

# **Academy of Motion Picture Arts and Sciences and its affiliates**

**Consolidated Financial Statements  
June 30, 2023 and 2022**

# Academy of Motion Picture Arts and Sciences and its affiliates

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June 30, 2023 and 2022

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## **Report of Independent Auditors**

To the Board of Governors and Management of the Academy of Motion Picture Arts and Sciences

### ***Opinion***

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, 2023 and 2022, and the related consolidated statements of activities and of cash flows for the years then ended, including the related notes (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Academy as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Academy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management 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, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy’s ability to continue as a going concern for one year after the date the consolidated financial statements are issued.

### ***Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are



considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*PricewaterhouseCoopers LLP*

Los Angeles, California  
November 20, 2023

**Academy of Motion Picture Arts and Sciences and its affiliates**  
**Consolidated Statements of Financial Position**  
**June 30, 2023 and 2022**

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	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 6,851,800	\$ 7,489,000
Accounts and other receivables, net	3,103,900	7,717,100
Investments	690,109,900	653,547,700
Pledges receivable, net	77,919,000	91,281,100
Prepaid expenses	5,133,000	3,753,500
Property, equipment and building improvements, net	545,529,400	572,141,800
Right of use assets, net	25,026,000	25,376,800
Academy collections, carried at no value (Note 1)	-	-
Other assets, net	2,180,100	2,286,000
Total assets	<u>\$ 1,355,853,100</u>	<u>\$ 1,363,593,000</u>
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued expenses	\$ 13,059,400	\$ 13,825,000
Accrued salaries and benefits	16,632,200	20,202,300
Grants payable, less discount	500,000	999,500
Deferred income	11,937,500	14,837,100
Lease liabilities	4,457,300	4,601,100
Debt	452,539,200	464,674,400
Total liabilities	<u>499,125,600</u>	<u>519,139,400</u>
<b>Net assets</b>		
Net assets without donor restrictions	818,593,600	803,869,200
Net assets with donor restrictions	38,133,900	40,584,400
Total net assets	<u>856,727,500</u>	<u>844,453,600</u>
Total liabilities and net assets	<u>\$ 1,355,853,100</u>	<u>\$ 1,363,593,000</u>

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

**Academy of Motion Picture Arts and Sciences and its affiliates**  
**Consolidated Statements of Activities**  
**Years Ended June 30, 2023 and 2022**

	2023	2022
<b>Changes in net assets without donor restrictions</b>		
Revenues and other support		
Academy Awards and related activities	\$ 143,457,600	\$ 137,125,100
Membership dues and theater rentals	4,901,600	4,033,800
Contributions of cash and financial assets, net	21,669,700	41,269,100
Contributed nonfinancials assets	90,300	8,503,200
Museum earned revenue	17,970,800	23,662,500
Research library and other educational and cultural activities	659,300	683,900
Investment return, net	36,896,100	(45,003,900)
Other income	-	52,800
Total revenues	225,645,400	170,326,500
Net assets released from restrictions	4,449,900	117,624,600
Total revenues and other support	230,095,300	287,951,100
Expenses		
Academy Awards and related activities	56,870,900	56,841,800
Membership, theater, and other operations	9,287,700	6,889,200
Library, Archive, and Science and Technology operations	24,062,100	23,272,400
Museum development and operations	80,588,400	93,493,400
Public outreach programs	5,625,400	5,491,000
Fundraising	6,600,800	8,505,300
General and administrative expenses	21,743,800	19,650,300
Interest expense	11,813,700	9,927,000
Total expenses	216,592,800	224,070,400
Increase in net assets from operations	13,502,500	63,880,700
Other components of net periodic benefit cost	(1,239,700)	82,800
Pension and postretirement-related changes other than net periodic benefit cost	3,071,600	5,189,300
Increase in net assets without donor restrictions	15,334,400	69,152,800
<b>Changes in net assets with donor restrictions</b>		
Contributions of cash and financial assets, net	1,139,100	2,436,100
Net assets released from restrictions	(4,449,900)	(117,624,600)
Investment return from restricted funds in perpetuity, net	860,300	(2,258,800)
Decrease in net assets with donor restrictions	(2,450,500)	(117,447,300)
Total increase (decrease) in net assets before changes related to collection items not capitalized	12,883,900	(48,294,500)
Purchases of non-capitalized collections	(610,000)	(1,083,500)
Total increase (decrease) in net assets	12,273,900	(49,378,000)
<b>Net assets</b>		
Beginning of year	844,453,600	893,831,600
End of year	\$ 856,727,500	\$ 844,453,600

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

**Academy of Motion Picture Arts and Sciences and its affiliates**  
**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2023 and 2022**

	2023	2022
<b>Cash flows from operating activities</b>		
Changes in net assets	\$ 12,273,900	\$ (49,378,000)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	37,585,200	34,965,000
Debt premium accretion	(7,884,900)	(7,912,700)
Contributions for perpetual endowment and income	-	(100,000)
Purchases of non-capitalized collections	610,000	1,083,500
Contributions related to long-lived assets	(395,000)	(12,663,000)
Bad debt expense related to pledges receivable	52,000	(32,600)
Present value adjustment to pledges receivable	(2,393,000)	3,506,200
Present value adjustment to grants payable	500	4,700
Loss on asset disposal	-	12,251,800
Net realized and unrealized (gain) loss on investments	(23,357,700)	60,566,400
Changes in assets and liabilities		
Accounts and other receivables, net	4,613,200	(142,500)
Pledges receivable, net	13,001,900	(8,860,700)
Prepaid expenses	(1,379,500)	(1,616,600)
Other assets	(1,197,400)	(960,400)
Accounts payable and accrued expenses	(764,500)	3,254,300
Accrued salaries and benefits	(3,570,100)	(4,615,200)
Grants payable	(500,000)	(500,000)
Deferred income	(2,899,600)	(7,699,000)
Net cash provided by operating activities	<u>23,795,000</u>	<u>21,151,200</u>
<b>Cash flows from investing activities</b>		
Sales and maturities of investments	369,156,900	878,983,500
Purchases of investments	(383,909,300)	(885,010,000)
Purchases of non-capitalized collections	(610,000)	(1,083,500)
Additions to property, equipment and building improvements	(9,073,900)	(20,089,100)
Net cash used in investing activities	<u>(24,436,300)</u>	<u>(27,199,100)</u>
<b>Cash flows from financing activities</b>		
Contributions for long-lived assets	2,745,000	12,400,100
Contributions for perpetual endowments and income	351,200	100,000
Extinguishment or repayment of debt	(4,640,000)	(4,425,000)
Net cash (used in) provided by financing activities	<u>(1,543,800)</u>	<u>8,075,100</u>
Net (decrease) increase in cash, cash equivalents, and restricted cash	(2,185,100)	2,027,200
<b>Cash, cash equivalents, and restricted cash</b>		
Beginning of year	9,038,500	7,011,300
End of year	<u>\$ 6,853,400</u>	<u>\$ 9,038,500</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid during the year for interest (net of amounts capitalized)	\$ 19,308,900	\$ 17,446,800
<b>Supplemental schedule of noncash activities</b>		
Property, equipment and building improvements included in accounts payable and accrued expenses	\$ 564,600	\$ 565,700
Property, equipment and building improvements received from contributed nonfinancial assets	-	8,412,900
Write-off of fully depreciated property, equipment and building improvements	-	1,678,400
Donations to non-capitalized collections	5,377,600	1,462,100

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

# Academy of Motion Picture Arts and Sciences and its affiliates

## Notes to Consolidated Financial Statements

### June 30, 2023 and 2022

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#### 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 the Foundation under IRC 501(a)(3). All entities are not-for-profit corporations. The purpose of the Foundation is to promote and support educational and cultural activities related to the motion picture industry. The purpose of Vine Street is to own and operate the Mary Pickford Center for Motion Picture Study (“Pickford Center”). The purpose of the Museum is to operate the Academy Museum of Motion Pictures, a museum devoted to exploring and curating the history and future of the moving image which opened to the public on September 30, 2021. The purpose of Archival is to operate 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 appoints or ratifies the trustees of the other three foundations.

##### **Principles of Consolidation and Basis of Presentation**

The Academy’s consolidated financial statements have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America. All inter-entity transactions eliminate in consolidation.

##### **Use of Estimates**

The preparation of financial statements 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.

##### **Recognition of Revenues and Expenses**

###### ***Academy Awards and related activities***

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 2028 for the Academy Awards program. The revenues and expenses categorized as Academy Awards and related activities in the accompanying consolidated statements of activities include the Academy Awards program, Governors’ Ball, nominations screenings, nominees’ luncheon, and copyright/trademark protection. Revenue is recognized at the point in time when each Academy Awards program, a functional license of intellectual property, is made available to the customer. The Academy has determined that each functional license constitutes a separate performance obligation.

The Academy utilizes judgment to determine the transaction price, which includes both fixed fees and minimum guarantees, and sales or usage-based royalties. The fixed fee or minimum guarantee is allocated to each performance obligation based on estimates of relative stand-alone selling price. The amounts related to each performance obligation are recognized when the license has been delivered and the customer is able to begin to use and benefit from the license.

The Academy also can earn a sales or usage-based royalty, and revenues are recognized at the later of when the subsequent sale or usage occurs, or the performance obligation to which some or all the sales or usage-based royalty has been allocated has been satisfied (or partially satisfied).



# Academy of Motion Picture Arts and Sciences and its affiliates

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Cash collections from customers vary by contract and typically occur within 90 days of revenue recognition. When the period between fulfillment of the Academy's performance obligation and the receipt of payment is expected to be greater than a year, a significant financing component is present. Any advance payments received under the contract are recorded as deferred income and allocated to each of the performance obligations. Deferred income is recognized as revenue in the period the performance obligation is fulfilled. The unrecognized portion of the payments is reflected as deferred income in the accompanying consolidated statements of financial position (Note 9).

Remaining performance obligations for Academy Awards related contracts include both deferred income on the consolidated statements of financial position and minimum guarantee or fixed fee contracts where the revenue will be recognized and the cash received in the future. The Academy is expected to recognize this revenue on an annual basis through 2028. The Academy applies the practical expedient and the remaining performance obligation does not include estimates of variable consideration or sales or usage-based royalties in exchange for the licenses of intellectual property. Revenues expected to be recognized over the terms of the contracts related to contractual performance obligations that are unsatisfied as of June 30, 2023 are:

	2024	2025	2026	Thereafter	Total
Remaining Performance Obligations	<u>\$133,134,000</u>	<u>\$ 136,154,000</u>	<u>\$ 140,408,000</u>	<u>\$ 303,641,000</u>	<u>\$ 713,337,000</u>

Revenues expected to be recognized over the terms of the contracts related to contractual performance obligations that are unsatisfied as of June 30, 2022 are:

	2023	2024	2025	Thereafter	Total
Remaining Performance Obligations	<u>\$ 129,125,000</u>	<u>\$ 133,672,000</u>	<u>\$ 123,708,000</u>	<u>\$ 396,814,000</u>	<u>\$ 783,319,000</u>

#### ***Membership Dues***

Effective January 1, 2023, membership dues are paid on a fiscal year basis and are recognized as income ratably during the year. Prior to January 1, 2023, membership dues were paid on a calendar year basis and were recognized as income ratably during the year; the portion of dues not yet recognized at June 30 was included in deferred income in the accompanying consolidated statements of financial position (Note 9).

#### ***Contributions***

##### **Contributions Received**

Unconditional contributions are recognized as revenue in the period in which they are received. Funds subsequently transferred from net assets with donor restrictions to net assets without donor restrictions, in amounts equal to such expenditures, have been reported in the accompanying consolidated statements of activities as net assets released from restrictions. When the restriction is satisfied in the year the contribution is received, then the contribution is recorded in net assets without donor restrictions. Cash received from donors for the express purpose of the construction of long-lived assets or investment in perpetual endowment are reflected as net assets with donor restrictions, and as a financing source in the consolidated statements of cash flows.

Unconditional promises to give are recorded as revenue in the period received. If the pledge is due in more than one year, the pledge is discounted using an appropriate rate as of the date of the

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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 substantially met (Note 5). These promises to give are recognized when the donor conditions are substantially met.

**Contributions Made**

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

**Contributed Nonfinancial Assets**

For the years ended June 30, 2023 and 2022, the Academy recognized as revenue contributed nonfinancial assets totaling \$90,300 and \$8,503,200, respectively. Contributed nonfinancial assets consisted of donated equipment and equipment maintenance and are restricted for use at the Academy Museum. For the year ended June 30, 2023, contributed equipment maintenance was valued at \$90,300 based on similar maintenance services. For the year ended June 30, 2022, contributed equipment, including installation, was valued at \$8,412,900 using estimates of list prices for similar products. Contributed equipment maintenance was valued at \$90,300 based on similar maintenance services. Contributed nonfinancial assets are measured at fair value and classified as Level II (see Fair Value Measurements below).

**Museum Earned Revenues**

Museum earned revenues consist of ticket sales (admission and programming), retail sales, event rentals, and sponsorships. Ticket sales are recognized at the point in time when the ticket is used because the benefits do not extend past the day of admission. Retail sales are recognized at a point in time when the good is provided to the customer. Event rentals are recognized at the point in time when the event has occurred. Sponsorship revenues are recognized as the sponsor benefits from the promotional activities included in the contractual agreements. Payment for ticket and retail sales are due at the time of sale. Advance payments received for event rentals and sponsorships are recorded as deferred income until related performance obligations have been satisfied.

**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. The carrying value of cash and cash equivalents approximates fair value because of their short maturity.

The following table provides a reconciliation of cash and cash equivalents reported within the consolidated statements of financial position that sums to amounts shown in the consolidated statements of cash flows:

	<b>2023</b>	<b>2022</b>
Cash and cash equivalents	\$ 6,851,800	\$ 7,489,000
Cash included in investments	<u>1,600</u>	<u>1,549,500</u>
	<u>\$ 6,853,400</u>	<u>\$ 9,038,500</u>

# Academy of Motion Picture Arts and Sciences and its affiliates

## Notes to Consolidated Financial Statements

### June 30, 2023 and 2022

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#### **Fair Value Measurements**

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

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

- Level I Unadjusted quoted prices in active markets for identical 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 4. There have been no transfers of assets and liabilities between levels.

The Academy applies the authoritative guidance contained in FASB ASC 820-10, *Fair Value Measurements and Disclosures*, for estimating the fair value of investments in investment funds that have calculated Net Asset Value (NAV) per share in accordance with FASB ASC 946-10, *Financial Services-Investment Companies* (formerly the American Institute of Certified Public Accountants Audit and Accounting Guide, Investment Companies). According to this guidance, in circumstances in which NAV per share of an investment is not determinative of fair value, a reporting entity is permitted to estimate the fair value of an investment in an investment fund using the NAV per share of the investment (or its equivalent) without further adjustment, if the NAV per share of the investment is determined in accordance with FASB ASC 946-10 as of the reporting entity's measurement date. Accordingly, the Academy uses the NAV as reported by the money managers as a practical expedient, to determine the fair value of investments in investment funds which (a) do not have a readily determinable fair value and (b) either have the attributes of an investment fund or prepare their financial statements consistent with the measurement principles of an investment fund. At June 30, 2023 and 2022, the fair value of all such investments in investment funds has been determined by using NAV as a practical expedient adjusted for capital calls, distributions and significant known valuation changes, if any, of its related portfolio.

# Academy of Motion Picture Arts and Sciences and its affiliates

## Notes to Consolidated Financial Statements

### June 30, 2023 and 2022

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#### **Investments and Investment Return, net**

All monies held by the Academy's investments portfolio managers are classified as investments. Changes in fair value are reported as investment return, net in the consolidated statements of activities. Investment fees for mutual fund investments are a deduction in interest and dividend income by the mutual fund and included in investment return, net. Investment fees for investment portfolio managers are billed directly to the Academy and included as a component of investment return, net.

#### **Pledges Receivable**

Pledges receivable represent unconditional promises to give to the 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 5). The Academy has recorded an allowance for doubtful accounts to reduce the receivable balance to the estimated collectible balance (Note 5).

#### **Property, Equipment and Building Improvements**

Buildings, building improvements, furniture and equipment are carried at cost less accumulated depreciation. Expenditures that substantially extend the useful lives of assets are capitalized. 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 buildings, twenty to thirty years for building improvements, twenty to thirty years for leasehold improvements, and one 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.

During 2022, the Academy determined that \$12,251,800 of exhibit development costs previously capitalized in property, equipment and building improvements in the accompanying consolidated statements of financial position would not be utilized in the museum. The Academy recorded a loss on disposal related to the unutilized exhibits in museum development and operations in the consolidated statement of activities for the year ended June 30, 2022.

#### **Leases**

The Academy's leases are primarily real estate operating leases and a finance lease. The Academy determines if an arrangement is or contains a lease at inception of the contract and depending upon the terms and conditions set forth in the contract. The Academy uses an incremental borrowing rate to determine the present value of lease payments when the implicit rate in the lease is not readily available. The Academy recognizes operating lease expense within preservation operations, museum development and operations, and general and administrative expenses on the consolidated statements of activities on a straight-line basis over the lease term. On the consolidated statements of financial position, right of use assets represent the Academy's right to use the underlying assets for the lease term and lease liabilities represent the Academy's obligation to make lease payments arising from the leases. Right of use assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Right of use assets are reduced each period by an amount equal to the difference between the operating lease expense and the amount of interest expense on the lease liability utilizing the effective interest method.

#### **Impairment**

The Academy's long-lived assets are carried at cost less accumulated depreciation or amortization. Whenever events or changes in circumstances suggest that the carrying amount may not be

# Academy of Motion Picture Arts and Sciences and its affiliates

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### June 30, 2023 and 2022

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recoverable, management assesses the recoverability of the carrying amount of its long-lived assets. If impaired, the Academy will reduce the carrying amount to its estimated fair value.

#### **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. The debt premium is included in the debt balance on the consolidated statements of financial position (Note 10).

#### **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 rate bonds. Debt issuance costs are amortized over the term of the debt 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 statements of activities. 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 statements of financial position (Note 10).

#### **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 are included in the Academy Museum exhibitions. These collections are donated to, preserved and maintained by the Foundation, and are carried at no value on the consolidated statements of financial position. If an item is deaccessioned from the collection and sold, the proceeds are to be used to fund new collection purchases.

#### **Net Assets**

The Academy presents net assets with donor restrictions and net assets without donor restrictions in the accompanying consolidated financial statements. The amounts in each category are determined based on the source of the assets and donor-imposed restrictions (Note 13).

##### *Net Assets Without Donor Restrictions*

Net assets without donor restrictions are the part of net assets of a not-for-profit entity that are not subject to donor-imposed restrictions. A donor-imposed restriction is a donor stipulation that specifies a use for a contributed asset that is more specific than broad limits resulting from the following: a) the nature of the not-for-profit entity, b) the environment in which it operates, c) the purposes specified in its articles of incorporation or bylaws or comparable documents and d) time-restricted.

This classification includes all revenues, gains and expenses not restricted by donors. The Academy reports all expenditures, with the exception of investment expenses, in this class of net assets, since the use of restricted contributions in accordance with donors' restrictions results in the release of the restriction.

##### *Net Assets With Donor 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"). For each donor-restricted

# Academy of Motion Picture Arts and Sciences and its affiliates

## Notes to Consolidated Financial Statements

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endowment fund, not-for-profit organizations are required to classify the portion of the fund that is not classified as perpetual in nature as time restricted until appropriated for expenditure by the organization.

Within net assets with donor restrictions, the Foundation classifies donor-restricted contributions for (i) Academy Museum; (ii) Museum education programs; and (iii) Other education and restoration projects not yet used to fund program expenses as purpose restricted. The Academy's Board of Governors (the "Board") has designated some Academy Museum contributions that are no longer subject to donor restrictions to fund specific operational purposes. These board-designated contributions to the Academy Museum and related investment income are included in net assets without donor restrictions.

All Fairbanks Center endowment fund contributions are perpetual in nature and the related income is time 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 perpetual in nature and the related income is classified in accordance with the grant document as perpetual in nature or time 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's net assets with donor restrictions include both endowments and a promise to give an endowment, which is perpetual in nature. The related income is classified as time restricted until the related income is appropriated for expenditure by the Museum Board of Trustees in accordance with the Academy's spending policy. All board-designated contributions to the endowment and the related endowment investment income are included in net assets without donor restrictions (Note 11).

#### **Concentrations of Credit Risk and Major Customers**

The Academy is subject to concentrations of credit risk with respect to cash and cash equivalents and investments, 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 customers which represent 49% and 74% of total revenues in 2023 and 2022, respectively.

#### **Advertising**

Advertising costs are charged to expense in the period incurred. Advertising expense was \$6,855,300 and \$10,759,100 for the years ended June 30, 2023 and 2022, respectively, and is included in (i) Academy Awards and related activities and (ii) museum development and operations in the accompanying consolidated statements of activities.

#### **Fundraising**

Fundraising costs are charged to expense in the period incurred. Fundraising costs consist of all expenses, including salary and benefits, associated with activities undertaken to induce potential donors to contribute money, securities, services, materials, other assets, or time.

#### **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.

# Academy of Motion Picture Arts and Sciences and its affiliates

## Notes to Consolidated Financial Statements

### June 30, 2023 and 2022

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#### **Reclassifications**

Certain reclassifications and administrative adjustments have been made to the 2022 financial statements to conform to the 2023 presentation. There was no impact on net assets as a result of these changes.

#### **Significant Accounting Pronouncements Adopted in Financial Statement Period**

ASU 2018-14, *Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans* was promulgated in August 2018. This ASU is effective for fiscal years ending after December 15, 2021. Early adoption is permitted. This guidance made changes to various sections of Subtopic 715-20. The Academy is impacted by the amendment which requires entities to disclose (i) the weighted-average interest crediting rates for cash balance plans and other plans with promised interest crediting rates and (ii) an explanation of the reasons for significant gains and losses related to changes in the benefit obligation for the period. The ASU was effective for the Academy for the year ended June 30, 2022.

ASU 2021-09, *Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities* was promulgated November 2021. This ASU is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. Topic 842 currently provides lessees that are not public business entities with a practical expedient that allows them to elect, as an accounting policy, to use a risk-free rate as the discount rate for all leases. This guidance will allow those lessees to make the risk-free rate election by class of underlying asset, rather than at the entity-wide level. Adoption of this guidance did not have a material impact on the consolidated financial statements as the Academy chose not to use the practical expedient. The ASU was effective for the Academy for the year ended June 30, 2023.

#### **New Accounting Pronouncements**

ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* was promulgated June 2016. ASU 2016-13 and subsequent amendments are codified in ASC 326. ASC 326 is effective for all not-for-profit entities for fiscal years beginning after December 15, 2022. ASC 326 requires the immediate recognition of estimated expected credit losses over the life of a financial instrument, including trade receivables, net investments in leases (for lessors with sales-type or direct financing leases), and certain off-balance sheet credit exposures. The estimate of expected credit losses considers not only historical information, but also current and future economic conditions and events. Adoption of this guidance is not expected to have a material impact on the consolidated financial statements.

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**2. Availability and Liquidity**

The following represents the Academy's financial assets at June 30, 2023 and 2022 that are available to meet cash needs for general expenditures within one year of the date of the statements of financial position:

	<b>2023</b>	<b>2022</b>
Financial assets at year end		
Cash and cash equivalents	\$ 6,851,800	\$ 7,489,000
Accounts and other receivables, net	3,103,900	7,717,100
Investments	690,109,900	653,547,700
Pledges receivable expected to be collected from donors within a year if required to liquidate	<u>29,597,400</u>	<u>91,281,100</u>
	<u>729,663,000</u>	<u>760,034,900</u>
Less amounts not available to be used for operations in one year		
Donor restricted funds	38,133,900	40,584,400
Less donor restricted funds with time or purpose restrictions to be met within one year	(750,600)	(1,153,300)
Investments not redeemable within a year	19,779,800	13,802,900
Board designated funds	<u>64,615,500</u>	<u>59,949,600</u>
	<u>121,778,600</u>	<u>113,183,600</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 607,884,400</u>	<u>\$ 646,851,300</u>

The Academy's goal is to maintain financial assets to meet at least a full year of operating expenses. As part of its liquidity plan, this potential cash requirement is invested in readily marketable mutual fund investments.



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**3. Investments**

Investments consist of the following at June 30:

	<b>2023</b>	<b>2022</b>
Cash and short-term investments	\$ 38,671,000	\$ 3,481,700
Fixed income		
Fixed income securities	49,177,200	53,338,000
Mutual fund—fixed income	119,285,700	150,598,400
Equities		
Equity securities	19,316,700	16,837,200
Mutual fund—equity	109,987,300	94,885,100
Private fund—equity	91,869,600	81,522,100
Real estate		
REIT investments	16,676,100	16,930,600
Real estate alternative investments	24,202,000	24,762,000
Alternative investments		
Mutual fund—alternative investments	97,468,600	95,221,100
Absolute return hedge fund	111,527,600	108,497,600
Private equity	2,678,700	1,541,400
Private credit	9,249,400	5,932,500
	<u>\$ 690,109,900</u>	<u>\$ 653,547,700</u>

Investment return, net consists of the following for the years ended June 30:

	<b>2023</b>	<b>2022</b>
Interest and dividend income	\$ 15,011,700	\$ 13,954,000
Net realized gain (loss) on investments	(5,771,400)	5,586,800
Net unrealized gain (loss) on investments	29,129,100	(66,153,200)
Investment fees	<u>(613,000)</u>	<u>(650,300)</u>
	<u>\$ 37,756,400</u>	<u>\$ (47,262,700)</u>

Investment return, net is classified in the consolidated statements of activities as follows for the years ended June 30:

	<b>2023</b>	<b>2022</b>
Net assets without donor restrictions	\$ 36,896,100	\$ (45,003,900)
Net assets with donor restrictions	<u>860,300</u>	<u>(2,258,800)</u>
	<u>\$ 37,756,400</u>	<u>\$ (47,262,700)</u>

# Academy of Motion Picture Arts and Sciences and its affiliates

## Notes to Consolidated Financial Statements

### June 30, 2023 and 2022

#### 4. Fair Value Measurements

The following table summarizes by level, within the fair value hierarchy, the Academy's assets measured at fair value as of June 30, 2023:

	Assets				Total
	Level I	Level II	Level III	NAV	
<b>Assets</b>					
Cash and short-term investments	\$ 38,671,000	\$ -	\$ -	\$ -	\$ 38,671,000
Fixed income					
Fixed income securities	-	49,177,200	-	-	49,177,200
Mutual fund—fixed income	119,285,700	-	-	-	119,285,700
Equities					
Equity securities	19,316,700	-	-	-	19,316,700
Mutual fund—equity	109,987,300	-	-	-	109,987,300
Private fund—equity	-	-	-	91,869,600	91,869,600
Real estate					
REIT investments	16,676,100	-	-	-	16,676,100
Real estate alternative investments	-	-	-	24,202,000	24,202,000
Alternative investments					
Mutual fund—alternative investments	70,845,600	26,623,000	-	-	97,468,600
Absolute return hedge fund	-	-	-	111,527,600	111,527,600
Private equity	-	-	-	2,678,700	2,678,700
Private credit	-	-	-	9,249,400	9,249,400
	<u>\$ 374,782,400</u>	<u>\$ 75,800,200</u>	<u>\$ -</u>	<u>\$ 239,527,300</u>	<u>\$ 690,109,900</u>

The following table summarizes the valuation of the Academy's assets measured at fair value by the fair value hierarchy levels as of June 30, 2022:

	Assets				Total
	Level I	Level II	Level III	NAV	
<b>Assets</b>					
Cash and short-term investments	\$ 3,481,700	\$ -	\$ -	\$ -	\$ 3,481,700
Fixed income					
Fixed income securities	-	53,338,000	-	-	53,338,000
Mutual fund—fixed income	150,598,400	-	-	-	150,598,400
Equities					
Equity securities	16,837,200	-	-	-	16,837,200
Mutual fund—equity	94,885,100	-	-	-	94,885,100
Private fund—equity	-	-	-	81,522,100	81,522,100
Real estate					
REIT investments	16,930,600	-	-	-	16,930,600
Real estate alternative investments	-	-	-	24,762,000	24,762,000
Alternative investments					
Mutual fund—alternative investments	72,038,800	23,182,300	-	-	95,221,100
Absolute return hedge fund	-	-	-	108,497,600	108,497,600
Private equity	-	-	-	1,541,400	1,541,400
Private credit	-	-	-	5,932,500	5,932,500
	<u>\$ 354,771,800</u>	<u>\$ 76,520,300</u>	<u>\$ -</u>	<u>\$ 222,255,600</u>	<u>\$ 653,547,700</u>

#### Valuation Methodologies

##### **Cash and Short-Term Investments**

Certain cash balances and highly liquid short-term investments 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

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## Notes to Consolidated Financial Statements

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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.

#### ***Equity Securities***

The fair values of equity 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 I.

#### ***Private Fund - Equity Securities***

The fair values of private fund – equity investments are based upon NAV as reported by the investment manager. These funds are private funds, which are invested in equity securities and are actively managed to achieve the goal of outperforming a chosen benchmark.

#### ***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 NAV as reported by the investment manager.

Property valuations and valuation-sensitive assumptions of each underlying asset are reviewed by the investment 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 investment manager may cause additional appraisals to be performed.

The investment 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.

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***Absolute Return Hedge Fund***

The fair values of hedge fund investments are based upon NAV as reported by the investment manager. These funds are private funds, which are actively managed to achieve the goal of outperforming a chosen benchmark.

***Private equity fund***

The fair values of these investments are based upon NAV as reported by the investment manager. Private equity fund investments consist of investments in funds composed of direct investments in a pool of businesses.

***Private credit fund***

The fair values of these investments are based upon NAV as reported by the investment manager. These funds are private funds, which are invested in debt securities and are actively managed.

**Investments Calculated at Net Asset Value**

As of June 30, 2023, the fair value measurements of investments calculated at NAV per share (or its equivalent), as well as the nature and risks of those instruments, are as follows:

	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Absolute return hedge fund 1	\$ 5,272,900	None	Monthly	14 Days
Absolute return hedge fund 2	106,254,700	None	Quarterly	90 Days
Private fund–equity 1	23,498,900	None	Monthly	30 Days
Private fund–equity 2	25,911,800	None	Weekly	3 Days
Private fund–equity 3	24,196,600	None	Semi-monthly	6 Days
Private fund–equity 4	18,262,300	None	Monthly	5 Days
Private equity fund	2,678,700	2,431,300	Not applicable	Not applicable
Private credit fund 1	8,034,900	402,500	Not applicable	Not applicable
Private credit fund 2	1,214,500	9,394,000	Not applicable	Not applicable
Real estate alternative investments				
US	16,350,300	None	Quarterly	30 Days
US Real Estate Investment 1	2,234,600	None	Not applicable	Not applicable
US Real Estate Investment 2	5,137,100	1,048,900	Not applicable	Not applicable
US Real Estate Investment 3	480,000	5,520,000	Not applicable	Not applicable
	<u>\$ 239,527,300</u>			

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As of June 30, 2022, the fair value measurements of investments calculated at NAV 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	\$ 6,104,600	None	Monthly	14 Days
Absolute return hedge fund 2	102,393,000	None	Quarterly	90 Days
Private fund–equity 1	21,080,200	None	Monthly	30 Days
Private fund–equity 2	23,768,200	None	Weekly	3 Days
Private fund–equity 3	20,728,600	None	Semi-monthly	6 Days
Private fund–equity 4	15,945,100	None	Monthly	5 Days
Private equity fund	1,541,400	3,458,600	Not applicable	Not applicable
Private credit fund	5,932,500	2,040,000	Not applicable	Not applicable
Real estate alternative investments				
US	18,420,500	None	Quarterly	30 Days
European	12,500	None	NA (in liquidation)	NA (in liquidation)
US Real Estate Investment 1	1,828,500	4,680,000	Not applicable	Not applicable
US Real Estate Investment 2	4,500,500	2,960,000	Not applicable	Not applicable
	<u>\$ 222,255,600</u>			

The European real estate alternative investment is in liquidation. Distributions are made from the fund as assets are sold. Final liquidation occurred in 2023.

In the US Real Estate Investment Fund, proceeds will be distributed as the underlying portfolio investments are liquidated. Therefore, there is no redemption frequency or notification period applicable to this fund. The Fund has targeted a 4-year investment period followed by an 8-year harvest period, by which time the fund managers expect that all investments within the fund will be liquidated and the proceeds distributed to the limited partners. However, there are provisions to extend these periods if the fund managers deem it necessary.

**5. Pledges Receivable, Net**

Pledges receivable have been discounted using a range of discount rates between 0.11% to 4.11% for the years ended June 30, 2023 and 2022 and have the following schedule of collections:

	2023	2022
Less than 1 year	\$ 29,597,400	\$ 24,513,200
Greater than 1 year to 5 years	36,826,100	50,482,400
Greater than 5 years to 10 years	6,890,000	11,760,900
Greater than 10 years	15,400,000	17,660,000
	<u>88,713,500</u>	<u>104,416,500</u>
Less: Allowance for doubtful accounts	(425,300)	(373,300)
Less: Discount	<u>(10,369,200)</u>	<u>(12,762,100)</u>
	<u>\$ 77,919,000</u>	<u>\$ 91,281,100</u>

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The Foundation has conditional promises to receive pledges for the Academy's museum based on donor specified milestones, which are not reflected in the consolidated financial statements, and totaled \$10,250,000 and \$10,500,000 at June 30, 2023 and 2022, respectively.

#### 6. Property, Equipment and Building Improvements, Net

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

	2023	2022
Land	\$ 21,117,000	\$ 21,117,000
Building	9,601,000	9,601,000
Building improvements	42,312,700	42,279,300
Leasehold improvements	472,878,200	472,847,800
Furniture, fixtures and equipment	140,381,700	130,367,700
Construction in progress	1,962,000	2,967,500
	<u>688,252,600</u>	<u>679,180,300</u>
Less: Accumulated depreciation	<u>(142,723,200)</u>	<u>(107,038,500)</u>
	<u>\$ 545,529,400</u>	<u>\$ 572,141,800</u>

Depreciation expense totaled \$35,684,700 and \$33,312,800 for the years ended June 30, 2023 and 2022, respectively. Depreciation expense is allocated to program expenses in the accompanying consolidated statements of activities.

#### 7. Leases

The Academy leases property and equipment under non-cancellable agreements. The following table presents the components of right-of-use assets and liabilities related to leases and their classification as of June 30:

	2023	2022
<b>Assets</b>		
Operating Leases (Right of Use Assets)	\$ 25,026,000	\$ 25,376,800
Financing Lease (Property, Equipment and Building Improvements)	15,012,700	15,530,400
	<u>\$ 40,038,700</u>	<u>\$ 40,907,200</u>
<b>Liabilities</b>		
Operating Leases	\$ 4,457,300	\$ 4,601,100
Financing Lease	-	-
	<u>\$ 4,457,300</u>	<u>\$ 4,601,100</u>

The Academy's operating leases are primarily for real estate, including the Academy Museum (discussed later in the Note) and storage facilities. Real estate lease agreements typically have initial terms of three to five years. Leases with an initial term of 12 months or less ("short-term leases") are not recorded in the consolidated statements of financial position unless the likelihood of renewal is apparent.

Real estate leases may include one or more options to renew, with renewals that can extend the lease term from five to ten years. The exercise of lease renewal options is at the Academy's sole

# Academy of Motion Picture Arts and Sciences and its affiliates

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discretion. In general, renewal options are not considered to be reasonably likely to be exercised, therefore, renewal options are generally not recognized as part of right-of-use assets and lease liabilities. The exception to this is the Academy Museum lease discussed below. The useful life of assets and leasehold improvements are limited by the expected lease term.

The Academy has elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and is applying this expedient to all asset classes.

The following table presents certain information related to lease expense for right to use assets for the year ended June 30:

	2023	2022
<b>Assets</b>		
Operating Leases <sup>(1)</sup>	\$ 1,283,900	\$ 1,231,200
Financing Lease	-	-
	<u>\$ 1,283,900</u>	<u>\$ 1,231,200</u>

(1) Expenses are included in preservation operations, museum development and operations, and general and administrative expenses on the consolidated statements of activities.

The following table presents supplemental cash flow information for the year ended June 30:

	2023	2022
<b>Cash paid for amounts included in lease liabilities</b>		
Operating Cash Flows for Operating Leases	\$ 1,203,200	\$ 1,024,100

Future maturities of lease liabilities at June 30, 2023 are presented in the following table:

2024	\$ 1,250,300
2025	926,300
2026	934,800
2027	833,100
2028	529,200
2029 and thereafter	189,000
Total lease payments	<u>4,662,700</u>
Less: Imputed interest	<u>(205,400)</u>
	<u>\$ 4,457,300</u>

At June 30, 2023 and 2022, the weighted average remaining lease term for operating leases is 85.6 and 82.3 years, respectively, and the weighted average discount rate is 1.31% in both years.

#### Academy Museum Lease

On October 18, 2012, the Academy entered into a lease with Museum Associates for the facility, which houses the Academy Museum. The lease was amended in December 2013 to include an adjoining parcel of land. The base rent is \$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 were payable on October 1, 2014 with interest calculated at 5% per year from the

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date the initial lease was signed. The Academy, at its own expense, improved 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, at lease inception, management performed an analysis of the leased property and 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 currently included in leasehold improvements and will be depreciated over 30 years. Previously, the amount was included in construction in progress. The amount allocated to the land will be treated as an operating lease. As of June 30, 2023, the amount of the lease value allocated to leasehold improvements and right of use assets is \$15,012,700 and \$20,568,700, respectively. As of June 30, 2022, the amount of the lease value allocated to construction in progress and right of use assets is \$15,530,400 and \$20,775,700, respectively.

**8. Accrued Salaries and Benefits**

Accrued salaries and benefits comprises the following at June 30:

	<b>2023</b>	<b>2022</b>
Postretirement medical plan	\$ 1,373,400	\$ 1,818,100
Accrued pension benefits	10,774,900	14,174,600
Other accrued benefit expenses	1,048,700	1,094,500
Accrued salaries and vacation	3,363,400	3,043,300
Deferred compensation plan	71,800	71,800
	<u>\$ 16,632,200</u>	<u>\$ 20,202,300</u>

**9. Deferred Income**

Deferred income comprises the following at June 30:

	<b>2023</b>	<b>2022</b>
Academy Awards	\$ 10,416,700	\$ 12,500,000
Membership dues	195,800	2,337,100
Events	1,325,000	-
	<u>\$ 11,937,500</u>	<u>\$ 14,837,100</u>

During the years ended June 30, 2023 and 2022, \$2,083,300 was annually recognized into revenue for the Academy Awards.



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**10. Debt**

Debt comprises the following at June 30:

	<b>2023</b>	<b>2022</b>
Museum bonds	398,475,000	403,115,000
Bond premium, net	<u>57,624,000</u>	<u>65,508,900</u>
	456,099,000	468,623,900
Less: Unamortized debt issuance costs	<u>(3,559,800)</u>	<u>(3,949,500)</u>
	<u>\$ 452,539,200</u>	<u>\$ 464,674,400</u>

**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 was to (i) finance the Academy Museum (\$288,097,500); (ii) repay the Vine Street bonds (\$35,000,000); (iii) repay a promissory note (\$28,000,000); (iv) terminate the existing derivative instrument (\$5,723,000) and (v) 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. The interest rate adjusted weekly and was calculated at 70% of LIBOR plus a spread of 0.95%. The interest rate at June 30, 2020 was 1.08%. Series 2015B bonds were repaid in July 2020 with the issuance of additional bonds discussed below.

On March 10, 2020, the California I-Bank issued a series of Revenue Bonds with a par value of \$100,000,000 (Series 2020A). The series generated an issue premium of \$38,578,000. These bonds bear interest at 5% and mature on November 1, 2030. Taking into account the bond premium, the effective interest rate is 1.14%. The bonds were issued to finance a portion of the costs of construction, renovation, retrofitting and equipping of the Academy Museum of Motion Pictures, including reimbursement of various capital expenditures previously incurred relating to the museum.

On July 8, 2020, the California I-Bank issued a series of Revenue Bonds with a par value of \$98,800,000 (Series 2020B). The series generated an issue premium of \$30,372,100. These bonds bear interest at 5% and mature on November 1, 2029. Taking into account the bond premium, the effective interest rate is 1.38%. The bonds were issued to (i) refund all of the principal amount of the outstanding Series 2015B bonds and (ii) pay costs of issuance of the bonds.

The three series of bonds are collateralized by the revenue of the Academy. The bond agreements include certain nonfinancial covenants, primarily pertaining to continuing disclosure requirements, which the Academy was in compliance with at June 30, 2023.

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Aggregate principal payments are summarized in the following amortization schedule:

2024	\$ 4,870,000
2025	5,115,000
2026	5,375,000
2027	5,650,000
2028	5,930,000
2029 and thereafter	<u>371,535,000</u>
	<u>\$ 398,475,000</u>

**Fixed Rate Bond Premium**

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

	<b>2023</b>	<b>2022</b>
Bond premium	\$ 87,515,500	\$ 87,515,500
Less: Accumulated amortization	<u>(29,891,500)</u>	<u>(22,006,600)</u>
	<u>\$ 57,624,000</u>	<u>\$ 65,508,900</u>

**Debt Issuance Costs**

Debt issuance costs consist of the following at June 30:

	<b>2023</b>	<b>2022</b>
Bond issuance costs	\$ 7,238,500	\$ 7,238,500
Less: Accumulated amortization	<u>(3,678,700)</u>	<u>(3,289,000)</u>
	<u>\$ 3,559,800</u>	<u>\$ 3,949,500</u>

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

2024	386,300
2025	382,900
2026	379,200
2027	375,400
2028	371,300
2029 and thereafter	<u>1,664,700</u>
	<u>\$ 3,559,800</u>

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**Interest Expenditure**

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

	<b>2023</b>	<b>2022</b>
Bond and debt interest expense	\$ 19,308,900	\$ 19,525,400
Amortization of bond premium	(7,884,900)	(7,912,700)
Amortization of bond and debt issuance costs	<u>389,700</u>	<u>392,800</u>
	<u>\$ 11,813,700</u>	<u>\$ 12,005,500</u>

Interest expenditures are classified as follows at June 30:

	<b>2023</b>	<b>2022</b>
Consolidated statements of activities		
Interest expense	\$ 11,813,700	\$ 9,927,000
Consolidated statements of financial position		
Capitalized interest as part of construction in progress in Property, equipment and building improvements	<u>-</u>	<u>2,078,500</u>
	<u>\$ 11,813,700</u>	<u>\$ 12,005,500</u>

**11. 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 net assets with donor restrictions the original value of gifts donated to the perpetual endowment, the original value of subsequent gifts to the perpetual endowment, and accumulations to the perpetual 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 the perpetual endowment is classified as time restricted net assets within donor 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

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The composition of the endowment funds consists of the following at June 30, 2023 and 2022:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>At June 30, 2023</b>			
Donor–restricted funds	\$ -	\$ 24,747,300	\$ 24,747,300
Board–designated funds	<u>42,823,600</u>	<u>-</u>	<u>42,823,600</u>
Total endowment funds	<u>\$ 42,823,600</u>	<u>\$ 24,747,300</u>	<u>\$ 67,570,900</u>
<b>At June 30, 2022</b>			
Donor–restricted funds	\$ -	\$ 24,003,700	\$ 24,003,700
Board–designated funds	<u>41,292,500</u>	<u>-</u>	<u>41,292,500</u>
Total endowment funds	<u>\$ 41,292,500</u>	<u>\$ 24,003,700</u>	<u>\$ 65,296,200</u>

Changes in endowment net assets for the years ended June 30, 2023 and 2022 are as follows:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>
<b>Endowment net assets at June 30, 2021</b>	\$ 51,009,600	\$ 26,807,200
Investment income, net	659,100	244,300
Net appreciation of investments	(9,182,100)	(2,589,400)
Contributions	-	100,000
Uses of net assets	<u>(1,194,100)</u>	<u>(558,400)</u>
<b>Endowment net assets at June 30, 2022</b>	41,292,500	24,003,700
Investment income, net	-	-
Net depreciation of investments	2,239,900	860,300
Contributions	-	100,000
Uses of net assets	<u>(708,800)</u>	<u>(216,700)</u>
<b>Endowment net assets at June 30, 2023</b>	<u>\$ 42,823,600</u>	<u>\$ 24,747,300</u>

The portion of net assets with donor restrictions that is required to be retained in perpetuity either by explicit donor stipulation or by UPMIFA at June 30, 2023 and 2022 consists of the following:

	<b>2023</b>	<b>2022</b>
Restricted for Fairbanks Center	\$ 12,875,100	\$ 12,875,100
Restricted for Nicholl Fellowship Program	5,624,000	5,624,000
Restricted for Museum Education Programs	<u>5,200,000</u>	<u>5,100,000</u>
Total endowment net assets classified as perpetual in nature	<u>\$ 23,699,100</u>	<u>\$ 23,599,100</u>

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The portion of net assets with donor restrictions endowment funds that is required to be retained temporarily either by explicit donor stipulation or by UPMIFA at June 30, 2023 and 2022 consists of the following:

	2023		2022
Restricted for Fairbanks Center	\$ 698,300	\$	116,600
Restricted for Museum Education Programs	349,900		288,000

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 long-term returns sufficient to keep pace with the rate of inflation over most market cycles. Actual returns in any given year may vary from this amount.

To achieve its long-term rate of return objectives, the Academy targets a diversified asset allocation in order to provide opportunities for long-term growth and reduce the potential for large losses that could occur from holding concentrated positions.

The Board of Governors of the Academy determines the method to be used to appropriate endowment funds for expenditure. The Board has determined a spending policy to distribute no more than the prior year's realized investment income. Annually, the Board determines the amount of the prior year's investment income to be spent 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 net assets with donor restrictions. The Academy recorded a deficit of \$191,300 for the year ended June 30, 2023 and a deficit of \$465,800 for the year ended June 30, 2022. As of June 30, 2023, the fair value of underwater endowment funds was \$5,432,700 and the original endowment gift was \$5,624,000. As of June 30, 2022, the fair value of underwater endowment funds was \$5,258,200 and the original endowment gift was \$5,724,000.

## 12. Pension and Other Post-Retirement Benefit Plans

The Academy maintains an insured noncontributory defined benefit plan covering all non-union full-time 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.

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The Academy maintains a defined contribution plan covering all non-union employees over 21 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, 2023 and 2022, 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, 2023 and 2022, the Academy has made QACA contributions totaling \$1,372,700 and \$1,029,500, 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 fully insured health care benefits. 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.

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

	Pension Benefits		Postretirement Health Plan	
	2023	2022	2023	2022
Employer's contribution	\$ 4,000,000	\$ 2,120,000	\$ 78,600	\$ 78,500
Plan participants' contributions	-	-	19,800	20,100
Benefit payments	5,245,700	2,481,700	98,400	98,600
Funded status	(10,774,900)	(14,174,600)	(1,373,400)	(1,818,200)
Accrued benefit cost	(10,774,900)	(14,174,600)	(1,373,400)	(1,818,200)
Net periodic benefit costs/(income)	3,307,800	2,400,100	(2,000)	(3,000)
Accumulated plan benefit obligation	41,198,100	44,272,800	-	-
Fair value of plan assets	31,035,600	30,800,200	-	-
Projected plan benefit obligation	41,810,600	44,974,900	1,373,400	1,818,200
Unrecognized transition obligation	-	-	-	-
Unrecognized prior service benefit	350,300	817,400	-	-
Unrecognized net actuarial loss (gain)	9,900,700	13,075,200	(1,840,700)	(1,476,700)

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

	<b>Pension Benefits</b>		<b>Postretirement Health Plan</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Benefit obligation at end of prior year</b>	\$ 44,974,900	\$ 51,747,600	\$ 1,818,200	\$ 2,480,600
Service cost	2,066,100	2,475,400	-	4,500
Interest cost	2,081,500	1,328,600	88,200	58,400
Plan participants' contributions	-	-	19,800	20,100
Amendments	-	-	-	-
Actuarial loss (gain)	(2,066,200)	(8,095,000)	(454,300)	(646,800)
Benefit payments	(5,245,700)	(2,481,700)	(98,500)	(98,600)
<b>Benefit obligation at end of year</b>	<b>\$ 41,810,600</b>	<b>\$ 44,974,900</b>	<b>\$ 1,373,400</b>	<b>\$ 1,818,200</b>

In 2023, the gain in the benefit obligation for the pension plan was primarily due to the changes in the discount rate and the lump sum conversion assumptions reduced by census changes and other plan experiences. The gain in the benefit obligation for the postretirement health plan was primarily due to changes in the discount rate, updates to per capita cost assumptions, and census changes and other plan experience. In 2022, the gain in the benefit obligation for the pension plan was primarily due to the changes in the discount rate and the cash balance interest crediting assumption. The gain in the benefit obligation for the postretirement health plan was primarily due to changes in the discount rate and census changes and other plan experience.

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

	<b>Pension Benefits</b>		<b>Postretirement Health Plan</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Value of assets at end of prior year</b>	\$ 30,800,200	\$ 33,244,700	\$ -	\$ -
Actual return on plan assets	1,481,200	(2,066,000)	-	-
Employer contributions	4,000,000	2,120,000	78,600	78,500
Plan participants' contributions	-	-	19,800	20,100
Benefit payments	(5,245,700)	(2,481,700)	(98,400)	(98,600)
Expenses	-	(16,800)	-	-
<b>Value of plan assets at end of year</b>	<b>\$ 31,035,700</b>	<b>\$ 30,800,200</b>	<b>\$ -</b>	<b>\$ -</b>

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

	<b>Pension Benefits</b>		<b>Postretirement Health Plan</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Service cost	\$ 2,066,100	\$ 2,475,400	\$ -	\$ 4,500
Interest cost	2,081,500	1,328,600	88,200	58,400
Expected return on plan assets	(2,059,600)	(1,979,400)	-	-
Recognition of prior service cost	(467,100)	(467,100)	-	-
Recognition of net loss (gain)	670,500	1,042,600	(90,200)	(65,900)
Net loss recognized due to settlement	1,016,400	-	-	-
Total net benefit cost	<u>\$ 3,307,800</u>	<u>\$ 2,400,100</u>	<u>\$ (2,000)</u>	<u>\$ (3,000)</u>

When total lump sum distributions exceed the total of service cost and interest cost, the Academy is required to implement settlement accounting which accelerates the recognition of the net gain or loss that would have deferred to future years.

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

	<b>Pension Benefits</b>		<b>Postretirement Health Plan</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Accrued salaries and benefits	\$(10,774,900)	\$(14,174,600)	\$ (1,373,400)	\$ (1,818,200)

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

	<b>Pension Benefits</b>		<b>Postretirement Health Plan</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Discount rate	5.40 %	4.90 %	5.45 %	5.00 %
Cash balance interest crediting rate	6.50	6.50	NA	NA
Rate of compensation increase	3.00	3.00	NA	NA



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

	<b>Pension Benefits</b>		<b>Postretirement Health Plan</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Discount rate	4.90 %	2.65 %	5.00 %	2.75 %
Expected long-term return on plan assets	7.00	6.10	NA	NA
Cash balance interest crediting rate	6.50	5.60	NA	NA
Rate of compensation increase	3.00	3.00	NA	NA

The Academy determines the discount rate assumption based on a cash flow analysis for the plans. In this analysis, the plans' projected cash flows (on a Projected Benefit Obligation and Accumulated Pension Benefit Obligation basis) are discounted back to the measurement date using spot rates from a yield curve of high-quality fixed-income corporate bond rates, resulting in a present value of the cash flows. A single discount rate is then determined which would yield the same present value. For this purpose, the Ryan Above-Median yield curve is used.

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

	<b>2023</b>	<b>2022</b>
Health care cost trend rate assumed for next year	6.00 %	6.25 %
Ultimate trend rate	4.00 %	4.00 %
Year that the rates reach the ultimate trend rate	8	9

The Academy expects to contribute \$4,000,000 to its pension plan and \$97,000 to its postretirement health plan in 2023.

Amounts recognized as a change in net assets without donor restrictions arising from a defined benefit plan (or a postretirement benefit plan) but not yet reclassified as components of net periodic pension cost (or net periodic postretirement benefit cost):

	<b>Pension Benefits</b>		<b>Postretirement Health Plan</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Prior service cost	\$ (350,300)	\$ (817,400)	\$ -	\$ -
Net loss	9,900,700	13,075,200	(1,840,700)	(1,476,700)
	<u>\$ 9,550,400</u>	<u>\$ 12,257,800</u>	<u>\$ (1,840,700)</u>	<u>\$ (1,476,700)</u>

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Other changes in plan assets and benefit obligations included in the change in the reduction to net assets without donor restrictions at June 30:

	<u>Pension Benefits</u>		<u>Postretirement Health Plan</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Net (gain) loss	\$ (1,487,700)	\$ (4,032,900)	\$ (454,300)	\$ (646,800)
Amortization of net (gain) loss	(670,500)	(1,042,600)	90,200	65,900
Net loss due to settlement accounting	(1,016,400)	-	-	-
Prior service credit	-	-	-	-
Amortization of prior service costs	467,100	467,100	-	-
	<u>\$ (2,707,500)</u>	<u>\$ (4,608,400)</u>	<u>\$ (364,100)</u>	<u>\$ (580,900)</u>

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

	<b>Pension Benefits</b>	<b>Postretirement Health Plan</b>
2024	\$ 4,972,000	\$ 97,000
2025	6,265,000	104,000
2026	3,215,000	108,000
2027	3,025,000	110,000
2028	3,336,000	112,000
2029-2033	17,139,000	564,000

**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 level of risk. The primary objectives of the Plan's investment strategy include capital appreciation, consistency of investment returns, and preservation of capital. Plan assets are invested in equities, fixed income assets, real estate securities, and alternative investments. Target and actual allocations of major pension plan assets are as follows for the years ended June 30:

	<u>Target Allocation</u>		<u>Actual Allocation</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Equity assets	35.0 %	35.0 %	33.3 %	33.9 %
Fixed income assets	20.0	20.0	12.6	14.7
Alternative investment assets	40.0	40.0	41.4	40.0
Real estate assets	5.0	5.0	7.5	8.0
Cash and short-term investments	0.0	0.0	5.2	3.4

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#### 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, 2023:

	Assets				
	Level I	Level II	Level III	NAV	Total
Cash and short-term investments	\$ 1,601,700	\$ -	\$ -	\$ -	\$ 1,601,700
Fixed income					
Mutual fund - fixed income	3,900,800	-	-	-	3,900,800
Equity					
Mutual fund - equity	9,032,900	-	-	-	9,032,900
Private fund - equity	-	-	-	1,315,100	1,315,100
Real estate					
Real estate alternative investments	-	-	-	2,327,900	2,327,900
Alternative investments					
Mutual fund - alternative investments	4,049,900	1,841,700	-	-	5,891,600
Absolute return hedge fund	-	-	-	6,506,600	6,506,600
Private credit	-	-	-	459,100	459,100
	<u>\$ 18,585,300</u>	<u>\$ 1,841,700</u>	<u>\$ -</u>	<u>\$ 10,608,700</u>	<u>\$ 31,035,700</u>

The following table sets forth the fair value of the Academy's pension plan assets, by asset type, at June 30, 2022:

	Assets				
	Level I	Level II	Level III	NAV	Total
Cash and short-term investments	\$ 1,036,200	\$ -	\$ -	\$ -	\$ 1,036,200
Fixed income					
Mutual fund - fixed income	4,548,600	-	-	-	4,548,600
Equity					
Mutual fund - equity	9,071,500	-	-	-	9,071,500
Private fund - equity	-	-	-	1,403,200	1,403,200
Real estate					
Real estate alternative investments	-	-	-	2,472,100	2,472,100
Alternative investments					
Mutual fund - alternative investments	3,976,400	1,603,100	-	-	5,579,500
Absolute return hedge fund	-	-	-	6,336,800	6,336,800
Private credit	-	-	-	352,300	352,300
	<u>\$ 18,632,700</u>	<u>\$ 1,603,100</u>	<u>\$ -</u>	<u>\$ 10,564,400</u>	<u>\$ 30,800,200</u>

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 4, fair value measurements.

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**Investments Calculated at Net Asset Value**

As of June 30, 2023, 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	\$ 365,500	None	Monthly	14 Days
Absolute return hedge fund 2	6,141,100	None	Quarterly	90 Days
Private fund - equity 1	1,315,100	None	Monthly	30 Days
Real estate fund 1	2,038,100	None	Quarterly	45 Days
Real estate fund 2	289,800	61,200	Not applicable	Not applicable
Private credit fund	459,100	23,000	Not applicable	Not applicable
	<u>\$ 10,608,700</u>			

As of June 30, 2022, 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	\$ 418,900	None	Monthly	14 Days
Absolute return hedge fund 2	5,917,900	None	Quarterly	90 Days
Private fund - equity	1,403,200	None	Monthly	30 Days
Real estate fund 1	2,298,400	None	Quarterly	45 Days
Real estate fund 2	173,700	253,300	Not applicable	Not applicable
Private credit fund	352,300	116,700	Not applicable	Not applicable
	<u>\$ 10,564,400</u>			

There have been no transfers into or out of Level III investments in 2022 and 2021.

**Long-Term Rate of Return**

The expected long-term rate of return on assets assumption is 7.0%. 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.

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**13. Net Assets**

Net assets comprise the following at June 30:

	<b>2023</b>	<b>2022</b>
<b>With donor restrictions</b>		
Perpetual in nature		
Fairbanks Center	\$ 12,875,100	\$ 12,875,100
Nicholl fellowship program	5,624,000	5,624,000
Museum education programs	5,935,700	5,907,900
Purpose restricted		
Other education and restoration projects	12,650,900	12,772,800
Time related		
Academy Museum	-	3,000,000
Fairbanks Center endowment	698,300	116,600
Museum education programs	349,900	288,000
	<u>\$ 38,133,900</u>	<u>\$ 40,584,400</u>
<b>Without donor restrictions</b>		
Board designated		
Fairbanks Center Endowment	\$ 42,823,600	\$ 41,292,500
Academy Museum	21,791,900	18,363,600
Undesignated	753,978,100	744,213,100
	<u>\$ 818,593,600</u>	<u>\$ 803,869,200</u>

With the opening of the Museum in 2022, the Academy Museum purpose restriction was satisfied and the associated funds were released from restrictions in the consolidated statement of activities.

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**14. Natural Classification of Expenses**

The following presents the natural classifications of expenses by program and support area for the years ended June 30, 2023 and June 30, 2022 and reflects the allocation of depreciation, information technology, and interest. Depreciation and information technology are allocated based on estimated usage. Interest expense on external debt is allocated to the programs which benefited from the proceeds of external debt. Capitalized interest expense is not included. During 2023, the Academy adjusted operational management to combine Preservation operations with Science and Technology Council operations into Library, Archive, and Science and Technology operations. The financial statements and related footnotes have been adjusted to reflect that for 2023 and 2022.

For the year ended June 30, 2023:

	<b>Academy Awards and related activities</b>	<b>Membership, theater, and other operations</b>	<b>Library, Archive, and Science and Technology operations</b>	<b>Museum operations</b>	<b>Public outreach programs</b>	<b>Fundraising</b>	<b>General and administrative expenses</b>	<b>Total</b>
Salaries	\$ 13,827,000	\$ 4,614,700	\$ 10,766,300	\$ 20,347,600	\$ 2,588,800	\$ 1,814,100	\$ 8,051,700	\$ 62,010,200
Benefits	2,027,700	1,390,600	4,550,000	5,896,500	1,003,100	408,700	2,251,900	17,528,500
Grants to third parties	-	-	-	-	455,000	-	-	455,000
Program expenses	36,468,600	1,834,800	4,565,400	23,405,700	1,258,600	4,247,600	8,071,500	79,852,200
Information technology	4,376,000	748,300	1,529,900	1,338,500	223,600	109,100	1,181,500	9,506,900
Depreciation	225,800	779,300	3,328,700	29,727,200	161,100	37,700	2,406,200	36,666,000
Interest expense	-	-	1,306,700	10,507,000	-	-	-	11,813,700
	<u>\$ 56,925,100</u>	<u>\$ 9,367,700</u>	<u>\$ 26,047,000</u>	<u>\$ 91,222,500</u>	<u>\$ 5,690,200</u>	<u>\$ 6,617,200</u>	<u>\$ 21,962,800</u>	<u>\$ 217,832,500</u>

For the year ended June 30, 2022:

	<b>Academy Awards and related activities</b>	<b>Membership, theater, and other operations</b>	<b>Library, Archive, and Science and Technology operations</b>	<b>Museum operations</b>	<b>Public outreach programs</b>	<b>Fundraising</b>	<b>General and administrative expenses</b>	<b>Total</b>
Salaries	\$ 11,098,600	\$ 4,158,000	\$ 9,539,200	\$ 16,903,900	\$ 2,918,000	\$ 2,182,300	\$ 7,698,600	\$ 54,498,600
Benefits	2,000,700	1,233,100	4,703,500	4,706,700	801,000	373,400	1,960,500	15,778,900
Grants to third parties	-	-	-	-	295,300	-	-	295,300
Program expenses	40,179,300	897,600	4,504,100	30,240,800	930,500	5,870,000	6,970,000	89,592,300
Information technology	3,389,000	416,900	1,250,700	1,858,000	361,700	58,800	995,800	8,330,900
Depreciation	174,200	195,200	3,095,100	27,605,000	154,300	30,900	2,058,100	33,312,800
Interest expense	-	-	1,205,000	8,722,000	-	-	-	9,927,000
	<u>\$ 56,841,800</u>	<u>\$ 6,900,800</u>	<u>\$ 24,297,600</u>	<u>\$ 90,036,400</u>	<u>\$ 5,460,800</u>	<u>\$ 8,515,400</u>	<u>\$ 19,683,000</u>	<u>\$ 211,735,800</u>

# Academy of Motion Picture Arts and Sciences and its affiliates

## Notes to Consolidated Financial Statements

### June 30, 2023 and 2022

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#### 15. Commitments and Contingencies

In the normal course of business, the Academy may enter into contracts or agreements, from time to time, with vendors that commit the Academy to specific or contingent liabilities. As of June 30, 2023 and 2022, there were no long-term obligations with vendors that management considered significant.

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.

#### 16. Subsequent Events

On September 7, 2023, the California I-Bank issued a series of Revenue Bonds with a par value of \$126,665,000. The series generated an issue premium of \$13,446,900. These bonds bear interest at 5%. The bonds were issued in a variety of tranches with a portion maturing each year beginning on November 1, 2025. The final tranche matures on November 1, 2042. Taking into account the bond premium, the effective interest rate is 3.77%. The bonds were issued to (i) refund a portion of the principal amount of the outstanding Series 2015A bonds and (ii) pay costs of issuance of the bonds.

The Academy has evaluated subsequent events through November 20, 2023, which is the date of issuance of these financial statements.