

**THE FILM SOCIETY OF LINCOLN CENTER, INC.**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2013 AND 2012**

**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, 2013 and 2012, 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.

**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, 2013 and 2012, 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.

*Lotz + Carr, LLP*

New York, New York  
May 19, 2014

## THE FILM SOCIETY OF LINCOLN CENTER, INC.

## STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2013 AND 2012

	2013				2012			
	Operating	Properties and Capital	Board Designated Funds	Total	Operating	Properties and Capital	Board Designated Funds and Endowment	Total
<b>Assets</b>								
Cash and cash equivalents (Notes 1b and 3)								
Unrestricted	\$ 1,176,748	\$ 1,291,583	\$ -	\$ 2,468,331	\$ 495,681	\$ 1,193,237	\$ -	\$ 1,688,918
Temporarily restricted	80,953	-	-	80,953	91,297	-	-	91,297
Accounts receivable	357,987	-	1,675	359,662	450,605	-	3,930	454,535
Contributions receivable, net (Notes 1c and 4)								
Unrestricted	785,285	2,502,453	-	3,287,738	886,617	4,925,559	-	5,812,176
Temporarily restricted	388,519	-	-	388,519	821,548	-	-	821,548
Prepaid expenses and other assets	92,237	-	-	92,237	89,305	-	-	89,305
Investments (Notes 1d, 1e, 5 and 9)								
Unrestricted	129,749	-	2,099,003	2,228,752	78,344	-	2,159,683	2,238,027
Temporarily restricted	505,296	-	-	505,296	552,574	-	-	552,574
Property and equipment, net (Notes 1f and 6)	-	37,251,239	-	37,251,239	-	38,622,873	-	38,622,873
<b>Total Assets</b>	<b>\$ 3,516,774</b>	<b>\$41,045,275</b>	<b>\$ 2,100,678</b>	<b>\$46,662,727</b>	<b>\$3,465,971</b>	<b>\$44,741,669</b>	<b>\$2,163,613</b>	<b>\$50,371,253</b>
<b>Liabilities and Net Assets</b>								
Liabilities								
Loan payable (Note 9)	\$ -	\$ 4,000,000	\$ -	\$ 4,000,000	\$ -	\$ 5,500,000	\$ -	\$ 5,500,000
Accounts payable and accrued expenses	515,037	-	-	515,037	677,052	26,161	-	703,213
Due to Lincoln Center for the Performing Arts, Inc. (Note 7)	1,846,297	-	-	1,846,297	1,284,403	-	-	1,284,403
Deferred revenue (Note 1g)	314,887	-	-	314,887	262,346	-	-	262,346
Security deposit payable (Note 11)	20,000	-	-	20,000	20,000	-	-	20,000
Interfund payable (receivable)	1,160,351	(158,541)	(1,001,810)	-	132,119	644,682	(776,801)	-
Total Liabilities	<u>3,856,572</u>	<u>3,841,459</u>	<u>(1,001,810)</u>	<u>6,696,221</u>	<u>2,375,920</u>	<u>6,170,843</u>	<u>(776,801)</u>	<u>7,769,962</u>
Commitments and Contingency (Notes 7, 8, 9, 10, 11 and 12)								
Net Assets (Deficit), as restated (Note 11)								
Unrestricted (Note 2a)	(1,314,566)	37,203,816	3,102,488	38,991,738	(375,368)	38,570,826	2,940,414	41,135,872
Temporarily restricted (Note 2b)	974,768	-	-	974,768	1,465,419	-	-	1,465,419
Total Net Assets (Deficit)	<u>(339,798)</u>	<u>37,203,816</u>	<u>3,102,488</u>	<u>39,966,506</u>	<u>1,090,051</u>	<u>38,570,826</u>	<u>2,940,414</u>	<u>42,601,291</u>
<b>Total Liabilities and Net Assets</b>	<b>\$ 3,516,774</b>	<b>\$41,045,275</b>	<b>\$ 2,100,678</b>	<b>\$46,662,727</b>	<b>\$3,465,971</b>	<b>\$44,741,669</b>	<b>\$2,163,613</b>	<b>\$50,371,253</b>

See notes to financial statements.

## THE FILM SOCIETY OF LINCOLN CENTER, INC.

## STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013						2012						
	Unrestricted			Temporarily Restricted	Total	Unrestricted			Temporarily Restricted	Permanently Restricted	Total		
	Operating	Properties and Capital	Board Designated Funds			Operating	Properties and Capital	Board Designated Funds					
<b>Revenues, Gains and Other Support</b>													
Contributions	\$ 5,097,961	\$ 166,007	\$ -	\$ 5,263,968	\$ 66,971	\$ 5,330,939	\$ 5,116,378	\$ 1,793,699	\$ -	\$ 6,910,077	\$ 86,654	\$ -	\$ 6,996,731
Gala benefit	2,145,509	-	-	2,145,509	-	2,145,509	1,103,950	-	-	1,103,950	-	-	1,103,950
Less: Direct expenses	(535,810)	-	-	(535,810)	-	(535,810)	(359,544)	-	-	(359,544)	-	-	(359,544)
Admissions and ticket charges													
New York Film Festival	1,047,381	-	-	1,047,381	-	1,047,381	1,223,460	-	-	1,223,460	-	-	1,223,460
Theater general programming and festivals	1,670,278	-	-	1,670,278	-	1,670,278	2,005,636	-	-	2,005,636	-	-	2,005,636
Concession income	124,616	-	-	124,616	-	124,616	134,786	-	-	134,786	-	-	134,786
Less: Cost of goods sold	(36,389)	-	-	(36,389)	-	(36,389)	(46,973)	-	-	(46,973)	-	-	(46,973)
Café revenue (Note 11)	243,765	-	-	243,765	-	243,765	238,937	-	-	238,937	-	-	238,937
<i>Film Comment</i> magazine													
Subscriptions and sales	241,850	-	-	241,850	-	241,850	257,762	-	-	257,762	-	-	257,762
Advertising	331,996	-	-	331,996	-	331,996	355,472	-	-	355,472	-	-	355,472
Theater rentals	230,815	-	-	230,815	-	230,815	193,012	-	-	193,012	-	-	193,012
Net investment income (loss) (Note 5)	-	859	162,074	162,933	7,888	170,821	-	742	242,191	242,933	14,268	-	257,201
Other income	154,551	-	-	154,551	-	154,551	113,225	-	-	113,225	-	-	113,225
	10,716,523	166,866	162,074	11,045,463	74,859	11,120,322	10,336,101	1,794,441	242,191	12,372,733	100,922	-	12,473,655
Net assets released from restrictions	565,510	-	-	565,510	(565,510)	-	575,313	-	1,025,518	1,600,831	(818,477)	(782,354)	-
<b>Total Revenues, Gains and Other Support</b>	<b>11,282,033</b>	<b>166,866</b>	<b>162,074</b>	<b>11,610,973</b>	<b>(490,651)</b>	<b>11,120,322</b>	<b>10,911,414</b>	<b>1,794,441</b>	<b>1,267,709</b>	<b>13,973,564</b>	<b>(717,555)</b>	<b>(782,354)</b>	<b>12,473,655</b>
<b>Expenses</b>													
Program Services													
New York Film Festival	2,444,520	90,069	-	2,534,589	-	2,534,589	2,039,164	91,092	-	2,130,256	-	-	2,130,256
Theater general programming and festivals	5,815,574	1,188,095	-	7,003,669	-	7,003,669	5,634,933	1,190,505	-	6,825,438	-	-	6,825,438
<i>Film Comment</i> magazine	815,332	15,019	-	830,351	-	830,351	785,963	15,147	-	801,110	-	-	801,110
Membership programs	610,998	42,397	-	653,395	-	653,395	543,336	38,174	-	581,510	-	-	581,510
Total Program Services	9,686,424	1,335,580	-	11,022,004	-	11,022,004	9,003,396	1,334,918	-	10,338,314	-	-	10,338,314
Supporting Services													
Management and general	1,199,181	217,973	-	1,417,154	-	1,417,154	1,206,468	342,910	-	1,549,378	-	-	1,549,378
Fundraising	1,297,071	18,878	-	1,315,949	-	1,315,949	1,303,556	15,930	-	1,319,486	-	-	1,319,486
Total Supporting Services	2,496,252	236,851	-	2,733,103	-	2,733,103	2,510,024	358,840	-	2,868,864	-	-	2,868,864
<b>Total Expenses</b>	<b>12,182,676</b>	<b>1,572,431</b>	<b>-</b>	<b>13,755,107</b>	<b>-</b>	<b>13,755,107</b>	<b>11,513,420</b>	<b>1,693,758</b>	<b>-</b>	<b>13,207,178</b>	<b>-</b>	<b>-</b>	<b>13,207,178</b>
Increase (Decrease) in Net Assets Before Transfers	(900,643)	(1,405,565)	162,074	(2,144,134)	(490,651)	(2,634,785)	(602,006)	100,683	1,267,709	766,386	(717,555)	(782,354)	(733,523)
Transfer to operations (Note 2a)	-	-	-	-	-	-	1,000,000	-	(1,000,000)	-	-	-	-
Transfer for purchase of property and equipment	(38,555)	38,555	-	-	-	-	(128,424)	128,424	-	-	-	-	-
<b>Total Transfers</b>	<b>(38,555)</b>	<b>38,555</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>871,576</b>	<b>128,424</b>	<b>(1,000,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Increase (decrease) in net assets	(939,198)	(1,367,010)	162,074	(2,144,134)	(490,651)	(2,634,785)	269,570	229,107	267,709	766,386	(717,555)	(782,354)	(733,523)
Net assets (deficit), beginning of year, as restated (Note 11)	(375,368)	38,570,826	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
<b>Net Assets (Deficit), End of Year</b>	<b>\$(1,314,566)</b>	<b>\$37,203,816</b>	<b>\$3,102,488</b>	<b>\$38,991,738</b>	<b>\$ 974,768</b>	<b>\$39,966,506</b>	<b>\$ (375,368)</b>	<b>\$38,570,826</b>	<b>\$ 2,940,414</b>	<b>\$41,135,872</b>	<b>\$1,465,419</b>	<b>\$ -</b>	<b>\$42,601,291</b>

See notes to financial statements.

## THE FILM SOCIETY OF LINCOLN CENTER, INC.

## STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<b>Cash Flows From Operating Activities</b>		
Decrease in net assets	\$ (2,634,785)	\$ (733,523)
Adjustments to reconcile decrease in net assets to net cash used by operating activities:		
Depreciation	1,410,189	1,398,657
Donated securities	(139,684)	(88,368)
Realized gain on investments	(1,145)	(71,489)
Unrealized gain on investments	(131,364)	(112,375)
Capital campaign contributions	(2,589,113)	(3,527,699)
Bad debt expense	54,842	264,282
(Increase) decrease in:		
Accounts receivable	40,031	(23,658)
Contributions receivable, net	2,957,467	2,020,617
Prepaid expenses and other assets	(2,932)	(41,616)
Increase (decrease) in:		
Accounts payable and accrued expenses	(188,176)	(77,606)
Due to Lincoln Center for the Performing Arts, Inc.	561,894	9,853
Deferred revenue	52,541	26,343
Net Cash Used By Operating Activities	<u>(610,235)</u>	<u>(956,582)</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of property and equipment	(38,555)	(128,424)
Payments towards EBM Film Center construction	-	(75,486)
Purchase of investments	(80,245)	(649,373)
Proceeds from sale of investments	408,991	2,047,805
Net Cash Provided By Investing Activities	<u>290,191</u>	<u>1,194,522</u>
<b>Cash Flows From Financing Activities</b>		
Proceeds from borrowings under loan payable	-	6,000,000
Principal payments on loan payable	(1,500,000)	(10,000,000)
Borrowings under line of credit	-	250,000
Repayment of line of credit	-	(1,000,000)
Capital campaign contributions received	2,589,113	3,527,699
Net Cash Provided (Used) By Financing Activities	<u>1,089,113</u>	<u>(1,222,301)</u>
Net increase (decrease) in cash and cash equivalents	769,069	(984,361)
Cash and cash equivalents, beginning of year	<u>1,780,215</u>	<u>2,764,576</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 2,549,284</u></u>	<u><u>\$ 1,780,215</u></u>
<b>Supplemental Disclosure</b>		
Interest paid	<u>\$ 163,413</u>	<u>\$ 228,050</u>

See notes to financial statements.

**THE FILM SOCIETY OF LINCOLN CENTER, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2013 AND 2012****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.

**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, when necessary, is based on prior years' experience and management's analysis of specific promises made.

THE FILM SOCIETY OF LINCOLN CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

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, 2013 AND 2012****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 \$259,274 and \$338,218 for the years ended December 31, 2013 and 2012, 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 are generally subject to examination by taxing authorities for a period of three years from the date of filing.

**THE FILM SOCIETY OF LINCOLN CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2013 AND 2012**

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

**l - Prior Year Information**

For comparability, certain 2012 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used in 2013. The 2012 financial statements reflect the reclassification of interest expense related to property and capital totaling \$195,101, which had been previously charged to operations. This resulted in an increase to unrestricted operating net assets and a decrease in unrestricted property and capital net assets for this amount.

**m - Subsequent Events**

The Film Society has evaluated subsequent events through May 19, 2014, the date that the financial statements are considered available to be issued.

**Note 2 - Net Assets**

**a - 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 2012, the Board of Directors approved a transfer of \$1 million from Board Designated Funds to operations. Also in 2012, Board Designated Funds increased by \$1,025,518 released from restriction by endowment donors (Note 2c).

**b - Temporarily Restricted Net Assets**

Temporarily restricted net assets at December 31 are available for future programs and periods as follows:

	<b>2013</b>	<b>2012</b>
Programming/Educational Initiatives	\$536,249	\$ 593,871
Future periods	438,519	871,548
Total	<b>\$974,768</b>	<b>\$1,465,419</b>

**c - 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 2a).

**THE FILM SOCIETY OF LINCOLN CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2013 AND 2012**

**Note 2 - Net Assets (continued)**

c - Permanently Restricted Net Assets (continued)

Changes in the Film Society's endowment funds for the year ended December 31, 2012 are summarized as follows:

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

**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:

	<u>2013</u>			
	<u>Unrestricted</u>		<u>Temporarily Restricted</u>	<u>Total</u>
	<u>Operations</u>	<u>EBM Film Center</u>		
Due within one year	\$785,285	\$1,484,999	\$200,000	\$2,470,284
Due in one to five years	<u>-</u>	<u>1,080,000</u>	<u>200,000</u>	<u>1,280,000</u>
	785,285	2,564,999	400,000	3,750,284
Less: Discount	<u>-</u>	<u>(62,546)</u>	<u>(11,481)</u>	<u>(74,027)</u>
Total	<u>\$785,285</u>	<u>\$2,502,453</u>	<u>\$388,519</u>	<u>\$3,676,257</u>

**THE FILM SOCIETY OF LINCOLN CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2013 AND 2012**

**Note 4 - Contributions Receivable (continued)**

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

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:

	<b>2013</b>		<b>2012</b>	
	<b>Market Value</b>	<b>Cost</b>	<b>Market Value</b>	<b>Cost</b>
Cash and cash equivalents	\$ 395,278	\$ 395,278	\$ 599,749	\$ 599,749
Mutual funds - equities	866,586	647,382	685,367	600,896
Mutual funds - fixed income	<u>1,472,184</u>	<u>1,462,441</u>	<u>1,505,485</u>	<u>1,492,373</u>
	<u>\$2,734,048</u>	<u>\$2,505,101</u>	<u>\$2,790,601</u>	<u>\$2,693,018</u>

Net investment income for the years ended December 31, 2013 and 2012 is summarized as follows:

	<b>2013</b>	<b>2012</b>
Interest and dividends	\$ 38,312	\$ 73,337
Realized gain	1,145	71,489
Unrealized gain	<u>131,364</u>	<u>112,375</u>
	<u>\$170,821</u>	<u>\$257,201</u>

**THE FILM SOCIETY OF LINCOLN CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2013 AND 2012**

**Note 6 - Property and Equipment**

Property and equipment consist of the following at December 31:

	<u>Life</u>	<u>2013</u>	<u>2012</u>
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	<u>2,002,211</u>	<u>1,963,656</u>
		46,642,838	46,604,283
Less: Accumulated depreciation		<u>(9,391,599)</u>	<u>(7,981,410)</u>
		<u>\$37,251,239</u>	<u>\$38,622,873</u>

Depreciation expense for the years ended December 31, 2013 and 2012 was \$1,410,189 and \$1,398,657, respectively.

**Note 7 - Lincoln Center for the Performing Arts, Inc.**

The Film Society is a constituent organization of Lincoln Center for the Performing Arts, Inc. ("Lincoln Center"). Under various agreements with Lincoln Center, the Film Society conducts programming in the Elinor Bunin-Monroe Film Center and the Walter Reade Theater, occupies its administrative offices, and uses other facilities of Lincoln Center for certain activities. Certain members of the Board of Directors of the Film Society are also members of the Board of Directors of Lincoln Center.

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, 2013 and 2012 for contributions through this consolidated fund drive.

Pursuant to 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 2013 and 2012 was \$40,770 and \$39,926, 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, 2013 and 2012. The Film Society also reimburses Lincoln Center for expenses paid by Lincoln Center on behalf of the Film Society.

**THE FILM SOCIETY OF LINCOLN CENTER, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2013 AND 2012****Note 7 - Lincoln Center for the Performing Arts, Inc. (continued)**

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 8 - 65<sup>th</sup> 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.

Construction of the Elinor Bunin-Munroe Film Center was completed during 2011. Total costs for the construction and redevelopment of the property, including equipment, was approximately \$35 million. In addition, approximately \$3 million in expenses related to the Film Center Project were incurred from 2003 through 2011.

Contributions totaling approximately \$38 million have been recorded for the Film Center Project, including \$5.4 million received from Lincoln Center in matching contributions.

**Note 9 - 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 8). 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, 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.

**THE FILM SOCIETY OF LINCOLN CENTER, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2013 AND 2012****Note 9 - Loan Payable (continued)**

As of December 31, 2013 and 2012, outstanding borrowings totaled \$4 million and \$5.5 million, respectively. Interest expense totaled \$162,242 and \$195,101 for the years ended December 31, 2013 and 2012, respectively.

**Note 10 - 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 matures September 26, 2014. Borrowings bear interest at variable rates based on the financial institution's commercial borrowing rates.

No borrowings were outstanding at December 31, 2013 or 2012. Interest expense under the line of credit totaled \$32,949 for the year ended December 31, 2012.

**Note 11 - Commitment**

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 \$243,765 and \$238,937 for the years ended December 31, 2013 and 2012, respectively.

**Note 12 - 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 totaled approximately \$310,000 (2013) and \$180,000 (2012).

**THE FILM SOCIETY OF LINCOLN CENTER, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2013 AND 2012****Note 13 - 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, 2013 and 2012, and our report thereon dated May 19, 2014, 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, 2013 with comparative totals for 2012 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 19, 2014

## THE FILM SOCIETY OF LINCOLN CENTER, INC.

## SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2013 WITH COMPARATIVE TOTALS FOR 2012

	Program Services					Supporting Services			2013	2012
	New York Film Festival	Theater General Programming and Festivals	Film Comment Magazine	Membership Programs	Total	Management and General	Fundraising	Total	Total Expenses	Total Expenses
Salaries and benefits	\$ 631,022	\$ 3,555,316	\$242,113	\$ 341,715	\$ 4,770,166	\$ 898,361	\$ 646,035	\$1,544,396	\$ 6,314,562	\$ 5,927,353
Professional fees and contract services	291,485	330,790	249,962	100,596	972,833	63,283	241,622	304,905	1,277,738	1,043,228
Film rental and transportation	21,178	308,802	-	-	329,980	-	922	922	330,902	335,799
Printing and publications	61,887	38,938	161,149	16,794	278,768	7,910	48,754	56,664	335,432	287,091
Travel and lodging	108,153	200,622	4,177	30,676	343,628	11,789	127,926	139,715	483,343	401,456
Events and receptions	596,444	56,229	691	31,638	685,002	2,566	41,694	44,260	729,262	603,484
Utilities and maintenance	55,007	925,159	21,105	29,788	1,031,059	84,295	56,315	140,610	1,171,669	1,146,060
Hall rental	559,904	-	-	-	559,904	-	-	-	559,904	606,470
Advertising and promotion	43,184	97,226	80,379	5,741	226,530	15,091	17,653	32,744	259,274	338,218
Supplies and equipment	11,504	100,188	2,441	3,446	117,579	9,059	13,436	22,495	140,074	163,324
Postage and shipping	9,117	23,914	39,758	2,877	75,666	4,844	7,351	12,195	87,861	81,802
Insurance	11,693	65,878	4,486	6,332	88,389	16,647	11,971	28,618	117,007	101,371
Telephone	3,413	19,499	1,309	1,848	26,069	4,859	3,494	8,353	34,422	24,819
Production costs	18,175	1,502	-	50	19,727	6,504	23,214	29,718	49,445	2,771
Miscellaneous	22,237	90,851	7,717	34,434	155,239	18,965	51,564	70,529	225,768	241,639
Interest expense	117	660	45	63	885	162,408	120	162,528	163,413	229,354
Bad debt expense	-	-	-	-	-	54,842	-	54,842	54,842	264,282
Grants	-	-	-	5,000	5,000	-	5,000	5,000	10,000	10,000
Total expenses before depreciation	2,444,520	5,815,574	815,332	610,998	9,686,424	1,361,423	1,297,071	2,658,494	12,344,918	11,808,521
Depreciation	90,069	1,188,095	15,019	42,397	1,335,580	55,731	18,878	74,609	1,410,189	1,398,657
Total Expenses, 2013	<u>\$ 2,534,589</u>	<u>\$ 7,003,669</u>	<u>\$830,351</u>	<u>\$ 653,395</u>	<u>\$11,022,004</u>	<u>\$ 1,417,154</u>	<u>\$ 1,315,949</u>	<u>\$2,733,103</u>	<u>\$13,755,107</u>	
Total Expenses, 2012	<u>\$ 2,130,256</u>	<u>\$ 6,825,438</u>	<u>\$801,110</u>	<u>\$ 581,510</u>	<u>\$10,338,314</u>	<u>\$ 1,549,378</u>	<u>\$ 1,319,486</u>	<u>\$2,868,864</u>		<u>\$13,207,178</u>

See independent auditors' report on supplementary information.