Academy of Motion Picture Arts and Sciences and its affiliates

Consolidated Financial Statements
June 30, 2021 and 2020

Academy of Motion Picture Arts and Sciences and its affiliates
Index
June 30, 2021 and 2020

Page(s)

Report of Independent Auditors

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

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, 2021 and 2020, and the related consolidated statements of activities and of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Academy of Motion Picture Arts and Sciences and its affiliates as of June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

November 23, 2021

PricewaterhouseCoopers LLP, 601 South Figueroa, Los Angeles, CA 90017
T: (213) 356 6000, www.pwc.com/us

Academy of Motion Picture Arts and Sciences and its affiliates
Consolidated Statements of Financial Position
June 30, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	$ 4,342,200	$ 11,654,200
Restricted cash	10,000	1,983,900
Accounts and other receivables, net	7,574,600	1,844,800
Investments	709,197,200	635,256,700
Bond funds held by trustee	-	8,178,900
Pledges receivable, net	94,044,000	114,674,100
Prepaid expenses	2,136,900	1,243,900
Deferred rent expense, net	-	22,931,500
Property, equipment and building improvements, net	589,754,400	544,335,400
Right of use assets, net	24,949,300	-
Academy collections, carried at no value (Note 1)	-	-
Other assets, net	2,377,900	896,600
Total assets	$ 1,434,386,500	$ 1,343,000,000
Liabilities and Net Assets		
Accounts payable and accrued expenses	$ 11,120,700	$ 16,281,600
Accrued salaries and benefits	24,817,500	27,307,700
Grants payable, less discount	1,494,800	1,981,800
Deferred income	22,536,100	19,985,400
Lease liabilities	3,966,500	-
Debt	476,619,300	488,239,900
Total liabilities	540,554,900	553,796,400
Net assets		
Net assets without donor restrictions	735,713,600	647,510,600
Net assets with donor restrictions	158,118,000	141,693,000
Total net assets	893,831,600	789,203,600
Total liabilities and net assets	$ 1,434,386,500	$ 1,343,000,000

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, 2021 and 2020

	2021	2020
Changes in net assets without donor restrictions		
Revenues and other support		
Academy Awards and related activities	$ 117,727,300	$ 131,862,100
Membership dues and theater rentals	3,979,000	4,073,800
Contributions of cash and financial assets, net	8,732,700	8,262,300
Research library and other educational and cultural activities	816,300	780,700
Investment return, net	70,297,200	5,078,700
Other income	102,000	67,400
Total revenues	201,654,500	150,125,000
Net assets released from restrictions	9,001,200	8,256,900
Total revenues and other support	210,655,700	158,381,900
Expenses		
Academy Awards and related activities	42,869,500	42,039,400
Membership, theater, and other operations	6,460,900	7,704,000
Preservation operations	20,712,600	20,970,700
Science and Technology Council operations	2,213,900	2,435,400
Museum development	21,326,600	17,277,300
Public outreach programs	5,378,200	12,717,200
Fundraising	4,072,200	2,993,500
General and administrative expenses	16,843,500	16,133,200
Interest expense	1,824,000	2,281,000
Total expenses	121,701,400	124,551,700
Increase in net assets from operations	88,954,300	33,830,200
Other components of net periodic benefit cost	(190,000)	(184,700)
Pension and postretirement-related changes other than net periodic benefit cost	575,900	(5,039,300)
Increase in net assets without donor restrictions	89,340,200	28,606,200
Changes in net assets with donor restrictions		
Contributions received, net	21,605,100	13,379,300
Contributed nonfinancials assets	763,200	-
Net assets released from restrictions	(9,001,200)	(8,256,900)
Investment income from restricted funds in perpetuity, net	3,057,900	168,800
Increase in net assets with donor restrictions	16,425,000	5,291,200
Total increase in net assets before changes related to collection items not capitalized	105,765,200	33,897,400
Purchases of non-capitalized collections	(1,137,200)	(1,234,400)
Total increase in net assts	104,628,000	32,663,000
Net assets		
Beginning of year	789,203,600	756,540,600
End of year	$ 893,831,600	$ 789,203,600

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, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Changes in net assets	$ 105,765,200	$ 32,663,000
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	7,282,600	7,447,500
Debt premium accretion	(7,936,500)	(2,185,000)
Purchases of non-capitalized collections	1,137,200	1,234,400
Contributions related to long-lived assets	(6,052,500)	(1,000,000)
Bad debt expense related to pledges receivable	32,700	123,000
Present value adjustment to pledges receivable	(3,150,300)	(2,455,000)
Present value adjustment to grants payable	13,000	31,100
Net realized and unrealized (gain) loss on investments	(63,503,500)	4,780,700
Changes in assets and liabilities		
Accounts and other receivables, net	(5,729,800)	306,600
Pledges receivable, net	6,846,000	(239,900)
Prepaid expenses	(893,000)	(53,100)
Other assets	160,300	(183,100)
Accounts payable and accrued expenses	(1,493,600)	3,218,100
Accrued salaries and benefits	(2,490,200)	5,600,800
Grants payable	(500,000)	(500,000)
Deferred income	2,550,700	(856,400)
Net cash provided by operating activities	32,038,300	47,932,700
Cash flows from investing activities		
Sales and maturities of investments	735,406,200	1,052,435,300
Purchases of investments	(735,493,000)	(1,139,158,100)
Purchases of non-capitalized collections	(1,137,200)	(1,234,400)
Additions to property, equipment and building improvements	(54,784,600)	(102,184,600)
Net cash used in investing activities	(56,008,600)	(190,141,800)
Cash flows from financing activities		
Contributions for long-lived assets	22,064,300	9,410,700
Contributions for investment in perpetual endowments	126,700	125,600
Extinguishment or repayment of debt	(132,220,000)	-
Proceeds from debt issuance	129,172,100	138,578,000
Debt issuance costs	(1,150,200)	(1,357,000)
Net cash provided by financing activities	17,992,900	146,757,300
Net (decrease) increase in cash, cash equivalents, and restricted cash	(5,977,400)	4,548,200
Cash, cash equivalents, and restricted cash		
Beginning of year	14,125,900	9,577,700
End of year	$ 8,148,500	$ 14,125,900
Supplemental disclosure of cash flow information		
Cash paid during the year for interest (net of amounts capitalized)	$ 2,391,500	$ 2,391,500
Supplemental schedule of noncash activities		
Property, equipment and building improvements included in accounts payable and accrued expenses	$ 1,115,700	$ 4,783,000
Property, equipment and building improvements received from contributed nonfinancial assets	763,200	-
Write-off of fully depreciated property, equipment and building improvements	-	375,300
Donations to non-capitalized collections	1,137,200	2,964,400

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

1. Reporting Entity and Summary of Significant Accounting Policies

Reporting Entity

The accompanying consolidated financial statements include the accounts of the Academy of Motion Picture Arts and Sciences ("AMPAS") (tax-exempt entity under IRC 501(c)(6)) and its affiliates, including the Academy Foundation ("Foundation") (tax-exempt affiliate under IRC 501(c)(3)), the Vine Street Archive Foundation ("Vine Street"), the Academy Museum Foundation ("Museum"), and the Archival Foundation ("Archival") (collectively, the "Academy"). Vine, Museum and Archival are tax-exempt affiliates of Foundation under IRC 501(a)(3). All entities are not-for-profit corporations. The purpose of 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, previously known as Homewood Foundation, is to develop a museum devoted to exploring and curating the history and future of the moving image. 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 select 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 2024 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).

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, 2021 are:

	2022	2023	2024	Thereafter	Total
Remaining Performance Obligations	$ 124,593,000	$ 129,125,000	$ 133,672,000	$ 530,522,000	$ 917,912,000

Revenues expected to be recognized over the terms of the contracts related to contractual performance obligations that are unsatisfied as of June 30, 2020 are:

	2021	2022	2023	Thereafter	Total
Remaining Performance Obligations	$119,975,000	$ 124,593,000	$ 129,125,000	$ 664,194,000	$ 1,037,887,000

Membership Dues

Membership dues are paid on a calendar year basis and are recognized as income ratably during the year; the portion of dues not yet recognized at June 30 is included in deferred income in the accompanying consolidated statements of financial position (Note 9).

Contributions

<u>Contributions Received</u>

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 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 film festivals, charities and student films awards. Grants payable are recognized in the period in which the commitment is made. If the grant is payable 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 year ended June 30, 2021, the Academy recognized as revenue contributed nonfinancial assets totaling $763,200. Contributed nonfinancial assets consisted of donated equipment and production services and are restricted for use at the Academy Museum and will be released from restriction when the Museum is operational. Contributed equipment was valued at $463,200 using estimates of list prices for similar products. Contributed production services was valued at $300,000 using estimates of current rates based on similar production services.

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 or held by Bond Trustee. The carrying value of cash and cash equivalents approximates fair value because of their short maturity.

Restricted Cash

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

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

	2021	2020
Cash and cash equivalents	$ 4,342,200	$ 11,654,200
Restricted cash	10,000	1,983,900
Cash included in investments	2,659,100	487,800
	$ 7,011,300	$ 14,125,900

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 investments. 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 3. 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, 2021 and 2020, 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.

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.

Bond Funds Held by Trustee
Bond funds held by Trustee represent the unused proceeds of the March 10, 2020 bond issuance (Note 10) restricted for the use on the museum project. The bond funds are within the investments and investment income accounts disclosed in Note 3.

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. The expenditures for the Academy Museum have been classified as construction in progress. Applicable construction period interest and property taxes are capitalized to construction in progress when incurred. Maintenance and repairs are expensed as incurred. Depreciation expense is computed using the straight-line method over the useful lives of the assets: thirty years for the buildings, twenty to thirty years for building improvements, and three to ten years for furniture, fixtures and equipment.

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

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 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 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 and variable 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 will be available to the Academy Museum when opened. These collections are donated to, preserved and maintained by the Foundation, and are carried at no value on the consolidated statements of financial position. 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 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 as construction funds. 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 Project 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 53% and 82% of total revenues in 2021 and 2020, respectively.

Advertising
Advertising costs are charged to expense in the period incurred. Advertising expense was $3,701,500 and $1,923,200 for the years ended June 30, 2021 and 2020, respectively, and is included in (i) Academy Awards and related activities and (ii) museum development 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.

COVID-19
With respect to the impact of COVID-19, the outbreak has caused domestic and global disruption in operations for non-profit and entertainment institutions. The impact may materially affect the ability of the Academy to conduct its operations and/or the cost of operations. The full impact of COVID-19 or any other similar outbreaks in the future and the scope of any adverse impact on the Academy's finances and operations cannot be fully determined at this time.

Significant Accounting Pronouncements Adopted in Financial Statement Period
ASU No. 2016-02, *Leases (Topic 842)* was promulgated in February 2016. The guidance requires recognition of rights and obligations arising from lease contracts, including existing and new arrangements, as assets and liabilities on the consolidated statements of financial position. Under this guidance, lessees will need to recognize a right-of-use asset and a lease liability for virtually all of their operating leases (other than leases that meet the definition of a short-term lease). For statement of activities purposes, leases will be classified as either operating or finance and expensed accordingly. The ASU was adopted in 2021, resulting in the inclusion of the right of use assets and lease liabilities in the consolidated statements of financial position and enhanced disclosures.

ASU No. 2020-07, *Not-for-profit entities (Topic 958) - Presentation and disclosures by Not-for-Profit Entities for contributed nonfinancial assets* was promulgated in September 2020. The ASU is effective for annual periods beginning after June 15, 2021 and should be applied on a retrospective basis. Early adoption is permitted. This guidance improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for Not-for-Profit entities, including additional disclosure requirements for recognized contributed services. The ASU was adopted in 2021, resulting in the inclusion of contributed nonfinancial assets in the consolidated statements of activities and enhanced disclosures.

Accounting Standards Update (“ASU”) No. 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections* was promulgated in March 2019. This ASU is effective for fiscal years beginning after December 15, 2019. This guidance modifies the definition of the term collections and requires that a collection-holding entity disclose its policy for the use of proceeds from when collection items are deaccessioned (that is, removed from a collection). If a collection-holding entity has a policy that allows proceeds from deaccessioned collection items to be used for direct care, it should disclose its definition of direct care. The ASU was adopted in 2021 and did not have a material impact to the consolidated financial statements.

ASU No. 2018-13, *Fair value measurement (Topic 820)—Disclosure framework—Changes to the disclosure requirements for fair value measurement* was promulgated in August 2018. This ASU is effective for fiscal years beginning after December 15, 2019. The transition guidance for the applicable amendment should be applied retrospectively to all periods presented upon the effective date. Early adoption is permitted. This ASU removes certain disclosures, modifies certain disclosures, and adds additional disclosures related to fair value measurement. The ASU was adopted in 2021 and did not have a material impact to the consolidated financial statements.

New Accounting Pronouncements
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 beginning after December 15, 2021. Early adoption is permitted. This guidance made changes to various sections of Topic 820. 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 Academy does not expect the adoption of this guidance to have a material impact on the consolidated financial statements. The ASU will be effective for the Academy for the year ended June 30, 2023.

2. Availability and Liquidity

The following represents the Academy's financial assets at June 30, 2021 and 2020 that are available to meet cash needs for general expenditures within one year of the date of the statements of financial position:

	2021	2020
Financial assets at year end		
Cash and cash equivalents	$ 4,342,200	$ 11,654,200
Restricted cash	10,000	1,983,900
Accounts and other receivables, net	7,574,600	1,844,800
Investments	709,197,200	635,256,700
Bond funds held by trustee	-	8,178,900
Pledges receivable	94,044,000	114,674,100
	815,168,000	773,592,600
Less amounts not available to be used for operations in one year		
Donor restricted funds	158,118,000	141,693,000
Less donor restricted funds with time or purpose restrictions to be met within one year	(23,603,900)	(15,486,500)
Bond funds held by trustee	-	8,178,900
Investments not redeemable within a year	879,200	-
Board designated funds	67,312,100	62,064,500
	202,705,400	196,449,900
Financial assets available to meet general expenditures over the next twelve months	$ 612,462,600	$ 577,142,700

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.

3. Investments

Investments, including bond funds held by trustees, consist of the following at June 30:

	2021	2020
Cash and short-term investments	$ 14,822,400	$ 153,877,700
Fixed income		
Fixed income securities	47,772,400	37,704,700
Mutual fund–fixed income	240,072,500	154,256,000
Equities		
Mutual fund–equity	124,942,800	77,548,800
Private fund–equity	7,162,000	-
Real estate		
REIT investments	17,921,100	11,442,000
Real estate alternative investments	15,378,300	14,107,300
Alternative investments		
Mutual fund–alternative investments	118,375,000	92,876,100
Absolute return hedge fund	122,750,700	101,623,000
	$ 709,197,200	$ 643,435,600

The table above includes the bond funds held by trustees in cash and short-term investments with fair value of $8,178,900 as of June 30, 2020.

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

	2021	2020
Interest and dividend income	$ 10,534,300	$ 10,812,000
Net realized gain on investments	4,957,100	1,991,700
Net unrealized gain (loss) on investments	58,546,400	(6,772,400)
Investment fees	(680,900)	(762,300)
Net of restricted bond investment income offset by capitalized interest costs	(1,800)	(21,500)
	$ 73,355,100	$ 5,247,500

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

	2021	2020
Net assets with donor restrictions	$ 70,297,200	$ 168,800
Net assets without donor restrictions	3,057,900	5,078,700
	$ 73,355,100	$ 5,247,500

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, 2021:

	Assets (Liabilities)				
	Level I	Level II	Level III	NAV	Total
Assets					
Cash and short-term investments	$ 14,822,400	$ -	$ -	$ -	$ 14,822,400
Fixed income					
Fixed income securities	-	47,772,400	-	-	47,772,400
Mutual fund–fixed income	240,072,500	-	-	-	240,072,500
Equities					
Mutual fund–equity	124,942,800	-	-	-	124,942,800
Private fund–equity	-	-	-	7,162,000	7,162,000
Real estate					
REIT investments	17,921,100	-	-	-	17,921,100
Real estate alternative investments	-	-	-	15,378,300	15,378,300
Alternative investments					
Mutual fund–alternative investments	92,038,900	26,336,100	-	-	118,375,000
Absolute return hedge fund	-	-	-	122,750,700	122,750,700
	$ 489,797,700	$ 74,108,500	$ -	$ 145,291,000	$ 709,197,200

The following table summarizes the valuation of the Academy's assets and liabilities that are recorded at fair value by the fair value hierarchy levels as of June 30, 2020:

	Assets (Liabilities)				
	Level I	Level II	Level III	NAV	Total
Assets					
Cash and short-term investments	$ 153,877,700	$ -	$ -	$ -	$ 153,877,700
Fixed income					
Fixed income securities	-	37,704,700	-	-	37,704,700
Mutual fund–fixed income	154,256,000	-	-	-	154,256,000
Equities					
Mutual fund–equity	77,548,800	-	-	-	77,548,800
Real estate					
REIT investments	11,442,000	-	-	-	11,442,000
Real estate alternative investments	-	-	-	14,107,300	14,107,300
Alternative investments					
Mutual fund–alternative investments	72,483,800	20,392,300	-	-	92,876,100
Absolute return hedge fund	-	-	-	101,623,000	101,623,000
	$ 469,608,300	$ 58,097,000	$ -	$ 115,730,300	$ 643,435,600

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 these investments approximates fair value because of their short maturity, and, therefore, have been categorized as Level I in the fair value hierarchy.

Mutual Funds

The Academy's mutual fund holdings include equity based funds, fixed income based funds, and alternative investment funds which are commonly known as 'absolute return' funds. Generally, the fair values of shares in mutual funds are based on inputs that are quoted prices in active markets for identical assets and, therefore, have been categorized in Level I in the fair value hierarchy.

Certain investments held by the Academy, specifically certain investments in the 'alternative investments mutual fund' category include securities with market inputs that are observable using similar assets and as a result have been categorized as Level II in the fair value hierarchy.

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

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

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

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.

Investments Calculated at Net Asset Value

As of June 30, 2021, 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	$ 6,750,700	None	Monthly	14 Days
Absolute return hedge fund 2	116,000,000	None	Quarterly	90 Days
Private fund–equity	7,162,000	None	Monthly	30 Days
Real estate alternative investments				
US	14,488,100	None	Semi-annual	60 Days
European	11,000	None	Semi-annual	60 Days
US Real Estate Investment	879,200	5,160,000	Not applicable	Not applicable
	$ 145,291,000			

As of June 30, 2020, 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	$ 5,202,900	None	Monthly	14 Days
Absolute return hedge fund 2	96,420,100	None	Quarterly	90 Days
Real estate alternative investments				
US	13,727,300	None	Semi-annual	60 Days
European	20,000	None	Semi-annual	60 Days
US Real Estate Investment	360,000	5,640,000	Not applicable	Not applicable
	$ 115,730,300			

The European real estate alternative investment is in liquidation. Distributions are made from the fund as assets are sold. Final liquidation is expected in 2022.

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.

The Academy has entered into an agreement to participate in a new Real Estate Investment Fund and a Private Credit Fund. The total commitment is $6 million and $7 million, respectively. No funds have been invested as of June 30, 2021.

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, 2021 and 2020 and have the following schedule of collections:

	2021	2020
Less than 1 year	$ 24,542,100	$ 30,094,000
Greater than 1 year to 5 years	54,059,100	62,958,900
Greater than 5 years to 10 years	17,874,600	25,950,500
Greater than 10 years	7,230,000	8,450,000
	103,705,800	127,453,400
Less: Allowance for doubtful accounts	(405,900)	(373,200)
Less: Discount	(9,255,900)	(12,406,100)
	$ 94,044,000	$ 114,674,100

The Foundation has conditional promises to receive pledges for the Academy's proposed museum based on donor specified milestones, which are not reflected in the consolidated financial statements, and totaled $40,150,000 and $46,430,000 at June 30, 2021 and 2020, respectively.

In addition, the Foundation has promises to receive in-kind donations for the Academy's proposed museum for which a value has not yet been determined.

6. Property, Equipment and Building Improvements, Net

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

	2021	2020
Land	$ 21,117,000	$ 21,117,000
Building	9,601,000	9,601,000
Building improvements	49,111,300	49,031,200
Furniture, fixtures and equipment	49,908,400	46,143,200
Construction in progress	535,420,800	487,385,500
	665,158,500	613,277,900
Less: Accumulated depreciation	(75,404,100)	(68,942,500)
	$ 589,754,400	$ 544,335,400

Depreciation expense totaled $6,461,600 and $6,570,000 for the years ended June 30, 2021 and 2020, 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 our right-of-use assets and liabilities related to leases and their classification as of June 30:

Assets		
Operating Leases (Right of Use Assets)	$	24,949,300
Financing Lease (Property, Equipment and Building Improvements)		15,974,100
	$	40,923,400

Liabilities		
Operating Leases	$	3,966,500
Financing Lease		-
	$	3,966,500

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 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 are 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, 2021:

Operating Leases (1)	$	1,223,500
Financing Lease		-
	$	1,223,500

(1) Expenses are included **in** preservation operations, museum development, 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, 2021:

Cash paid for amounts included in lease liabilities		
Operating Cash Flows for Operating Leases	$	1,016,400

Future maturities of lease liabilities at June 30, 2021 are presented in the following table:

2022	$ 1,024,000
2023	1,031,900
2024	775,100
2025	451,000
2026	459,700
2027 and thereafter	411,900
Total lease payments	4,153,600
Less: Imputed interest	(187,100)
	$ 3,966,500

At June 30, 2021, the weighted average remaining lease term for operating leases is 86.0 years and the weighted average discount rate is 1.28%.

Academy Museum Lease
On October 18, 2012, the Academy entered into a lease with Museum Associates for the facility, which will house the Academy Museum. The lease was amended in December 2013 to include an adjoining parcel of land. The base rent will be $36,108,000, plus interest, with a lease term of 55 years, which is renewable for another 55 years at no additional cost. Total base rental payments for the amended lease were payable on October 1, 2014 with interest calculated at 5% per year from date the initial lease was signed. The Academy will, at its own expense, improve the property to house the Academy Museum. Due to the significant construction component involved in the museum lease and the Academy's responsibility for all the costs of developing the site, the Academy is deemed the owner of the construction project in accordance with build-to-suit lease accounting guidance. Accordingly, management has performed an analysis of the leased property and has determined an allocation of lease value of $14,800,000 and $21,308,000 to the building and land, respectively, based on market values at lease inception excluding interest. The amount allocated to the building value is included in construction in progress until completion and will then be depreciated over the life of the building. The amount allocated to the land will be treated as an operating lease. The portion of lease payments, including interest, included in construction in progress is $15,974,100 and in right of use assets is $20,982,800 at June 30, 2021.

2020 Operating Leases
Because the Academy elected to use the modified retrospective transition approach, it is required to provide the disclosures required prior to the adoption of ASU 2016-02 for 2020. The Academy leases certain storage space and equipment under noncancelable operating leases, which expire at various dates through 2037. Rental expense for operating leases was $3,953,800 for the year ended June 30, 2020. The following is a schedule of future minimum lease payments (net of noncancelable sublease rentals) under noncancelable leases:

2021	$ 2,158,000
2022	2,005,200
2023	1,335,600
2024	839,900
2025	689,500
2026 and thereafter	5,149,000
	$ 12,177,200

8. Accrued Salaries and Benefits

Accrued salaries and benefits comprises the following at June 30:

	2021	2020
Postretirement medical plan	$ 2,480,600	$ 2,964,400
Accrued pension benefits	18,502,800	20,051,000
Other accrued benefit expenses	473,600	451,400
Accrued salaries and vacation	3,288,700	3,782,000
Deferred compensation plan	71,800	58,900
	$ 24,817,500	$ 27,307,700

9. Deferred Income

Deferred income comprises the following at June 30:

	2021	2020
Academy Awards	$ 14,583,300	$ 17,121,200
Membership dues	2,489,100	2,326,900
Events	5,463,700	537,300
	$ 22,536,100	$ 19,985,400

During the years ended June 30, 2021 and 2020, $2,083,333 was annually recognized into revenue for Academy Awards.

10. Debt

Debt comprises the following at June 30:

	2021	2020
Variable rate debt		
Museum variable rate bonds	$ -	$ 128,000,000
Fixed rate debt		
Museum fixed rate bonds	407,540,000	312,960,000
Fixed rate bond premium, net	73,421,500	50,986,000
	480,961,500	363,946,000
	480,961,500	491,946,000
Less: Unamortized debt issuance costs	(4,342,200)	(3,706,100)
	$ 476,619,300	$ 488,239,900

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 (iv) fund a portion of the bond issuance costs ($2,704,900). The first series issued, Series 2015A, were fixed rate bonds with a par value of $212,960,000. The series generated a premium of $18,565,400. The Series A were issued in a variety of tranches with a portion maturing each year beginning on November 1, 2020. The final tranche matures on November 1, 2045. The rates range from 2 to 5% with an average coupon of 4.24%. Taking into account the bond premium, the effective interest rate is 4.14%. The second series issued, Series 2015B, were variable rate bonds with a par value of $128,000,000. 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, 2021.

Aggregate principal payments are summarized in the following amortization schedule:

2021	$ 4,425,000
2022	4,640,000
2023	4,870,000
2024	5,115,000
2025	5,375,000
2026 and thereafter	383,115,000
	$ 407,540,000

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

	2021	2020
Bond premium	$ 87,515,500	$ 57,143,400
Less: Accumulated amortization	(14,094,000)	(6,157,400)
	$ 73,421,500	$ 50,986,000

Debt Issuance Costs

Debt issuance costs consist of the following at June 30:

	2021	2020
Bond issuance costs	$ 7,238,500	$ 6,088,300
Less: Accumulated amortization	(2,896,300)	(2,382,200)
	$ 4,342,200	$ 3,706,100

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

2021	$ 392,800
2022	389,600
2023	386,300
2024	382,900
2025	379,200
2026 and thereafter	2,411,400
	$ 4,342,200

Interest Expenditure

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

	2021	2020
Bond and debt interest expense	$ 19,663,200	$ 13,958,700
Amortization of bond premium	(7,936,600)	(2,185,000)
Amortization of bond and debt issuance costs	514,100	541,100
	$ 12,240,700	$ 12,314,800

Interest expenditures are classified as follows at June 30:

	2021	2020
Consolidated statements of activities		
Interest expense	$ 1,824,000	$ 2,281,000
Consolidated statements of financial position		
Capitalized interest as part of construction in progress in Property, equipment and building improvements	10,416,700	10,033,800
	$ 12,240,700	$ 12,314,800

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 related 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

The composition of the endowment funds consists of the following at June 30, 2021 and 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
At June 30, 2021			
Donor–restricted funds	$ -	$ 26,807,200	$ 26,807,200
Board–designated funds	51,009,600	-	51,009,600
Total endowment funds	$ 51,009,600	$ 26,807,200	$ 77,816,800
At June 30, 2020			
Donor–restricted funds	$ -	$ 23,857,200	$ 23,857,200
Board–designated funds	43,798,600	-	43,798,600
Total endowment funds	$ 43,798,600	$ 23,857,200	$ 67,655,800

Changes in endowment net assets for the years ended June 30, 2021 and 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions
Endowment net assets at June 30, 2019	$ 44,345,800	$ 25,060,100
Investment income, net	1,205,900	545,300
Net appreciation of investments	(1,134,600)	(376,600)
Contributions	-	125,600
Uses of net assets	(618,500)	(1,497,200)
Endowment net assets at June 30, 2020	43,798,600	23,857,200
Investment income, net	7,664,100	2,729,900
Net appreciation of investments	1,076,200	328,000
Contributions	-	122,800
Uses of net assets	(1,529,300)	(230,700)
Endowment net assets at June 30, 2021	$ 51,009,600	$ 26,807,200

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, 2021 and 2020 consists of the following:

	2021	2020
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	5,000,000	4,877,200
Total endowment assets classified as perpetual in nature	$ 23,499,100	$ 23,376,300

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, 2021 and 2020 consists of the following:

	2021	2020
Restricted for Fairbanks Center	$ 2,569,300	$ 20,700
Restricted for Nicholl Fellowship Program	157,500	220,500
Restricted for Museum Education Programs	581,300	239,700

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

The fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist, they are classified as a reduction of net assets with donor restrictions. The Academy recorded no deficits for the years ended June 30, 2021 and 2020.

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.

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, 2021 and 2020, 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, 2021 and 2020, the Academy has made QACA contributions totaling $925,100 and $781,000, 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**	
	2021	**2020**	**2021**	**2020**
Employer's contribution	$ 3,665,000	$ 2,850,000	$ 77,500	$ 80,300
Plan participants' contributions	-	-	20,100	19,400
Benefit payments	1,393,500	1,152,500	97,600	99,600
Funded status	(18,502,800)	(20,051,000)	(2,480,600)	(2,964,400)
Accrued benefit cost	(18,502,800)	(20,051,000)	(2,480,600)	(2,964,400)
Net periodic benefit costs/(income)	2,423,300	2,105,500	(136,900)	(35,200)
Accumulated plan benefit obligation	51,021,200	45,936,900	-	-
Fair value of plan assets	33,244,700	26,960,200	-	-
Projected plan benefit obligation	51,747,600	47,011,200	2,480,600	2,964,400
Unrecognized transition obligation	-	-	-	-
Unrecognized prior service benefit	1,284,400	1,751,500	-	-
Unrecognized net actuarial loss (gain)	18,150,700	18,924,300	(895,700)	(626,400)

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

	Pension Benefits		Postretirement Health Plan	
	2021	2020	2021	2020
Benefit obligation at end of prior year	$ 47,011,200	$ 40,983,200	$ 2,964,400	$ 3,121,500
Service cost	2,018,900	1,805,400	16,700	25,900
Interest cost	1,130,600	1,340,800	77,100	105,700
Plan participants' contributions	-	-	20,100	19,400
Amendments	-	-	-	-
Actuarial loss (gain)	2,980,400	4,034,300	(500,100)	(208,500)
Benefit payments	(1,393,500)	(1,152,500)	(97,600)	(99,600)
Benefit obligation at end of year	$ 51,747,600	$ 47,011,200	$ 2,480,600	$ 2,964,400

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

	Pension Benefits		Postretirement Health Plan	
	2021	2020	2021	2020
Value of assets at end of prior year	$ 26,960,200	$ 25,268,800	$ -	$ -
Actual return on plan assets	4,089,800	43,300	-	-
Employer contributions	3,665,000	2,850,000	77,500	80,200
Plan participants' contributions	-	-	20,100	19,400
Benefit payments	(1,393,500)	(1,152,500)	(97,600)	(99,600)
Expenses	(76,800)	(49,400)	-	-
Value of plan assets at end of year	$ 33,244,700	$ 26,960,200	$ -	$ -

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

	Pension Benefits		Postretirement Health Plan	
	2021	2020	2021	2020
Service cost	$ 2,018,900	$ 1,805,400	$ 16,700	$ 25,900
Interest cost	1,130,600	1,340,800	77,100	105,700
Expected return on plan assets	(1,375,800)	(1,388,000)	-	-
Recognition of prior service cost	(467,100)	(467,100)	-	-
Recognition of net loss (gain)	1,116,700	814,400	(230,700)	(166,800)
Net loss recognized due to settlement	-	-	-	-
Total net benefit cost	$ 2,423,300	$ 2,105,500	$ (136,900)	$ (35,200)

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

	Pension Benefits		Postretirement Health Plan	
	2021	2020	2021	2020
Accrued salaries and benefits	$ (18,502,800)	$ (20,051,000)	$ (2,480,600)	$ (2,964,400)

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

	Pension Benefits		**Postretirement Health Plan**	
	2021	**2020**	**2021**	**2020**
Discount rate	2.65 %	2.50 %	2.75 %	2.65 %
Rate of compensation increase	3.00	3.00	NA	NA

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

	Pension Benefits		**Postretirement Health Plan**	
	2021	**2020**	**2021**	**2020**
Discount rate	2.50 %	3.40 %	2.65 %	3.50 %
Expected long-term return on plan assets	5.00	5.50	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:

	2021	**2020**
Health care cost trend rate assumed for next year	5.50 %	5.75 %
Ultimate trend rate	4.00	4.00
Year that the rates reach the ultimate trend rate	6	7

The Academy expects to contribute $2,120,000 to its pension plan and $106,000 to its postretirement health plan in 2022.

Amounts not yet 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):

	Pension Benefits		Postretirement Health Plan	
	2021	**2020**	**2021**	**2020**
Prior service cost	$ (1,284,400)	$ (1,751,500)	$ -	$ -
Net loss	18,150,700	18,924,300	(895,700)	(626,400)
	$ 16,866,300	$ 17,172,800	$ (895,700)	$ (626,400)

Amounts expected to be recognized as components of net periodic benefit cost during fiscal 2022:

	Pension Benefits	Postretirement Health
Prior service cost	$ (467,100)	$ -
Net loss/(gain)	1,037,200	(41,700)
	$ 570,100	$ (41,700)

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

	Pension Benefits		Postretirement Health Plan	
	2021	**2020**	**2021**	**2020**
Net loss (gain)	$ 343,100	$ 5,428,300	$ (500,100)	$ (208,500)
Amortization of net loss	(1,116,700)	(814,400)	230,700	166,800
Net loss due to settlement accounting	-	-	-	-
Prior service credit	-	-	-	-
Amortization of prior service costs	467,100	467,100	-	-
	$ (306,500)	$ 5,081,000	$ (269,400)	$ (41,700)

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

	Pension Benefits	Postretirement Health Plan
2022	$ 4,702,000	$ 106,000
2023	6,219,000	123,000
2024	3,505,000	134,000
2025	3,528,000	139,000
2026	3,328,000	141,000
2027-2031	16,874,000	727,000

Pension Plan Assets

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

	Target Allocation		Actual Allocation	
	2021	2020	2021	2020
Equity assets	35.0 %	20.0 %	23.5 %	20.1 %
Fixed income assets	20.0	30.0	28.9	28.5
Alternative investment assets	40.0	45.0	40.7	44.1
Real estate assets	5.0	5.0	5.4	6.3
Cash and short-term investments	0.0	0.0	1.5	1.0

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, 2021:

	Assets				
	Level I	Level II	Level III	NAV	Total
Cash and short-term investments	$ 492,800	$ -	$ -	$ -	$ 492,800
Fixed income					
Mutual fund - fixed income	9,600,700	-	-	-	9,600,700
Equity					
Mutual fund - equity	6,522,400	-	-	-	6,522,400
Private fund - equity	-	-	-	1,300,000	1,300,000
Real estate					
Real estate fund	-	-	-	1,802,900	1,802,900
Alternative investments					
Mutual fund - alternative investments	4,644,900	1,746,000	-	-	6,390,900
Absolute return hedge fund	-	-	-	7,135,000	7,135,000
	$ 21,260,800	$ 1,746,000	$ -	$ 10,237,900	$ 33,244,700

The following table sets forth the fair value of the Academy's pension plan assets, by asset type, at June 30, 2020:

	Assets				
	Level I	Level II	Level III	NAV	Total
Cash and short-term investments	$ 294,500	$ -	$ -	$ -	$ 294,500
Fixed income					
Mutual fund - fixed income	7,678,700	-	-	-	7,678,700
Equity					
Mutual fund - equity	5,405,100	-	-	-	5,405,100
Real estate					
Real estate fund	-	-	-	1,704,300	1,704,300
Alternative investments					
Mutual fund - alternative investments	4,251,100	1,561,500	-	-	5,812,600
Absolute return hedge fund	-	-	-	6,065,000	6,065,000
	$ 17,629,400	$ 1,561,500	$ -	$ 7,769,300	$ 26,960,200

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

Investments Calculated at Net Asset Value
As of June 30, 2021, 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	$ 439,400	None	Monthly	14 Days
Absolute return hedge fund 2	6,695,600	None	Quarterly	90 Days
Private fund - equity	1,300,000	None	Monthly	30 Days
Real estate fund	1,802,900	None	Quarterly	45 Days
	$ 10,237,900			

As of June 30, 2020, 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	$ 357,700	None	Monthly	14 Days
Absolute return hedge fund 2	5,707,300	None	Quarterly	90 Days
Real estate fund	1,704,300	None	Quarterly	45 Days
	$ 7,769,300			

There have been no transfers into or out of Level III investments in 2021 and 2020.

Long-Term Rate of Return
The expected long-term rate of return on assets assumption is 5.0%. 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.

13. Net Assets

Net assets comprise the following at June 30:

	2021	2020
With donor restrictions		
Perpetual in nature		
Fairbanks Center	$ 12,875,100	$ 12,875,100
Nicholl fellowship program	5,624,000	5,624,000
Museum education programs	5,000,000	4,877,200
Purpose restricted		
Academy Museum	115,372,800	104,965,700
Other education and restoration projects	10,081,800	4,181,900
Time related		
Academy Museum	5,856,200	8,688,200
Fairbanks Center endowment	2,569,300	20,700
Nicholl fellowship program	157,500	220,500
Museum education programs	581,300	239,700
	$ 158,118,000	$ 141,693,000
Without donor restrictions		
Board designated		
Fairbanks Center	$ 51,009,600	$ 43,798,600
Academy Museum	16,302,500	18,265,900
Undesignated	668,401,500	585,446,100
	$ 735,713,600	$ 647,510,600

14. Natural Classification of Expenses

The following presents the natural classifications by program and support area for the year ended June 30, 2021 and June 30, 2020 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.

For the year ended June 30, 2021:

	Academy Awards and related activities	Membership, Theater, and other operations	Preservation operations	Science and Technology Council operations	Museum development	Public Outreach Programs	Fundraising	General and Administrative expenses	Total
Salaries	$ 10,252,000	$ 3,904,300	$ 8,844,700	$ 1,302,500	$ 9,291,400	$ 3,035,900	$ 2,141,500	$ 6,854,400	$ 45,626,700
Benefits	3,431,200	1,175,200	3,721,500	472,800	2,817,500	776,000	448,300	1,797,000	14,639,500
Grants to third parties	-	-	-	-	-	280,000	-	-	280,000
Program expenses	25,630,000	505,800	3,756,800	260,700	7,686,000	802,100	1,231,200	5,333,600	45,206,200
Information technology	3,407,700	474,100	1,083,100	123,400	587,700	367,000	120,200	1,500,300	7,663,500
Depreciation	148,600	401,500	3,306,500	54,500	944,000	117,200	131,000	1,358,200	6,461,500
Interest expense	-	-	1,086,400	-	737,600	-	-	-	1,824,000
	$ 42,869,500	$ 6,460,900	$ 21,799,000	$ 2,213,900	$ 22,064,200	$ 5,378,200	$ 4,072,200	$ 16,843,500	$ 121,701,400

For the year ended June 30, 2020:

	Academy Awards and related activities	Membership, Theater, and other operations	Preservation operations	Science and Technology Council operations	Museum development	Public Outreach Programs	Fundraising	General and Administrative expenses	Total
Salaries	$ 9,628,000	$ 3,634,800	$ 8,904,100	$ 1,400,300	$ 7,613,200	$ 3,085,900	$ 1,699,500	$ 6,464,100	$ 42,429,900
Benefits	2,115,300	1,059,700	3,551,700	437,100	1,981,000	716,600	413,100	1,426,500	11,701,000
Grants to third parties	-	-	-	-	-	6,773,100	-	33,100	6,806,200
Program expenses	28,852,100	1,743,800	4,051,300	383,900	6,068,600	1,481,500	698,200	4,737,700	48,017,100
Information technology	1,382,500	596,500	1,130,900	141,100	895,600	425,600	101,500	2,072,800	6,746,500
Depreciation	61,500	669,200	3,332,700	73,000	718,900	234,500	81,200	1,399,000	6,570,000
Interest expense	-	-	1,358,600	-	922,400	-	-	-	2,281,000
	$ 42,039,400	$ 7,704,000	$ 22,329,300	$ 2,435,400	$ 18,199,700	$ 12,717,200	$ 2,993,500	$ 16,133,200	$ 124,551,700

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, 2021 and 2020, there were $6,276,900 and $21,508,900 in museum construction related contracts that management considered significant (either individually or in aggregate) to the Academy's consolidated financial statements. As of June 30, 2021, there were $10,121,700 in other long-term obligations with vendors that management considered significant (either individually or in the aggregate) to the Academy's consolidated financial statements.

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

16. Subsequent Events

The Academy Museum of Motion Pictures opened to the public on September 30, 2021.

The Academy has evaluated subsequent events through November 23, 2021, which is the date of issuance of these financial statements.