academy evaluates costs incurred related to debt financing to determine the appropriate accounting treatment in accordance with ASC 470. The debt issuance costs represent funds paid by the Academy to issue the fixed and variable rate bonds. Debt issuance cost are amortized over the term of the credit facility using the effective interest method or on a straight-line basis, if it is not significantly different from the effective interest method, and are recorded as interest expense in the consolidated statement of activities and changes in net assets. The debt issuance cost is allocated to both bond types based on the proceeds generated for each type. Debt issuance costs are included in the Debt balance on the consolidated statement of financial position (Note 8).

In conjunction with the Academy's early adoption and retrospective application of Accounting Standard Updates (ASU) 2015-03, Interest – Imputation of Interest (Subtopic 835-30); Simplifying the Presentation of Debt Issuance Costs in 2016, capitalized debt issuance costs are included as a direct deduction from current and long-term debt as applicable. As a result, the Academy reclassified unamortized deferred debt issuance costs of $4,396,600 and $1,413,300 from prepaid expenses and other current assets to debt on the consolidated statements of financial position as of June 30, 2016 and June 30, 2015.

Derivative Instrument
The Academy manages its ratio of fixed to floating rate debt with the objective of achieving a 60/40 mix as directed by the Board of Governors. To manage this mix, the Academy entered into an interest rate swap agreement in 2002. The Academy records the derivative instrument at fair value based on third party valuation. The change in fair value is included in interest expense in the consolidated statements of activities and changes in net assets (Note 8).

Academy Collections
The Academy Collections consist of the holdings of the Academy Museum, the Margaret Herrick Library and the Academy Film Archive. The holdings consist of significant three dimensional motion picture objects, documents, photographs and motion pictures. The holdings are made available to students and scholars for motion picture industry and art form research and will be available to the Academy Museum when opened. These collections are donated to, preserved and maintained by the Foundation, and are carried at no value on the consolidated statements of financial position.

Net Assets
The Academy presents unrestricted, temporarily restricted, and permanently restricted net assets and changes in net assets in the accompanying consolidated financial statements. The amounts in each category are determined based on the source of the assets and donor-imposed restrictions.

The Academy follows authoritative guidance on classifying the net assets associated with donor-restricted endowment funds held by not-for-profit entities that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). This guidance also requires disclosures about endowments for organizations. It also provides guidance relating to the classification of investment income earned on donor-restricted contributions. For each donor-restricted endowment fund, not-for-profit organizations are required to classify the portion of the fund that is not classified as permanently restricted net assets as temporarily restricted net assets (time restricted) until appropriated for expenditure by the organization.

The Foundation classifies donor-restricted contributions for educational and cultural activities not yet used to fund program expenses as temporarily restricted. Temporarily restricted net assets relate to donor-restricted contributions for film restoration projects and the Academy Museum. The Academy's Board of Governors (the "Board") has designated some unrestricted Academy Museum contributions as construction funds. These board-designated contributions to the Academy Museum and related investment income are included in unrestricted net assets.

All Fairbanks Center endowment fund contributions are classified as permanently restricted and the related income is classified as temporarily restricted until the related income is appropriated for expenditure by the Archival Board of Trustees in accordance with the Academy's spending policy. All Nicholl endowment fund contributions are classified as permanently restricted and the related income is classified in accordance with the grant document as permanently restricted and temporarily restricted until the related income is appropriated for expenditure by the Vine Street Board of Trustees in accordance with the Academy's spending policy. The Museum Project permanently restricted net assets represent a promise to give a permanently restricted endowment. All board-designated contributions to the endowment and the related endowment investment income are included in unrestricted net assets (Note 9).

Temporarily restricted net assets are available for the following purposes at June 30:

	2016	2015
Academy Museum	$ 18,691,000	$ 6,723,800
Fairbanks Center endowment	290,400	-
Nicholl endowment	251,400	63,500
Other education and restoration projects	341,000	168,600
	$ 19,573,800	$ 6,955,900

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

Concentrations of Credit Risk and Major Customers
The Academy is subject to concentrations of credit risk with respect to cash and cash equivalents,investments, and the interest swap agreement, which the Academy attempts to minimize by entering into these arrangements with major banks and financial institutions and investing in high quality instruments. The Academy does not expect any counterparties to fail to meet their obligations.

The Academy has two major companies which represents 79% and 66% of revenues and other support in 2016 and 2015, respectively.

Advertising
Advertising costs are charged to expense in the period incurred. Advertising expense was $5,488,500 and $5,871,300 for the years ended June 30, 2016 and 2015, respectively, and is included in (i) Academy Awards and related activities and (ii) Educational and cultural expenses in the accompanying consolidated statements of activities and changes in net assets. In addition, the Foundation received a contributed advertising pledge of $250,000 for the year ended June 30, 2015 for the Academy Museum. Contributed advertising is recognized as a contribution of $250,000 in 2015 and a Museum development expense of $62,500 in 2016 and 2015 in the accompanying consolidated statements of activities and changes in net assets.

Income Taxes
AMPAS, Foundation, Vine Street, Museum and Archival are non-profit organizations determined by the Internal Revenue Service and the California Franchise Tax Board to be exempt from federal and state income taxes, respectively.

The Academy has no open tax positions that result in material unrecognized tax benefits or liabilities.

Reclassifications
Certain reclassifications have been made to the 2015 financial statements to conform to the 2016 presentation. There was no impact on total revenues, total expenses or net assets as a result of these reclassifications.

New Accounting Pronouncements
Accounting Standards Update ("ASU") No. 2016-15, Statement of Cash Flows (Topic 230) was promulgated in August 2016. This ASU is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Retrospective application to all prior periods presented on the date of adoption is required. Earlier adoption is permitted. This guidance intends to reduce diversity in practice in classifying certain transactions in the statement of cash flows. For the Academy, the only applicable section requires the classification of cash payments for debt prepayment or debt extinguishment costs as cash outflows for financing activities. The Academy has adopted the pronouncement in the accompanying financial statements.

ASU No. 2016-14, Presentation of Financial Statements for Not-for-Profit Entities was promulgated in August 2016. This ASU is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted but only for an annual fiscal period or for the first interim period within the year of adoption. This guidance streamlines and clarifies the net assets, provides flexibility regarding the definition of reported operating subtotals, and imposes new financial reporting requirements related to expenses. Balance sheet changes will include (i) the combination of permanently restricted and temporarily restricted net assets into a single category "net assets with donor restrictions" and (ii) new disclosures will highlight restrictions on the use of resources that make otherwise liquid assets unavailable for meeting near-term financial requirements. Statement of activities changes will include (i) several new requirements related to reporting expenses, (ii) limiting investment expenses, which are presented in investment return, and (iii) providing additional disclosures related to internal transfers made by the governing board. The Academy expects that the adoption of this guidance will require balance sheet reclassifications and additional disclosures in the financial statements.

ASU No. 2016-02, Leases (Topic 842) was promulgated in February 2016. This ASU is effective for fiscal years beginning after December 15, 2019, and interim periods beginning the following year. Early adoption is permitted. The guidance requires recognition of rights and obligations arising from lease contracts, including existing and new arrangements, as assets and liabilities on the balance sheet. The primary focus for the Academy is the lessee accounting model. Under this guidance, lessees well need to recognize a right-of-use asset and a lease liability for virtually all of their leases (other than leases that meet the definition of a short-term lease). The liability will be equal to the present value of the lease payments. The asset will be based on the liability; subject to adjustment, such as for initial direct costs. For income statement purposes, leases will be classified as either operating or finance and expensed accordingly. The Academy does not expected for the adoption of this guidance to have a material impact on the consolidated financial statements.

ASU No. 2016-01, Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities, was promulgated in January 2016. This guidance affects all entities that hold financial assets or owe financial liabilities and primarily affects the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. The standard is effective for non-public business entities for annual periods beginning December 15, 2018. The Academy is currently evaluating the effect of adoption to the financial statements.

ASU No. 2015-07, Fair Value Measurement (Topic 820), Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent) was promulgated in May 2015. This ASU is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Retrospective application to all prior periods presented on the date of adoption is required. Earlier application is permitted. This guidance requires that investments for which fair value is measured at net asset value per share (or its equivalent) using the practical expedient should not be categorized in the fair value hierarchy. Removing those investments from the fair value hierarchy not only eliminates the diversity in practice resulting from the way in which investments measured at net asset value per share (or its equivalent) with future redemption dates are classified, but also ensures that all investments categorized in the fair value hierarchy are classified using a consistent approach. Investments that calculate net asset value per share (or its equivalent), but for which the practical expedient is not applied will continue to be included in the fair value hierarchy. A reporting entity should continue to disclose information on investments for which fair value is measured at net asset value (or its equivalent) as a practical expedient to help users understand the nature and risks of the investments and whether the investments, if sold, are probable of being sold at amounts different from net asset value. The Academy has adopted the pronouncement in the accompanying financial statements.

ASU No. 2015-03, Interest—Imputation of Interest (Subtopic 835-30), Simplifying the Presentation of Debt Issuance Costs was promulgated in April 2015. This ASU is effective for fiscal years beginning after December 15, 2015, and interim periods within fiscal years beginning after December 15, 2016. Retrospective application to all prior periods presented on the date of adoption is required. Earlier application is permitted. This guidance requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement rules for debt issuance costs are not affected by this guidance. The Academy has adopted the pronouncement in the accompanying financial statements.

ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) was promulgated in May 2014. The new standard provides accounting guidance for all revenue arising from contracts with customers and affects all entities that enter into contracts to provide goods or services to their customers (unless the contracts are in the scope of other US GAAP requirements, such as the leasing literature). The guidance also provides a model for the measurement and recognition of gains and losses on the sale of certain nonfinancial assets, such as property and equipment, including real estate. The effective date was amended by the promulgation of ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606) in August 2015. For the Academy, the effective date is for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period. The Academy is currently evaluating the effect of adoption to the financial statements.

2. INVESTMENTS

Investments consist of the following at June 30:

	2016		2015	
	COST	FAIR VALUE	COST	FAIR VALUE
Cash and cash equivalents	$ 54,149,200	$ 54,149,200	$ 68,706,300	$ 68,706,300
Fixed income				
Fixed income securities	222,729,600	221,561,300	25,516,900	23,938,900
Mutual fund–fixed income	173,817,600	175,943,900	67,472,700	67,169,200
Equities				
Mutual fund–equity	66,939,600	68,155,400	59,382,800	62,982,100
Real estate				
REIT investments	8,597,500	9,831,400	8,012,900	7,922,300
Real estate alternative investments	16,436,900	11,968,200	12,069,300	7,150,600
Alternative investments				
Mutual fund–alternative investments	36,374,400	34,394,500	89,874,900	85,567,100
Absolute return hedge fund	60,560,900	61,419,800	7,375,500	8,962,400
	$ 639,605,700	$ 637,423,700	$ 338,411,300	$ 332,398,900

Investment income (loss) consists of the following for the years ended June 30:

	2016	2015
Interest and dividend income	$ 9,442,800	$ 8,849,00
Net realized (loss) gain on investments	(2,635,000)	6,132,100
Net unrealized gain (loss) on investments	3,827,700	(17,621,200)
Investment fees	(979,800)	(600,400)
Restricted bond investment income off set the capitalized interest costs	(1,751,600)	-
	$ 7,904,100	$ (3,240,500)

Investment income (loss) is classified in the statement of financial position as follows at June 30:

	2016	2015
Temporarily restricted net assets	$ 539,300	$ 61,700
Unrestricted net assets	7,364,800	(3,302,200)
	$ 7,904,100	$ (3,240,500)

3. FAIR VALUE MEASUREMENTS

The following table summarizes by level, within the fair value hierarchy, the Academy's assets and liabilities measured at fair value as of June 30, 2016:

	INVESTMENT BALANCE AT JUNE 30,2016	ASSETS (LIABILITIES)			
		LEVEL I	LEVEL II	LEVEL III	TOTAL
ASSETS					
Cash and cash equivalents	$ 54,149,200	$ 54,149,200	$ -	$ -	$ 54,149,200
Fixed income					
Fixed income securities	221,561,300	-	221,561,300	-	221,561,300
Mutual fund–fixed income	175,943,900	175,943,900	-	-	175,943,900
Equities					
Mutual fund–equity	68,155,400	68,155,400	-	-	68,155,400
Real estate					
REIT investments	9,831,400	9,831,400	-	-	9,831,400
Real estate alternative investments	(a) 11,968,200	-	-	-	-
Alternative investments					
Mutual fund–alternative investments	(a) 61,419,800	19,340,800	15,053,700	-	34,394,500
Absolute return hedge fund	637,423,700	-	-	-	-
	$ 637,423,700	$ 327,420,700	$ 236,615,000	$ -	$ 564,035,700
LIABILITIES					
Debt	$ -	$ -	$ (378,334,700)	$ -	$ (378,334,700)

(a) Certain investments that are measured at fair value using the net asset value per share have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

The following table summarizes the valuation of the Academy's assets and liabilities that are recorded at fair value by the fair value hierarchy levels as of June:

	INVESTMENT BALANCE AT JUNE 30,2016	ASSETS (LIABILITIES)			
		LEVEL I	LEVEL II	LEVEL III	TOTAL
ASSETS					
Cash and cash equivalents	$ 68,706,300	$ 68,706,300	$ -	$ -	$ 68,706,300
Fixed income					
Fixed income securities	23,938,900	-	23,938,900	-	23,938,900
Mutual fund–fixed income	67,169,200	67,169,200	-	-	67,169,200
Equities					
Mutual fund–equity	62,982,100	62,982,100	-	-	62,982,100
Real estate					
REIT investments	7,922,300	7,922,300	-	-	7,922,300
Real estate alternative investments	(a) 7,150,600	-	-	-	-
Alternative investments					
Mutual fund–alternative investments	85,567,100	48,178,600	37,388,500	-	85,567,10000
Absolute return hedge fund	(a) 8,962,400	-	-	-	-
	$ 332,398,900	$ 254,958,500	$ 61,327,400	$ -	$ 316,285,900
LIABILITIES					
Debt	$ -	$ -	$ (63,000,000)	$ -	$ (63,000,000)
Interest rate swap contact	-	-	(5,067,600)	-	(5,067,600)
	$ -	$ -	$ (68,067,600)	$ -	$ (68,067,600)

VALUATION METHODOLOGIES

Cash and Cash Equivalents
Certain cash balances and highly liquid cash equivalents purchased with original maturities of three months or less have been designated to be part of the overall long-term investment portfolio strategy and as such are included as investments by the Academy. The carrying value of these investments approximates fair value because of their short maturity, and, therefore, have been categorized as Level I in the fair value hierarchy.

Mutual Funds
The Academy's mutual fund holdings include equity based funds, fixed income based funds, and alternative investment funds which are commonly known as 'absolute return' funds. Generally, the fair values of shares in mutual funds are based on inputs that are quoted prices in active markets for identical assets and, therefore, have been categorized in Level I in the fair value hierarchy. Certain investments held by the Academy, specifically certain investments in the 'alternative investments mutual fund' category include securities with market inputs that are observable using similar assets and as a result have been categorized as Level II in the fair value hierarchy.

Fixed Income Securities
The fair values of fixed income securities are based on quoted prices in active markets for identical assets, if available, or evaluated prices that reflect observable market information, such as actual trade information of similar securities, adjusted for observable differences and are categorized as Level II.

Real Estate Investment Trusts (REITs)
The fair values of real estate investment trusts are based on inputs that are quoted prices in active markets for identical assets and, therefore, have been categorized in Level I in the fair value hierarchy. All REITs held by the Academy are priced using active market exchanges.

Real Estate Alternative Investments
Alternative real estate investments consist of investments in funds composed of direct investments in a pool of real estate properties. These funds are valued by investment managers on a periodic basis using pricing models that use independent appraisals from sources with professional qualifications and are based upon net asset value (NAV) as reported by the investment manager.

Absolute Return Hedge Fund
The fair values of hedge fund investments are based upon net asset value (NAV) as reported by the investment manager. This fund is a private fund, which is actively managed to achieve the goal of outperforming a chosen benchmark.

Debt
The fair value of debt is priced based on inputs obtained through pricing agencies and developed pricing models as of June 30, 2016. The carrying value of the Academy's debt as of June 30, 2015 approximates fair value, as the bonds and note were issued at variable rates. Debt is classified as level II in the valuation hierarchy.

Interest Rate Swap Contract
The fair value of the interest rate swap is priced based on inputs obtained through pricing agencies and developed pricing models, using similar items in active and inactive markets, and is classified as Level II in the valuation hierarchy.

Investments Calculated at Net Asset Value
As of June 30, 2016, the fair value measurements of investments calculated at net asset value per share (or its equivalent), as well as the nature and risks of those instruments, are as follows:

	FAIR VALUE	UNFUNDED COMMITMENTS	REDEMPTION FREQUENCY	REDEMPTION NOTICE PERIOD
Absolute return hedge fund 1	$ 3,744,300	None	Monthly	14 Days
Absolute return hedge fund 2	57,675,500	None	Quarterly	90 Days
Real estate alternative investments				
US	10,823,000	None	Semi-annual	60 Days
European	1,145,200	None	Semi-annual	60 Days

The European real estate alternative investment is in liquidation. Distributions are made from the fund as assets are sold. Final liquidation is expected in 2019.

4. PLEDGES RECEIVABLES, NET

Pledges receivable have been discounted using a range of discount rates between 0.11% to 4.11% for the years ended June 30, 2016 and 2015 and the following schedule of collections:

	2016	2015
Less than 1 year	$ 15,247,400	$ 16,027,800
Greater than 1 year to 5 years	22,160,300	23,988,700
Greater than 5 years to 10 years	15,869,000	9,530,000
Greater than 10 years	11,650,000	2,900,000
	64,926,700	52,446,500
Less: Allowance for doubtful accountants	(9,630,300)	(117,900)
Less: Discount	(7,469,800)	(3,166,500)
	$ 47,826,600	$ 49,162,100

The Foundation has conditional promises to receive pledges for the Academy's proposed museum based on donor specified milestones, which are not reflected in the consolidated financial statements, as follows:

	2016	2015
Less than 1 year	$ 2,060,000	$ 7,050,000
Greater than 1 year to 5 years	33,080,000	28,600,000
Greater than 5 years to 10 years	-	9,500,000
Greater than 10 years	20,000,000	20,000,000
	$ 55,140,000	$ 65,150,000

In addition, the Foundation has promises to receive in-kind donations for the Academy's proposed museum, which are not reflected in the consolidated financial statements until received, as follows:

	2016	2015
Less than 1 year	$ -	$ -
Greater than 1 year to 5 years	8,200,000	8,200,000
Greater than 5 years to 10 years	-	-
Greater than 10 years	-	-
	$ 8,200,000	$ 8,200,000

5. PROPERTY, EQUIPMENT AND BUILDING IMPROVEMENTS, NET

Property, equipment and building improvements, net consist of the following at June 30:

	2016	2015
Land	$ 21,117,000	$ 21,117,000
Building	9,601,000	9,618,900
Building improvements	48,727,500	49,066,900
Furniture, fixtures and equipment	35,921,300	28,869,500
Construction in progress	101,925,900	64,547,900
	217,292,700	173,220,200
Less: Accumulated depreciation	(50,791,900)	(42,915,800)
	$ 166,500,800	$ 130,304,400

Depreciation expense totaled $8,212,800 and $7,639,600 for the years ended June 30, 2016 and 2015, respectively. Depreciation expense is allocated to program expenses in the accompanying consolidated statements of activities and changes in net assets.

6. DEFERRED RENT EXPENSE

Deferred lease payment, net consist of the following at June 30:

	2016	2015
Academy Museum Lease	$ 22,687,200	$ 22,687,200
Academy Museum Parking Leases	1,500,000	1,500,000
Fairbanks Center Lease	950,100	950,100
	25,137,300	25,137,300
Less: Accumulated amortization	(1,514,100)	(1,275,400)
	$ 23,623,200	$ 23,861,900

Estimated future annual amortization expense associated with the above deferred rent expense is summarized in the following amortization schedule:

2017	$ 238,700
2018	305,000
2019	338,700
2020	317,100
2021	307,100
2022 and thereafter	22,116,200
	$ 23,623,200

Academy Museum Lease

On October 18, 2012, the Academy entered into a lease with Museum Associates for the facility, which will house the Academy Museum. The lease was amended in December 2013 to include an adjoining parcel of land. The base rent will be $36,108,000, plus interest, with a lease term of 55 years, which is renewable for another 55 years at no additional cost. Total base rental payments for the amended lease are payable on October 1, 2014 with interest calculated at 5% per year from date the initial lease was signed. The Academy will, at its own expense, improve the property to house the Academy Museum. Due to the significant construction component involved in the museum lease and the Academy's responsibility for all the costs of developing the site, the Academy is deemed the owner of the construction project in accordance with build-to-suit lease accounting guidance. Accordingly, management has performed an analysis of the leased property and has determined an allocation of lease value of $14,800,000 and $21,308,000 to the building and land, respectively, based on market values at lease inception excluding interest. The amount allocated to the building value is included in construction in progress until completion and will then be depreciated over the life of the building. The amount allocated to the land will be treated as an operating lease. The portion of lease payments, including interest, included in construction in progress is $12,884,900 and in deferred lease payments is $22,687,200.

7. ACCRUED SALARIES AND BENEFITS

Accrued salaries and benefits comprise the following at June 30:

	2016	2015
Postretirement medical plan	$ 4,753,900	$ 5,578,000
Accrued pension benefits	17,853,200	13,108,600
Accrued 401(k) Plan employer contributions	291,900	305,800
Accrued salaries and vacation	1,443,200	1,943,400
Deferred compensation plan	50,200	52,600
	$24,392,400	$ 20,988,400

8. DEBT

Debt comprises the following at June 30:

	2016	2015
Variable rate debt		
Museum variable rate bonds	$ 128,000,000	$ -
Vine Street bonds	-	35,000,000
Promissory note	-	28,000,000
	128,000,000	63,000,000
Fixed rate debt		
Museum fixed rate bonds	212,960,000	-
Fixed rate bond premium, net	17,821,200	-
	230,781,200	-
	358,781,200	63,000,000
Less: Debt issuance costs, net	(4,396,600)	(1,413,300)
	$ 354,384,600	$ 61,586,700

Museum Bonds

On October 22, 2015, the California I-Bank issued two series of Revenue Bonds with a par value of $340,960,000. The purpose of issuance is to (i) finance the Academy Museum ($288,097,500); (ii) repay the Vine Street bonds ($35,000,000); (iii) repay the promissory note ($28,000,000); (iv) terminate the existing derivative instrument ($5,723,000) and (iv) fund a portion of the bond issuance costs ($2,704,900). The first series issued, Series 2015A, were fixed rate bonds with a par value of $212,960,000. The series generated a premium of $18,565,400. The Series A were issued in a variety of tranches with a portion maturing each year beginning on November 1, 2020. The final tranche matures on November 1, 2045. The rates range from 2 to 5% with an average coupon of 4.24%. Taking into account the bond premium, the effective interest rate is 4.14%. The second series issued, Series 2015B, were variable rate bonds with a par value of $128,000,000. Series B matures in 2020 but can be remarketed for up to an additional twenty-five years. The interest rate adjusts weekly and is calculated at 70% of LIBOR plus a spread of 0.95%. The interest rate at June 30, 2016 is 1.28%. The bonds are collateralized by the revenue of the Academy. The bond agreements include certain non-financial covenants, primarily pertaining to continuing disclosure requirements, which the Academy was in compliance with at June 30, 2016.

Aggregate principal payments for the next five years are summarized in the following amortization schedule:

2017	$ -
2018	-
2019	-
2020	-
2021	132,220,000
	$ 132,220,000

Vine Street Bonds

On November 13, 2008, the California I-Bank issued $35,000,000 of Variable Rate Demand Refunding Revenue Bonds ("2008 Bonds") on behalf of the Academy for the purpose of refinancing the Academy's existing bonds that were issued during 2002. The bonds were originally scheduled to mature on July 1, 2032; however, as mentioned in the subsection "Museum Bonds," these bonds were repaid on October 22, 2015. The bonds had a variable weekly rate and were redeemable weekly. The variable rate was determined weekly by the Remarketing Agent as the minimum interest rate under current market conditions that would result in the sale of the bonds. At June 30, 2015, the interest rate was 0.06%. The bonds were subject to mandatory sinking fund payments beginning July 1, 2022, and were collateralized by the revenue of the Academy and secured by an irrevocable, direct pay letter of credit issued by City National Bank. On August 4, 2009, the bonds were remarketed in connection with the issuance of a confirming letter of credit by the Federal Home Loan Bank of San Francisco as additional security and conversion of the bonds to a monthly interest rate, which was converted back to a weekly interest rate on September 1, 2009. The letter of credit were originally scheduled to mature on November 13, 2018.

Promissory Note

On March 1, 2013, the Academy entered into an unsecured promissory note with City National Bank for $28,000,000. The note requires monthly interest-only payments and is due on or before March 15, 2018; however, as mentioned in the subsection "Museum Bonds," this promissory note was repaid on October 22, 2015. At the Academy's option, the interest rate is (a) for a LIBOR Loan, the LIBOR Interest Rate (duration chosen by the Academy) plus one percent per year and (b) for a Prime Loan, the greater of (i) one percent per year or (ii) the Prime Rate, as most recently announced by City National Bank, minus three-quarters percent (-0.75%) per year. As of June 30, 2016 and 2015, the Academy selected the monthly LIBOR Loan and the rate was 1.25%.

Derivative Instrument

At the completion of the initial bond offering in 2002, the Academy entered into an interest rate swap with Citigroup Financial Products, Inc. ("Citigroup"). The swap has a notional value of $21,000,000 and terminates on July 1, 2032; however, as mentioned in the subsection "Museum Bonds," this swap agreement was terminated on October 22, 2015. Under the terms of the swap agreement, the Academy agrees to pay Citigroup a fixed rate of 3.88% and receive a variable rate of 67% of LIBOR from Citigroup. The Academy has the ability to terminate the swap agreement with 30 days' notice. The fair value of the interest rate swap on June 30, 2015 was $5,067,600. Losses on the derivative instrument are included in interest expense.

Fixed Rate Bond Premium

Fixed rate bond premium consists of the following at June 30:

	2016	2015
Bond premium	$ 18,565,400	$ -
Less: Accumulated amortization	(744,200)	-
	$ 17,821,200	$ -

Debt Issuance Costs

Debt issuance costs consist of the following at June 30:

	2016	2015
Bond issuance costs	$ 4,731,400	$ 2,051,400
Less: Accumulated amortization	(334,800)	(638,100)
	$ 4,396,600	$ 1,413,300

Estimated future annual amortization expense associated with the above bond issuance costs is summarized in the following amortization schedule:

2017	$ 502,200
2018	502,200
2019	502,200
2020	502,200
2021	263,400
2022 and thereafter	2,124,400
	$ 4,396,600

Interest Expenditure
Interest expenditure consists of the following for the years ended June 30:

	2016	2015
Bond and debt interest expense	$ 8,034,600	$ 352,100
Amortization of bond premium	(744,200)	-
Derivative interest expense	196,800	792,900
Amortization of bond and debt issuance costs	360,800	78,000
Commitment fees	73,700	238,100
Unrealized loss on derivative instrument	655,400	280,900
	$8,577,100	$ 1,742,000

Interest expenditures are classified as follows at June 30:

	2016	2015
Consolidated statements of activities and changes in net assets:		
Interest expense	$ 2,509,700	$ 1,742,000
Consolidated statement of financial position:		
Capitalized interest as part of construction in progress in property, equipment and building improvements	6,067,400	-
	$ 8,577,100	$ 1,742,000

Loss on extinguishment of debt consists of the following for the years ended June 30:

	2016	2015
Write-off of debt issuance costs	$ 812,300	$ -

9. ENDOWMENT FUNDS

The Academy's endowment consists of individual donor-restricted endowment funds and funds designated for the endowment by the Board. The net assets associated with endowment funds, including funds designated by the Board to function as an endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board has interpreted 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 the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and 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:

- Duration and preservation of the fund
- Purpose of the board-designated and donor-restricted endowment fund
- General economic conditions
- Potential effects of inflation and deflation
- Expected total return and appreciation of investments
- Other resources and investment policies of the Academy

The composition of the endowment funds consists of the following at June 30, 2016 and 2015:

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
At June 30, 2016				
Donor-restricted funds	$ -	$ 541,800	$18,499,100	$ 19,040,900
Board-designated funds	41,949,200	-	-	41,949,200
Total endowment funds	$ 41,949,200	$ 541,800	$ 18,499,100	$ 60,990,100
At June 30, 2015				
Donor-restricted funds	$ -	$ 63,500	$ 18,499,100	$ 18,562,600
Board-designated funds	40,875,700	-	-	40,875,700
Total endowment funds	$ 40,875,700	$ 63,500	$ 18,499,100	$ 59,438,300

Changes in endowment net assets for the years ended June 30, 2016 and 2015 are as follows:

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED
Endowment net assets at June 30, 2014	$ 47,605,200	$ 243,800	$ 18,499,100
Investment income	1,714,600	131,500	-
Net depreciation of investments	(3,044,100)	(69,800)	-
Uses of net assets	(5,400,000)	(242,000)	-
Endowment net assets at June 30, 2015	40,875,700	63,500	18,499,100
Investment income	767,400	390,400	-
Net depreciation of investments	306,100	148,900	-
Uses of net assets	-	(61,000)	-
Endowment net assets at June 30, 2016	$ 41,949,200	$541,800	$ 18,499,100

The portion of permanently restricted endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA at June 30, 2016 and 2015 consists of the following:

	2016	2015
Restricted for Fairbanks Center	$ 12,875,100	$ 12,875,100
Restricted for Nicholl Fellowship Program	5,624,000	5,624,000
Total endowment assets classified as permanently restricted	$18,499,100	$18,499,100

The portion of temporarily restricted endowment funds that is required to be retained temporarily either by explicit donor stipulation or by UPMIFA at June 30, 2016 and 2015 consists of the following:

	2016	2015
Restricted for Fairbanks Center	$ 290,400	$ -
Restricted for Nicholl Fellowship Program	251,400	63,500

The Academy has adopted endowment investment and spending policies that attempt to preserve the endowment's assets. Under this policy, assets are expected to earn an average rate of return of inflation plus 4%, over a full market cycle. Actual returns in any given year may vary from this amount.

To achieve its long-term rate of return objectives, the Academy relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The Academy targets a diversified asset allocation that places greater emphasis on fixed income-based investments to achieve its long-term objectives within prudent risk constraints.

The Board of Governors of the Academy determines the method to be used to appropriate endowment funds for expenditure. The Board limits the use of the endowment to years in which it has investment income. The portion of the prior year's investment income to be spent is determined at the first Board meeting in accordance with any donor-imposed restrictions. Accordingly, over the long term, the Academy expects the current spending policy to allow for slow growth of the endowment.

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. The Academy recorded no deficits for the years ended June 30, 2016 and 2015.

10. PENSION AND OTHER POST RETIREMENT BENEFIT PLANS

The Academy maintains an insured noncontributory defined benefit plan covering all non-union fulltime employees over 21 years of age who have completed one year of service. Pension benefits under the plan are based on years of credited service and salary levels. The Academy annually contributes amounts to the plan. Such amounts are actuarially determined to provide the plan with sufficient assets to meet future benefit payment requirements. The plan's assets are invested in a variety of mutual funds. In June 2012, the Academy approved changes to the plan, which became effective July 1, 2013. Under these changes, plan benefits accrue under a cash balance plan for all employees under the age of 55 at the effective date. The actuarial lump sum of each participant's accrued benefit at the effective date is the opening cash balance amount. Beginning July 1, 2013, participant's accounts will be allocated a percentage of their salary as an annual contribution and receive an interest credit based on the performance of the plan's investments. For employees age 55 and over at the effective date, the prior plan provisions were not altered by the amendment.

The Academy maintains a defined contribution plan covering all non-union employees over twenty-one years of age. Each calendar year, participants may contribute up to the maximum tax-deferred contribution allowed by federal law. Participants who have attained age 50 before the end of the calendar year are eligible to make catch-up contributions. Participants may also contribute amounts representing distributions from other qualified defined benefit or contribution plans. Each plan year, the Academy may make an additional discretionary matching contribution. Such additional contribution by the Academy to the plan will be allocated to each participant in the ratio of the participant's compensation from the Academy for the plan year to the aggregate of such compensation for all eligible employees. During the years ended June 30, 2016 and 2015, the Academy did not elect to make the discretionary contribution. In addition, the plan has a "qualified automatic contribution arrangement ("QACA")." A QACA is a plan design where the Academy commits to making a certain contribution. The required contribution is a safe harbor matching contribution equal to 100% of the employee's salary deferrals up to 1% of compensation plus 50% of salary deferrals between 1% and 6% of compensation. The commitment to make the contribution enables the Academy to simplify the administration of the plan by ensuring that nondiscrimination regulations are met. The matching contribution is made during the first quarter of the next calendar year. During the years ended June 30, 2016 and 2015, the Academy has made QACA contributions totaling $615,400 and $554,200, respectively.

The Academy also sponsors a postretirement health care plan that includes medical, dental and vision benefits. The benefits are available to all employees who were at least age 55 as of January 1, 2013, who retire on or after age 65 with a minimum of 20 years of service ("Benefit Qualifications"). Eligible spouses are also covered. The benefits are provided through fully insured arrangements with health care providers. Participants are required to contribute 25% of the cost of the coverage (50% for employees who were not at least age 60, or already retired, as of January 1, 2013). The Academy funds the plan on a pay-as-you-go basis, so there are no plan assets.

The Academy uses a June 30 measurement date for its plans. The impact of the plan change on benefit obligations for the defined benefit pension plan was first reflected as of June 30, 2013.

Obligations, funded status and net periodic benefit costs are as follows at June 30:

	PENSION BENEFITS		POSTRETIREMENT HEALTH PLAN	
	2016	2015	2016	2015
Employer's contribution	$ 1,365,500	$ 1,398,000	$ 58,400	$ 92,400
Plan participants' contributions	-	-	15,700	11,100
Benefit payments	483,600	2,811,200	74,100	103,500
Funded status	(17,853,200)	(13,108,600)	(4,753,900)	(5,578,000)
Prepaid (accrued) benefit cost	(17,853,200)	(13,108,600)	(4,753,900)	(5,578,000)
Net periodic benefit costs	2,341,300	1,986,200	(947,300)	(51,600)
Accumulated plan benefit obligation	39,524,700	33,428,600	-	-
Fair value of plan assets	22,931,000	21,750,000	-	-
Projected plan benefit obligation	40,784,200	34,858,500	4,753,900	5,578,000

The following is a reconciliation of the beginning and ending balances of the benefit obligation:

	PENSION BENEFITS		POSTRETIREMENT HEALTH PLAN	
	2016	2015	2016	2015
Benefit obligation at end of prior year	$ 34,858,500	$ 34,202,000	$ 5,578,000	$ 5,094,600
Service cost	1,551,100	1,554,900	70,600	111,300
Interest cost	1,405,300	1,293,400	191,300	208,000
Plan participants' contributions	-	-	15,700	11,100
Amendments	-	-	(889,500)	-
Actuarial loss (gain)	3,452,900	619,400	(138,100)	256,500
Benefit payments	(483,600)	(2,811,200)	(74,100)	(103,500)
Benefit obligations at end of year	$ 40,784,200	$ 34,858,500	$ 4,753,900	$ 5,578,000

The following is a reconciliation of the beginning and ending balances of the fair value of plan assets:

	PENSION BENEFITS		POSTRETIREMENT HEALTH PLAN	
	2016	2015	2016	2015
Value of assets at end of prior year	$ 21,750,000	$ 23,707,200	$ -	$ -
Actual return on plan assets	337,700	(523,900)	-	-
Employer contributions	1,365,500	1,398,000	58,400	92,400
Plan participants' contributions	-	-	15,700	11,100
Benefit payments	(483,700)	(2,811,200)	(74,100)	(103,500)
Expenses	(38,500)	(20,100)	-	-
Value of plan assets at end of year	$ 22,931,000	$ 21,750,000	$ -	$ -

The following is the amount of net benefit cost recognized each year:

	PENSION BENEFITS		POSTRETIREMENT HEALTH PLAN	
	2016	2015	2016	2015
Service cost	$ 1,551,100	$ 1,554,900	$ 70,600	$ 111,300
Interest cost	1,405,300	1,293,400	191,300	208,000
Expected return on plan assets	(1,118,800)	(1,245,700)	-	-
Recognition of prior service cost	(467,100)	(467,100)	(1,671,500)	(879,100)
Recognition of net loss (gain)	970,800	850,700	462,300	508,200
Net loss recognized due to settlements	-	-		-
Total net benefit cost	$ 2,341,300	$ 1,986,200	$ (947,300)	$ (51,600)

Amounts recognized in the consolidated statements of financial position are as follows at June 30:

	PENSION BENEFITS		POSTRETIREMENT HEALTH PLAN	
	2016	2015	2016	2015
Accrued salaries and benefits	$ (17,853,200)	$ (13,108,600)	$ (4,753,900)	$ (5,578,000)

Weighted-average assumptions used to determine benefit obligations are as follows at June 30:

	PENSION BENEFITS		POSTRETIREMENT HEALTH PLAN	
	2016	2015	2016	2015
Discount rate	3.45%	4.25%	3.70%	4.65%
Rate of compensation increase	3.00	3.00	N/A	N/A

Weighted-average assumptions used to determine net periodic benefit cost are as follows for the years ended June 30:

	PENSION BENEFITS		POSTRETIREMENT HEALTH PLAN	
	2016	2015	2016	2015
Discount rate	4.25%	4.00%	4.65%	4.35%
Expected long-term return on plan assets	5.50	5.50	N/A	N/A
Rate of compensation increase	3.00	3.00	N/A	N/A

Assumed health care costs trend rates are as follows at June 30:

	2016	2015
Health care cost trend rate assumed for next year	6.75%	6.50%
Ultimate trend rate	5.00	5.00
Year that the rates reach the ultimate trend rate	7	3

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. One percentage point change in assumed health care cost trend rates would have the following effects:

	1-PERCENTAGE POINT INCREASE	1-PERCENTAGE POINT DECREASE
Effect on total 2016 service cost and interest cost components	$ 41,463	$ (34,144)
Effect on postretirement benefit obligation at June 30, 2016	705,703	(582,863)

The Academy expects to contribute $3,500,000 to its pension plan and $144,000 to its postretirement health plan in 2017.

Amounts not yet recognized as components of net periodic benefit cost:

	PENSION BENEFITS		POSTRETIREMENT HEALTH PLAN	
	2016	2015	2016	2015
Prior service cost	$ (3,619,700)	$ (4,086,800)	$ (527,800)	$ (1,309,800)
Net loss	18,046,800	14,745,000	1,709,900	2,310,400
	$14,427,100	$ 10,658,200	$1,182,100	$ 1,000,600

Amounts expected to be recognized as components of net periodic benefit cost during fiscal 2017:

	PENSION BENEFITS	POSTRETIREMENT HEALTH PLAN
Prior service cost	$ (467,100)	$ (527,800)
Net loss	1,245,000	506,000
	$ 777,900	$ (21,800)

Other changes in plan assets and benefit obligations included in the change in the reduction to unrestricted net assets at June 30:

	PENSION BENEFITS		POSTRETIREMENT HEALTH PLAN	
	2016	2015	2016	2015
Net loss	$ 4,272,600	$ 2,409,200	$ (138,100)	$ 256,500
Amortization of net loss	(970,800)	(850,700)	(462,300)	(508,200)
Net loss due to settlement accounting	-	-	-	-
Prior service credit	-	-	(889,500)	-
Amortization of prior service costs	467,100	467,100	1,671,500	879,100
	$ 3,768,900	$ 2,025,600	$ 181,600	$ 627,400

The Company expects to remit the following benefit payments, which reflect expected future service:

	PENSION BENEFITS	POSTRETIREMENT HEALTH PLAN
2017	$ 4,265,000	$ 144,000
2018	2,275,000	164,000
2019	2,997,000	179,000
2020	2,548,000	194,000
2021	3,261,000	228,000
2022-2026	15,578,000	1,388,000

Pension Plan Assets

The Board has established an investment policy for pension plan assets and has delegated oversight of such assets to an investment committee. The investment policy sets forth the objective of providing for future pension benefits by targeting returns consistent with a stated tolerance of risk. The primary investment strategies are: (i) to have investment returns that exceed the actuarial investment return assumption and (ii) preservation of capital. Plan assets are invested in mutual and real estate funds. Target and actual allocations of major pension plan assets are as follows for the years ended June 30:

	TARGET ALLOCATION		ACTUAL ALLOCATION	
	2016	2015	2016	2015
Equity assets	15.0%	15.0%	20.3%	21.1%
Fixed income assets	55.0	55.0	40.1	37.5
Alternative investment assets	25.0	25.0	32.5	24.6
Real estate assets	5.0	5.0	6.2	5.9
Cash and cash equivalents	0.0	0.0	0.9	0.9

Fair Value of Pension Plan Assets

The following table sets forth the fair value of the Academy's pension plan assets, by asset type, at June 30, 2016:

	INVESTMENT BALANCE AT JUNE 30, 2016	ASSETS			
		LEVEL I	LEVEL II	LEVEL III	TOTAL
Cash and cash equivalents	$ 206,400	$ 206,400	$ -	$ -	$ 206,400
Fixed income					
Mutual fund–fixed income	9,190,300	9,190,300	-	-	9,190,300
Equity					
Mutual fund–equity	4,663,100	4,663,100	-	-	4,663,100
Real estate					
Real estate fund	(a) 1,413,400	-	-	-	-
Absolute return					
Absolute return hedge fund	3,439,700	1,413,900	2,025,800	-	3,439,700
Mutual fund - absolute return	(a) 4,018,100	-	-	-	-
	$ 22,931,000	$ 15,473,700	$ 2,025,800	$ -	$ 17,499,500

(a) Certain investments that are measured at fair value using the net asset value per share have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

The following table sets forth the fair value of the Academy's pension plan assets, by asset type, at June 30, 2015:

	INVESTMENT BALANCE AT JUNE 30, 2015	ASSETS			
		LEVEL I	LEVEL II	LEVEL III	TOTAL
Cash and cash equivalents	$ 190,800	$ 190,000	$ -	$ -	$ 190,000
Fixed income					
Mutual fund–fixed income	8,161,200	8,161,200	-	-	8,161,200
Equity					
Mutual fund–equity	4,591,200	4,591,200	-	-	4,591,200
Real estate					
Real estate fund	(a) 1,284,600	-	-	-	-
Absolute return					
Mutual fund - absolute return	7,522,200	7,522,200	-	-	7,522,200
	$ 21,750,000	$ 20,465,400	$ -	$ -	$ 20,465,400

(a) Certain investments that are measured at fair value using the net asset value per share have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

For a description of the fair value hierarchy and for an explanation of the valuation methodologies used to determine fair value of the assets of the pension plan, refer to Note 3, fair value measurements.

Investments Calculated at Net Asset Value

As of June 30, 2016, the fair value measurements of investments calculated at net asset value per share (or its equivalent), as well as the nature and risks of those instruments, are as follows:

	FAIR VALUE	UNFUNDED COMMITMENTS	REDEMPTION FREQUENCY	REDEMPTION NOTICE PERIOD
Absolute return hedge fund 1	$ 501,800	None	Monthly	14 Days
Absolute return hedge fund 2	3,516,300	None	Quarterly	90 Days
Real estate fund	1,413,400	None	Quarterly	45 Days

There have been no transfers into or out of Level III investments in 2016 and 2015.

Long-Term Rate of Return

The expected long-term rate of return on assets assumption is 5.5%. This assumption represents the rate of return on plan assets reflecting the average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the benefit obligations. The assumption has been determined by reflecting expectations regarding future rates of return for the investment portfolio.

11. COMMITMENTS AND CONTINGENCIES

The Academy leases certain storage space and equipment under noncancelable operating leases, which expired at various dates through 2019. The following is a schedule of future minimum lease payments (net of noncancelable sublease rentals) under noncancelable leases:

2017	$ 1,475,600
2018	383,200
2019	5,700
2020 and thereafter	-
	$1,864,500

In the normal course of business, the Academy may enter into contracts or agreements, from time to time, with tenants and other vendors that commit the Academy to specific or contingent liabilities. As of June 30, 2016 and 2015, there were $7,464,500 and $13,339,200 in museum development related contracts that management considered significant (either individually or in aggregate) to the Academy's financial statements.

The Academy is involved in various legal matters arising in the ordinary course of business. The Academy's management believes that the outcome of these legal matters will not have a significant effect on the Academy's consolidated financial statements.

12. RELATED PARTY TRANSACTIONS

The Academy occasionally pays for the services of governors in connection with the production of the annual Academy Awards telecast and the annual Governors Awards program as well as other professional services. The Academy paid a governor $25,000 for services related to the museum project in 2016. In 2015, the Academy paid a governor $24,000 for services related to the 2015 Governors Awards and a governor $30,000 for curatorial services related to a public exhibit.

13. SUBSEQUENT EVENTS

The Academy has evaluated subsequent events through October 26, 2016, which is the date of the financial statements issuance.