

THE FILM SOCIETY OF LINCOLN CENTER, INC.

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2015 AND 2014

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, 2015 and 2014, 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, 2015 and 2014, 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 24, 2016

THE FILM SOCIETY OF LINCOLN CENTER, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2015 AND 2014

	2015				2014			
	Operating	Properties and Capital	Board Designated Funds	Total	Operating	Properties and Capital	Board Designated Funds	Total
Assets								
Cash and cash equivalents (Notes 1b and 3)								
Unrestricted	\$ 527,993	\$ 2,112,744	\$ -	\$ 2,640,737	\$ 493,205	\$ 1,110,364	\$ -	\$ 1,603,569
Temporarily restricted	10,057	-	-	10,057	238,530	-	-	238,530
Accounts receivable	555,733	-	1,056	556,789	469,828	-	990	470,818
Contributions receivable (Notes 1c and 4)								
Unrestricted	659,030	709,694	-	1,368,724	797,854	1,603,181	-	2,401,035
Temporarily restricted	262,754	-	-	262,754	236,800	-	-	236,800
Prepaid expenses and other assets	129,430	-	-	129,430	104,143	-	-	104,143
Investments (Notes 1d, 1e, 5 and 9)								
Unrestricted	46,003	-	1,044,880	1,090,883	3,043	-	1,055,663	1,058,706
Temporarily restricted	412,076	-	-	412,076	458,605	-	-	458,605
Property and equipment, net (Notes 1f and 6)	-	34,901,772	-	34,901,772	-	35,934,185	-	35,934,185
Total Assets	\$2,603,076	\$37,724,210	\$1,045,936	\$41,373,222	\$2,802,008	\$38,647,730	\$1,056,653	\$42,506,391
Liabilities and Net Assets								
Liabilities								
Loan payable (Note 8)	\$ -	\$ 1,000,000	\$ -	\$ 1,000,000	\$ -	\$ 2,000,000	\$ -	\$ 2,000,000
Accounts payable and accrued expenses	482,796	-	-	482,796	325,432	-	-	325,432
Due to Lincoln Center for the Performing Arts, Inc. (Note 7)	1,510,410	-	-	1,510,410	1,242,512	-	-	1,242,512
Deferred revenue (Note 1g)	308,936	-	-	308,936	273,369	-	-	273,369
Security deposit payable (Note 10)	20,000	-	-	20,000	20,000	-	-	20,000
Interfund payable (receivable)	434,219	1,566,097	(2,000,316)	-	499,411	500,917	(1,000,328)	-
Total Liabilities	<u>2,756,361</u>	<u>2,566,097</u>	<u>(2,000,316)</u>	<u>3,322,142</u>	<u>2,360,724</u>	<u>2,500,917</u>	<u>(1,000,328)</u>	<u>3,861,313</u>
Commitments and Contingency (Notes 7, 8, 9, 10 and 11)								
Net Assets (Deficit)								
Unrestricted (Note 2a)	(838,172)	35,158,113	3,046,252	37,366,193	(492,651)	36,146,813	2,056,981	37,711,143
Temporarily restricted (Note 2b)	684,887	-	-	684,887	933,935	-	-	933,935
Total Net Assets (Deficit)	<u>(153,285)</u>	<u>35,158,113</u>	<u>3,046,252</u>	<u>38,051,080</u>	<u>441,284</u>	<u>36,146,813</u>	<u>2,056,981</u>	<u>38,645,078</u>
Total Liabilities and Net Assets	\$2,603,076	\$37,724,210	\$1,045,936	\$41,373,222	\$2,802,008	\$38,647,730	\$1,056,653	\$42,506,391

See notes to financial statements.

THE FILM SOCIETY OF LINCOLN CENTER, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015						2014					
	Unrestricted			Temporarily Restricted	Total	Unrestricted			Temporarily Restricted	Total		
	Operating	Properties and Capital	Board Designated Funds			Operating	Properties and Capital	Board Designated Funds				
Revenues, Gains and Other Support												
Contributions	\$ 6,340,017	\$ 107,513	\$ 1,000,000	\$ 7,447,530	\$ 262,754	\$ 7,710,284	\$ 5,220,008	\$ 360,728	\$ -	\$ 5,580,736	\$ 266,781	\$ 5,847,517
Gala benefit	1,526,269	-	-	1,526,269	-	1,526,269	1,868,277	-	-	1,868,277	-	1,868,277
Less: Direct expenses	(249,424)	-	-	(249,424)	-	(249,424)	(273,769)	-	-	(273,769)	-	(273,769)
Admissions and ticket charges												
New York Film Festival	1,308,705	-	-	1,308,705	-	1,308,705	1,137,898	-	-	1,137,898	-	1,137,898
Theater general programming and festivals	1,515,055	-	-	1,515,055	-	1,515,055	1,556,776	-	-	1,556,776	-	1,556,776
Concession income	141,021	-	-	141,021	-	141,021	156,275	-	-	156,275	-	156,275
Less: Cost of goods sold	(30,347)	-	-	(30,347)	-	(30,347)	(38,894)	-	-	(38,894)	-	(38,894)
Café revenue (Note 10)	317,884	-	-	317,884	-	317,884	299,583	-	-	299,583	-	299,583
<i>Film Comment</i> magazine												
Subscriptions and sales	210,446	-	-	210,446	-	210,446	232,570	-	-	232,570	-	232,570
Advertising	398,670	-	-	398,670	-	398,670	439,324	-	-	439,324	-	439,324
Theater rentals	290,940	-	-	290,940	-	290,940	323,194	-	-	323,194	-	323,194
Net investment income (loss) (Note 5)	-	2,382	(10,729)	(8,347)	(502)	(8,849)	-	1,489	61,406	62,895	3,284	66,179
Other income	231,864	-	-	231,864	-	231,864	280,538	-	-	280,538	-	280,538
	12,001,100	109,895	989,271	13,100,266	262,252	13,362,518	11,201,780	362,217	61,406	11,625,403	270,065	11,895,468
Net assets released from restrictions	511,300	-	-	511,300	(511,300)	-	310,898	-	-	310,898	(310,898)	-
Total Revenues, Gains and Other Support	12,512,400	109,895	989,271	13,611,566	(249,048)	13,362,518	11,512,678	362,217	61,406	11,936,301	(40,833)	11,895,468
Expenses												
Program Services												
New York Film Festival	2,738,799	97,935	-	2,836,734	-	2,836,734	2,344,658	86,698	-	2,431,356	-	2,431,356
Theater general programming and festivals	6,150,266	1,166,862	-	7,317,128	-	7,317,128	5,751,517	1,169,140	-	6,920,657	-	6,920,657
<i>Film Comment</i> magazine	945,789	21,933	-	967,722	-	967,722	761,069	13,725	-	774,794	-	774,794
Membership programs	795,676	34,331	-	830,007	-	830,007	567,888	38,744	-	606,632	-	606,632
Total Program Services	10,630,530	1,321,061	-	11,951,591	-	11,951,591	9,425,132	1,308,307	-	10,733,439	-	10,733,439
Supporting Services												
Management and general	928,797	106,576	-	1,035,373	-	1,035,373	1,231,925	153,093	-	1,385,018	-	1,385,018
Fundraising	954,265	15,287	-	969,552	-	969,552	1,081,187	17,252	-	1,098,439	-	1,098,439
Total Supporting Services	1,883,062	121,863	-	2,004,925	-	2,004,925	2,313,112	170,345	-	2,483,457	-	2,483,457
Total Expenses	12,513,592	1,442,924	-	13,956,516	-	13,956,516	11,738,244	1,478,652	-	13,216,896	-	13,216,896
Increase (Decrease) in Net Assets Before Transfers	(1,192)	(1,333,029)	989,271	(344,950)	(249,048)	(593,998)	(225,566)	(1,116,435)	61,406	(1,280,595)	(40,833)	(1,321,428)
Transfer to operations	-	-	-	-	-	-	1,106,913	-	(1,106,913)	-	-	-
Transfer for purchase of property and equipment	(344,329)	344,329	-	-	-	-	(59,432)	59,432	-	-	-	-
Total Transfers	(344,329)	344,329	-	-	-	-	1,047,481	59,432	(1,106,913)	-	-	-
Increase (decrease) in net assets	(345,521)	(988,700)	989,271	(344,950)	(249,048)	(593,998)	821,915	(1,057,003)	(1,045,507)	(1,280,595)	(40,833)	(1,321,428)
Net assets (deficit), beginning of year	(492,651)	36,146,813	2,056,981	37,711,143	933,935	38,645,078	(1,314,566)	37,203,816	3,102,488	38,991,738	974,768	39,966,506
Net Assets (Deficit), End of Year	\$ (838,172)	\$35,158,113	\$ 3,046,252	\$37,366,193	\$ 684,887	\$38,051,080	\$ (492,651)	\$36,146,813	\$ 2,056,981	\$37,711,143	\$ 933,935	\$38,645,078

See notes to financial statements.

THE FILM SOCIETY OF LINCOLN CENTER, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash Flows From Operating Activities		
Decrease in net assets	\$ (593,998)	\$(1,321,428)
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities:		
Depreciation	1,376,742	1,376,486
Donated securities	(16,230)	(17,702)
Realized (gain) loss on investments	465	(141,631)
Unrealized loss on investments	38,885	108,295
Capital campaign contributions	(1,001,000)	(1,255,000)
Bad debt expense	-	16,000
(Increase) decrease in:		
Accounts receivable	(85,971)	(127,156)
Contributions receivable	1,006,357	1,038,422
Prepaid expenses and other assets	(25,287)	(11,906)
Increase (decrease) in:		
Accounts payable and accrued expenses	157,364	(189,605)
Due to Lincoln Center for the Performing Arts, Inc.	267,898	(603,785)
Deferred revenue	35,567	(41,518)
Net Cash Provided (Used) By Operating Activities	<u>1,160,792</u>	<u>(1,170,528)</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	(344,329)	(59,432)
Purchase of investments	(20,376)	(22,012)
Proceeds from sale of investments	11,608	1,289,787
Net Cash Provided (Used) By Investing Activities	<u>(353,097)</u>	<u>1,208,343</u>
Cash Flows From Financing Activities		
Principal payments on loan payable	(1,000,000)	(2,000,000)
Capital campaign contributions received	1,001,000	1,255,000
Net Cash Provided (Used) By Financing Activities	<u>1,000</u>	<u>(745,000)</u>
Net increase (decrease) in cash and cash equivalents	808,695	(707,185)
Cash and cash equivalents, beginning of year	<u>1,842,099</u>	<u>2,549,284</u>
Cash and Cash Equivalents, End of Year	<u>\$2,650,794</u>	<u>\$1,842,099</u>
Supplemental Disclosure		
Interest paid	<u>\$ 67,196</u>	<u>\$ 97,566</u>

See notes to financial statements.

THE FILM SOCIETY OF LINCOLN CENTER, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2015 AND 2014****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, 2015 AND 2014****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, 2015 AND 2014****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 \$343,622 and \$240,585 for the years ended December 31, 2015 and 2014, 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.

l - Subsequent Events

The Film Society has evaluated subsequent events through May 24, 2016, the date that the financial statements are considered available to be issued.

THE FILM SOCIETY OF LINCOLN CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

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 2015, a bequest received by the Film Society in the amount of \$1 million was added to the Board Designated Funds.

b - Temporarily Restricted Net Assets

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

	<u>2015</u>	<u>2014</u>
Programming/Educational Initiatives	\$422,133	\$684,635
Future periods	<u>262,754</u>	<u>249,300</u>
Total	<u>\$684,887</u>	<u>\$933,935</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>2015</u>			
	<u>Unrestricted</u>		<u>Temporarily</u>	<u>Total</u>
	<u>Operating</u>	<u>Properties and Capital</u>	<u>Restricted</u>	
Due within one year	\$659,030	\$638,999	\$ 79,000	\$1,377,029
Due within one to five years	<u>-</u>	<u>75,000</u>	<u>200,000</u>	<u>275,000</u>
	659,030	713,999	279,000	1,652,029
Less: Discount	<u>-</u>	<u>(4,305)</u>	<u>(16,246)</u>	<u>(20,551)</u>
Total	<u>\$659,030</u>	<u>\$709,694</u>	<u>\$262,754</u>	<u>\$1,631,478</u>

THE FILM SOCIETY OF LINCOLN CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

Note 4 - Contributions Receivable (continued)

	2014			
	Unrestricted		Temporarily Restricted	Total
	Operating	Properties and Capital		
Due within one year	\$797,854	\$1,444,999	\$236,800	\$2,479,653
Due within one to five years	-	170,000	-	170,000
	797,854	1,614,999	236,800	2,649,653
Less: Discount	-	(11,818)	-	(11,818)
Total	<u>\$797,854</u>	<u>\$1,603,181</u>	<u>\$236,800</u>	<u>\$2,637,835</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:

	2015		2014	
	Fair Value	Cost	Fair Value	Cost
Cash and cash equivalents	\$ 67,979	\$ 67,979	\$ 14,314	\$ 14,314
Mutual funds - equities	357,579	248,378	375,829	251,408
Mutual funds - fixed income	1,077,401	1,104,835	1,127,168	1,130,937
	<u>\$1,502,959</u>	<u>\$1,421,192</u>	<u>\$1,517,311</u>	<u>\$1,396,659</u>

Net investment income for the years ended December 31, 2015 and 2014 is summarized as follows:

	2015	2014
Interest and dividends	\$30,501	\$ 32,843
Realized gain (loss)	(465)	141,631
Unrealized loss	(38,885)	(108,295)
	<u>\$ (8,849)</u>	<u>\$ 66,179</u>

THE FILM SOCIETY OF LINCOLN CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

Note 6 - Property and Equipment

Property and equipment consist of the following at December 31:

	<u>Life</u>	<u>2015</u>	<u>2014</u>
Building and improvements	40 years	\$10,403,400	\$10,359,820
EBM Film Center building	40 years	34,280,807	34,280,807
Furniture and equipment	5 years	<u>2,362,392</u>	<u>2,061,643</u>
		47,046,599	46,702,270
Less: Accumulated depreciation		<u>(12,144,827)</u>	<u>(10,768,085)</u>
		<u>\$34,901,772</u>	<u>\$35,934,185</u>

Depreciation expense for the years ended December 31, 2015 and 2014 was \$1,376,742 and \$1,376,486, 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, 2015 and 2014 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 2015 and 2014 was \$41,498 and \$41,370, 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, 2015 and 2014.

THE FILM SOCIETY OF LINCOLN CENTER, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2015 AND 2014****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. Amounts due to Lincoln Center as of December 31, 2015 and 2014 totaled \$1,510,410 and \$1,242,512, respectively.

Note 8 - Loan Payable

The Film Society entered into a credit agreement with a financial institution, which allows for total borrowings of \$6 million, and has a maturity date of September 30, 2016. The borrowing options 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.

As of December 31, 2015 and 2014, outstanding borrowings totaled \$1 million and \$2 million, respectively. Interest expense totaled \$66,182 and \$97,166 for the years ended December 31, 2015 and 2014, respectively. Subsequent to December 31, 2015, the outstanding balance was fully repaid.

Note 9 - 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, 2016. Borrowings bear interest at variable rates based on the financial institution's commercial borrowing rates.

No borrowings were outstanding at December 31, 2015 or 2014.

THE FILM SOCIETY OF LINCOLN CENTER, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2015 AND 2014****Note 10 - Commitment**

The Film Society entered into an agreement with a third party for the operation of its Café in the EBM Film Center. 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 \$317,884 and \$299,583 for the years ended December 31, 2015 and 2014, respectively.

Note 11 - Pension Plans

- a - The Film Society's employees are compensated through Lincoln Center as employer of record and participate 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 \$250,000 (2015) and \$230,000 (2014).
- b - The Film Society contributes to a multiemployer defined benefit pension plan under the terms of a collective-bargaining agreement that covers its union-represented employees. The risk of participating in a multiemployer plan is different from single-employer plans in the following aspects:
- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
 - If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
 - If the Film Society chooses to stop participating in its multiemployer plan, the Film Society may be required to pay that plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

THE FILM SOCIETY OF LINCOLN CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

Note 11 - Pension Plans (continued)

b - (continued)

The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and the three-digit plan number, if applicable. The most recent Pension Protection Act (PPA) zone status available in 2015 and 2014 is for the plan's year-end at December 31, 2014 and 2013, respectively. The Film Society's participation in this plan does comprise more than 5% of the total plan for the year ended December 31, 2014, but does not comprise more than 5% of the total plan for the year ended December 31, 2013. The zone status is based on information that the Film Society received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration date of the collective-bargaining agreement to which the plan is subject.

<u>Pension Fund</u>	<u>EIN/Pension Plan Number</u>	<u>Pension Protection Act Zone Status</u>		<u>FIP/RP Status Pending Implementation</u>	<u>Contributions of The Film Society</u>		<u>Surcharge Imposed</u>	<u>Expiration of Collective Bargaining Agreement</u>
		<u>2015</u>	<u>2014</u>		<u>2015</u>	<u>2014</u>		
Moving Picture Machine Operators Union of Greater New York Local 306	13-6613842/001	Red	Red	Implemented	<u>\$57,503</u>	<u>\$51,823</u>	No	January 31, 2019

Note 12 - 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, 2015 and 2014, and our report thereon dated May 24, 2016, 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, 2015 with comparative totals for 2014 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 24, 2016

THE FILM SOCIETY OF LINCOLN CENTER, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2015 WITH COMPARATIVE TOTALS FOR 2014

	Program Services				Supporting Services			2015	2014	
	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	\$ 839,700	\$ 3,510,497	\$ 393,325	\$ 615,667	\$ 5,359,189	\$ 724,370	\$ 274,149	\$ 998,519	\$ 6,357,708	\$ 6,271,914
Professional fees and contract services	339,002	471,380	252,078	87,075	1,149,535	53,079	175,924	229,003	1,378,538	1,238,847
Film rental and transportation	13,573	219,205	-	-	232,778	-	-	-	232,778	282,403
Printing and publications	63,347	58,342	121,392	13,717	256,798	11,675	26,957	38,632	295,430	302,631
Travel and lodging	108,177	178,705	11,408	15,020	313,310	7,776	138,173	145,949	459,259	388,958
Events and receptions	536,037	8,781	176	-	544,994	325	203,505	203,830	748,824	647,094
Utilities and maintenance	72,689	1,215,932	34,048	26,648	1,349,317	62,705	50,379	113,084	1,462,401	1,209,644
Hall rental	511,957	-	-	-	511,957	-	1,851	1,851	513,808	508,363
Advertising and promotion	156,686	73,659	80,328	6,284	316,957	14,785	11,880	26,665	343,622	240,585
Supplies and equipment	16,757	125,922	5,679	4,820	153,178	10,460	11,088	21,548	174,726	157,880
Postage and shipping	6,074	10,989	19,516	1,241	37,820	1,819	2,570	4,389	42,209	45,258
Insurance	16,894	70,626	7,913	6,193	101,626	14,573	11,709	26,282	127,908	120,200
Telephone	6,558	28,827	3,072	2,857	41,314	5,656	4,998	10,654	51,968	30,106
Production costs	11,240	12,862	1,407	1,102	26,611	2,592	17,789	20,381	46,992	41,584
Miscellaneous	39,974	163,979	15,384	10,003	229,340	18,867	18,200	37,067	266,407	231,377
Interest expense	134	560	63	49	806	66,297	93	66,390	67,196	97,566
Bad debt expense	-	-	-	-	-	-	-	-	-	16,000
Grants	-	-	-	5,000	5,000	-	5,000	5,000	10,000	10,000
Total expenses before depreciation	2,738,799	6,150,266	945,789	795,676	10,630,530	994,979	954,265	1,949,244	12,579,774	11,840,410
Depreciation	97,935	1,166,862	21,933	34,331	1,321,061	40,394	15,287	55,681	1,376,742	1,376,486
Total Expenses, 2015	<u>\$ 2,836,734</u>	<u>\$ 7,317,128</u>	<u>\$ 967,722</u>	<u>\$ 830,007</u>	<u>\$11,951,591</u>	<u>\$ 1,035,373</u>	<u>\$ 969,552</u>	<u>\$2,004,925</u>	<u>\$13,956,516</u>	
Total Expenses, 2014	<u>\$ 2,431,356</u>	<u>\$ 6,920,657</u>	<u>\$ 774,794</u>	<u>\$ 606,632</u>	<u>\$10,733,439</u>	<u>\$ 1,385,018</u>	<u>\$1,098,439</u>	<u>\$2,483,457</u>		<u>\$13,216,896</u>

See independent auditors' report on supplementary information.