

THE FILM SOCIETY OF LINCOLN CENTER, INC.

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2016 AND 2015

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, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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, 2016 and 2015, 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 22, 2017

THE FILM SOCIETY OF LINCOLN CENTER, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2016 AND 2015

| | 2016 | | | 2015 | | | |
|--|---------------------|------------------------|------------------------|---------------------|---------------------|------------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| Assets | | | | | | | |
| Cash and cash equivalents (Notes 1b and 3) | | | | | | | |
| Operations and programs | \$ 1,781,865 | \$ 15,000 | \$ - | \$ 1,796,865 | \$ 527,993 | \$ 10,057 | \$ 538,050 |
| Capital | - | - | - | - | 2,112,744 | - | 2,112,744 |
| Accounts receivable | 354,789 | 2,445 | - | 357,234 | 556,789 | - | 556,789 |
| Contributions receivable (Notes 1c and 4) | | | | | | | |
| Operations and programs | 679,515 | 389,852 | - | 1,069,367 | 659,030 | 262,754 | 921,784 |
| Capital | 254,999 | - | - | 254,999 | 709,694 | - | 709,694 |
| Endowment | - | - | 1,720,969 | 1,720,969 | - | - | - |
| Prepaid expenses and other assets | 91,121 | - | - | 91,121 | 129,430 | - | 129,430 |
| Investments (Notes 1d, 1e, 5, 6 and 10) | 331,276 | 471,705 | 1,570,000 | 2,372,981 | 1,090,883 | 412,076 | 1,502,959 |
| Property and equipment, net (Notes 1f and 7) | 34,046,856 | - | - | 34,046,856 | 34,901,772 | - | 34,901,772 |
| Total Assets | \$37,540,421 | \$ 879,002 | \$ 3,290,969 | \$41,710,392 | \$40,688,335 | \$ 684,887 | \$41,373,222 |
| Liabilities and Net Assets | | | | | | | |
| Liabilities | | | | | | | |
| Loan payable (Note 8) | \$ - | \$ - | \$ - | \$ - | \$ 1,000,000 | \$ - | \$ 1,000,000 |
| Accounts payable and accrued expenses | 363,880 | - | - | 363,880 | 482,796 | - | 482,796 |
| Due to Lincoln Center for the Performing Arts, Inc. (Note 8) | 1,622,485 | - | - | 1,622,485 | 1,510,410 | - | 1,510,410 |
| Deferred revenue (Note 1g) | 335,764 | - | - | 335,764 | 308,936 | - | 308,936 |
| Security deposit payable (Note 11) | 20,000 | - | - | 20,000 | 20,000 | - | 20,000 |
| Total Liabilities | 2,342,129 | - | - | 2,342,129 | 3,322,142 | - | 3,322,142 |
| Commitments and Contingency (Notes 8, 10, 11 and 12) | | | | | | | |
| Net Assets (Deficit) | | | | | | | |
| Unrestricted (Note 2a) | | | | | | | |
| Operating | 589,537 | - | - | 589,537 | (838,172) | - | (838,172) |
| Property and equipment | 34,301,855 | - | - | 34,301,855 | 35,158,113 | - | 35,158,113 |
| Board designated | 306,900 | - | - | 306,900 | 3,046,252 | - | 3,046,252 |
| Total Unrestricted | 35,198,292 | - | - | 35,198,292 | 37,366,193 | - | 37,366,193 |
| Temporarily restricted (Note 2b) | - | 879,002 | - | 879,002 | - | 684,887 | 684,887 |
| Permanently restricted (Note 2c) | - | - | 3,290,969 | 3,290,969 | - | - | - |
| Total Net Assets | 35,198,292 | 879,002 | 3,290,969 | 39,368,263 | 37,366,193 | 684,887 | 38,051,080 |
| Total Liabilities and Net Assets | \$37,540,421 | \$ 879,002 | \$ 3,290,969 | \$41,710,392 | \$40,688,335 | \$ 684,887 | \$41,373,222 |

See notes to financial statements.

THE FILM SOCIETY OF LINCOLN CENTER, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2016 AND 2015

| | 2016 | | | | | | 2015 | | | | | | |
|--|-------------------|------------------------|------------------------|------------------------|------------------------|---------------------|----------------------|------------------------|------------------------|------------------------|---------------------|-------------------|---------------------|
| | Unrestricted | | | Temporarily Restricted | Permanently Restricted | Total | Unrestricted | | | Temporarily Restricted | Total | | |
| | Operating | Property and Equipment | Board Designated Funds | | | | Operating | Property and Equipment | Board Designated Funds | | | | |
| Revenues, Gains and Other Support | | | | | | | | | | | | | |
| Contributions | \$ 6,645,608 | \$ 349,398 | \$ - | \$ 6,995,006 | \$ 221,098 | \$ 3,290,969 | \$ 10,507,073 | \$ 6,340,017 | \$ 107,513 | \$ 1,000,000 | \$ 7,447,530 | \$ 262,754 | \$ 7,710,284 |
| Gala benefit (including donated services of \$50,000 (2016)) | 1,348,467 | - | - | 1,348,467 | - | - | 1,348,467 | 1,526,269 | - | - | 1,526,269 | - | 1,526,269 |
| Less: Direct expenses (including donated services of \$50,000 (2016)) | (267,405) | - | - | (267,405) | - | - | (267,405) | (249,424) | - | - | (249,424) | - | (249,424) |
| Admissions and ticket charges | | | | | | | | | | | | | |
| New York Film Festival | 1,292,126 | - | - | 1,292,126 | - | - | 1,292,126 | 1,308,705 | - | - | 1,308,705 | - | 1,308,705 |
| Theater general programming and festivals | 1,516,403 | - | - | 1,516,403 | - | - | 1,516,403 | 1,515,055 | - | - | 1,515,055 | - | 1,515,055 |
| Concession income | 103,397 | - | - | 103,397 | - | - | 103,397 | 141,021 | - | - | 141,021 | - | 141,021 |
| Less: Cost of goods sold | (39,139) | - | - | (39,139) | - | - | (39,139) | (30,347) | - | - | (30,347) | - | (30,347) |
| Café revenue (Note 11) | 333,852 | - | - | 333,852 | - | - | 333,852 | 317,884 | - | - | 317,884 | - | 317,884 |
| <i>Film Comment</i> magazine | | | | | | | | | | | | | |
| Subscriptions and sales | 207,698 | - | - | 207,698 | - | - | 207,698 | 210,446 | - | - | 210,446 | - | 210,446 |
| Advertising | 480,262 | - | - | 480,262 | - | - | 480,262 | 382,220 | - | - | 382,220 | - | 382,220 |
| Theater rentals | 347,618 | - | - | 347,618 | - | - | 347,618 | 290,940 | - | - | 290,940 | - | 290,940 |
| Net investment income (loss) (Note 5) | - | 3,718 | 12,373 | 16,091 | 103,341 | - | 119,432 | - | 2,382 | (10,729) | (8,347) | (502) | (8,849) |
| Other income | 172,827 | - | - | 172,827 | - | - | 172,827 | 248,314 | - | - | 248,314 | - | 248,314 |
| | 12,141,714 | 353,116 | 12,373 | 12,507,203 | 324,439 | 3,290,969 | 16,122,611 | 12,001,100 | 109,895 | 989,271 | 13,100,266 | 262,252 | 13,362,518 |
| Transfer to operations | 1,000,000 | - | (1,000,000) | - | - | - | - | - | - | - | - | - | - |
| Net assets released from restrictions | 130,324 | - | - | 130,324 | (130,324) | - | - | 511,300 | - | - | 511,300 | (511,300) | - |
| Total Revenues, Gains and Other Support | 13,272,038 | 353,116 | (987,627) | 12,637,527 | 194,115 | 3,290,969 | 16,122,611 | 12,512,400 | 109,895 | 989,271 | 13,611,566 | (249,048) | 13,362,518 |
| Expenses | | | | | | | | | | | | | |
| Program Services | | | | | | | | | | | | | |
| New York Film Festival | 3,561,309 | 100,668 | - | 3,661,977 | - | - | 3,661,977 | 2,738,799 | 97,935 | - | 2,836,734 | - | 2,836,734 |
| Theater general programming and festivals | 5,640,582 | 1,103,393 | - | 6,743,975 | - | - | 6,743,975 | 6,150,266 | 1,166,862 | - | 7,317,128 | - | 7,317,128 |
| <i>Film Comment</i> magazine | 1,152,820 | 25,126 | - | 1,177,946 | - | - | 1,177,946 | 945,789 | 21,933 | - | 967,722 | - | 967,722 |
| Membership programs | 989,688 | 38,638 | - | 1,028,326 | - | - | 1,028,326 | 795,676 | 34,331 | - | 830,007 | - | 830,007 |
| Total Program Services | 11,344,399 | 1,267,825 | - | 12,612,224 | - | - | 12,612,224 | 10,630,530 | 1,321,061 | - | 11,951,591 | - | 11,951,591 |
| Supporting Services | | | | | | | | | | | | | |
| Management and general | 1,172,874 | 55,809 | - | 1,228,683 | - | - | 1,228,683 | 928,797 | 106,576 | - | 1,035,373 | - | 1,035,373 |
| Fundraising | 882,252 | 17,269 | - | 899,521 | - | - | 899,521 | 954,265 | 15,287 | - | 969,552 | - | 969,552 |
| Total Supporting Services | 2,055,126 | 73,078 | - | 2,128,204 | - | - | 2,128,204 | 1,883,062 | 121,863 | - | 2,004,925 | - | 2,004,925 |
| Total Expenses | 13,399,525 | 1,340,903 | - | 14,740,428 | - | - | 14,740,428 | 12,513,592 | 1,442,924 | - | 13,956,516 | - | 13,956,516 |
| Increase (Decrease) in Net Assets Before Campaign Activity and Transfers | (127,487) | (987,787) | (987,627) | (2,102,901) | 194,115 | 3,290,969 | 1,382,183 | (1,192) | (1,333,029) | 989,271 | (344,950) | (249,048) | (593,998) |
| Campaign Activity and Transfers | | | | | | | | | | | | | |
| Transfer for purchase of property and equipment | (127,092) | 127,092 | - | - | - | - | - | (344,329) | 344,329 | - | - | - | - |
| Campaign contributions | 150,000 | - | - | 150,000 | - | - | 150,000 | - | - | - | - | - | - |
| Campaign expenses | (215,000) | - | - | (215,000) | - | - | (215,000) | - | - | - | - | - | - |
| Other transfers (Note 2a) | 1,747,288 | 4,437 | (1,751,725) | - | - | - | - | - | - | - | - | - | - |
| Total Campaign Activity and Transfers | 1,555,196 | 131,529 | (1,751,725) | (65,000) | - | - | (65,000) | (344,329) | 344,329 | - | - | - | - |
| Increase (decrease) in net assets | 1,427,709 | (856,258) | (2,739,352) | (2,167,901) | 194,115 | 3,290,969 | 1,317,183 | (345,521) | (988,700) | 989,271 | (344,950) | (249,048) | (593,998) |
| Net assets (deficit), beginning 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 |
| Net Assets (Deficit), End of Year | \$ 589,537 | \$34,301,855 | \$ 306,900 | \$35,198,292 | \$ 879,002 | \$ 3,290,969 | \$ 39,368,263 | \$ (838,172) | \$35,158,113 | \$3,046,252 | \$37,366,193 | \$ 684,887 | \$38,051,080 |

See notes to financial statements.

THE FILM SOCIETY OF LINCOLN CENTER, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2016 AND 2015

| | <u>2016</u> | <u>2015</u> |
|---|--------------------|--------------------|
| Cash Flows From Operating Activities | | |
| Increase (decrease) in net assets | \$1,317,183 | \$ (593,998) |
| Adjustments to reconcile increase (decrease) in net cash provided (used) by operating activities: | | |
| Depreciation | 1,331,406 | 1,376,742 |
| Donated securities | (36,340) | (16,230) |
| Realized (gain) loss on investments | (98,482) | 465 |
| Unrealized loss on investments | 14,973 | 38,885 |
| Capital campaign contributions | (459,000) | (1,001,000) |
| Endowment contributions | (3,290,969) | - |
| Bad debt expense | 35,430 | - |
| (Increase) decrease in: | | |
| Accounts receivable | 164,125 | (85,971) |
| Contributions receivable | 307,112 | 1,006,357 |
| Prepaid expenses and other assets | 38,309 | (25,287) |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | (118,916) | 157,364 |
| Due to Lincoln Center for the Performing Arts, Inc. | 112,075 | 267,898 |
| Deferred revenue | 26,828 | 35,567 |
| Net Cash Provided (Used) By Operating Activities | <u>(656,266)</u> | <u>1,160,792</u> |
| Cash Flows From Investing Activities | | |
| Purchase of property and equipment | (476,490) | (344,329) |
| Purchase of investments | (1,369,416) | (20,376) |
| Proceeds from sale of investments | 619,243 | 11,608 |
| Net Cash Used By Investing Activities | <u>(1,226,663)</u> | <u>(353,097)</u> |
| Cash Flows From Financing Activities | | |
| Principal payments on loan payable | (1,000,000) | (1,000,000) |
| Capital campaign contributions received | 459,000 | 1,001,000 |
| Endowment contributions received | 1,570,000 | - |
| Borrowings under line of credit | 250,000 | - |
| Repayment of line of credit | (250,000) | - |
| Net Cash Provided By Financing Activities | <u>1,029,000</u> | <u>1,000</u> |
| Net increase (decrease) in cash and cash equivalents | (853,929) | 808,695 |
| Cash and cash equivalents, beginning of year | <u>2,650,794</u> | <u>1,842,099</u> |
| Cash and Cash Equivalents, End of Year | <u>\$1,796,865</u> | <u>\$2,650,794</u> |
| Supplemental Disclosure: | | |
| Interest paid | <u>\$ 9,998</u> | <u>\$ 67,196</u> |

See notes to financial statements.

THE FILM SOCIETY OF LINCOLN CENTER, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2016 AND 2015****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, 2016 AND 2015****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, 2016 AND 2015****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 expense totaled \$1,067,912 (2016) and \$343,616 (2015), including donated services of \$781,475 (2016) and \$100,000 (2015).

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 - Prior Year Information

For comparability, certain 2015 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used in 2016.

THE FILM SOCIETY OF LINCOLN CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

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

m - Subsequent Events

The Film Society has evaluated subsequent events through May 22, 2017, 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 2015, a bequest received by the Film Society in the amount of \$1 million was added to the Board Designated Funds, and transferred to operations in 2016. Other net asset transfers from Board Designated Funds were made during 2016, to reclassify \$1 million of loan collateral held by operations as of December 31, 2016, and to reflect the use of \$751,725 for repayment of the loan payable.

b - Temporarily Restricted Net Assets

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

| | 2016 | 2015 |
|-------------------------------------|------------------|------------------|
| Programming/Educational Initiatives | \$672,550 | \$422,133 |
| Future periods | 206,452 | 262,754 |
| Total | \$879,002 | \$684,887 |

c - Permanently Restricted Net Assets

Permanently restricted net assets consist of contributions made by donors to establish endowment funds. Earnings on these endowment funds are temporarily restricted until appropriated for use in general operations.

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.

THE FILM SOCIETY OF LINCOLN CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

Note 4 - Contributions Receivable

Contributions receivable at December 31 are due as follows:

| | 2016 | | | Total |
|------------------------------|---------------------|-------------------------------|-------------------------------|--------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| Due within one year | \$934,514 | \$273,400 | \$ 970,000 | \$2,177,914 |
| Due within one to five years | - | 125,000 | 810,000 | 935,000 |
| | <u>934,514</u> | <u>398,400</u> | <u>1,780,000</u> | <u>3,112,914</u> |
| Less: Discount | - | (8,548) | (59,031) | (67,579) |
| Total | <u>\$934,514</u> | <u>\$389,852</u> | <u>\$1,720,969</u> | <u>\$3,045,335</u> |

| | 2015 | | | Total |
|------------------------------|---------------------|-------------------------------|--|--------------------|
| | Unrestricted | Temporarily Restricted | | |
| Due within one year | \$1,298,029 | \$ 79,000 | | \$1,377,029 |
| Due within one to five years | 75,000 | 200,000 | | 275,000 |
| | <u>1,373,029</u> | <u>279,000</u> | | <u>1,652,029</u> |
| Less: Discount | (4,305) | (16,246) | | (20,551) |
| Total | <u>\$1,368,724</u> | <u>\$262,754</u> | | <u>\$1,631,478</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:

| | 2016 | | 2015 | |
|-----------------------------|--------------------|--------------------|--------------------|--------------------|
| | Fair Value | Cost | Fair Value | Cost |
| Cash and cash equivalents | \$ 262,499 | \$ 262,499 | \$ 67,979 | \$ 67,979 |
| Mutual funds - equities | 1,047,429 | 974,677 | 357,579 | 248,378 |
| Mutual funds - fixed income | <u>1,063,053</u> | <u>1,069,011</u> | <u>1,077,401</u> | <u>1,104,835</u> |
| | <u>\$2,372,981</u> | <u>\$2,306,187</u> | <u>\$1,502,959</u> | <u>\$1,421,192</u> |

THE FILM SOCIETY OF LINCOLN CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

Note 5 - Investments (continued)

Net investment income (loss) for the years ended December 31, 2016 and 2015 is summarized as follows:

| | <u>2016</u> | <u>2015</u> |
|------------------------|------------------|-------------------|
| Interest and dividends | \$35,923 | \$30,501 |
| Realized gain (loss) | 98,482 | (465) |
| Unrealized loss | <u>(14,973)</u> | <u>(38,885)</u> |
| | <u>\$119,432</u> | <u>\$ (8,849)</u> |

Note 6 - Endowment Funds

The Film Society's endowment was established in 2016 and consists of the donor-restricted endowment fund described in Note 2c. Endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Consistent with New York State Not-for-Profit Corporation Law and the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), the Film Society classifies 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 is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Film Society.

In accordance with NYPMIFA, the Film Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (i) the duration and preservation of the endowment fund;
- (ii) the purposes of the Film Society and the endowment fund;
- (iii) general economic conditions;
- (iv) the possible effect of inflation or deflation;
- (v) the expected total return from income and the appreciation of investments;
- (vi) other resources of the Film Society;
- (vii) where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Film Society; and
- (viii) the investment policy of the Film Society

THE FILM SOCIETY OF LINCOLN CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

Note 6 - Endowment Funds (continued)

The Film Society's invested endowment funds composition, all of which are donor-restricted endowment funds, are summarized as follows as of December 31, 2016:

| | |
|------------------------|--------------------|
| Temporarily restricted | \$ 92,761 |
| Permanently restricted | <u>1,570,000</u> |
| Total Endowment Funds | <u>\$1,662,761</u> |

Changes in endowment funds are summarized as follows for the year ended December 31, 2016:

| | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|------------------------------------|-----------------------------------|-----------------------------------|--------------------|
| Endowment funds, beginning of year | \$ - | \$ - | \$ - |
| Contributions received | - | 1,570,000 | 1,570,000 |
| Net investment income | <u>92,761</u> | <u>-</u> | <u>92,761</u> |
| Endowment Funds, End of Year | <u>\$92,761</u> | <u>\$1,570,000</u> | <u>\$1,662,761</u> |

The Film Society has adopted an investment policy with the objective of preserving the long-term real purchasing power of the funds' assets while realizing appropriate investment income. The asset allocation of endowment funds shall be determined from time to time by the Corporation's Board of Directors, in consultation with any managers or advisors if desired (unless the Board delegates such task to an external manager), which allocation shall reflect a proper balance of such fund's investment objective, any risk tolerance standard and the need for liquidity.

The Film Society has also adopted an endowment spending policy to set forth the standards and guidelines governing spending from endowment funds. It is anticipated that the annual spending draw will not exceed 5.0% of the portfolio value. The Finance Committee will recommend the annual percentage to the Board for their approval. If the spending amount is greater than 5.0%, then in the following fiscal year, the spending draw will be reduced by the amount of overspending in the preceding year. The annual draw is computed by taking the average of the ending market value of the portfolio for each of the preceding twelve quarters, or fewer if twelve are not available. For 2016, no appropriation was made from the endowment funds.

THE FILM SOCIETY OF LINCOLN CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

Note 7 - Property and Equipment

Property and equipment consist of the following at December 31:

| | <u>Life</u> | <u>2016</u> | <u>2015</u> |
|--------------------------------|-------------|---------------------|---------------------|
| Building and improvements | 40 years | \$10,403,400 | \$10,403,400 |
| EBM Film Center building | 40 years | 34,280,807 | 34,280,807 |
| Furniture and equipment | 5 years | <u>2,838,882</u> | <u>2,362,392</u> |
| | | 47,523,089 | 47,046,599 |
| Less: Accumulated depreciation | | <u>(13,476,233)</u> | <u>(12,144,827)</u> |
| | | <u>\$34,046,856</u> | <u>\$34,901,772</u> |

Depreciation expense for the years ended December 31, 2016 and 2015 was \$1,331,406 and \$1,376,742, respectively.

Note 8 - 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 \$205,316 and \$152,280 for the years ended December 31, 2016 and 2015, respectively, 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 2016 and 2015 was \$41,797 and \$41,498, respectively. In addition, Lincoln Center provides various administrative services for the Film Society for which the Film Society was charged \$61,350 and \$44,664 for the years ended December 31, 2016 and 2015, respectively.

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, 2016 and 2015 totaled \$1,622,485 and \$1,510,410, respectively.

THE FILM SOCIETY OF LINCOLN CENTER, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2016 AND 2015****Note 9 - Loan Payable**

The Film Society entered into a credit agreement with a financial institution, which allows for total borrowings of \$6 million, and had a maturity date of September 30, 2016. The loan specified certain covenants, including the maintenance of minimum amounts of liquid assets and unrestricted net assets. The outstanding balance was fully repaid in May 2016. As of December 31, 2015, outstanding borrowings totaled \$1 million. Interest expense totaled \$9,497 and \$66,182 for the years ended December 31, 2016 and 2015, 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, 2017. Borrowings bear interest at variable rates based on the financial institution's commercial borrowing rates.

During the year ended December 31, 2016, \$250,000 was borrowed and repaid on the line of credit. No borrowings were outstanding at December 31, 2016 or 2015.

Note 11 - 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 \$333,852 and \$317,884 for the years ended December 31, 2016 and 2015, respectively.

Note 12 - 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 (2016 and 2015).

THE FILM SOCIETY OF LINCOLN CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

Note 12 - Pension Plans (continued)

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 "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 2016 and 2015 is for the plan's year-end at December 31, 2015 and 2014, respectively. The Film Society's participation in this plan does comprise more than 5% of the total plan for the year ended December 31, 2015 but does not comprise more than 5% of the total plan for the year ended December 31, 2014. 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>2016</u> | <u>2015</u> | | <u>2016</u> | <u>2015</u> | | |
| Moving Picture Machine Operators Union of Greater New York Local 306 | 13-6613842/001 | Red | Red | Implemented | <u>\$67,087</u> | <u>\$57,503</u> | No | January 31, 2019 |

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, 2016 and 2015, and our report thereon dated May 22, 2017, 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, 2016 with comparative totals for 2015 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 22, 2017

THE FILM SOCIETY OF LINCOLN CENTER, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2016 WITH COMPARATIVE TOTALS FOR 2015

| | Program Services | | | | | Supporting Services | | | 2016 | 2015 |
|---|---------------------------|---|-----------------------------|------------------------|---------------------|---------------------------|-------------------|--------------------|---------------------|---------------------|
| | 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 | \$ 918,937 | \$ 3,499,957 | \$ 433,414 | \$ 666,483 | \$ 5,518,791 | \$ 798,858 | \$ 297,877 | \$1,096,735 | \$ 6,615,526 | \$ 6,357,708 |
| Professional fees and contract services | 160,247 | 387,203 | 284,748 | 105,364 | 937,562 | 51,110 | 186,982 | 238,092 | 1,175,654 | 1,378,538 |
| Film rental and transportation | 12,288 | 207,242 | - | - | 219,530 | - | - | - | 219,530 | 232,778 |
| Printing and publications | 61,589 | 67,011 | 134,589 | 10,856 | 274,045 | 13,983 | 30,029 | 44,012 | 318,057 | 295,436 |
| Travel and lodging | 93,176 | 180,052 | 13,426 | 10,041 | 296,695 | 10,189 | 39,151 | 49,340 | 346,035 | 459,259 |
| Events and receptions | 500,143 | 39,762 | 498 | 73,686 | 614,089 | 917 | 78,674 | 79,591 | 693,680 | 748,824 |
| Utilities and maintenance | 232,526 | 885,623 | 109,670 | 84,323 | 1,312,142 | 202,141 | 159,697 | 361,838 | 1,673,980 | 1,462,401 |
| Hall rental | 636,881 | - | - | - | 636,881 | - | - | - | 636,881 | 513,808 |
| Advertising and promotion, including donated services of \$781,475 (2016) and \$100,000 (2015) | 846,134 | 68,608 | 110,599 | 5,271 | 1,030,612 | 12,331 | 24,969 | 37,300 | 1,067,912 | 343,616 |
| Supplies and equipment | 21,496 | 92,930 | 6,613 | 5,093 | 126,132 | 12,189 | 10,463 | 22,652 | 148,784 | 174,726 |
| Postage and shipping | 3,709 | 9,222 | 22,943 | 2,028 | 37,902 | 1,817 | 3,388 | 5,205 | 43,107 | 42,209 |
| Insurance | 18,026 | 68,654 | 8,502 | 6,537 | 101,719 | 15,669 | 12,380 | 28,049 | 129,768 | 127,908 |
| Telephone | 4,836 | 18,851 | 2,281 | 2,156 | 28,124 | 4,205 | 3,724 | 7,929 | 36,053 | 51,968 |
| Production costs | 11,105 | 9,106 | 757 | 982 | 21,950 | 1,395 | 9,648 | 11,043 | 32,993 | 46,992 |
| Miscellaneous | 38,827 | 101,072 | 24,125 | 11,364 | 175,388 | 20,930 | 19,316 | 40,246 | 215,634 | 266,407 |
| Interest expense | 1,389 | 5,289 | 655 | 504 | 7,837 | 1,207 | 954 | 2,161 | 9,998 | 67,196 |
| Bad debt expense | - | - | - | - | - | 35,430 | - | 35,430 | 35,430 | - |
| Grants | - | - | - | 5,000 | 5,000 | - | 5,000 | 5,000 | 10,000 | 10,000 |
| Total expenses before depreciation | 3,561,309 | 5,640,582 | 1,152,820 | 989,688 | 11,344,399 | 1,182,371 | 882,252 | 2,064,623 | 13,409,022 | 12,579,774 |
| Depreciation | 100,668 | 1,103,393 | 25,126 | 38,638 | 1,267,825 | 46,312 | 17,269 | 63,581 | 1,331,406 | 1,376,742 |
| Total Expenses, 2016 | <u>\$ 3,661,977</u> | <u>\$ 6,743,975</u> | <u>\$1,177,946</u> | <u>\$ 1,028,326</u> | <u>\$12,612,224</u> | <u>\$ 1,228,683</u> | <u>\$ 899,521</u> | <u>\$2,128,204</u> | <u>\$14,740,428</u> | |
| 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> |

See independent auditors' report on supplementary information.