







Dear Academy Member,

With the Oscars nearly here, it's an opportune moment to reflect on the Academy's accomplishments over the past year and the work we are doing year-round.

The last twelve months have seen increased industry outreach by the Academy, new initiatives from our Science and Technology Council, and a robust calendar of exhibitions and programs – all in the service of advancing our core mission of celebrating excellence in the motion picture arts and sciences. Our grants have funded a wide range of film festivals and promising filmmakers. We've raised our international profile with visits to emerging film centers in China, the United Arab Emirates, Korea, India and Brazil. And we've recently stepped up activity in our London office; you'll be seeing the effects of that very soon.

I'm particularly excited about our rapid progress on the Academy Museum. We've made great headway toward our fundraising goals; world-renowned architects Renzo Piano and Zoltan Pali have completed the initial planning to renovate the historic May Company Building at LACMA; and we are now well on our way toward the opening of the museum in 2017.

As we expand the scope of our presence around the world, it's more important than ever that the Academy speaks with one voice. So we have implemented a communications strategy that includes a new look and logo to convey the importance of our year-round Academy programs. It is designed to help us tell our story in a consistent and easily recognizable way.

This has proven to be a landmark year for the Oscars, with an unusually diverse and exciting field of nominees across so many categories, from Best Picture to Animation to Documentary to Foreign Language. Voter turnout has hit a record high thanks to your engagement, as well as the improvements we've made in our second year of online voting. Producers Craig Zadan and Neil Meron are putting together a sensational show, and we are excited to have Ellen DeGeneres back as our host.

I hope you will be inspired to become even more involved in the Academy as we grow our presence around the world and continue to set a standard of excellence for the cinematic arts and sciences.

Yours truly,

Cheryl Boone Isaacs







# MUSEUM

AN INCREDIBLE AMOUNT OF PROGRESS HAS BEEN MADE ON THE ACADEMY MUSEUM – DUE IN LARGE PART TO THE GENEROSITY AND SUPPORT OF THE ACADEMY MUSEUM’S FOUNDING SUPPORTERS.

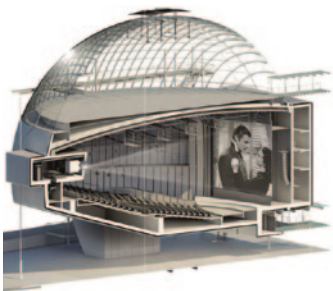
Moving from schematic to design development in 2014, the architectural team led by Renzo Piano continues to refine the design of the museum from lighting and materials to structural elements.

Once completed, visitors will gather on an expansive and lively public piazza that will lead into the Museum lobby. From there visitors will be invited to experience the vast gallery spaces for permanent and temporary exhibitions, the Demonstration Stage, special event spaces, a full-service café, a museum store, two intimate theaters and the 1,000 seat Premiere Theater. A five-story glass “spine” will connect the historic Wilshire May Company building to the adjacent spherical addition that will house the Premiere Theater.

In addition, the Academy continues to build its dynamic collection. In 2013, industry legend Shirley Temple Black and her family donated artifacts from her career, including the historic miniature Oscar she received at the

7th Academy Awards. With a generous donation from Bill Marx, the Academy now holds the signature pieces of famed comedian Harpo Marx: the blonde wig he tucked under a lopsided hat, a “trick” overcoat and his trunk full of props. And David V. Jarvis donated costume design drawings and production materials relating to the career of designer Michael Woulfe. Other recent collection acquisitions are described in the Library and Archive sections of this report.

The Academy launched a \$300 million Academy Museum Capital Campaign to fund the planning, design, and construction of the Academy Museum of Motion Pictures. Chaired by Bob Iger, Annette Bening and Tom Hanks, the Campaign has already raised more than \$200 million in commitments from Academy Governors and Members (including Jeffrey Katzenberg and Steven Spielberg, pictured below with Academy CEO Dawn Hudson and President Cheryl Boone Isaacs), foundations, corporations and film lovers from around the globe.



**\$300,000,000**  
CAPITAL CAMPAIGN IN PROGRESS  
— OVER —  
**\$200,000,000**  
IN DONOR COMMITMENTS SO FAR

# THE ACADEMY MUSEUM OF MOTION PICTURES – FLOOR-BY-FLOOR HIGHLIGHTS

## 2 SECOND FLOOR

- > Exhibition space
- > 150-seat theater

## 3 THIRD FLOOR

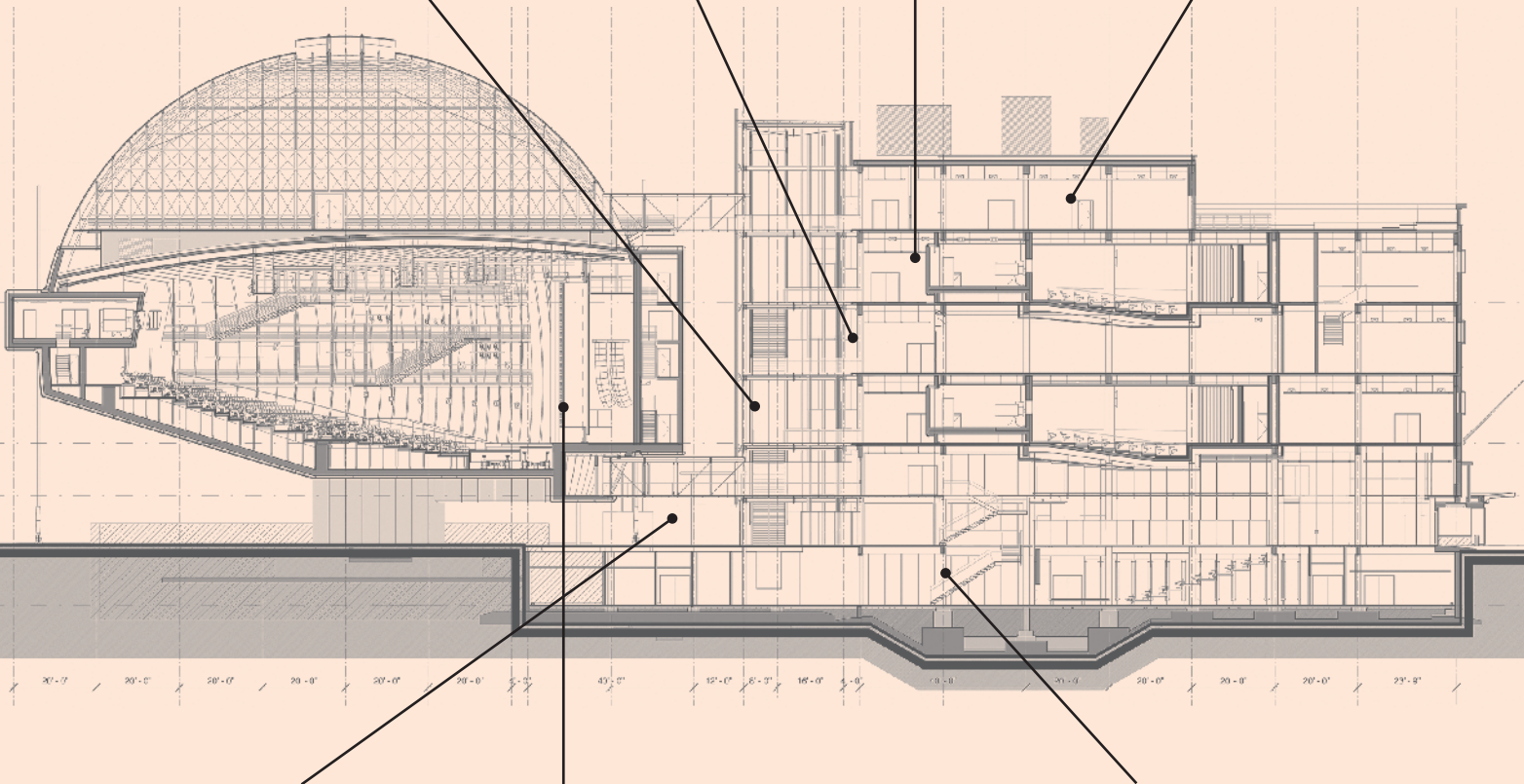
- > Academy Museum Education Center, a year-round home for the Media Literacy Program, teacher professional development, and other outreach activities

## 4 FOURTH FLOOR

- > Exhibition space
- > 150-seat theater
- > Founders Room

## 5 FIFTH FLOOR

- > The museum roof will be one of the most spectacular special event and scenic-view spaces in Los Angeles.
- > Rooftop special event dining room and garden with seating for 1,000



## G GROUND FLOOR

- > An expansive piazza will open to the lobby, café and store.
- > Exhibition space

## M MEZZANINE & THEATER

- > The entire mezzanine will be visible to the lobby via glass walls.
- > Premiere Theater Lobby

- > A majestic red carpet and grand staircase will lead to the 1,000-seat David Geffen Theater, a soaring space for premieres, screenings, and special events.

## S SUBLEVEL

- > Exhibition space
- > 150-seat double height Demonstration Stage for technical demonstrations and master classes

# ARCHIVE

FROM THE LITTLE-KNOWN TO THE LEGENDARY, THE ACADEMY FILM ARCHIVE CHAMPIONS AND PROTECTS FILM CULTURE.

Over 2,500 tapes were digitized, 51 new prints of features and shorts were struck, and 104 features and shorts were preserved over the past year.

The Archive has now preserved 640 films. Recent preservation highlights include *The Bishop of Hollywood* (1924), a previously lost short shot on the streets of Los Angeles; *Portrait of Jason* (1967), Oscar nominee Shirley Clarke's groundbreaking hybrid documentary about a New York hustler, screened in the Academy's Real Indies program; and six shorts from the Academy's War Films collection, several of which screened in November at the National Archives in Washington, D.C.

The Academy restored seven short films produced by Aardman Animation, including three featuring the popular characters Wallace and Gromit: *A Grand Day Out* (1990), *The Wrong Trousers* (1993) and *A Close Shave* (1995). Through the Archive's Satyajit Ray Preservation Project, the Academy has also restored 18 features and one short of the renowned Indian director in an ongoing effort to preserve his entire filmography. In September,

the Academy hosted public screenings of the Archive's restoration of Ray's stunning "Apu Trilogy".

Archive acquisitions include 35mm prints of such features as *Now, Voyager* (1942), Fernando de Fuentes's renowned 1935 historical drama *¡Vámonos con Pancho Villa!*, and *Bram Stoker's Dracula* (1992).

Recent donations to the Archive include films by writer-director Bob Clark (*Porky's*, *A Christmas Story*); a print of a rare 1940s Auroratone film, *When the Organ Played "Oh Promise Me"*; home movies shot by character actor Billy Gilbert; and film prints and videos of titles distributed by the pioneering Women Make Movies organization.

Included among the Archive's 2013 deposits were Matte World Digital's large collection of special effects footage; safety elements of classic films produced by Samuel Goldwyn; James Otis's collection of experimental films; and Oscar nominee Bill Plympton's entire collection of animated short films.



83,000  
TITLES IN OUR  
COLLECTION



104 FEATURES AND  
SHORTS PRESERVED

442 ARCHIVE PRINTS  
SCREENED IN  
59 CITIES, 13 COUNTRIES





# LIBRARY

THE ACADEMY CONTINUES TO BUILD ON ITS EXTRAORDINARY COLLECTION, AND THE MARGARET HERRICK LIBRARY REMAINS THE WORLD'S PREEMINENT DESTINATION FOR FILM RESEARCH.

## ACQUISITIONS

Recent additions to the holdings include the Richard D. Zanuck Papers, the Philip Yordan Papers and the Satyajit Ray Photographs, which contains over 4,000 photographic items from the renowned Indian director's career. The Library also received materials documenting the career of actress and singer Ethel Waters, and 35 original vintage photographs from Alfred Hitchcock's 1929 film *The Manxman*, custom printed for Hitchcock and attributed to Michael Powell, who worked as an on-set photographer early in his career.

Over 1,650 pieces were added to the poster collection, including original posters for *Camille* (1937) and *The Cat People* (1942), an Italian poster for *Breakfast at Tiffany's* (1961) and the only known six-sheet for *The Maltese Falcon* (1941). Additions to the Production Art collection, which now contains more than 15,000 costume and production design drawings, include costume design drawings from Arianne Phillips and Betsy Heimann, and production design material from *Mary Poppins* (1964), *Annie Hall* (1977) and *Terminator 2: Judgment Day* (1991).

## CONSERVATION AND ACCESS

Preservation work was done throughout the year on items ranging from books and manuscripts to posters, photographs and sound recordings. More than 25,000 items were entered into the Library's Digital Gallery, bringing the total number of catalogued images to over 100,000.

Digital Collections, a virtual library on the Academy's website, now offers online access to over 4,000 items, including lobby cards, scrapbooks, sheet music and the Academy's own publications from its earliest days onward.

## OUTREACH

Researchers and film lovers paid nearly 10,000 visits to the Library during the past year. Special collections users came from 26 states and 18 countries, and represented over 100 different U.S. and foreign universities. Close to 5,000 other patrons received assistance through the Library's phone, e-mail and research services.

Materials from the Library were featured in museum exhibits around the world, from New York and El Paso to Paris and Berlin, as well as in the Academy's own exhibits and programs.



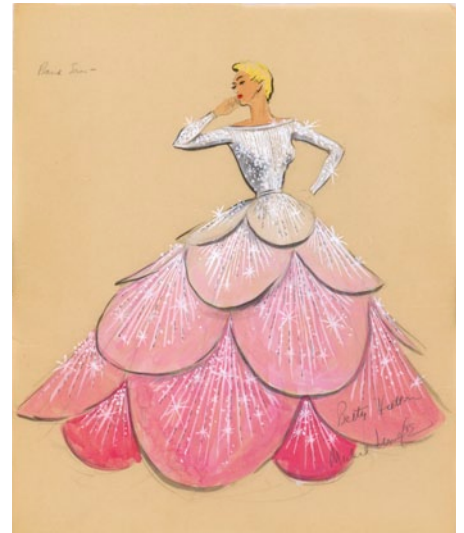
1,300+  
SPECIAL COLLECTIONS  
ON FILM INDUSTRY NOTABLES  
AND ORGANIZATIONS



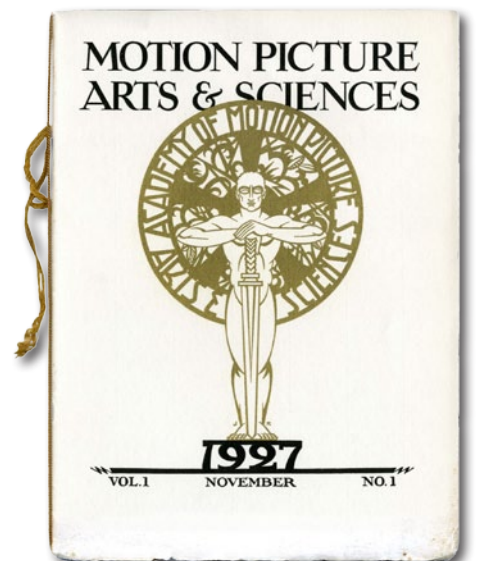
RESEARCHERS FROM  
**26 U.S. STATES**  
**18 COUNTRIES**

ACCESSED OVER 450  
SPECIAL COLLECTIONS

**25,000+**  
SOUNDTRACKS ADDED  
WITH THE ACQUISITION OF THE BRAD BENNETT COLLECTION



**402** PRODUCTION &  
COSTUME DESIGN  
DRAWINGS ADDED  
15,000 ITEMS TOTAL

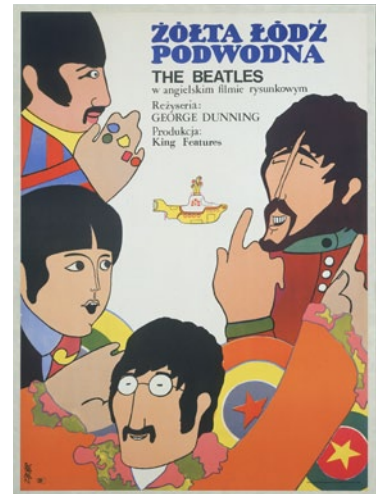


**THOUSANDS**  
OF LIBRARY ITEMS NOW  
AVAILABLE ONLINE

INCLUDING ACADEMY PUBLICATIONS  
FROM 1920S TO PRESENT



1,653 POSTERS  
ADDED  
46,500 TOTAL HOLDINGS



300,000  
PHOTOGRAPHS ADDED  
OVER 10.5 MILLION ITEMS TOTAL

# SCI-TECH

THE SCIENCE AND TECHNOLOGY COUNCIL IS TACKLING MAJOR TECHNOLOGICAL ISSUES FACING THE MOTION PICTURE INDUSTRY.

## NEW APP: THE ACADEMY COLOR PREDICTOR

The Academy’s new iPad app, currently in beta testing, helps filmmakers understand the interaction of key ingredients in cinematography, such as lights, cameras, filters and the actual photographed objects. Users can change various parameters to see rendering differences and compare combinations – for example, they can see how a particular color will look in LED lighting compared to fluorescent or tungsten, or see how a particular camera filter will impact colors. This free iPad app will be available later this year, and will be expanded to other platforms soon as well.

## ACADEMY COLOR ENCODING SYSTEM (ACES)

A color management system for filmmaking, ACES is gaining widespread adoption by equipment manufacturers and post-production/VFX facilities, and is being used in the production of movies, TV shows and commercials. ACES takes all captured footage – regardless of camera

type – converts it to a master all-encompassing “color space” for editing, compositing, CGI and color correction, and then outputs it to the desired display color space (digital projection, 35mm film, HD TV, iPad, etc.).

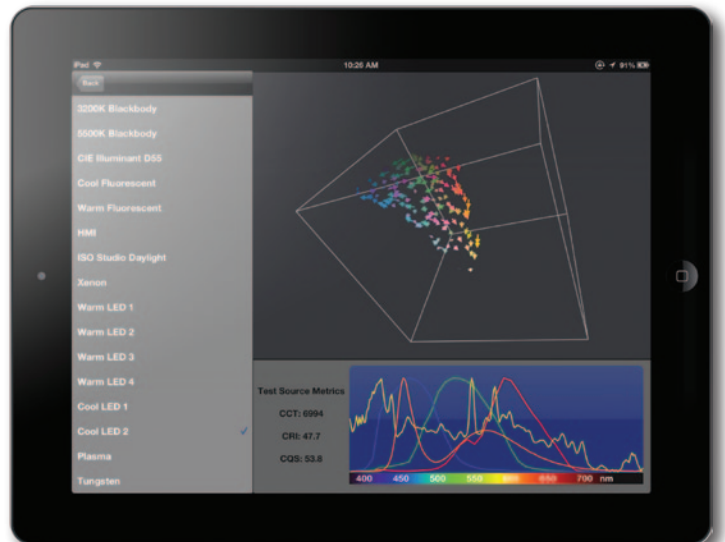
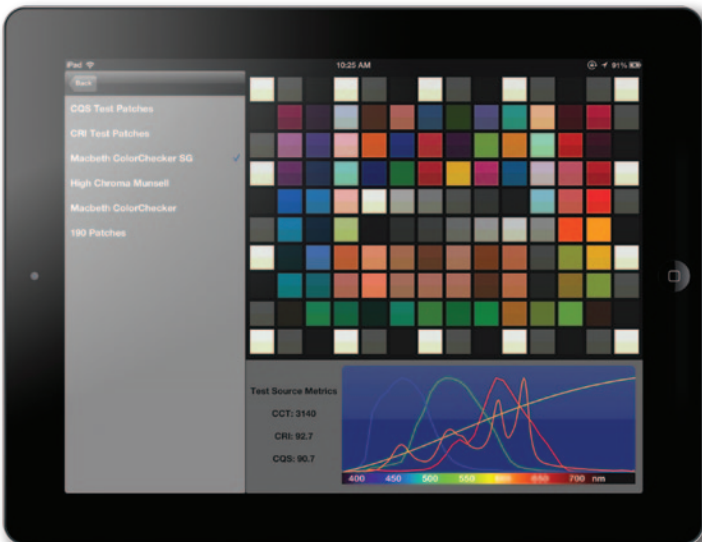
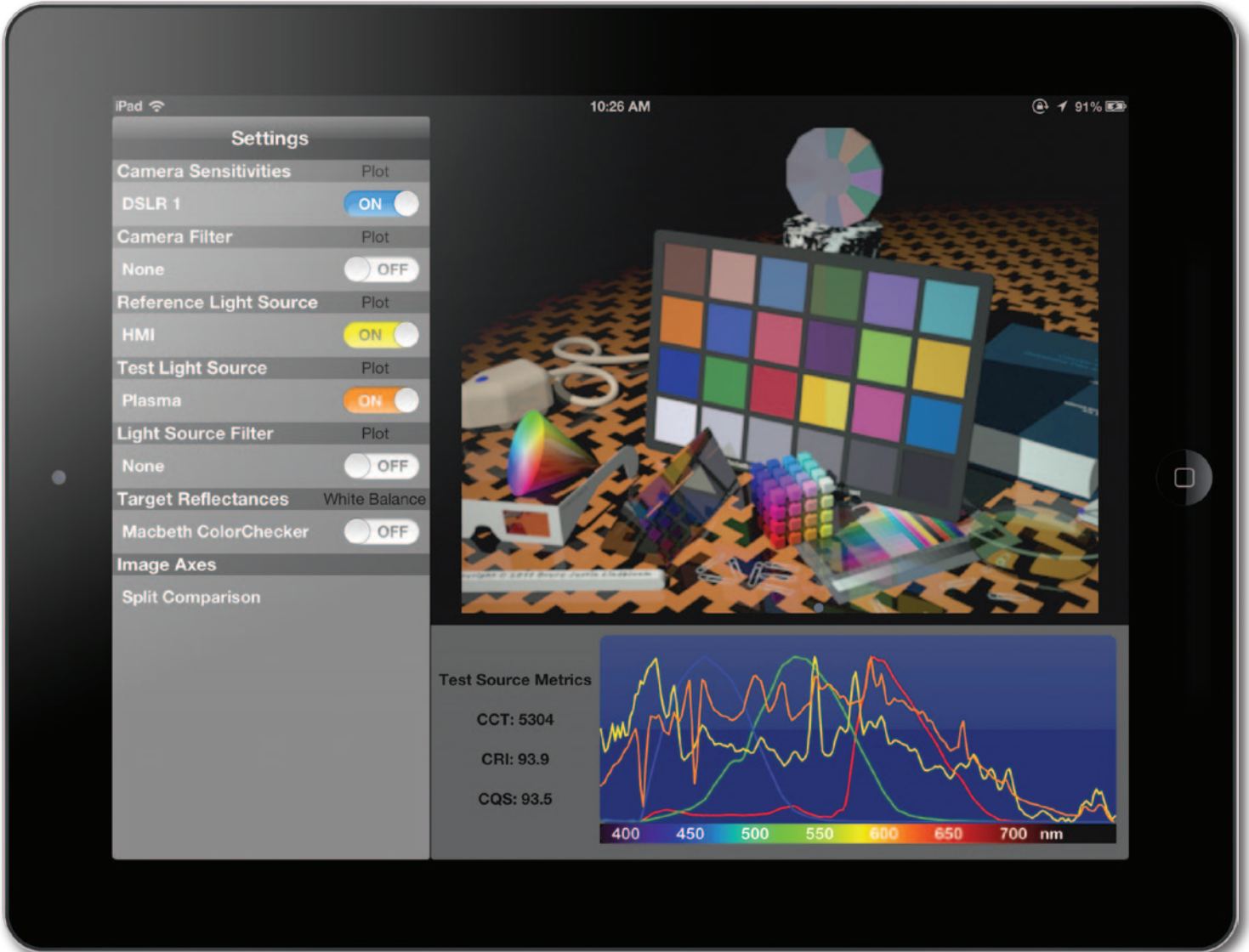
## DIGITAL PRESERVATION

The Council’s landmark “Digital Dilemma” research report on long-term preservation of digital motion pictures has now been translated into Marathi, the fourth foreign-language version of the report. Academy members and staff gave many presentations on digital topics over the past year as well, speaking to audiences on three continents. Science and Technology Council Managing Director Andy Maltz and member Milt Shefter spoke about digital preservation issues at the Mumbai Film Festival, while sound mixer Chris Newman and boom operator Gregg Harris led master classes in Brazil on how sound technicians are dealing with the challenges of new digital technologies.



25 COUNCIL MEMBERS

225+ COMMITTEE AND PROJECT VOLUNTEERS



# OUTREACH

EVER-EXPANDING EDUCATIONAL OPPORTUNITIES SERVE STUDENTS, FILMMAKERS AND DIVERSE AUDIENCES AROUND THE GLOBE.

## CONNECTING WITH STUDENTS

Gearing up for the wide-ranging educational experiences planned for the Academy Museum of Motion Pictures, the Academy made 2013 a year for expanding outreach and forging new educational partnerships. More than a dozen organizations, including the L.A.C.E.R. Afterschool Program, InnerCity Filmmakers and WriteGirl, teamed with the Academy to create innovative training opportunities. With Spark, a nonprofit mentorship organization assisting underserved youth, the Academy developed “Spark@TheAcademy,” a ten-week apprenticeship program for middle-schoolers. Many Academy members volunteered their time and expertise to make the new program a success.

Recent activities of the Media Literacy program, now in its 19th year, included a screening of *The Spectacular Now* and a discussion with its cast and crew. In 2013, the Academy also launched a new Teacher Training Program in visual storytelling and media literacy.

The many members who participated in the Visiting Artists Program included composer Michael Giacchino, who spoke to 100 music students from Emory University, and production designer John Muto, who spoke at universities in Kansas and Leicester, England.

## INTERNSHIPS

Five university students were selected for the Science and Technology Council’s 2013 internship program, receiving placements at Pixar Animation Studios, Walt Disney Animation Studios, Dolby Laboratories and with the Council. A new Academy internship program provides nine more college students with opportunities to work within key internal departments.

## FILMMAKER AND PUBLIC OUTREACH

At the Academy’s keynote session at SIGGRAPH 2013, nine acclaimed animation film directors entertained an audience of over 3,000. A three-part VFX Convergence series provided a cross-disciplinary exploration of the evolving craft of visual effects, while a co-presentation with Humanitas and the Writer’s Guild Foundation featured a panel of top screenwriters. Telluride Film Festival, Sundance Film Festival and the Los Angeles Film Festival included Academy-sponsored programs and exhibitions.

## INTERNATIONAL OUTREACH

Over the past year, teams of Academy members and staff met with filmmakers and government officials in Brazil, China, India, South Korea and the United Arab Emirates. The Academy partnered with the Dubai International Film Festival to present several sessions, and also led festival presentations in Mumbai, India, and Rio de Janeiro, Brazil.




MORE THAN  
**8,000**  
PARTICIPANTS  
INVOLVED



ACTIVITIES IN  
**NINE**  
COUNTRIES





what brings the world  
together 

# GRANTS

THE ACADEMY PROVIDES IMPORTANT FINANCIAL SUPPORT TO FILM FESTIVALS, FILM-RELATED ORGANIZATIONS AND UNIVERSITY INTERNSHIP PROGRAMS.

## FILM FESTIVAL GRANTS

A total of \$450,000 was awarded to 23 festivals, including grants to the St. Louis International Film Festival for its Women in Film Spotlight and to the New Orleans Film Festival for a 25th anniversary focus on black filmmakers. Installments of multi-year grants went to the Cleveland International Film Festival for its Focus on LGBT Filmmakers, San Francisco International Film Festival for its World Cinema Spotlight, Seattle International Film Festival for an African Pictures series and True/False Film Fest for its Neither/Nor Sidebar program.

## EDUCATIONAL GRANTS

Twenty-seven film-related organizations received a total of \$325,000 in 2013 to support filmmaker education. Grant recipients ranged from American University's student filmmaking scholars program and NALIP's Latino Producers Academy to Austin Film Festival's digital storytelling program and FilmAid International's filmmaker training program in Kenya.

## INTERNSHIP GRANTS

Internships are an important gateway into the industry, and the Academy's grants program provides assistance to qualified but financially challenged students who might not otherwise be able to participate. The 22 colleges and universities receiving internship grants included Arizona State, California Institute of the Arts, Chapman, Columbia, Florida State, Hampshire College, Montclair State, NYU and UCLA.

## FILM SCHOLARS

Dr. Christopher Beach, an independent scholar based in Vermont, and Dr. Thomas Schatz from the University of Texas at Austin received Academy Film Scholar grants to support research projects. Beach will write the first book-length study of motion picture director-cinematographer collaborations, while Schatz will complete a historical study of the American film industry since 1989, when a wave of mergers and acquisitions transformed the industry.

**70+**  
ORGANIZATIONS  
SUPPORTED IN 2013



**\$450,000** AWARDED TO  
FILM FESTIVALS

**\$325,000** FOR EDUCATION  
INITIATIVES

**\$175,000** AWARDED FOR  
INTERNSHIPS







# THE OSCARS

EACH YEAR THE ACADEMY, AND THE WORLD, CELEBRATE THE YEAR'S TOP ACHIEVEMENTS IN MOTION PICTURES.

Weeks before the cameras rolled on the 85th Academy Awards broadcast in February, Oscar history was quietly being made online. For the first time ever, Oscar voters were able to cast their ballots electronically, using the Academy's custom-designed eVoting program. Another much-applauded "first" came at the general membership meeting in May 2013, when it was announced that all voting members would be eligible to vote in all 24 categories for the 86th Awards.

The 2013 telecast, produced by Craig Zadan and Neil Meron and hosted by Seth MacFarlane, was the most-watched Oscar ceremony since 2010. An audience of 41.6 million tuned in to watch the show, an increase of 11% in 18-49 year-old viewers. With anticipation high for the 86th Oscars, ABC completely sold out ad inventory for the March 2, 2014 telecast by early November 2013.

In a celebration of creative achievements, Oscar statuettes were awarded to an array of diverse films. *Life of Pi*

took home the most – four – including the award for Cinematography and Ang Lee's Oscar for Directing, his second. *Argo* was named Best Picture and also won in the Adapted Screenplay and Film Editing categories. Quentin Tarantino won his second Original Screenplay Oscar for *Django Unchained*. There was a rare tie in the Sound Editing category, with awards going to both *Skyfall* and *Zero Dark Thirty*.

Daniel Day-Lewis (*Lincoln*) won his third Best Actor Oscar, the most for an actor in that category. The Best Actress category included both the oldest nominee, 85-year-old Emmanuelle Riva (*Amour*), and the youngest, nine-year-old Quvenzhané Wallis (*Beasts of the Southern Wild*). At age 22, Jennifer Lawrence (*Silver Linings Playbook*) became the second youngest Best Actress winner ever. Anne Hathaway (*Les Misérables*) won for Best Supporting Actress, while Christoph Waltz (*Django Unchained*) won for Best Supporting Actor, his second Oscar in that category.

41,600,000  
VIEWED THE 85TH OSCARS

11% INCREASE IN VIEWERS  
18-49 YEARS OLD



16,232,000  
VISITORS TO OSCAR.COM  
AND THE OSCAR APP

8,900,000  
TWEETS ON OSCAR NIGHT



# GOVERNORS AWARDS



THE 2013 GOVERNORS AWARDS HONORED TWO EXTRAORDINARY ENTERTAINERS, A VISIONARY COSTUME DESIGNER AND A REMARKABLE HUMANITARIAN.

**JEAN HERSHOLT  
HUMANITARIAN AWARD**

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ANGELINA JOLIE

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**HONORARY AWARDS**

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ANGELA LANSBURY

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STEVE MARTIN

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PIERO TOSI

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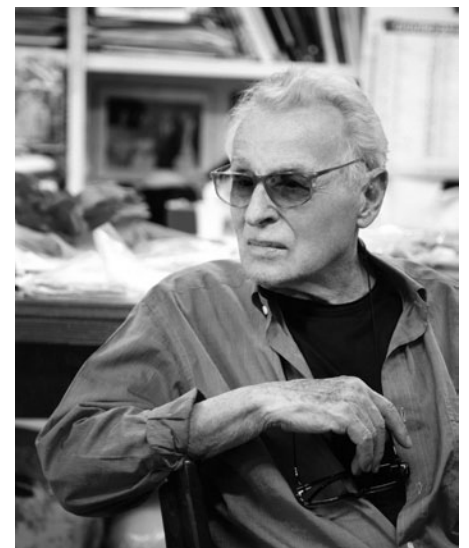
"ANGELINA HAS COME TO EMBODY THAT CONSCIENCE ASSOCIATED WITH JEAN HERSHOLT." – **GENA ROWLANDS ON ANGELINA JOLIE**



"WHEN IT COMES TO THE ART OF ACTING...NO ONE DESERVES THIS GOLDEN BOY MORE THAN YOU."  
– **ROBERT OSBORNE TO ANGELA LANSBURY**



"STEVE MARTIN HAS ALTERED THE STATE OF COMEDY FOR THE LAST FOUR DECADES."  
– **TOM HANKS**



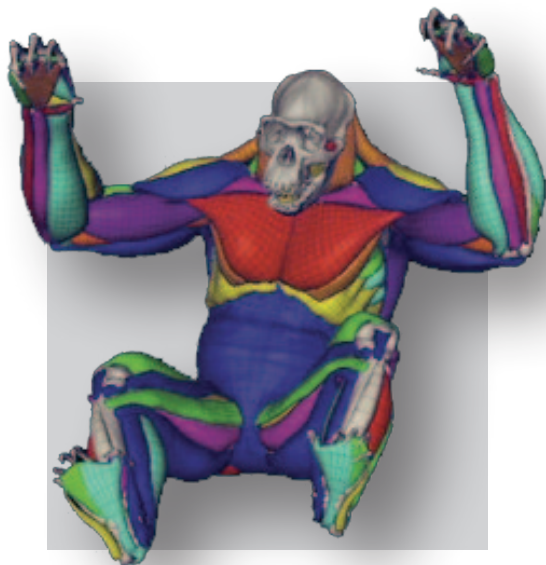
"PIERO TOSI GAVE US IMAGES THAT ARE SEALED IN THE MINDS OF FILMMAKERS EVERYWHERE."  
– **JEFFREY KURLAND**





# SCI-TECH AWARDS

AT THE CEREMONY  
HELD IN 2013, THE  
ACADEMY HONORED 26  
INNOVATORS.



## JOHN A. BONNER MEDAL OF COMMENDATION

BILL TAYLOR

## ACADEMY AWARD OF MERIT

COOKE OPTICS LIMITED

for their continuing innovation in the design, development and manufacture of advanced camera lenses over the last century.

## SCIENTIFIC AND ENGINEERING AWARD

SIMON CLUTTERBUCK  
JAMES JACOBS  
DR. RICHARD DORLING

for the development of the Tissue Physically-Based Character Simulation Framework.

DR. PHILIP McLAUHLAN  
ALLAN JAENICKE  
JOHN-PAUL SMITH  
ROSS SHAIN

for the creation of the Mocha planar tracking and rotoscoping software at Imagineer Systems Ltd.

JOE MURTHA  
WILLIAM FREDERICK  
JIM MARKLAND

of Anton/Bauer, Inc. for the design and creation of the CINE VCLX Portable Power System.

## TECHNICAL ACHIEVEMENT AWARD

J.P. LEWIS  
MATT CORDNER  
NICKSON FONG

for the invention and publication of the Pose Space Deformation technique.

LAWRENCE KESTELOOT  
DREW OLBRICH  
DANIEL WEXLER

for the creation of the Light system for computer graphics lighting at PDI/DreamWorks.

STEVE LAVIETES  
BRIAN HALL  
JEREMY SELAN

for the creation of the Katana computer graphics scene management and lighting software at Sony Pictures Imageworks.

THEODORE KIM  
NILS THUEREY  
DR. MARKUS GROSS  
DOUG JAMES

for the invention, publication and dissemination of Wavelet Turbulence software.

RICHARD MALL  
for the design and development of the Matthews Max Menace Arm.

# NEXT GENERATION

## NICHOLL FELLOWSHIPS | THE 2013 NICHOLL FELLOWS

For the first time, the presentation of the Academy Nicholl Fellowships in Screenwriting included a live read of scenes from each of the winning scripts. The November 2013 event was directed by Rodrigo Garcia, produced by Julie Lynn, and performed by Elle Fanning, Taraji P. Henson, Jason Isaacs and Anton Yelchin.

**FRANK DeJOHN & DAVID ALTON HEDGES**  
SANTA YNEZ, CA  
"LEGION"

**PATTY JONES**  
VANCOUVER, BC  
"JOE BANKS"

**ALAN ROTH**  
SUFFERN, NY  
"JERSEY CITY STORY"

**STEPHANIE SHANNON**  
LOS ANGELES, CA  
"QUEEN OF HEARTS"

**BARBARA STEPANSKY**  
BURBANK, CA  
"SUGAR IN MY VEINS"

## STUDENT ACADEMY AWARDS

Sixteen students from colleges and universities around the world were honored as winners at the 40th Student Academy Awards ceremony. The ceremony was hosted by 1978 Student Academy Award winner Bob Saget, who was joined by presenters Clark Gregg, Kimberly Peirce, Jason Schwartzman and Quvenzhané Wallis.

### ALTERNATIVE

**GOLD MEDAL**  
*BOTTLED UP*  
RAFAEL CORTINA  
OCCIDENTAL COLLEGE

**SILVER MEDAL**  
*ZUG*  
PERRY JANES  
UNIVERSITY OF MICHIGAN

**BRONZE MEDAL**  
*THE COMPOSITOR*  
JOHN MATTIUZZI  
SCHOOL OF VISUAL ARTS

### ANIMATION

**GOLD MEDAL**  
*DIA DE LOS MUERTOS*  
LINDSEY ST. PIERRE and  
ASHLEY GRAHAM  
RINGLING COLLEGE OF  
ART AND DESIGN

**SILVER MEDAL**  
*WILL*  
EUSONG LEE  
CALIFORNIA INSTITUTE  
OF THE ARTS

**BRONZE MEDAL**  
*PECK POCKETED*  
KEVIN HERRON  
RINGLING COLLEGE OF  
ART AND DESIGN

### DOCUMENTARY

**GOLD MEDAL**  
*A SECOND CHANCE*  
DAVID ARISTIZABAL  
UNIVERSITY OF SOUTHERN  
CALIFORNIA

**SILVER MEDAL**  
*EVERY TUESDAY:  
A PORTRAIT OF THE NEW  
YORKER CARTOONISTS*  
RACHEL LOUBE  
SCHOOL OF VISUAL ARTS

**BRONZE MEDAL**  
*WIN OR LOSE*  
DANIEL KOEHLER  
ELON UNIVERSITY

### NARRATIVE

**GOLD MEDAL**  
*OL' DADDY*  
BRIAN SCHWARZ  
UNIVERSITY OF TEXAS AT AUSTIN

**SILVER MEDAL**  
*JOSEPHINE AND THE ROACH*  
JONATHAN LANGAGER  
UNIVERSITY OF SOUTHERN  
CALIFORNIA

**BRONZE MEDAL**  
*UN MUNDO PARA RAUL  
(A WORLD FOR RAUL)*  
MAURO MUELLER  
COLUMBIA UNIVERSITY

### FOREIGN FILM

**GOLD MEDAL**  
*MISS TODD*  
KRISTINA YEE  
NATIONAL FILM AND TELEVISION  
SCHOOL, UNITED KINGDOM

**SILVER MEDAL**  
*PARVANEH*  
TALKHON HAMZAVI  
ZURICH UNIVERSITY OF THE ARTS,  
SWITZERLAND

**BRONZE MEDAL**  
*TWEESPRONG (CROSSROADS)*  
WOUTER BOUVIJN  
RITS SCHOOL OF ARTS,  
ERASMUS UNIVERSITY COLLEGE  
BRUSSELS, BELGIUM

432  
STUDENTS  
HONORED  
SINCE 1973



7,251  
ENTRIES IN THE  
2013 NICHOLL  
FELLOWSHIPS  
COMPETITION





# EVENTS

## IT WAS A BANNER YEAR FOR PUBLIC PROGRAMS EXPLORING DIVERSE TOPICS.

Spring kicked off with the Cuban Women Filmmakers Showcase, in partnership with local organizations, and an evening with Oscar-winning director Danny Boyle in New York. The Academy celebrated the 25th anniversary of *Who Framed Roger Rabbit* with a special screening and lively panel discussion, led by Oscar-winning director Robert Zemeckis. In April, Academy president Hawk Koch hosted a screening of 1992's *Wayne's World* and a laugh-filled reunion of stars Mike Myers and Dana Carvey. Technology-focused programs included "Deconstructing Pi," "Turning the Page: Storytelling in the Digital Age" and the VFX Convergence series, a cross-disciplinary look at the new age of visual effects.

Summer events included the Academy's first foray into live audio commentary with a screening of the 1987 comedy *The Princess Bride*, hosted by actor Jason Reitman and featuring hilarious and insightful commentary by director Rob Reiner. The action ramped up when Jackie Chan and Wong Kar Wai were saluted with special screenings and stunt artists were spotlighted in "Real to Reel: The Art of Action." Throughout the summer,

audiences of all ages packed the lawn at the 23 Los Angeles screenings of the Oscars Outdoors series.

In the fall, the Academy presented a tribute to Mexican cinematographer Gabriel Figueroa and co-presented a screening series and exhibition at LACMA. In the Academy's Grand Lobby Gallery, a multimedia exhibition of renowned animator Richard Williams's film art included drawings from his Oscar-winning visual effects work on *Who Framed Roger Rabbit*. Complementing the exhibit was the first public screening of a new reconstruction of Williams's animated feature *The Thief and the Cobbler*, created from a 1992 workprint, shown at the Goldwyn in December.

New York audiences were treated to a screening of Costa-Gavras's 1969 masterwork *Z* in October, preceded by a discussion between the director and Oscar-winning screenwriter Chris Terrio. And in November, as host of the "Like Magic" event, a look at cinema's roots in stage magic, magician Ricky Jay mesmerized audiences at the Goldwyn.

90 PUBLIC  
EVENTS

38,250 PEOPLE  
AT PROGRAMS IN L.A. AND NEW YORK



610  
ONSTAGE GUESTS  
AND PANELISTS



# ACADEMY OF MOTION PICTURE ARTS AND SCIENCES

CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2013 AND 2012

## INDEPENDENT AUDITOR'S REPORT

To the Board of Governors 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 subsidiaries (the "Academy"), which comprise the consolidated statements of financial position as of June 30, 2013 and 2012, and the related consolidated statements of activities and changes in net assets 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.

### AUDITOR'S 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 subsidiaries at June 30, 2013 and 2012, and the results of their activities and 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*

September 4, 2013

## Consolidated Statements of Financial Position

June 30, 2013 and 2012

	2013	2012
<b>Assets</b>		
Cash and cash equivalents	\$ 11,635,100	\$ 16,723,300
Investments, at fair value (Note 2)	277,753,000	228,119,500
Accounts and other receivables, net (Note 4)	997,300	1,009,300
Pledges receivable, net (Note 5)	64,649,100	2,153,900
Prepaid expenses	679,800	442,000
Deferred rent expense, net	2,028,800	231,800
Property, equipment and building improvements, net (Note 6)	84,096,100	112,267,500
Land and building held for sale, net (Note 7)	45,000,000	-
Academy collections, carried at no value (Note 1)	-	-
Other assets, net (Note 8)	1,975,000	2,016,300
<b>Total assets</b>	<b>\$ 488,814,200</b>	<b>\$ 362,963,600</b>
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued expenses	\$ 6,887,000	\$ 3,378,000
Accrued salaries and benefits (Note 9)	15,237,800	16,179,600
Grants payable, less discount	648,900	1,211,200
Deferred income	797,000	769,600
Debt (Note 10)	63,000,000	35,000,000
Financing obligation - construction in progress (Note 11)	12,119,800	-
Derivative instrument (Note 10)	4,797,300	6,912,300
<b>Total liabilities</b>	<b>103,487,800</b>	<b>63,450,700</b>
<b>Net assets</b>		
Unrestricted		
Board designated for Fairbanks Center	44,834,300	43,048,600
Board designated for Homewood Foundation	23,347,300	2,103,900
Undesignated	250,035,500	232,765,700
<b>Total unrestricted</b>	<b>318,217,100</b>	<b>277,918,200</b>
Temporarily restricted (Note 1)	48,660,700	3,206,600
Permanently restricted		
Restricted for Fairbanks Center (Note 12)	12,824,600	12,764,100
Restricted for Nicholl Fellowship Program (Note 12)	5,624,000	5,624,000
<b>Total permanently restricted</b>	<b>18,448,600</b>	<b>18,388,100</b>
<b>Total net assets</b>	<b>385,326,400</b>	<b>299,512,900</b>
<b>Total liabilities and net assets</b>	<b>\$ 488,814,200</b>	<b>\$ 362,963,600</b>

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

## Consolidated Statements of Activities and Changes in Net Assets

Years Ended June 30, 2013 and 2012

	2013	2012
<b>Changes in unrestricted net assets</b>		
Revenues		
Academy Awards and related activities	\$ 93,740,200	\$ 89,572,300
Membership dues	1,473,200	1,474,700
Contributions	28,762,100	1,864,200
Research library and other educational and cultural activities	342,000	279,000
Nicholl contributions and program entry fees	369,900	337,300
Theater rentals	334,400	367,900
Investment income, net	8,274,300	7,404,200
Other income	95,100	23,600
Satisfaction of program restrictions	973,300	1,928,600
<b>Total revenues</b>	<b>134,364,500</b>	<b>103,251,800</b>
Expenses		
Academy Awards and related activities	39,725,500	37,509,000
Membership, theater, and other operations	3,625,700	2,939,600
Fairbanks Center operations	6,215,000	7,486,800
Pickford Center operations	6,546,200	6,274,100
Science and Technology Council operations	1,701,100	1,728,300
Museum development	4,096,600	4,359,100
Educational and cultural programs	3,451,200	2,675,000
Grants, contributions, and awards	1,204,900	1,262,500
General and administrative expenses	23,576,600	20,048,300
Impairment of land and building held for sale (Note 1)	8,094,300	-
Interest (income) expense	(896,000)	4,295,100
<b>Total expenses</b>	<b>97,341,100</b>	<b>88,577,800</b>
Increase in unrestricted net assets from continuing operations	37,023,400	14,674,000
Pension and postretirement-related changes other than net periodic benefit cost		
	3,275,500	(3,751,000)
<b>Increase in unrestricted net assets</b>	<b>40,298,900</b>	<b>10,923,000</b>
<b>Changes in temporarily restricted net assets</b>		
Contributions received, net of discount	45,748,300	698,400
Net assets released from restrictions	(973,300)	(1,928,600)
Investment income from permanently restricted funds	679,100	574,000
Increase (decrease) in temporarily restricted net assets	45,454,100	(656,200)
<b>Changes in permanently restricted net assets</b>		
Donor restricted contributions to Fairbanks Center Endowment	60,500	53,000
Donor restricted investment income	-	55,000
<b>Increase in permanently restricted net assets</b>	<b>60,500</b>	<b>108,000</b>
<b>Total increase in net assets</b>	<b>85,813,500</b>	<b>10,374,800</b>
<b>Net assets</b>		
Beginning of year	299,512,900	289,138,100
<b>End of year</b>	<b>\$ 385,326,400</b>	<b>\$ 299,512,900</b>

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

## Consolidated Statements of Cash Flows

Years ended June 30, 2013 and 2012

	2013	2012
<b>Cash flows from operating activities</b>		
Changes in net assets	\$ 85,813,500	\$ 10,374,800
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	5,197,200	4,201,700
Permanently restricted contributions and income	(60,500)	(108,000)
Pledges related to long-lived assets	(26,550,000)	-
Bad debt expense related to pledges receivable	107,000	-
Present value adjustment to pledges receivable	839,300	-
Present value adjustment to grants payable	12,700	29,000
Net realized and unrealized gains on investments	(1,906,200)	(954,600)
Unrealized loss (gain) on derivative instrument	(2,115,000)	3,208,000
Impairment of land and building held for sale	8,094,300	-
Changes in assets and liabilities		
Accounts and other receivables	12,000	57,700
Pledges receivable	(39,604,000)	(931,200)
Prepaid expenses	(237,800)	101,200
Deferred rent	(1,910,700)	-
Other assets	(29,700)	(345,600)
Accounts payable and accrued expenses	224,100	1,091,900
Accrued salaries and benefits	(941,800)	5,210,500
Grants payable	(575,000)	(550,000)
Deferred income	27,400	15,400
<b>Net cash provided by operating activities</b>	<b>26,396,800</b>	<b>21,400,800</b>
<b>Cash flows from investing activities</b>		
Sales and maturities of investments	147,763,300	230,474,200
Purchases of investments	(195,490,600)	(235,929,700)
Additions to property, equipment and building improvements	(14,356,300)	(8,005,100)
<b>Net cash used in investing activities</b>	<b>(62,083,600)</b>	<b>(13,460,600)</b>
<b>Cash flows from financing activities</b>		
Proceeds from note	28,000,000	-
Debt issuance costs	(174,400)	-
Contributions for long-lived assets	2,712,500	-
Permanently restricted contributions and income	60,500	108,000
<b>Net cash provided by financing activities</b>	<b>30,598,600</b>	<b>108,000</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(5,088,200)</b>	<b>8,048,200</b>
<b>Cash and cash equivalents</b>		
Beginning of year	16,723,300	8,675,100
<b>End of year</b>	<b>\$ 11,635,100</b>	<b>\$ 16,723,300</b>

### Supplemental disclosure of cash flow information

Cash paid during the year for interest	\$ 922,500	\$ 826,100
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### Supplemental schedule of noncash activities

Property, equipment and building improvements included in accounts payable and accrued expenses	3,284,900	345,500
Property, equipment and building improvements included in financing obligation - construction in progress	12,119,800	-
Transfer of Property, equipment and building improvements to land and buildings held for sale	53,094,300	-

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

# Notes to Consolidated Financial Statements

June 30, 2013 and 2012

## 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"), the Academy Foundation ("Foundation"), the Vine Street Archive Foundation ("Vine Street"), the Homewood Foundation ("Homewood"), and the Archival Foundation ("Archival") (collectively, the "Academy"), all not-for-profit corporations. All inter-entity transactions have been eliminated in consolidation. The Foundation was formed for the purpose of promoting and supporting educational and cultural activities related to the motion picture industry. Vine Street was formed for the purpose of owning and operating the Mary Pickford Center for Motion Picture Study ("Pickford Center"). Homewood was formed for the purpose of developing a museum devoted to exploring and curating the history and future of the moving image. Archival was formed for the purpose of operating the Douglas Fairbanks Center for Motion Picture Study (Fairbanks Center), the Margaret Herrick Library, and the Academy Film Archive. The four foundations are related to AMPAS in that the officers and trustees of the foundations are also members of AMPAS's Board of Governors.

### Recognition of Revenues and Expenses

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

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

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

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

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

Conditional promises to give consist of bequests and assignments of life insurance benefits. These promises to give are recognized when the cash is received.

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

### Cash and Cash Equivalents

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

### Accounts and Other Receivables

Accounts and other receivables include trade receivables arising from the broadcast of the Academy Awards telecast and through the normal course of business and interest receiv-

able on the Academy's investment portfolio representing interest earned but not paid as of year-end and grants receivable (Note 4).

### Pledges Receivable

Pledges receivable represent unconditional promises to donate money to the proposed Academy Museum of Motion Pictures. Pledges in excess of one year are discounted to the net present value. The Academy has recorded an allowance for doubtful accounts to reduce the receivable balance to the estimated collectible balance (Note 5).

The Foundation has conditional promises to receive pledges for the Academy's proposed museum, which are not reflected in the consolidated financial statements, including bequests and gifts with required donor approval milestones, which total \$6,550,000 and \$8,500,000 at June 30, 2013 and 2012, respectively.

### Fair Value Measurements

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

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

- Level I Quoted prices in active markets for assets or liabilities that the Academy has the ability to access at the measurement date. An active market for the asset is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. A quoted price in an active market provides the most reliable evidence of fair value and is used to measure fair value whenever available.
- Level II Inputs other than quoted prices included within Level I that are observable for the asset or liability, either directly or indirectly. Level II inputs include quoted prices for similar assets or liabilities in markets that are either active or inactive, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level III Inputs are unobservable for the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available. Unobservable inputs reflect the Academy's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances.

Assets and liabilities measured at fair value are classified and disclosed in Note 3.

### Investments and Investment Income

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

As disclosed in Note 3, the Academy invests in certain investments, with a fair value of \$13,379,500 and \$11,514,600 as of June 30, 2013 and 2012, respectively, which are not exchange-traded. The fair value of the units of the Academy's investments are determined by the Fund Manager at each valuation date.

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



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

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

### Deferred Rent Expense

Deferred rent expense represents amounts which have been contractually paid in advance of the lease terms of the Fairbanks Center and the Academy Museum of Motion Pictures ("Academy Museum"). The Fairbanks Center lease is being amortized over thirty years and the Academy Museum land lease is being amortized over the lease term and its renewal period. The unpaid portion of the Academy Museum land lease is included in Note 14.

### Property, Equipment and Building Improvements

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

### Land and Building Held for Sale

The Academy reports assets held for sale as prescribed under authoritative guidance, which requires the Academy to separately identify the assets and report them at the lower of fair value or net book value (historical cost less accumulated depreciation), upon meeting the criteria of assets held for sale.

### Impairment

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

In June 2013, the Academy approved the conditional sale of the Homewood land and building. As a result, the Academy evaluated the fair value of the asset and concluded that the book value exceeded the market value. Accordingly, the Academy recorded an impairment loss of \$8,094,300, including capitalized rent concessions of \$3,300,000, to reduce the carrying amount to its estimated fair value at June 30, 2013. There was no impairment of long-lived assets as of June 30, 2012.

### Other Assets

Other assets consist primarily of debt issuance costs, computer software, and the cash surrender value on executive life insurance. Debt issuance costs are amortized on a straight-line basis, over the life of the related debt, which approximates the effective interest method, and are included in interest expense in the consolidated statements of activities and changes in net assets. Computer software is amortized using the straight-line method over three years.

### Derivative Instrument

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

### Net Assets

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

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

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

All Fairbanks Center and Homewood endowment fund contributions are classified as permanently restricted and the related income is classified as temporarily restricted until the related income is appropriated for expenditure by the Board of Governors in accordance with the Academy's spending policy. All Nicholl endowment fund contributions are classified as permanently restricted and the related income is classified in accordance with the grant document as permanently restricted and temporarily restricted until the related income is appropriated for expenditure by the Board of Governors in accordance with the Academy's spending policy. All board-designated contributions to the endowment and the related endowment investment income are included in unrestricted net assets (Note 12).

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

	2013	2012
Academy museum	\$ 48,572,000	\$ 2,873,700
Film restoration projects	50,000	15,600
Nicholl endowment	38,700	317,300
	<u>\$ 48,660,700</u>	<u>\$ 3,206,600</u>

### Use of Estimates

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

### Concentrations of Credit Risk

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

### Advertising

Advertising costs are charged to expense in the period incurred. Advertising expense was \$4,995,800 and \$4,458,000 for the years ended June 30, 2013 and 2012, respectively, and is included in Academy Awards and related activities in the accompanying consolidated statements of activities and changes in net assets.

### Income Taxes

AMPAS, Foundation, Vine Street, Homewood and Archival are nonprofit organizations determined by the Internal Revenue Service and the California Franchise Tax Board to be exempt from federal and state income taxes, respectively.

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

### Reclassifications

Certain reclassifications have been made to the 2012 financial statements to conform to the 2013 presentation. There was no impact on total revenues, total expenses or net assets as a result of these reclassifications.

## 2. Investments

Investments consist of the following at June 30:

	2013		2012	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 22,165,100	\$ 22,167,000	\$ 6,538,700	\$ 6,538,700
Fixed income investments	110,295,900	107,443,400	101,015,900	102,340,300
Equity investments	52,966,800	58,603,800	39,283,900	40,492,500
Real estate investments	17,465,000	12,186,100	15,978,900	11,027,000
Alternative investments	77,096,100	77,352,700	66,454,000	67,721,000
	<u>\$ 279,988,900</u>	<u>\$ 277,753,000</u>	<u>\$ 229,271,400</u>	<u>\$ 228,119,500</u>

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

	2013	2012
Interest and dividend income	\$ 7,575,800	\$ 7,633,100
Net realized gain on investments	2,990,200	1,366,500
Net unrealized loss on investments	(1,084,000)	(411,900)
Investment fees	(528,600)	(554,500)
	<u>\$ 8,953,400</u>	<u>\$ 8,033,200</u>

Investment income is classified in net assets as follows at June 30:

	2013	2012
Permanently restricted net assets	\$ -	\$ 55,000
Temporarily restricted net assets	679,100	574,000
Unrestricted net assets	8,274,300	7,404,200
	<u>\$ 8,953,400</u>	<u>\$ 8,033,200</u>

## 3. Fair Value Measurements

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, 2013:

	Assets (Liabilities)			
	Level I	Level II	Level III	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 22,167,000	\$ -	\$ -	\$ 22,167,000
Mutual fund—equity	58,603,800	-	-	58,603,800
Mutual fund—fixed income	60,408,200	-	-	60,408,200
Mutual fund—alternative investments	38,659,100	31,112,400	-	69,771,500
Fixed income securities	-	47,035,200	-	47,035,200
REIT investments	6,387,800	-	-	6,387,800
Real estate alternative investments	-	-	5,798,300	5,798,300
Absolute return hedge fund	-	-	7,581,200	7,581,200
	<u>\$ 186,225,900</u>	<u>\$ 78,147,600</u>	<u>\$ 13,379,500</u>	<u>\$ 277,753,000</u>
<b>Liabilities</b>				
Interest rate swap contract	\$ -	\$ (4,797,300)	\$ -	\$ (4,797,300)

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, 2012:

	Assets (Liabilities)			
	Level I	Level II	Level III	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 6,538,700	\$ -	\$ -	\$ 6,538,700
Mutual fund—equity	40,492,500	-	-	40,492,500
Mutual fund—fixed income	59,407,800	-	-	59,407,800
Mutual fund—alternative investments	35,363,000	25,931,300	-	61,294,300
Fixed income securities	-	42,932,500	-	42,932,500
REIT investments	5,939,100	-	-	5,939,100
Real estate alternative investments	-	-	5,087,900	5,087,900
Absolute return hedge fund	-	-	6,426,700	6,426,700
	<u>\$ 147,741,100</u>	<u>\$ 68,863,800</u>	<u>\$ 11,514,600</u>	<u>\$ 228,119,500</u>
<b>Liabilities</b>				
Interest rate swap contract	\$ -	\$ (6,912,300)	\$ -	\$ (6,912,300)

## Valuation Methodologies

### Securities

#### Cash and Cash Equivalents

Certain cash balances and highly liquid cash equivalents purchased with 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 'absolute return mutual fund' category include restrictions on the ability to exit the security and as a result have been categorized as Level II in the fair value hierarchy.

#### Fixed Income Securities

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

#### Real Estate Investment Trusts (REITs)

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

#### Real Estate Alternative Investments

Alternative real estate investments consist of investments in funds composed of direct investments in a pool of real estate properties. These funds are valued by investment managers on a periodic basis using pricing models that use independent appraisals from sources with professional qualifications and are based upon net asset value (NAV) as reported by the investment manager. Since these valuation inputs are not observable, alternative real estate investments have been categorized as Level III investments.

#### Absolute Return Hedge Fund

The fair values of hedge fund investments are based upon net asset value (NAV) as reported by the investment manager. Since these valuation inputs are not observable, hedge fund investments have been categorized as Level III investments. This fund is a private fund which is actively managed to achieve the goal of outperforming a chosen benchmark.

#### Interest Rate Swap Contract

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

## Investments Calculated at Net Asset Value

As of June 30, 2013, 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	\$ 7,581,200	None	Monthly	14 Days
Real estate alternative investments				
US	3,870,000	None	Semi-annual	60 Days
European	1,928,300	None	Semi-annual	60 Days

### Changes in Level III Fair Value Measurements

The table below includes the reconciliation of changes to the consolidated statements of financial position amounts for the years ended June 30 for financial instruments classified within Level III of the valuation hierarchy:

	2013	2012
Balances at July 1	\$ 11,514,600	\$ 10,634,300
Total unrealized gain (loss) included in changes in net assets	349,100	(300)
Purchases of portfolio investments	1,657,800	1,550,100
Proceeds from sales, redemptions, and distributions	(142,000)	(669,500)
Balances at June 30	\$ 13,379,500	\$ 11,514,600

The fair value of the land and building held for sale was determined by a sales contract with a third party, which is considered to be based on Level III inputs (significant unobservable inputs). The land and building held for sale is the only asset or liability measured at fair value on a nonrecurring basis as of June 30, 2013. No assets or liabilities were measured at fair value on a nonrecurring basis as of June 30, 2012.

### 4. Accounts and Other Receivables, Net

Accounts and other receivables, net consist of the following at June 30:

	2013	2012
Trade and membership dues receivables	\$ 333,900	\$ 60,200
Accrued investment income	387,100	510,900
Grants receivable	158,900	438,500
Other	137,800	20,100
	1,017,700	1,029,700
Less: Allowance for doubtful accounts	(20,400)	(20,400)
	\$ 997,300	\$ 1,009,300

### 5. Pledges Receivable, Net

Pledges receivable have been discounted using an average discount rate of 1.79% and 0.79% for the years ended June 30, 2013 and 2012, respectively, and the following schedule of collections:

	2013	2012
Less than 1 year	\$ 29,518,000	\$ 713,400
Greater than 1 year to 5 years	34,752,000	1,265,100
Greater than 5 years to 10 years	900,000	200,000
Greater than 10 years	450,000	-
	65,620,000	2,178,500
Less: Allowance for doubtful accounts	(107,000)	-
Less: Discount	(863,900)	(24,600)
	\$ 64,649,100	\$ 2,153,900

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

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

	2013	2012
Land	\$ 25,194,900	\$ 73,507,500
Building	9,765,100	12,379,900
Building improvements	41,576,700	36,559,200
Furniture, fixtures and equipment	26,413,700	21,648,800
Construction in progress	23,459,400	6,534,000
	126,409,800	150,629,400
Less: Accumulated depreciation	(42,313,700)	(38,361,900)
	\$ 84,096,100	\$ 112,267,500

Depreciation expense totaled \$4,838,000 and \$3,955,900 for the years ended June 30, 2013 and 2012, respectively.

### 7. Land and Building Held for Sale, Net

Land and building held for sale, net consist of the following at June 30, 2013:

Land	\$ 48,312,600
Building	2,614,800
Building improvements	3,038,100
Office	15,000
	53,980,500
Less: Accumulated depreciation	(886,200)
Less: Impairment of land and building held for sale	(8,094,300)
	\$ 45,000,000

### 8. Other Assets, Net

Other assets, net consist of the following at June 30:

	2013	2012
Bond issuance costs, net	\$ 994,300	\$ 874,700
Computer software, net	264,600	402,700
Executive life insurance	716,100	738,900
	\$ 1,975,000	\$ 2,016,300

### 9. Accrued Salaries and Benefits

Accrued salaries and benefits comprise the following at June 30:

	2013	2012
Postretirement medical plan	\$ 4,399,700	\$ 4,455,200
Accrued pension benefits	9,542,600	10,787,900
Accrued salaries and vacation	1,240,300	881,300
Deferred compensation plan	55,200	55,200
	\$ 15,237,800	\$ 16,179,600

### 10. Debt

Debt comprises the following at June 30:

	2013	2012
Bonds	\$ 35,000,000	\$ 35,000,000
Promissory note	28,000,000	-
	\$ 63,000,000	\$ 35,000,000

### Bonds

On November 13, 2008, the California I-Bank issued \$35,000,000 of Variable Rate Demand Refunding Revenue Bonds (2008 Bonds) on behalf of the Academy for the purpose of refinancing the Academy's existing bonds that were issued during 2002. The bonds mature on July 1, 2032. The bonds have a variable weekly rate and are redeemable weekly. The variable rate is determined weekly by the Remarketing Agent as the minimum interest rate under current market conditions that would result in the sale of the bonds. As of June 30, 2013 and 2012, the interest rate was 0.05% and 0.15%, respectively. The bonds are subject to mandatory sinking fund payments beginning July 1, 2022, and are collateralized by the revenue of the Academy and secured by an irrevocable, direct pay letter of credit issued by City National Bank. On August 4, 2009, the bonds were remarketed in connection with the issuance of a confirming letter of credit by the Federal Home Loan Bank of San Francisco as additional security and conversion of the bonds to a monthly interest rate, which was converted back to a weekly interest rate on September 1, 2009. The letter of credit matures on November 13, 2013. Management is pursuing a renewal of the letter of credit with the current lender, however if an agreement cannot be reached they will seek other options. No assurances can be given that management will be successful in renewing the letter of credit and as a result, they would be required to repay the bonds. The bond agreement and letter of credit contain various covenants including the requirement to maintain a minimum annual debt service coverage ratio and an unrestricted resources test, which the Academy was in compliance with at June 30, 2013 and 2012. At the completion of the initial bond offering in 2002, the Academy entered into an interest rate swap with Citigroup Financial Products, Inc. ("Citigroup"). The swap has a notional value of \$21,000,000 and terminates on July 1, 2032. Under the terms of the swap agreement, the Academy agrees to pay Citigroup a fixed rate of 3.88% and receive a variable rate of 67% of LIBOR from Citigroup. The Academy has the ability to terminate the swap agreement with 30 days notice. The swap agreement remains in effect with the new bond issuance.

### Promissory Note

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

The carrying value of the Academy's debt as of June 30, 2013 and 2012 approximates fair value, as the bonds and note were issued at variable rates.

Interest (income) expense consists of the following for the years ended June 30:

	2013	2012
Bond and debt interest expense	\$ 166,200	\$ 45,200
Derivative interest expense	782,800	782,900
Amortization of bond and debt issuance costs	54,700	43,100
Commitment fees	215,300	215,900
Unrealized (gain) loss on derivative instrument	(2,115,000)	3,208,000
	\$ (896,000)	\$ 4,295,100

### 11. Financing Obligation – Construction in Progress

On October 18, 2012, the Academy entered into a lease with Museum Associates for the facility which will house the Academy Museum. The base rent will be \$28,000,000 with a lease term of 55 years, which is renewable for another 55 years at no additional cost. The lease is payable over six installments at an interest rate of 5% per year, with earlier payment permitted. 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 \$13,200,000 to the building and land, respectively, based on market values at lease inception. 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 (Note 14). To date, the Academy has made \$5,000,000 in lease payments; the unpaid portion of the allocation to the building is included as a financing obligation in construction in progress and the unpaid portion of the allocation to the land lease is included in the future minimum lease payments in Note 14.

### 12. 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 the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Academy classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Academy in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Academy considers the following factors in making a determination to appropriate or accumulate endowment funds:

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

The composition of the endowment funds consists of the following at June 30, 2013 and 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>At June 30, 2013</b>				
Donor-restricted funds	\$ -	\$ 38,700	\$ 18,448,600	\$ 18,487,300
Board-designated funds	44,834,300	-	-	44,834,300
Total endowment funds	\$ 44,834,300	\$ 38,700	\$ 18,448,600	\$ 63,321,600
<b>At June 30, 2012</b>				
Donor-restricted funds	\$ -	\$ 317,300	\$ 18,388,100	\$ 18,705,400
Board-designated funds	43,048,600	-	-	43,048,600
Total endowment funds	\$ 43,048,600	\$ 317,300	\$ 18,388,100	\$ 61,754,000

Changes in endowment net assets for the years ended June 30, 2013 and 2012 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted
<b>Endowment net assets at July 1, 2011</b>	\$ 46,596,300	\$ 1,662,100	\$ 18,280,100
Contributions	-	-	53,000
Investment gain	844,400	574,100	55,000
Uses of net assets	(4,392,100)	(1,918,900)	-
<b>Endowment net assets at June 30, 2012</b>	43,048,600	317,300	18,388,100
Contributions	-	-	60,500
Investment gain	2,146,300	679,100	-
Uses of net assets	(360,600)	(957,700)	-
<b>Endowment net assets at June 30, 2013</b>	\$ 44,834,300	\$ 38,700	\$ 18,448,600

The portion of permanently restricted endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA at June 30, 2013 and 2012 consists of the following:

	2013	2012
Restricted for Fairbanks Center	\$ 12,824,600	\$ 12,764,100
Restricted for Nicholl Fellowship Program	5,624,000	5,624,000
Total endowment assets classified as permanently restricted	\$ 18,448,600	\$ 18,388,100

The portion of temporarily restricted endowment funds that is required to be retained temporarily either by explicit donor stipulation or by UPMIFA at June 30, 2013 and 2012 consists of the following:

	2013	2012
Restricted for Nicholl Fellowship Program	\$ 38,700	\$ 317,300

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

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

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

The fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist, they are classified as a reduction of unrestricted net assets. The Academy recorded no deficits for the years ended June 30, 2013 and 2012.

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

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

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

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

	Pension Benefits		Postretirement Health Plan	
	2013	2012	2013	2012
	Employer's contribution	\$ 1,466,700	\$ 1,217,000	\$ 46,800
Plan participants' contributions	-	-	9,400	8,500
Benefit payments	339,900	520,800	56,200	45,500
Funded status	(9,276,700)	(10,787,900)	(4,399,700)	(4,455,200)
Prepaid (accrued) benefit cost	(9,276,700)	(10,787,900)	(4,399,700)	(4,455,200)
Net periodic benefit costs	3,189,200	1,906,000	33,100	804,000
Accumulated plan benefit obligation	31,419,900	27,229,100	-	-
Fair value of plan assets	24,289,500	22,539,500	-	-
Projected plan benefit obligation	33,566,200	33,327,400	4,399,700	4,455,200

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

	Pension Benefits		Postretirement Health Plan	
	2013	2012	2013	2012
	Accrued salaries and benefits	\$ (9,542,600)	\$ (10,787,900)	\$ (4,399,700)

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

	Pension Benefits		Postretirement Health Plan	
	2013	2012	2013	2012
	Discount rate	4.45 %	4.25 %	4.85 %
Rate of compensation increase	3.00 %	3.00 %	N/A	N/A

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

	Pension Benefits		Postretirement Health Plan	
	2013	2012	2013	2012
	Discount rate	4.25 %	5.55 %	4.35 %
Expected long-term return on plan assets	5.50 %	6.20 %	N/A	N/A
Rate of compensation increase	3.00 %	3.00 %	N/A	N/A

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

	2013	2012
Health care cost trend rate assumed for next year	7.50 %	8.00 %
Ultimate trend rate	5.00 %	5.00 %
Year that the rates reach the ultimate trend rate	5	6

The Academy expects to contribute \$1,376,500 to its pension plan and \$93,000 to its postretirement health plan in 2014.

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

	Pension Benefits		Postretirement Health Plan	
	2013	2012	2013	2012
	Prior service cost	\$ (5,020,900)	\$ -	\$ (3,068,000)
Net loss	14,716,700	12,929,500	2,567,300	3,488,100
	\$ 9,695,800	\$ 12,929,500	\$ (500,700)	\$ (458,900)

Amounts expected to be recognized as components of net periodic benefit cost during 2014:

	Pension Benefits	Postretirement Health Plan
Prior service cost	\$ (467,100)	\$ (879,100)
Net loss	1,056,800	515,100
	\$ 589,700	\$ (364,000)

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

	Pension Benefits		Postretirement Health Plan	
	2013	2012	2013	2012
	Net loss	\$ 2,735,300	\$ 5,983,900	\$ (322,200)
Amortization of net loss	(948,100)	(416,200)	(598,600)	(39,000)
Plan amendments	(5,020,884)	-	-	(4,305,409)
Amortization of prior service costs	-	-	879,100	(91,900)
	\$ (3,233,684)	\$ 5,567,700	\$ (41,700)	\$ (1,816,709)

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	Pension Benefits	Postretirement Health Plan
2014	\$ 3,197,000	\$ 93,000
2015	2,185,000	128,000
2016	2,336,000	175,000
2017	1,791,000	191,000
2018	1,902,000	220,000
2019-2023	16,280,000	1,488,000

#### 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 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	
	2013	2012	2013	2012
Equity assets	15.0 %	15.0 %	19.7 %	14.6 %
Fixed income assets	55.0 %	55.0 %	46.7 %	51.4 %
Alternative investment assets	25.0 %	25.0 %	29.0 %	29.6 %
Real estate assets	5.0 %	5.0 %	4.2 %	4.0 %
Cash and cash equivalents	-	-	0.4 %	0.4 %

### 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, 2013:

	Assets				Total
	Level I	Level II	Level III		
Cash and cash equivalents	\$ 99,800	\$ -	\$ -	\$ -	\$ 99,800
Mutual funds					
Large cap core mutual funds	2,002,500	-	-	-	2,002,500
Global equity mutual fund	2,787,100	-	-	-	2,787,100
Core fixed income mutual funds	9,832,200	-	-	-	9,832,200
Inflation protected mutual funds	1,519,200	-	-	-	1,519,200
Alternative investments mutual funds	7,035,800	-	-	-	7,035,800
Real estate fund	-	-	1,012,900	-	1,012,900
	\$ 23,276,600	\$ -	\$ 1,012,900	\$ -	\$ 24,289,500

The following table sets forth the fair value of the Academy's pension plan assets, by asset type, at June 30, 2012:

	Assets				Total
	Level I	Level II	Level III		
Cash and cash equivalents	\$ 97,600	\$ -	\$ -	\$ -	\$ 97,600
Mutual funds					
Large cap core mutual funds	1,269,900	-	-	-	1,269,900
Global equity mutual fund	2,026,100	-	-	-	2,026,100
Core fixed income mutual funds	9,970,400	-	-	-	9,970,400
Inflation protected mutual funds	1,601,100	-	-	-	1,601,100
Alternative investments mutual funds	6,680,000	-	-	-	6,680,000
Real estate fund	-	-	894,400	-	894,400
	\$ 21,645,100	\$ -	\$ 894,400	\$ -	\$ 22,539,500

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, 2013, 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
Real estate fund	\$ 1,012,900	None	Quarterly	45 Days

### Changes in Level III Fair Value Measurements

The table below includes the reconciliation of changes to the Academy's plan asset amounts for the years ended June 30 for financial instruments classified within Level III of the valuation hierarchy:

	2013	2012
Balance at July 1	\$ 894,400	\$ 841,400
Total realized loss included in changes in unrestricted net assets	(1,500)	(11,300)
Total unrealized gain included in changes in unrestricted net assets	81,700	64,800
Purchases of portfolio investments	47,400	44,000
Net proceeds from sales, redemptions, and distributions	(9,100)	(44,500)
Balance at June 30	\$ 1,012,900	\$ 894,400

### Long-Term Rate of Return

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

### 14. Commitment and Contingencies

The Academy leases certain storage space and equipment under non-cancelable operating leases, which expire at various dates through 2015. In addition, as discussed in Note 11, in October 2012, the Academy entered into a lease with Museum Associates for the facility which will house the Academy Museum. In accordance with build-to-suit lease accounting, a portion of the museum lease was allocated to land and is considered an operating lease. Rental expense for operating leases was \$428,500 and \$390,100 for the years ended June 30, 2013 and 2012, respectively. The following is a schedule of future minimum lease payments (net of non-cancelable sublease rentals) under non-cancelable leases:

2014	\$ 1,942,400
2015	2,099,200
2016	2,271,900
2017	2,466,700
2018	2,660,700
	\$ 11,440,900

The Foundation has conditional promises to give to the Fairbanks Center, which are not reflected in the consolidated financial statements, including bequests and assignments of life insurance benefits, which total \$1,425,000 and \$1,435,000 at June 30, 2013 and 2012, respectively.

In the normal course of business, the Academy may, from time to time, enter into contracts or agreements with tenants and other vendors that commit the Academy to specific or contingent liabilities. As of June 30, 2013 there were \$24,000,000 in museum development related contracts that management considered significant (either individually or in aggregate) to the Academy's financial statements. As of June 30, 2012, there were no such contracts.

### 15. Related Party Transactions

The Academy occasionally pays for the services of governors in connection with the production of the annual Academy Awards telecast and the annual Governors Awards program. The Academy paid governors \$0 and \$10,000 for services on the 2013 and 2012 Academy Awards telecast, respectively, and \$102,600 and \$143,000 for services related to the 2013 and 2012 Governors Awards, respectively.

### 16. Subsequent Events

In August 2013, the Academy entered into a purchase and sale agreement to sell the Homewood land and building, which are classified as held for sale in the accompanying statements of financial position, for \$45,000,000.

The Academy has evaluated subsequent events through September 4, 2013, which is the date the financial statements were available to be issued.

## IMAGE CAPTIONS

### PAGES 4-7

Academy Museum of Motion Pictures renderings by Renzo Piano and Zoltan Pali.

### PAGE 6

Museum donors Jeffrey Katzenberg and Steven Spielberg with Academy CEO Dawn Hudson and President Cheryl Boone Isaacs.

### PAGE 8

*Portrait of Jason* (1967), preserved by the Academy Film Archive and Milestone Films.

### PAGE 9

*A Close Shave* (1995), preserved by the Academy in 2013. Image ©BBC/ courtesy Everett Collection.

### PAGE 10

The only known six-sheet poster for *The Maltese Falcon*.

### PAGE 10

Production art for *The Lady and the Tramp* (1955).

### PAGE 11

Photograph of Patricia Walters in *The River* (1951), Kit Parker Collection.

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Costume design drawing for Betty Hutton by Michael Woulfe, part of the Michael Woulfe papers donated in 2013.

1927 Academy magazine, available for viewing at [digitalcollections.oscars.org](http://digitalcollections.oscars.org).

Keira Knightley and director Joe Wright on the set of *Anna Karenina* (2012), one of thousands of digital press kit images processed by the Photograph Archive in 2013.

Publicity portrait of Thelma Todd and Benjamin Christensen in *Seven Footprints to Satan* (1929).

### PAGE 13 (clockwise from top right)

Mondo poster for *Looper* (2012), Alamo Drafthouse Collection of Mondo posters.

Polish poster for *Yellow Submarine* (1968), Richard Koszarski Polish poster collection.

Myrna Loy and Roy D'Arcy in *The Black Watch* (1929), a new addition to the Library's Core Collection.

Satyajit Ray and Madhabi Mukherjee during production on *Charulata* (1964).

Italian poster for *Humoresque* (1946).

### PAGE 14

The Mumbai launch of the Marathi translation of "The Digital Dilemma."

### PAGE 14

The Academy's imaging lab

### PAGE 15

The Academy Color Predictor

### PAGE 16

WriteGirl Performance Workshop at the Academy, June 2013.

### PAGE 17

Students in the "Spark@TheAcademy" middle school apprenticeship program.

### PAGES 18 AND 19

Students at the Academy grant-supported MAPS Media Institute, a nonprofit afterschool media arts and sciences program for rural Montana students.

### PAGES 20-21

Seth MacFarlane during the 85th Academy Awards ceremony.

### PAGE 22

Daniel Day-Lewis (Best Actor, *Lincoln*), Jennifer Lawrence (Best Actress, *Silver Linings Playbook*), Anne Hathaway (Supporting Actress, *Les Misérables*) and Christoph Waltz (Supporting Actor, *Django Unchained*).

### PAGE 23

Ben Affleck and George Clooney (producers, along with Grant Heslov, of Best Picture winner *Argo*) with presenter Jack Nicholson.

### PAGE 24

Honorees Angelina Jolie, Angela Lansbury and Steve Martin at the Governors Awards presentation in November 2013. Piero Tosi was unable to attend.

### PAGE 25

Tissue Physically-Based Character Simulation Framework, used for creatures in *Rise of the Planet of the Apes*, *Avatar* and other films, was developed by Simon Clutterbuck, James Jacobs and Dr. Richard Dorling. Image courtesy of Weta Digital.

### PAGE 25

The 2012 Scientific and Technical Award recipients with ceremony hosts Chris Pine and Zoe Saldana, then-Academy President Hawk Koch and awards chair Richard Edlund.

### PAGE 26

Animation Silver Medal winner Eusong Lee, California Institute of the Arts.

### PAGE 27

*Día de los Muertos*, Animation Gold Medal-winning film by Lindsey St. Pierre and Ashley Graham from Ringling College of Art and Design.

### PAGE 28

Jason Reitman and Rob Reiner at *The Princess Bride* screening and live commentary.

### PAGE 29 (clockwise from top left)

Jackie Chan at the salute in his honor

Sharmila Tagore, special guest for the "Apu Trilogy" screenings

Dana Carvey and Mike Myers at the *Wayne's World* Reunion

Richard Williams with his art for *Who Framed Roger Rabbit*

Brie Larson at a screening of *Short Term 12*

David Oyelowo, Cuba Gooding, Jr. and Oprah Winfrey at an L.A. members' screening of *Lee Daniel's The Butler*

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