THE FILM SOCIETY OF LINCOLN CENTER, INC.

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

DECEMBER 31, 2012 AND 2011

THE FILM SOCIETY OF LINCOLN CENTER, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Film Society of Lincoln Center, Inc.

We have audited the accompanying statements of The Film Society of Lincoln Center, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2012 and 2011, 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 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 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 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 financial statements are free of 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.

LUTZ AND CARR
CERTIFIED PUBLIC ACCOUNTANTS, LLP

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Film Society of Lincoln Center, Inc. as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Lutz + Carr, LLP

New York, New York
May 6, 2013

THE FILM SOCIETY OF LINCOLN CENTER, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2012 AND 2011

	2012				2011			
	Operating	Properties and Capital	Board Designated Funds	Total	Operating	Properties and Capital	Board Designated Funds and Endowment	Total
Assets								
Cash and cash equivalents (Notes 1b and 3)								
Unrestricted	$ -	$ 1,193,237	$ -	$ 1,193,237	$ 985,236	$ 1,179,424	$ -	$ 2,164,660
Temporarily restricted	586,978	-	-	586,978	599,916	-	-	599,916
Accounts receivable	450,605	-	3,930	454,535	426,180	-	4,697	430,877
Contributions receivable, net (Notes 1c and 4)								
Unrestricted	886,617	4,925,559	-	5,812,176	924,170	6,759,559	-	7,683,729
Temporarily restricted	821,548	-	-	821,548	1,234,894	-	-	1,234,894
Prepaid expenses and other assets	89,305	-	-	89,305	47,689	-	-	47,689
Investments (Notes 1d, 1e, 5, 6 and 10)	630,918	-	2,159,683	2,790,601	76	-	3,916,725	3,916,801
Property and equipment, net (Notes 1f and 7)	-	38,622,873	-	38,622,873	-	39,893,106	-	39,893,106
Total Assets	$3,465,971	$44,741,669	$ 2,163,613	$50,371,253	$4,218,161	$47,832,089	$3,921,422	$55,971,672
Liabilities and Net Assets								
Liabilities								
Loan payable (Note 10)	$ -	$ 5,500,000	$ -	$ 5,500,000	$ -	$ 9,500,000	$ -	$ 9,500,000
Line of credit (Note 11)	-	-	-	-	750,000	-	-	750,000
Accounts payable and accrued expenses	677,052	26,161	-	703,213	769,789	11,030	-	780,819
Due to Lincoln Center for the Performing Arts, Inc. (Note 8)	1,284,403	-	-	1,284,403	1,274,550	-	-	1,274,550
Construction related payables (Note 9b)	-	-	-	-	-	75,486	-	75,486
Deferred revenue (Note 1g)	262,346	-	-	262,346	236,003	-	-	236,003
Security deposit payable (Note 12)	20,000	-	-	20,000	20,000	-	-	20,000
Interfund payable (receivable)	327,220	449,581	(776,801)	-	(127,053)	(96,146)	223,199	-
Total Liabilities	2,571,021	5,975,742	(776,801)	7,769,962	2,923,289	9,490,370	223,199	12,636,858
Commitments and Contingency (Notes 8, 9, 10, 11, 12 and 13)								
Net Assets (Deficit)								
Unrestricted	(570,469)	38,765,927	2,940,414	41,135,872	(644,938)	38,341,719	2,672,705	40,369,486
Temporarily restricted (Note 2b)	1,465,419	-	-	1,465,419	1,939,810	-	243,164	2,182,974
Permanently restricted (Notes 2a and 6)	-	-	-	-	-	-	782,354	782,354
Total Net Assets (Deficit)	894,950	38,765,927	2,940,414	42,601,291	1,294,872	38,341,719	3,698,223	43,334,814
Total Liabilities and Net Assets	$3,465,971	$44,741,669	$ 2,163,613	$50,371,253	$4,218,161	$47,832,089	$3,921,422	$55,971,672

See notes to financial statements.

THE FILM SOCIETY OF LINCOLN CENTER, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012							2011						
	Unrestricted							Unrestricted						
	Operating	Properties and Capital	Board Designated Funds	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Operating	Properties and Capital	Board Designated Funds	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support														
Contributions	$ 5,116,378	$ 1,793,699	$ -	$ 6,910,077	$ 86,654	$ -	$ 6,996,731	$ 4,553,063	$ 2,263,965	$ -	$ 6,817,028	$ 1,302,394	$ -	$ 8,119,422
Gala benefit	1,103,950	-	-	1,103,950	-	-	1,103,950	995,800	-	-	995,800	-	-	995,800
Less: Direct expenses	(359,544)	-	-	(359,544)	-	-	(359,544)	(272,334)	-	-	(272,334)	-	-	(272,334)
Admissions and ticket charges														
New York Film Festival	1,223,460	-	-	1,223,460	-	-	1,223,460	1,126,062	-	-	1,126,062	-	-	1,126,062
New Directors/New Films	69,946	-	-	69,946	-	-	69,946	85,850	-	-	85,850	-	-	85,850
Theater general programming	1,935,690	-	-	1,935,690	-	-	1,935,690	1,328,239	-	-	1,328,239	-	-	1,328,239
Concession income	134,786	-	-	134,786	-	-	134,786	139,968	-	-	139,968	-	-	139,968
Less: Cost of goods sold	(46,973)	-	-	(46,973)	-	-	(46,973)	(56,310)	-	-	(56,310)	-	-	(56,310)
Café revenue (Note 12)	238,937	-	-	238,937	-	-	238,937	54,489	-	-	54,489	-	-	54,489
Film Comment magazine														
Subscriptions and sales	257,762	-	-	257,762	-	-	257,762	250,508	-	-	250,508	-	-	250,508
Advertising	355,472	-	-	355,472	-	-	355,472	235,675	-	-	235,675	-	-	235,675
Theater rentals	193,012	-	-	193,012	-	-	193,012	230,834	-	-	230,834	-	-	230,834
Net investment income (loss) (Note 5)	-	742	242,191	242,933	14,268	-	257,201	-	462	(28,356)	(27,894)	(15,115)	-	(43,009)
Appropriations to operations (Notes 2b and 2c)	-	-	-	-	-	-	-	223,199	-	(168,570)	54,629	(54,629)	-	-
Other income	113,225	-	-	113,225	-	-	113,225	89,110	-	-	89,110	-	-	89,110
	10,336,101	1,794,441	242,191	12,372,733	100,922	-	12,473,655	8,984,153	2,264,427	(196,926)	11,051,654	1,232,650	-	12,284,304
Net assets released from restrictions	575,313	-	1,025,518	1,600,831	(818,477)	(782,354)	-	734,158	30,947,854	-	31,682,012	(31,682,012)	-	-
Total Revenues, Gains and Other Support	10,911,414	1,794,441	1,267,709	13,973,564	(717,555)	(782,354)	12,473,655	9,718,311	33,212,281	(196,926)	42,733,666	(30,449,362)	-	12,284,304
Expenses														
Program Services														
New York Film Festival	2,039,164	91,092	-	2,130,256	-	-	2,130,256	1,850,125	96,381	-	1,946,506	-	-	1,946,506
New Directors/New Films	486,781	44,541	-	531,322	-	-	531,322	487,645	22,357	-	510,002	-	-	510,002
Theater operations	5,148,152	1,145,964	-	6,294,116	-	-	6,294,116	4,269,957	637,999	-	4,907,956	-	-	4,907,956
Film Comment magazine	785,963	15,147	-	801,110	-	-	801,110	673,366	16,702	-	690,068	-	-	690,068
Membership programs	543,336	38,174	-	581,510	-	-	581,510	530,922	18,565	-	549,487	-	-	549,487
Total Program Services	9,003,396	1,334,918	-	10,338,314	-	-	10,338,314	7,812,015	792,004	-	8,604,019	-	-	8,604,019
Supporting Services														
Management and general	1,401,569	147,809	-	1,549,378	-	-	1,549,378	937,020	52,762	-	989,782	-	-	989,782
Fundraising	1,303,556	15,930	-	1,319,486	-	-	1,319,486	1,056,519	37,548	-	1,094,067	-	-	1,094,067
Film Center redevelopment	-	-	-	-	-	-	-	649,976	1,144	-	651,120	-	-	651,120
Total Supporting Services	2,705,125	163,739	-	2,868,864	-	-	2,868,864	2,643,515	91,454	-	2,734,969	-	-	2,734,969
Total Expenses	11,708,521	1,498,657	-	13,207,178	-	-	13,207,178	10,455,530	883,458	-	11,338,988	-	-	11,338,988
Increase (Decrease) in Net Assets Before Transfers	(797,107)	295,784	1,267,709	766,386	(717,555)	(782,354)	(733,523)	(737,219)	32,328,823	(196,926)	31,394,678	(30,449,362)	-	945,316
Transfer to operations (Note 2c)	1,000,000	-	(1,000,000)	-	-	-	-	1,000,000	-	(1,000,000)	-	-	-	-
Transfer for purchase of property and equipment	(128,424)	128,424	-	-	-	-	-	(148,133)	148,133	-	-	-	-	-
Total Transfers	871,576	128,424	(1,000,000)	-	-	-	-	851,867	148,133	(1,000,000)	-	-	-	-
Increase (decrease) in net assets	74,469	424,208	267,709	766,386	(717,555)	(782,354)	(733,523)	114,648	32,476,956	(1,196,926)	31,394,678	(30,449,362)	-	945,316
Net assets (deficit), beginning of year	(644,938)	38,341,719	2,672,705	40,369,486	2,182,974	782,354	43,334,814	(759,586)	5,864,763	3,869,631	8,974,808	32,632,336	782,354	42,389,498
Net Assets (Deficit), End of Year	$ (570,469)	$38,765,927	$2,940,414	$41,135,872	$ 1,465,419	$ -	$42,601,291	$ (644,938)	$38,341,719	$2,672,705	$40,369,486	$ 2,182,974	$ 782,354	$43,334,814

See notes to financial statements.

THE FILM SOCIETY OF LINCOLN CENTER, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
Cash Flows From Operating Activities		
Increase (decrease) in net assets	$ (733,523)	$ 945,316
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Depreciation	1,398,657	883,458
Donated securities	(88,368)	(10,329)
Realized gain on sale of investments	(71,489)	(30,063)
Unrealized (gain) loss on investments	(112,375)	147,824
Capital campaign contributions	(3,527,699)	(3,211,631)
Bad debt expense	264,282	-
(Increase) decrease in:		
Accounts receivable	(23,658)	(268,098)
Contributions receivable, net	2,020,617	(700,130)
Prepaid expenses and other assets	(41,616)	29,642
Increase (decrease) in:		
Accounts payable and accrued expenses	(77,606)	657,674
Due to Lincoln Center for the Performing Arts, Inc.	9,853	132,165
Deferred revenue	26,343	(25,506)
Security deposit payable	-	20,000
Net Cash Used By Operating Activities	(956,582)	(1,429,678)
Cash Flows From Investing Activities		
Purchase of property and equipment	(128,424)	(148,133)
Payments towards EBM Film Center construction	(75,486)	(6,645,802)
Purchase of investments	(649,373)	(111,939)
Proceeds from sale of investments	2,047,805	1,053,583
Net Cash Provided (Used) By Investing Activities	1,194,522	(5,852,291)
Cash Flows From Financing Activities		
Proceeds from borrowings under loan payable	6,000,000	3,500,000
Principal payments on loan payable	(10,000,000)	(500,000)
Borrowings under line of credit	250,000	1,850,000
Repayment of line of credit	(1,000,000)	(1,300,000)
Capital campaign contributions received	3,527,699	3,211,631
Net Cash Provided (Used) By Financing Activities	(1,222,301)	6,761,631
Net decrease in cash and cash equivalents	(984,361)	(520,338)
Cash and cash equivalents, beginning of year	2,764,576	3,284,914
Cash and Cash Equivalents, End of Year	$ 1,780,215	$2,764,576
Supplemental Disclosure		
Interest paid	$ 228,050	$ 259,965

See notes to financial statements.

THE FILM SOCIETY OF LINCOLN CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

Note 1 - Organization and Summary of Significant Accounting Policies

a - Organization

The Film Society of Lincoln Center, Inc. (the "Film Society") was formed to develop, stimulate and support the art of film and related media by the presentation of a film festival or festivals at Lincoln Center for the Performing Arts, Inc. ("Lincoln Center") or elsewhere; show selected film programs; encourage the study of film through seminars and teaching programs at schools, colleges, and other institutions; develop educational programs that involve the use of film and the use of film for training programs, employee services, and the improvement of social conditions; and participate in any and all matters in conjunction with or independent of others in sponsoring, promoting and improving the film media.

In June 2011, the Film Society opened its new state-of-the-art Elinor Bunin-Munroe ("EBM") Film Center, a multi-screen theater and cultural venue.

b - Cash and Cash Equivalents

For purposes of the statement of cash flows, the Film Society considers all highly liquid debt instruments, purchased with a maturity of three months or less, to be cash equivalents, except for those held by management for long-term investment purposes.

c - Contributions and Contributions Receivable

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Contributions of property, plant and equipment without donor stipulation concerning the use of such long-lived assets are reported as revenues of the unrestricted net assets class. Contributions of cash or other assets to be used to acquire property, plant and equipment with such donor stipulations are reported as revenues of the temporarily restricted net assets class; the restrictions are considered to be released at the time such long-lived assets are placed into service.

Conditional promises to give are not included as support until the conditions of the promise are substantially met.

The Film Society uses the allowance method to determine uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

d - Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-based measurement. Generally accepted accounting principles establish a framework for measuring fair value which maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those the market participants would use in pricing the asset based on market data obtained from sources independent of the Film Society. Unobservable inputs reflect the Film Society's assumptions about the inputs market participants would use in pricing the asset based on the best information available in the circumstances.

Fair value measurements are categorized into three levels as follows:

Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Film Society has the ability to access at the measurement date.

Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 Inputs that are unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Investments are measured at fair value on a recurring basis. Investments with fair values that are based on quoted market prices in active markets are therefore classified within Level 1.

e - Investments

Interest, dividends and gains and losses on investments are reflected in the statement of activities as increases and decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Gains and other investment income that are limited to specific uses by donor-imposed restrictions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

THE FILM SOCIETY OF LINCOLN CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

f - Property and Equipment
Building and improvements and the EBM Film Center are stated at cost and are being depreciated using the straight-line method over an estimated useful life of 40 years. Property and equipment acquired are recorded at cost and are being depreciated using the straight-line method over the useful lives of the assets.

g - Revenue Recognition
Memberships, which annually entitle donors to certain discounts and events, are recognized as revenues in the period received. Program fees, admissions, rentals and magazine subscriptions are recognized as revenue in the period earned.

h - Advertising
Advertising costs are charged to operations when incurred. Advertising costs incurred were $337,888 and $234,861 for the years ended December 31, 2012 and 2011, respectively.

i - Financial Statement Presentation
The Film Society reports information regarding its financial position and activities according to three classes of net assets based on the existence or absence of donor-imposed restrictions: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

j - Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

k - Tax Status
The Film Society of Lincoln Center, Inc. is a not-for-profit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

The Film Society is subject to federal and state income taxes on any net income derived from advertising revenue, a business activity which is regularly conducted and is, by statute, unrelated to its exempt purpose. Management believes that it has appropriate support for any tax positions taken and does not have any uncertain tax positions that are material to the financial statements. The Film Society's tax returns for years prior to 2009 are generally no longer subject to examination by taxing authorities.

THE FILM SOCIETY OF LINCOLN CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

l - Prior Year Information
For comparability, certain 2011 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used in 2012.

m - Subsequent Events
The Film Society has evaluated subsequent events through May 6, 2013, the date that the financial statements are considered available to be issued.

Note 2 - Net Assets

a - Permanently Restricted Net Assets
Permanently restricted net assets at December 31, 2011 consisted of donor-restricted contributions from the National Endowment for the Arts and matching funds from other donors, to be maintained in perpetuity, with investment return used primarily to support the Film Society's general operations. During 2012, the Film Society obtained permission from the donors to release these amounts from restricted, and transferred these amounts to its Board Designated Funds (Note 2c).

b - Temporarily Restricted Net Assets
Temporarily restricted net assets at December 31 are available for future programs and periods as follows:

	2012	2011
Future programs and operations:		
Programming/Educational Initiatives	$ 593,871	$ 704,916
Future periods	871,548	1,234,894
Accumulated endowment investment earnings (Note 6)	-	243,164
Total	$1,465,419	$2,182,974

During 2012, accumulated endowment investment earnings were transferred to the Film Society's Board Designated Funds, pursuant to the release from restriction received from its endowment donors. During 2011, the Board of Directors approved appropriations from these accumulated earnings to fund operations totaling $54,629.

Note 2 - Net Assets (continued)

c - Board Designated Funds

Board Designated Funds consist of amounts raised from fundraising campaigns in prior years, which are held in the Film Society's investment portfolio, to be used for purposes to be determined at the discretion of the Board of Directors. During 2011, the Board of Directors approved appropriations and transfers of $168,570 from these funds to fund operations. In addition, the Board approved transfers of $1 million in 2012 and 2011 from Board Designated Funds to operations. During 2012, Board Designated Funds increased by $1,025,518 released from restriction by endowment donors.

Note 3 - Concentration of Credit Risk

The Film Society maintains cash accounts in financial institutions in New York. Certain balances are insured by the Federal Deposit Insurance Corporation.

Note 4 - Contributions Receivable

Contributions receivable at December 31 are due as follows:

	2012			
	Unrestricted			
	Operations	EBM Film Center	Temporarily Restricted	Total
Due within one year	$886,617	$2,750,137	$450,000	$4,086,754
Due in one to five years	-	2,340,000	400,000	2,740,000
	886,617	5,090,137	850,000	6,826,754
Less: Discount	-	(164,578)	(28,452)	(193,030)
Total	$886,617	$4,925,559	$821,548	$6,633,724

	2011			
	Unrestricted			
	Operations	EBM Film Center	Temporarily Restricted	Total
Due within one year	$924,170	$3,488,423	$ 450,000	$4,862,593
Due in one to five years	-	3,565,000	850,000	4,415,000
	924,170	7,053,423	1,300,000	9,277,593
Less: Discount	-	(293,864)	(65,106)	(358,970)
Total	$924,170	$6,759,559	$1,234,894	$8,918,623

THE FILM SOCIETY OF LINCOLN CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

Note 4 - Contributions Receivable (continued)

Uncollectible promises are expected to be insignificant. Contributions receivable due after one year are discounted to net present value using a discount rate of 3%.

Note 5 - Investments

Investments, all of which are considered Level 1 in the fair value hierarchy, consist of the following at December 31:

	2012		2011	
	Market Value	Cost	Market Value	Cost
Cash and cash equivalents	$ 599,749	$ 599,749	$1,140,450	$1,140,450
Mutual funds - equities	685,367	600,896	1,044,681	1,039,833
Mutual funds - fixed income	1,505,485	1,492,373	1,731,670	1,751,310
	$2,790,601	$2,693,018	$3,916,801	$3,931,593

Net investment income (loss) for the years ended December 31, 2012 and 2011 is summarized as follows:

	2012	2011
Interest and dividends	$ 73,337	$ 74,752
Realized gain	71,489	30,063
Unrealized gain (loss)	112,375	(147,824)
	$257,201	$(43,009)

Note 6 - Endowment Funds

The Film Society's endowment consisted of donor-restricted endowment funds described in Note 2a. Consistent with New York State Not-for-Profit Corporation Law and the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), the Film Society classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of any 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 was classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Film Society. During 2012, the Film Society obtained permission from the donors to release the donor-restricted endowment fund from restriction, and transferred these amounts to its Board Designated Funds (Note 2c).

Note 6 - Endowment Funds (continued)

In accordance with NYPMIFA, the Film Society considered the factors prescribed by NYPMIFA in making determinations to appropriate or accumulate donor-restricted endowment funds.

The Film Society's endowment fund net asset classification at December 31, 2011 is summarized as follows:

	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$243,164	$782,354	$1,025,518

Changes in the Film Society's endowment funds for the years ended December 31 are summarized as follows:

	2012		
	Temporarily Restricted	Permanently Restricted	Total
Balance, beginning of year	$243,164	$782,354	$1,025,518
Net assets released from restrictions	(243,164)	(782,354)	(1,025,518)
Balance, End of Year	$ -	$ -	$ -

	2011		
	Temporarily Restricted	Permanently Restricted	Total
Balance, beginning of year	$312,949	$782,354	$1,095,303
Investment return:			
Investment income	18,165	-	18,165
Unrealized loss	(33,321)	-	(33,321)
Total Investment Return	(15,156)	-	(15,156)
Appropriations to operations	(54,629)	-	(54,629)
Balance, End of Year	$243,164	$782,354	$1,025,518

THE FILM SOCIETY OF LINCOLN CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

Note 6 - Endowment Funds (continued)

To satisfy its long-term rate-of-return objectives, the Film Society relied on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends), targeting a diversified asset allocation that placed a greater emphasis on equity-based investments to achieve long-term return objectives within prudent risk constraints.

The Film Society had a policy of appropriating for distribution each year, 5% of the average fair value of endowment funds over the preceding four quarters. The timing of the annual draw will occur based on the Film Society's cash flow need and is subject to the approval of the Finance and/or Executive Committee. The annual draw may occur up to two times annually and will not in the aggregate exceed the annual percentage approved by the Executive Committee and/or Board of Directors.

Note 7 - Property and Equipment

Property and equipment consist of the following at December 31:

	Life	2012	2011
Building and improvements	40 years	$10,359,820	$10,359,820
EBM Film Center building	40 years	34,280,807	34,280,807
Furniture and equipment	5 years	1,963,656	1,835,232
		46,604,283	46,475,859
Less: Accumulated depreciation		(7,981,410)	(6,582,753)
		$38,622,873	$39,893,106

Depreciation expense for the years ended December 31, 2012 and 2011 was $1,398,657 and $883,458, respectively.

Note 8 - Lincoln Center for the Performing Arts, Inc.

Certain members of the Board of Directors of the Film Society are also members of the Board of Directors of Lincoln Center for the Performing Arts, Inc. ("Lincoln Center").

Note 8 - Lincoln Center for the Performing Arts, Inc. (continued)

The Film Society participates in fundraising efforts conducted on a consolidated basis with Lincoln Center. The Film Society received $152,280 in each of the years ended December 31, 2012 and 2011 for contributions through this consolidated fund drive. Under an agreement with Lincoln Center, the Film Society pays a constituency fee to help fund the annual deficit of Alice Tully Hall. The fee for 2012 and 2011 was $39,926 and $38,889, respectively. In addition, Lincoln Center provides various administrative services for the Film Society for which the Film Society was charged $44,664 for each of the years ended December 31, 2012 and 2011. The Film Society also reimburses Lincoln Center for expenses paid by Lincoln Center on behalf of the Film Society.

Lincoln Center processes the Film Society's payroll and related employee benefits. In addition, in cooperation with certain of its constituents, including the Film Society, Lincoln Center maintains a multipurpose building, which includes a residential tower, a theater and office space. The Film Society occupies office space, as well as a theater, in the building. The Film Society reimburses Lincoln Center for personnel costs and its share of occupancy costs.

Note 9 - 65th Street Redevelopment Project - Elinor Bunin-Munroe Film Center Project

A comprehensive campus wide planning initiative was launched in early 2000 by Lincoln Center, which led to the undertaking of the 65th Street Redevelopment Project, a multiyear redevelopment of the portion of the Lincoln Center campus located on or near West 65th Street. The project included the renovation of Alice Tully Hall and the construction of a new Film Center for the Film Society, the Elinor Bunin-Munroe Film Center.

Lincoln Center Development Project, Inc., a separate legal entity, was created to implement and oversee the redevelopment of the Lincoln Center campus. In 2006, the Film Society entered into a bilateral agreement with Lincoln Center setting forth commitments specific to the 65th Street Redevelopment Project.

The Film Society had financial responsibility for the costs associated with the development of the new Film Center, and was obligated to pay Lincoln Center approximately $1.8 million for certain relocation and construction costs, and a share of the costs associated with the Film Society's components of the Alice Tully Hall renovation.

Note 9 - 65th Street Redevelopment Project - Elinor Bunin-Munroe Film Center Project (continued)

Also pursuant to the bilateral agreement, Lincoln Center made a commitment to the Film Society to match a portion of contributions raised by the Film Society. The full obligation was met in 2012 and the Film Society has recorded a total of $5,397,650 in contributions from Lincoln Center.

Construction on the Elinor Bunin-Munroe Film Center was completed during 2011. Total costs for the construction and redevelopment of the project was $34,280,807. The purchase and installation of furniture and theater equipment throughout the EBM Film Center totaled $781,567. In addition, a total of $2,958,388 in expenses related to the Film Center Project was incurred from 2003 through 2011.

Through December 31, 2012, contributions totaling $38,046,540 have been recorded for the Film Center Project.

Note 10 - Loan Payable

In June 2010, the Film Society entered into a credit agreement with a financial institution, in the total amount of $15 million to be used as financing for the Film Center Project (Note 9). The loan was in the form of a promissory note to provide for borrowings up to the total principal amount, and had a maturity date of June 22, 2013. During 2012, the Film Society paid the outstanding principal balance of $6 million and entered into a new credit agreement with the same financial institution. The terms of the new credit agreement allow for total borrowings of $6 million and a maturity date of March 31, 2016. The borrowing options for the new agreement include the following rates based on the amount borrowed: i) the Prime Rate, ii) the Adjusted One Month London Interbank Offered Rate ("LIBOR"), iii) LIBOR plus 2.5%, or iv) the financial institution's then current corporate borrowing rate. The loan is secured by unrestricted marketable securities of the Film Society, and certain contributions receivable related to the Film Center Project. The loan specifies certain covenants, including the maintenance of minimum amounts of liquid assets and unrestricted net assets. The Film Society is also required to maintain certain cash balances at the same financial institution as additional collateral for the loan.

As of December 31, 2012 and 2011, outstanding borrowings totaled $5.5 million and $9.5 million, respectively. Interest expense totaled $195,101 and $235,799 for the years ended December 31, 2012 and 2011, respectively. In 2011, $86,020 of interest was capitalized as part of the Film Center construction.

Note 11 - Line of Credit

The Film Society entered into a line of credit with a financial institution, in the total amount of $1 million, to be used for working capital. This line of credit matured on September 30, 2012 and the outstanding balance was paid in full before maturity. The Film Society entered into a new line of credit in 2012 with a maturity date of September 28, 2013, in the total amount of $1 million. Borrowings bear interest at variable rates based on the financial institution's commercial borrowing rates.

No borrowings were outstanding at December 31, 2012. At December 31, 2011, borrowings under the line of credit totaled $750,000. Interest expense under the lines of credit totaled $32,949 and $24,166 for the years ended December 31, 2012 and 2011, respectively.

Note 12 - Elinor Bunin-Munroe Film Center Café

The Film Society entered into an agreement in 2011 to have its Café in the EBM Film Center operated by a third party. The agreement expires on January 31, 2019 and requires the Café operator to pay the Film Society minimum monthly facility fees and a percentage of its annual gross sales.

Café revenue totaled $238,937 and $54,489 for the years ended December 31, 2012 and 2011, respectively.

Note 13 - Pension Plan

The Film Society's employees are compensated through Lincoln Center as employer of record and participates in a defined benefit pension plan maintained by Lincoln Center, which covers substantially all employees. Because the Film Society's employees comprise a portion of this plan, information as to vested and nonvested earned benefits, as well as plan assets as they relate to the Film Society's employees, is not readily available. The annual pension expense related to this plan is approximately $180,000.

Note 14 - Functional Allocation of Expenses

The cost of providing the various program and supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

SUPPLEMENTARY INFORMATION

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors of
The Film Society of Lincoln Center, Inc.

We have audited the financial statements of The Film Society of Lincoln Center, Inc. as of and for the years ended December 31, 2012 and 2011, and our report thereon dated May 6, 2013, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expenses for the year ended December 31, 2012 with comparative totals for 2011 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Lutz + Carr, LLP

New York, New York
May 6, 2013

THE FILM SOCIETY OF LINCOLN CENTER, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2012 WITH COMPARATIVE TOTALS FOR 2011

	Program Services						Supporting Services				2012	2011
	New York Film Festival	New Directors/ New Films	Theater Operations	*Film Comment* Magazine	Membership Programs	Total	Management and General	Fundraising	Film Center Redevelopment	Total	Total Expenses	Total Expenses
Salaries and benefits	$ 643,678	$ 305,348	$3,056,822	$248,624	$ 313,302	$ 4,567,774	$ 784,786	$ 574,793	$ -	$1,359,579	$ 5,927,353	$ 5,165,013
Professional fees and contract services	212,056	27,623	322,545	251,624	45,834	859,682	76,314	107,232	-	183,546	1,043,228	1,265,293
Film rental and transportation	33,718	980	300,931	-	-	335,629	-	170	-	170	335,799	320,370
Printing and publications	39,813	23,099	44,640	124,927	16,045	248,524	11,461	27,106	-	38,567	287,091	275,336
Travel and lodging	94,678	16,566	187,328	4,799	16,020	319,391	10,071	71,994	-	82,065	401,456	358,336
Events and receptions	194,273	33,255	28,364	689	65,109	321,690	2,173	276,488	-	278,661	600,351	540,253
Utilities and maintenance	62,667	29,728	866,922	24,206	30,502	1,014,025	76,404	55,961	-	132,365	1,146,390	900,883
Hall rental	511,204	-	-	-	-	511,204	-	95,266	-	95,266	606,470	577,291
Advertising and promotion	113,515	28,408	75,423	72,796	8,475	298,617	19,349	19,922	-	39,271	337,888	234,861
Supplies and equipment	66,652	3,369	73,645	2,576	3,246	149,488	15,680	11,821	-	27,501	176,989	188,746
Postage and shipping	9,501	2,591	21,888	35,567	2,424	71,971	4,602	5,229	-	9,831	81,802	99,595
Insurance	11,008	5,222	52,278	4,252	5,358	78,118	13,423	9,830	-	23,253	101,371	89,487
Telephone	2,362	1,120	14,287	912	1,150	19,831	2,879	2,109	-	4,988	24,819	29,402
Production costs	2,170	-	-	-	-	2,170	-	601	-	601	2,771	68,649
Miscellaneous	38,149	7,707	85,415	13,554	29,060	173,885	20,510	36,712	-	57,222	231,107	166,876
Interest expense	3,720	1,765	17,664	1,437	1,811	26,397	199,635	3,322	-	202,957	229,354	175,139
Bad debt expense	-	-	-	-	-	-	264,282	-	-	264,282	264,282	-
Grants	-	-	-	-	5,000	5,000	-	5,000	-	5,000	10,000	-
Total expenses before depreciation	2,039,164	486,781	5,148,152	785,963	543,336	9,003,396	1,501,569	1,303,556	-	2,805,125	11,808,521	10,455,530
Depreciation	91,092	44,541	1,145,964	15,147	38,174	1,334,918	47,809	15,930	-	63,739	1,398,657	883,458
Total Expenses, 2012	$ 2,130,256	$ 531,322	$6,294,116	$801,110	$ 581,510	$10,338,314	$ 1,549,378	$ 1,319,486	$ -	$2,868,864	$13,207,178	
Total Expenses, 2011	$ 1,946,506	$ 510,002	$4,907,956	$690,068	$ 549,487	$ 8,604,019	$ 989,782	$ 1,094,067	$ 651,120	$2,734,969		$11,338,988

See independent auditors' report on supplementary information.