KPMG

THE J. PAUL GETTY TRUST

Financial Statements

June 30, 2016 and 2015

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 1500
550 South Hope Street
Los Angeles, CA 90071-2629

Independent Auditors' Report

The Board of Trustees
The J. Paul Getty Trust:

Report on the Financial Statements

We have audited the accompanying financial statements of The J. Paul Getty Trust (a tax-exempt, private operating foundation), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The J. Paul Getty Trust as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

December 12, 2016

THE J. PAUL GETTY TRUST

Statements of Financial Position

June 30, 2016 and 2015

(Amounts in thousands)

Assets		**2016**	**2015**
Cash	$	4,008	5,009
Receivables:			
Unsettled investment sales		60,293	45,317
Interest and dividends		1,367	1,910
Other		22,240	1,145
Investments		6,340,955	6,675,946
Investments whose use is limited		9,255	9,202
Property and equipment, net		1,028,229	1,066,602
Collections and other assets, net		2,348,020	2,287,547
	$	9,814,367	10,092,678
Liabilities and Net Assets			
Liabilities:			
Accounts payable	$	13,775	31,756
Investments sold short		18,238	28,700
Payables on investment purchases		72,691	48,317
Accrued pension and other postretirement plans liabilities		185,375	134,201
Accrued and other liabilities		19,122	15,268
Interest rate swaps		219,644	145,841
Bonds payable		603,434	610,147
		1,132,279	1,014,230
Net assets:			
Unrestricted		8,673,097	9,069,336
Temporarily restricted		7,485	7,606
Permanently restricted		1,506	1,506
		8,682,088	9,078,448
	$	9,814,367	10,092,678

See accompanying notes to financial statements.

THE J. PAUL GETTY TRUST

Statements of Activities

Years ended June 30, 2016 and 2015

(Amounts in thousands)

		2016	2015
Change in unrestricted net assets:			
Revenue and other support:			
Sales and other income	$	29,625	28,366
Contributions		12,453	26,674
Investment income:			
Interest and dividend income, net		75,529	88,486
Net realized and unrealized (loss) gain on investments		(90,855)	205,769
Net investment (loss) income		(15,326)	294,255
Net realized and unrealized losses on interest rate swap		(73,803)	(19,013)
Net assets released from restriction		3,043	1,216
Total revenue, other support, and investment (loss) income		(44,008)	331,498
Expenses:			
Program services:			
Museum		156,130	154,444
Research Institute		61,986	59,382
Conservation Institute		37,241	31,820
Foundation and Grants		32,912	24,733
Total program services		288,269	270,379
Supporting services:			
General and administrative		12,788	11,472
Total expenses		301,057	281,851
Pension and other postretirement plans (loss) gain		(51,174)	15,845
Change in unrestricted net assets		(396,239)	65,492
Change in temporarily restricted net assets:			
Contributions		2,922	4,021
Net assets released from restriction		(3,043)	(1,216)
Change in temporarily restricted net assets		(121)	2,805
Change in net assets		(396,360)	68,297
Net assets, beginning of year		9,078,448	9,010,151
Net assets, end of year	$	8,682,088	9,078,448

See accompanying notes to financial statements.

THE J. PAUL GETTY TRUST

Statements of Cash Flows

Years ended June 30, 2016 and 2015

(Amounts in thousands)

		2016	2015
Cash flows from operating activities:			
Change in net assets	$	(396,360)	68,297
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Depreciation and amortization		46,782	46,931
Amortization of bond premium		(1,563)	(1,691)
Net realized and unrealized loss (gain) on investments		90,855	(205,769)
Net realized and unrealized losses on interest rate swaps		73,803	19,013
Noncash contributions of art		(8,332)	(25,664)
Loss (gain) on disposition of property and equipment		29	(20)
Loss on disposition of collection items		530	98
Pension-related changes		51,174	(15,845)
Changes in operating assets and liabilities:			
Interest and dividends receivable		543	1,163
Other receivables		(21,095)	(425)
Other assets		(302)	1,665
Accounts payable		(17,981)	6,668
Accrued and other liabilities		3,854	(5,784)
Net cash used in operating activities		(178,063)	(111,363)
Cash flow from investing activities:			
Proceeds from sales of investments		4,148,908	4,680,448
Purchases of investments		(3,905,889)	(4,458,788)
Purchases of collection items		(52,369)	(96,853)
Purchases of property and equipment		(8,440)	(9,029)
Proceeds from sale of property and equipment		2	22
Net cash provided by investing activities		182,212	115,800
Cash flows from financing activities:			
Proceeds from issuance of bonds		162,955	178,140
Payments on bonds payable		(168,105)	(183,120)
Net cash used in financing activities		(5,150)	(4,980)
Net decrease in cash		(1,001)	(543)
Cash, beginning of year		5,009	5,552
Cash, end of year	$	4,008	5,009
Supplemental disclosure of cash flow information:			
Cash paid during the year for interest	$	20,742	21,348

See accompanying notes to financial statements.

(1) Organization

The J. Paul Getty Trust (the Trust) is a tax-exempt, private operating foundation whose mission serves both general audiences and specialized professionals. The Trust is a cultural and educational institution that focuses on the visual arts in all of their dimensions and their capacity to strengthen and to inspire aesthetic and humanistic values. It is dedicated to the presentation, enjoyment, study, and conservation of the visual arts and humanities in order to offer the public opportunities to more fully understand, experience, value, and preserve the world's art and cultural heritage.

(2) Summary of Significant Accounting Policies

(a) Basis of Financial Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

The Trust recognizes contributions, including unconditional promises to give, as revenue in the period received. Contributions and net assets are classified based on the existence or absence of donor-imposed restrictions. As such, the net assets of the Trust and changes therein are classified and reported as follows:

- Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in carrying out the Trust's mission
- Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Trust and/or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions. Donor-restricted contributions received and expended in the same reporting period are recorded as unrestricted support
- Permanently restricted net assets – Net assets subject to donor-imposed stipulations that resources be maintained in perpetuity. Investment income generated from these funds is reported as temporarily net assets until appropriated by management for general support of the Trust's programs and operations unless otherwise stipulated by the donor or law.

(b) Fair Value of Financial Instruments

The Trust follows the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. In accordance with ASC Topic 820, fair value is defined as the price that the Trust would receive upon selling an investment in an orderly transaction to a market participant in the principal or most advantageous market of the investment. ASC Topic 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

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ASC Topic 820 also prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information. ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level I measurements) and the lowest priority to measurements involving significant unobservable inputs (Level III measurements). The three levels of the fair value hierarchy are as follows:

- Level I inputs are quoted prices (unadjusted) in active markets for identical assets that the entity has the ability to access at the measurement date.
- Level II inputs are inputs other than quoted prices included within Level I that are observable for the assets, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other observable inputs that can be corroborated by observable market data.
- Level III inputs are unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement in its entirety.

For certain investments in funds that do not have readily determinable fair values including private equity, venture capital, hedge funds, distressed debt, real assets, and other funds, the Trust, as a practical expedient, estimates the fair value using net asset value per share or its equivalent. Under this approach, certain attributes of the investment such as restrictions on redemption and transaction prices from principal-to-principal or brokered transactions are not considered in measuring the fair value of an investment.

In May 2015, FASB issued an Accounting Standards Update (ASU) 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value Per Share (or its Equivalent),* removing the requirement to categorize investments within the fair value hierarchy for which fair value is measured using net asset value as a practical expedient for determining fair value. While required for fiscal years beginning after December 31, 2016, the Trust has chosen to early adopt the ASU, as permitted by FASB.

Due to the short-term nature of receivables, other assets, and accounts payable, fair value approximates carrying value.

(c) Investments

Investments are stated at fair value at June 30, 2016 and 2015. The fair value of investments in securities traded on national securities exchanges is valued at the closing price on the last business day of the fiscal year. The estimated fair value for alternative investments is based on net asset values provided by the external investment managers. The determination of net asset values for the alternative investments necessarily involve estimates, appraisals, assumptions, and methods, which are reviewed by the Trust's Investment Office.

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Realized and unrealized gains or losses on investments are recorded in the statements of activities. Realized gains and losses on security transactions are determined on a "Specific Identification" basis. Investment purchases and sales are recorded on a trade-date basis. Dividend income is recorded based upon the ex-dividend date, and interest income is recorded as earned on an accrual basis.

Futures, forwards, and options contracts are marked-to-market with the change reflected in net realized and unrealized gains and losses on investments in the accompanying statements of activities.

(d) Property and Equipment

Property and equipment are recorded at cost and depreciated on a straight-line basis over the estimated useful lives of the respective assets or amortized over the terms of the respective leases, whichever is shorter, as follows:

Buildings	25 to 50 years
Building improvements	Up to 25 years
Leasehold improvements	Lesser of life of asset or lease term
Furniture and equipment	4 to 25 years

Depreciation and amortization totaled $46,782,000 and $46,931,000 for the years ended June 30, 2016 and 2015, respectively.

The Trust reviews for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. During the years ended June 30, 2016 and 2015, there were no events or circumstances that gave rise to an impairment loss.

(e) Collections and Other Assets

Included in collections and other assets are the Trust's collections, which comprise art objects, artifacts of historical significance, and the research and photographic libraries that are held for exhibition and educational, research, and curatorial purposes. Collection items are recorded at cost if purchased or, if contributed, at appraised value at the date of contribution. As of June 30, 2016 and 2015, the Trust's collection totaled $2,339,461,000 and $2,279,290,000, respectively.

Objects in the Trust's collection may be subject to decreases in value due to changes in attribution. In addition, objects in the Trust's collection may be subject to forfeiture or other claims made by individuals, for example, objects appropriated during the Nazi era, or by countries related to the return of cultural property. The Trust closely monitors these risks, and when it is determined that the value of an item may be impaired and the loss can be estimated, the Trust adjusts the value of the assets by establishing a reserve. As of June 30, 2016 and 2015, the Trust's reserve totaled $4,476,000.

The publication inventory, also carried as a component of collections and other assets, is carried at the lower of cost or estimated net realizable value, totaling $1,859,000 and $1,576,000 at June 30, 2016 and 2015, respectively.

(f) Grant Expenditures

Grant expenditures are recognized as expense in the period the grant is approved, provided the grant is not subject to future conditions, including grants that are expected to be paid in future years.

(g) Contributed Services

Contributed services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Trust receives a significant amount of contributed time from unpaid volunteers that does not meet the two recognition criteria described above. Accordingly, the value of this contributed time is not reflected in the accompanying financial statements.

(h) Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Certain costs have been allocated among the programs and supporting services benefited based on management's estimates.

(i) Use of Estimates

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

(j) Income Taxes

The Trust has been classified as a tax-exempt, private operating foundation under Sections 501(c)(3) and 4942(j)(3) of the Internal Revenue Code (IRC) and Section 23701d of the California Revenue and Taxation Code. The Trust also qualifies as an exempt operating foundation as described in IRC 4940(d)(2) and, as such, is not subject to federal excise taxes on its net investment income under IRC Section 4940. However, the Trust is subject to income taxes on any net income that is derived from trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded as the net income, if any from unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

The Trust follows the provisions of ASC Topic 740, *Income Taxes*, related to accounting for uncertainty in income taxes, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The interpretation requires that the entity account for and disclose in the financial statements the impact of a tax position if that position would more likely than not be sustained upon examination, including resolution of any related appeals or litigation processes, based on technical merits of the position. The Trust has evaluated the financial statement impact of tax positions taken or expected to be taken and determined it has no uncertain tax positions that would require tax assets or liabilities to be accrued or disclosed.

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(k) Reclassifications

Certain reclassifications have been made to the 2015 financial data to conform to the 2016 presentation.

(3) Investments

The fair value of each asset and liability in the table below was measured using ASC 820 input guidance and valuation techniques. The following table sets forth estimated fair values of assets and liabilities measured and recorded on a recurring basis at June 30, 2016 and 2015:

		Level I	Level II	Level III	Total
			(Amounts in thousands)		
Assets:					
Cash and cash equivalents	$	35,509	134,005	—	169,514
U.S. Treasury and agency securities		—	88,890	—	88,890
Corporate bonds		—	39,030	—	39,030
Common stocks		276,484	14,635	—	291,119
Subtotal		311,993	276,560	—	588,553
Instruments measured at net asset value*		—	—	—	5,761,657
Total assets	$	311,993	276,560	—	6,350,210
Liabilities:					
Corporate bonds	$	—	4,377	—	4,377
Common stocks		13,861	—	—	13,861
Subtotal		13,861	4,377	—	18,238
Interest Rate Swaps		—	219,644	—	219,644
Total liabilities	$	13,861	224,021	—	237,882

* Venture Capital $461,755; Buyout Funds $546,569; Hedge Funds $987,601; Distressed Debt $517,520; Real Assets $1,057,830; Equity Commingled Funds $1,637,305; Fixed Income Commingled Funds $553,077

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		June 30, 2015			
		Level I	Level II	Level III	Total
		(Amounts in thousands)			
Assets:					
Cash and cash equivalents	$	66,345	161,171	—	227,516
U.S. Treasury and agency securities		—	77,185	—	77,185
Corporate bonds		—	59,637	—	59,637
Common stocks		279,500	185	—	279,685
Subtotal		345,845	298,178	—	644,023
Instruments measured at net asset value*		—	—	—	6,041,125
Total assets	$	345,845	298,178	—	6,685,148
Liabilities:					
Corporate bonds		—	6,264	—	6,264
Common stocks		22,436	—	—	22,436
Subtotal		22,436	6,264	—	28,700
Interest Rate Swaps		—	145,841	—	145,841
Total liabilities	$	22,436	152,105	—	174,541

* Venture Capital $461,492; Buyout Funds $587,617; Hedge Funds $1,353,100; Distressed Debt $517,736; Real Assets $1,000,775; Equity Commingled Funds $1,641,880; Fixed Income Commingled Funds $478,525

At June 30, 2016 and 2015, approximately 40% and 38%, respectively, of investments measured at net asset value were invested in private-market limited partnerships for venture capital, buyout funds, distressed debt, and real assets. Investments in these limited partnerships represent long-term commitments of typically five to ten years. Capital is drawn for investments in the first few years of the life of the partnership, and distributions are made to investors as investments are sold over the last several years of the life of the partnership. During the years ended 2016 and 2015, the Trust funded $497 million and $470 million of new investments and received $484 million and $861 million of distributions from these private-market limited partnerships, respectively. New commitments and distributions are dependent on market conditions and timing is unpredictable.

As of June 30, 2016, the Trust had $1.1 billion of unfunded commitments to these limited partnerships including $376 million to venture capital and buyout funds, $469 million to real assets, $169 million to distressed debt, and $48 million to commingled and other categories.

The balance of the investments measured at net asset value is invested in funds that permit periodic redemptions. Hedge funds, distressed debt, fixed income, and commingled equity funds generally have redemption periods that range from one month to two years and require 30 to 90-day advance notice. Sometimes, these redemptions are limited in size such as up to 25% of assets may be redeemed per quarter. Approximately $3.2 billion of total investments can be converted to cash within one year or less.

Investments Whose Use is Limited

Investments whose use is limited consist of amounts that are temporarily restricted by donors as well as those restricted by donors for investment in perpetuity and amounts related to interest due to bondholders. As of June 30, 2016 and 2015, investments whose use is limited totaled $9,255,000 and $9,202,000, respectively.

(4) Derivative Financial Instruments

In the normal course of business, the Trust uses various financial instruments, including derivative financial instruments, in an effort to manage the Trust's exposure to certain risks. In addition to the derivative instruments discussed below, the Trust utilizes interest rate swaps, that are discussed further in note 7.

The Trust primarily uses a combination of derivative instruments to manage price, currency, and interest rate exposures associated with specific activities. Under these instruments, the Trust agrees to the future delivery of a currency or security on an agreed-upon date and at an agreed-upon price. These contracts are entered into with the intention to minimize the Trust's economic exposure to adverse fluctuations in financial or currency markets and to reduce interest rate risk.

The Trust also enters into derivative instruments as an alternative to ownership of the underlying asset. Specifically, forward contracts are used as an alternative to ownership.

All of the Trust's derivative positions are marked to fair value as a component of investment income in the accompanying statement of activities.

The notional amounts (total value of derivative positions) and fair values of derivative instruments as of June 30, 2016 and 2015 are as follows (amounts in thousands):

	2016		2015	
	Notional amounts	**Fair value**	**Notional amounts**	**Fair value**
Net forward contracts to purchase (sell)	(8,949)	$ (121)	(9,798)	$ 1,421
Futures	1,950	(260)	(12,900)	(4)
Options	(2,944)	(546)	(7,571)	(1,290)
Interest Rate Swaps	(18,081)	(639)	6,908	210
Credit Default Swaps	(17,700)	208	7,700	14
		$ (1,358)		$ 351

The Trust's derivative instruments involve varying degrees of risk of loss in excess of the amount recognized in the statements of financial position, arising from either potential changes in market prices or the possible inability of counterparties to meet the terms of their contracts. The Trust's investment advisors and management closely monitor the financial condition of the firms used for these contracts in order to minimize the risk of loss. Management believes the Trust's use of derivatives does not result in credit or market risk that would materially affect the Trust's financial position. In accordance with

ASC Topic 820, the derivative instruments are classified as Level II in the fair value hierarchy. The fair value of the derivative financial instruments is determined based on a combination of quoted prices of similar securities, as they are not actively traded.

(5) Property and Equipment

At June 30, property and equipment consist of the following:

	2016	2015
	(Amounts in thousands)	
Buildings	$ 1,614,253	1,611,843
Leasehold improvements	10,789	10,789
Land and improvements	73,506	73,506
Furniture and equipment	82,810	78,565
Work in progress	18,242	16,709
	1,799,600	1,791,412
Less accumulated depreciation and amortization	(771,371)	(724,810)
	$ 1,028,229	1,066,602

(6) Bonds Payable

As of June 30, bonds payable and the associated maturities are as follows (amounts in thousands):

Series	Maturity dates	Principal 2016	Principal 2015
2011A Variable Rate Refunding Revenue Bonds	4/1/2038	$ 276,800	276,800
2012A Refunding Revenue Bonds	Various through 2023	49,060	54,210
2012B Variable Rate Refunding Revenue Bonds	10/1/2047	108,940	108,940
2013A Variable Rate Refunding Revenue Bonds	10/1/2047	162,955	162,955
		$ 597,755	602,905

The above principal amount does not include the bond premium of $5,679,000 and $7,242,000, for the years ended June 2016 and 2015, respectively, which is a component of bonds payable in the accompanying financial statements. The fair value of bonds payable approximates carrying value due to the variable interest rates that most of the bonds carry and are considered Level II in the fair value hierarchy. The fair value of the bonds is determined based on a combination of quoted prices of similar securities, as they are not actively traded.

(a) 2011A Variable Rate Refunding Revenue Bonds

On December 1, 2011, the Trust issued $276,800,000 in Series 2011A variable rate refunding revenue bonds (Series 2011A) issued by the California Infrastructure and Economic Development Bank, which mature on April 1, 2038. Proceeds were used to refund the Series 2003 bonds and to pay costs of issuance. The bonds were issued with an Initial Tender Date of April 1, 2014 and a Secondary Tender Date of April 1, 2015. Interest rates from issuance to the Initial Tender Date are based on weekly SIFMA index rates plus a SIFMA Index Tender spread of 0.50%.

On the Initial Tender Date of April 1, 2014, the bonds were remarketed. Series 2011A-1 was issued in Index-Based Mode with a Mandatory Tender Date of April 1, 2015. Interest rates from issuance to the Mandatory Tender Date are based on weekly SIFMA index rates minus a SIFMA Index Mode Spread of 0.01%. Series 2011A-2, 2011A-3, and 2011A-4 were issued in SIFMA Index Tender Mode with an Initial SIFMA Index Tender Date of April 3, 2017 and a Secondary SIFMA Index Tender Date of April 3, 2018. Interest rates from issuance to Initial Tender Date are based on weekly SIFMA index rates plus a SIFMA Index Tender spread of 0.28%.

On February 2, 2015, the Series 2011A-1 bonds were remarketed in SIFMA Index Tender Mode with an Initial SIFMA Index Tender Date of April 2, 2018. Interest rates from the remarketing date to the Initial SIFMA Index Tender Date are based on the weekly SIFMA index rate plus an Initial SIFMA Index Tender Mode Spread of 0.28%.

At June 30, 2016, the SIFMA rate was 0.41%. The SIFMA Index Tender Interest Rate for all Series 2011A bonds was 0.69%. The redemption period for the Series 2011A bonds begins April 1, 2022 and ends April 1, 2038.

Accrued interest on the bonds as of June 30, 2016 and 2015 was $155,000 and $81,000, respectively.

(b) 2012A Tax-Exempt Refunding Revenue Bonds and 2012A Taxable Refunding Revenue Bonds

On February 22, 2012, the Trust issued $68,930,000 Series 2012A fixed rate bonds issued by the California Infrastructure and Economic Development Bank. Series 2012A-1 Tax-Exempt Refunding Revenue Bonds were offered at interest rates, which resulted in the receipt of a bond premium of $12,929,000. Proceeds of the Series 2012A-1 bonds were used to refund Series 2004A and 2004B bonds and to pay costs of issuance. Proceeds of the Series 2012A-2 Taxable Refunding Revenue Bonds were also used to pay swap termination payments to Morgan Stanley and to JP Morgan totaling $12,792,000 to terminate swaps associated with the Series 2004 bonds, and to pay costs of issuance. At June 30, 2016, the remaining unamortized bond premium was $5,679,000 and is included as a component of bonds payable in the accompanying financial statements. Amortization of the bond premium totaled $1,563,000 for the year ended June 30, 2016.

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The Series 2012A-2 taxable bonds were issued in three tranches with maturities beginning October 1, 2012 and ending October 1, 2014. Interest rates for each are fixed, and range from 0.190% to 0.644%. The Series 2012A-1 tax-exempt bonds were issued in 11 tranches with maturities beginning October 1, 2014 and ending October 1, 2023. Interest rates for each are fixed, and range from 2.00% to 5.00%.

Accrued interest on the bonds as of June 30, 2016 and 2015 was $560,000 and $612,000, respectively.

(c) 2012B and 2013A Variable Rate Refunding Revenue Bonds

On April 2, 2012, the Trust issued $108,940,000 Series 2012B variable rate refunding revenue bonds (Series 2012B) issued by the California Infrastructure and Economic Development Bank. Proceeds were used to refund Series 2007A-3 and 2007A-4 bonds and to pay costs of issuance. The bonds were issued with a SIFMA Scheduled Mandatory Purchase Date of April 1, 2015. Interest is paid semiannually and rates paid to the mandatory purchase date are based on the monthly averages during the period of the SIFMA Index plus a spread of 0.30%.

On February 2, 2015, the Series 2012B bonds were remarketed in SIFMA Mode with an Initial SIFMA Scheduled Mandatory Purchase Date of April 2, 2018. Interest is paid semiannually and rates paid to the mandatory purchase date are based on the monthly averages during the period of the SIFMA Index plus a spread of 0.28%.

At June 30, 2016, the SIFMA rate was 0.41% and the SIFMA-Based Interest Rate was 0.69%. The redemption period for the 2012B bonds begins October 1, 2043 and ends October 1, 2047.

Accrued interest on the Series 2012B bonds as of June 30, 2016 and 2015 was $184,000 and $96,000, respectively.

On April 1, 2013, the Trust issued $162,955,000 Series 2013A variable rate refunding revenue bonds (Series 2013A) issued by the California Infrastructure and Economic Development Bank. Proceeds were used to refund Series 2007A-1 and 2007A-2 bonds and to pay costs of issuance. The bonds were issued with a SIFMA Scheduled Mandatory Purchase Date of April 1, 2016. Interest is paid semiannually and rates paid to the mandatory purchase date are based on the monthly averages during the period of the SIFMA Index plus a spread of 0.28%.

On December 17, 2015, the Series 2013A-1 bonds were remarketed early in SIFMA Index Tender Mode with an Initial SIFMA Index Tender Date of April 01, 2019. The new mode resulted in a change from semiannual to monthly interest payments. Interest rates from the remarketing date to the Initial SIFMA Index Tender Date are based on the weekly SIFMA index rate plus an Initial Index Tender Spread of 0.40%.

On April 01, 2016, the Series 2013 A-2 bonds were remarketed in LIBOR Index Tender Mode with an Initial LIBOR Index Tender Date of April 01, 2019. The new mode resulted in a change from semiannual to monthly interest payments. Interest rates from the remarketing date to the Initial LIBOR Index Tender Date are based on 70% of the weekly Thursday 1-Month LIBOR index rate plus an Initial LIBOR Index Tender Mode Spread of 0.50%.

At June 30, 2016, the SIFMA rate was 0.41% and the SIFMA-Based Interest Rate was 0.81%. The 1-Month LIBOR rate was 0.4533% and the LIBOR-Based Interest Rate was 0.81731%. The redemption period for the 2013A bonds begins October 1, 2043 and ends October 1, 2047.

Accrued interest on the Series 2013A bonds as of June 30, 2016 and 2015 was $108,000 and $144,000, respectively.

The following is a schedule by year of future maturities for the outstanding bond obligations as of June 30 (amounts in thousands):

	Principal amount
Year ending June 30:	
2017	$ 5,380
2018	5,525
2019	5,725
2020	6,080
2021	6,190
Thereafter	568,855
	$ 597,755

(7) Interest Rate Swap Agreements

In conjunction with the issuance of variable rate bonds, as discussed in note 6 above, the Trust has interest rate swap agreements with the following two counterparties: Bank of New York Mellon and JPMorgan Chase Bank. The swap agreements hedge the Trust's floating rate exposure on outstanding debt through the exchange of floating rates for fixed rates. The fixed rates paid by the Trust range from 3.424% to 3.7440% The Trust expects that the floating rates it receives under the swap agreements will closely correlate with the floating rates on its variable rate bonds. The floating rates received on the swaps are based on percentages of three-month LIBOR designed to approximate the anticipated floating rate payments of the Trust's tax-exempt bonds, though there is no guarantee that the two rates will not diverge. Management believes that such potential divergence does not create a financial risk that would materially affect the Trust's financial position. The swaps which are used to hedge the Series 2011 Variable Rate Bonds mature on April 1, 2033 and currently stand at a total notional of $253,235,000. They were originally entered into at a total notional of $275,000,000. The swaps which are used to hedge the Series 2012B and 2013A Variable Rate Bonds mature on October 1, 2047 and remain at the original notional of $270,547,000.

In accordance with ASC Topic 820, the interest rate swaps liabilities are reported at fair value totaling $219,644,000 and $145,841,000 as of June 30, 2016 and 2015, respectively, and are classified as Level II in the fair value hierarchy.

Net realized and unrealized loss on interest rate swap agreements are included in the accompanying statement of activities amounting to $73,803,000 and $19,013,000 for the years ended June 30, 2016 and 2015, respectively.

(8) Retirement Plans and Postretirement Medical Benefits

The Trust has a defined-benefit retirement plan covering its employees hired prior to January 1, 2009. The benefits are based on years of service and the employee's highest consecutive 5 years of compensation during the last 10 years of employment. In addition, the Trust provides supplemental retirement defined benefits for certain former executives as outlined in their respective employment contracts.

Employees hired on or after January 1, 2009 participate in a revised retirement program in which the Trust contributes 6% of the employee's base salary up to the Social Security Taxable Wage Base, and 10% of an employee's salary above this level.

The Trust also provides postretirement healthcare benefits to certain eligible employees. Beginning January 1, 2015, the postretirement healthcare benefits are offered through UnitedHealthcare Medicare Solutions. This gives retirees age 65 or older the flexibility to choose a plan that will fit their own needs for a reasonable price. The Trust subsidizes the Medicare Solutions Plan with a Retiree Reimbursement Account (RRA) – a nontaxable account that participants can use to help cover healthcare expenses, including plan premiums and out-of-pocket expenses such as copays and deductibles. For eligible retirees, the Trust contributes $3,000 per year for each retiree and his/her covered spouse/domestic partner.

Employees who are eligible and elect to retire before age 65 may remain on one of the Getty's active health plans, paying a portion of the premium equal to active employees. At age 65, the individual converts to the health plan noted above.

Employees who do not qualify for the plan noted above, but leave the Getty with at least 10 years of service and attaining age 55, are eligible to receive a $1,200 annual contribution toward a RRA. The contributions in the RRA may be used to help cover healthcare expenses. Once the individual attains age 65, s/he must elect a UnitedHealthcare Medicare Solutions plan in order to continue to receive the RRA contribution.

(a) Funded Status

The following table sets forth the plans' projected benefit obligation (a measure of a pension plan's liability at the calculation date assuming that the plan is ongoing and will not terminate in the foreseeable future), fair value of plan assets, and funded status as of June 30, 2016 and 2015:

		Defined-benefit plans		Postretirement medical	
		2016	**2015**	**2016**	**2015**
		(Amounts in thousands)			
Projected benefit obligation	$	(325,089)	(272,165)	(31,031)	(29,431)
Fair value of plan assets		170,745	167,395	—	—
Net benefit obligation	$	(154,344)	(104,770)	(31,031)	(29,431)

The net periodic pension costs in the amount of $15,782,000 and $13,557,000 for the years ended June 30, 2016 and 2015, respectively, are included as a component of pension and other postretirement plans in the accompanying statements of activities. The accumulated benefit obligation (a measure of a pension plan's liability in the event of a termination at the date the calculation is performed) for the pension plans was $290,083,000 and $243,519,000 as of June 30, 2016 and 2015, respectively.

(b) Assumptions

The weighted average assumptions used to determine the net pension cost and pension obligations at June 30, 2016 and 2015 are as follows:

	Defined-benefit plans	
	2016	**2015**
Discount rate used to determine:		
Net periodic pension cost	4.55%	4.25%
Benefit obligations	3.75	4.55
Expected long-term rate of return on plan assets	7.25	8.00
Rate of compensation increase	3.50	3.50
Measurement date	June 30, 2016	June 30, 2015

The following are the assumed healthcare trend rates and discount rates related to the postretirement healthcare benefits:

	Postretirement medical	
	2016	**2015**
Healthcare cost trend assumed for the next year	6.30%	6.20%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.90	4.80
Year that the rate reaches the ultimate trend rate	2048	2044
Discount rate	3.45%	4.20%
Measurement date	June 30, 2016	June 30, 2015

(c) Pension Plan Investments

The asset allocations for the pension plans as of June 30, 2016 and 2015 are as follows:

	Defined-benefit plans			
	2016		2015	
	Actual	Target	Actual	Target
Asset allocations:				
Equity securities	52.00%	50.00%	58.00%	50.00%
Debt securities	29.00	30.00	22.00	30.00
Hedge funds	19.00	20.00	20.00	20.00
	100.00%	100.00%	100.00%	100.00%

The investment policy of the defined-benefit plans is intended to maximize total return consistent with the income needs and risk tolerance for the plans. The plans have a long-term investment horizon consistent with the long-term nature of the retirement obligations. The policy and risk tolerance for the plans are reflected in the asset allocation target approved by the Investment Committee. The asset allocation targets are reviewed periodically by the Investment Committee of the Board of Trustees to ensure that the targets are consistent with the plan policy and strategic objectives. The Investment Committee of the Board of Trustees approved the new target allocations reflected above in September 2014. The actual asset allocation is rebalanced as appropriate to match the target weights. Domestic equity assets are invested in an index fund that replicates the Wilshire 5000 index, and international equity assets are invested in an index fund that replicates the MSCI All-Country World index. Fixed-income assets are invested in an intermediate bond fund account that is actively managed by PIMCO and is benchmarked against the Barclays Aggregate index.

The plans have an expected future long-term rate of return assumption of 7%. This assumption reflects the asset allocation targets and both the historical and projected long-term return assumptions for each asset class in the portfolio.

(Continued)

(d) Fair Value of Pension Plan Investments

The following tables present pension plan investments that are measured at fair value at June 30, 2016 and 2015:

	June 30, 2016			
	Level I	Level II	Level III	Total
	(Amounts in thousands)			
Cash and cash equivalents	$ 3,080	—	—	3,080
Mutual funds:				
Domestic equity	—	47,199	—	47,199
International equity	—	42,412	—	42,412
Debt securities	—	19,674	—	19,674
Instruments measured at net asset value*	—	—	—	58,380
Total	$ 3,080	109,285	—	170,745

* Equity Funds and Partnerships $44,118; Fixed Income Funds and Partnerships $14,262

	June 30, 2015			
	Level I	Level II	Level III	Total
	(Amounts in thousands)			
Cash and cash equivalents	$ 7,157	—	—	7,157
Mutual funds:				
Domestic equity	—	50,207	—	50,207
International equity	—	47,164	—	47,164
Debt securities	—	18,862	—	18,862
Instruments measured at net asset value*	—	—	—	44,005
Total	$ 7,157	116,233	—	167,395

* Equity Funds and Partnerships $33,476; Fixed Income Funds and Partnerships $10,529

(e) Benefit Payments and Contributions

	Defined-benefit plans		Postretirement medical	
	2016	2015	2016	2015
	(Amounts in thousands)			
Employer contributions	$ 11,457	11,464	746	836
Benefits paid	(7,042)	(6,471)	(746)	(836)

The following is a schedule based on actuarial calculations of expected future benefit payments over the next 10 fiscal years:

		Defined-benefit plans	Postretirement medical
		(Amounts in thousands)	
Fiscal years ending June 30:			
2017	$	8,663	1,404
2018		9,404	1,598
2019		10,296	1,760
2020		11,073	1,862
2021–2025		83,556	11,048
	$	122,992	17,672

Expected contributions to be made to the defined-benefit plan and the supplemental retirement plan during the fiscal year ending June 30, 2017, total $11,457,000. Expected contributions to be made toward supplemental healthcare benefits during the fiscal year ending June 30, 2017, total $1,404,000.

(f) Employee Investment Plan

The Trust maintains a qualified 403(b) Employee Investment Plan, which permits eligible employees to make voluntary contributions on a pretax basis or, as of January 1, 2014, on a post-tax (Roth) basis. This plan allows participants to invest in a variety of investments. This plan was enhanced in 1995 to include an employer match to employees contributing to the plan. The match is held in a 401(a) plan. The 401(a) plan provides for uniform employer contributions of one dollar for every dollar contributed by a participant up to 4% of the participant’s compensation. Contributions to the 401(a) plan totaled $3,401,000 and $2,941,000 in 2016 and 2015, respectively.

(g) Supplemental Savings Plan

On January 1, 2009, the Trust established a nonqualified 457(b) Supplemental Savings Plan, which permits eligible employees to make voluntary contributions on a pretax basis. This plan allows participants to invest in a variety of investments. Contributions to the plan totaled $212,000 and $191,000 in 2016 and 2015, respectively.

(9) Endowment

The Trust’s endowment consists of three individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net asset composition by type of fund as of June 30, 2016:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
		(Amounts in thousands)		
Donor-restricted endowments	$ —	1,045	1,506	2,551
Board-designated endowments	6,322,398	—	—	6,322,398
Total	$ 6,322,398	1,045	1,506	6,324,949

Changes in endowment net assets for the fiscal year ended June 30, 2016:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
		(Amounts in thousands)		
Endowment net assets, beginning of the year	$ 6,657,768	1,093	1,506	6,660,367
Investment return:				
Investment income	75,529	—	—	75,529
Net depreciation	(90,843)	(12)	—	(90,855)
Total investment loss	(15,314)	(12)	—	(15,326)
Contributions	—	—	—	—
Appropriation of endowment assets for expenditure	(320,056)	(36)	—	(320,092)
Endowment net assets, end of the year	$ 6,322,398	1,045	1,506	6,324,949

Endowment net asset composition by type of fund as of June 30, 2015:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
		(Amounts in thousands)		
Donor-restricted endowments	$ —	1,093	1,506	2,599
Board-designated endowments	6,657,768	—	—	6,657,768
Total	$ 6,657,768	1,093	1,506	6,660,367

Changes in endowment net assets for the fiscal year ended June 30, 2015:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
		(Amounts in thousands)		
Endowment net assets, beginning of the year	$ 6,675,500	958	1,506	6,677,964
Investment return:				
Investment income	88,351	135	—	88,486
Net appreciation	205,769	—	—	205,769
Total investment return	294,120	135	—	294,255
Contributions	—	—	—	—
Appropriation of endowment assets for expenditure	(311,852)	—	—	(311,852)
Endowment net assets, end of the year	$ 6,657,768	1,093	1,506	6,660,367

Description of amounts classified as permanently restricted net assets and temporarily restricted net assets is as follows (in thousands):

	2016	2015
Permanently restricted net assets:		
The portion of endowment funds that is required to be retained permanently either by explicit donor stipulation or board designation	$ 1,506	1,506
Total permanently restricted net assets	$ 1,506	1,506
Temporarily restricted net assets:		
The portion of endowment funds subject to a time restriction or donor-imposed stipulation:		
Without purpose restrictions for spending	$ 1,045	1,093
Contributions restricted for specific purpose or timing of use	6,440	6,513
Total temporarily restricted net assets	$ 7,485	7,606

(a) Return Objectives and Risk Parameters

The Trust has adopted investment and prudent spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. This policy shall provide for safety of principal through diversification in a portfolio of common stocks, bonds, mutual funds, cash equivalents, and other investments, including international equities and alternative investments, which may reflect varying rates of return. The overall rate of return objective for the portfolio (net of fees) is 5% plus inflation, which is consistent with the risk levels established by the Board of Trustees. This is consistent with the Trust's objective to maintain purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment returns.

(b) Investment Strategy

Consistent with the investment and prudent spending policies stated above, the investment strategy is as follows:

1. Preservation of Capital: to seek to minimize the probability of loss of principal over the investment horizon of the portfolio relative to the market;

2. Maintain adequate portfolio liquidity to support operational activities, fund all investment commitments, and provide a safety net in case of severe market disruptions; and

3. Preservation of Purchasing Power: to seek long-term growth of capital in excess of the rate of spending and inflation over the long-term investment horizon of the portfolio.

(c) Spending Policy

The Trust, with the approval of the Board of Trustees, currently appropriates for distribution (on a cash basis) each year 5% of its endowment fund's value determined either by (1) averaging the fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned or (2) using the fair value of the endowment at calendar year-end preceding the fiscal year in which the distribution is planned. In establishing these appropriations, the Trust considers the long-term expected return on its endowment. Accordingly, over the long term, the Trust expects the current spending policy to allow its endowment to grow with inflation. This is consistent with the Trust's objective to maintain the purchasing power of the endowment assets held in perpetuity.

(10) Commitments and Contingencies

Legal Matters

In the ordinary course of business, the Trust is subject to certain lawsuits and other potential legal actions. In the opinion of management, such matters will not have a material effect on the financial position of the Trust.

(11) Subsequent Events

On August 19, 2016, the Board of Trustees approved the transfer of $50 million from the endowment to the Defined Benefit plan to reduce the unfunded liability.

On September 25, 2016, the Board of Trustees approved the freezing of the Trust's Defined Benefit plan effective December 31, 2016 and move the approximately 745 active participants to the Trust's Defined Contribution plan. The Defined Benefit plan also includes 555 retiree participants and 730 terminated vested participants. It is important to note that this freeze will have no effect on any benefits that a participant earned under the Defined Benefit plan through December 31, 2016, which remain guaranteed under ERISA and will be available for payout upon the participant's retirement.