

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

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2017 AND 2016**

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, 2017 and 2016, 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, 2017 and 2016, 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  
June 4, 2018

## THE FILM SOCIETY OF LINCOLN CENTER, INC.

## STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

	2017			2016				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Assets</b>								
Cash and cash equivalents (Notes 1b and 3)	\$ 1,416,480	\$ -	\$ -	\$ 1,416,480	\$ 1,781,865	\$ 15,000	\$ -	\$ 1,796,865
Accounts receivable	269,167	-	-	269,167	354,789	2,445	-	357,234
Contributions receivable (Notes 1c and 4)								
Operations and programs	1,187,991	530,642	-	1,718,633	679,515	389,852	-	1,069,367
Capital	224,999	-	-	224,999	254,999	-	-	254,999
Endowment	-	-	3,049,077	3,049,077	-	-	1,720,969	1,720,969
Prepaid expenses and other assets	102,542	-	-	102,542	91,121	-	-	91,121
Investments (Notes 1d, 1e, 5, 6 and 10)	104,305	797,932	2,811,000	3,713,237	331,276	471,705	1,570,000	2,372,981
Property and equipment, net (Notes 1f and 7)	32,762,577	-	-	32,762,577	34,046,856	-	-	34,046,856
<b>Total Assets</b>	<b>\$36,068,061</b>	<b>\$ 1,328,574</b>	<b>\$ 5,860,077</b>	<b>\$43,256,712</b>	<b>\$37,540,421</b>	<b>\$ 879,002</b>	<b>\$ 3,290,969</b>	<b>\$41,710,392</b>
<b>Liabilities and Net Assets</b>								
Liabilities								
Accounts payable and accrued expenses	\$ 308,489	\$ -	\$ -	\$ 308,489	\$ 363,880	\$ -	\$ -	\$ 363,880
Due to Lincoln Center for the Performing Arts, Inc. (Note 8)	1,691,363	-	-	1,691,363	1,622,485	-	-	1,622,485
Deferred revenue (Note 1g)	334,129	-	-	334,129	335,764	-	-	335,764
Security deposit payable (Note 11)	20,000	-	-	20,000	20,000	-	-	20,000
Total Liabilities	<u>2,353,981</u>	<u>-</u>	<u>-</u>	<u>2,353,981</u>	<u>2,342,129</u>	<u>-</u>	<u>-</u>	<u>2,342,129</u>
Commitments and Contingency (Notes 8, 10, 11 and 12)								
Net Assets								
Unrestricted (Note 2a)								
Operating	714,504	-	-	714,504	589,537	-	-	589,537
Property and equipment	32,987,576	-	-	32,987,576	34,301,855	-	-	34,301,855
Board designated	12,000	-	-	12,000	306,900	-	-	306,900
Total Unrestricted	<u>33,714,080</u>	<u>-</u>	<u>-</u>	<u>33,714,080</u>	<u>35,198,292</u>	<u>-</u>	<u>-</u>	<u>35,198,292</u>
Temporarily restricted (Note 2b)	-	1,328,574	-	1,328,574	-	879,002	-	879,002
Permanently restricted (Note 2c)	-	-	5,860,077	5,860,077	-	-	3,290,969	3,290,969
Total Net Assets	<u>33,714,080</u>	<u>1,328,574</u>	<u>5,860,077</u>	<u>40,902,731</u>	<u>35,198,292</u>	<u>879,002</u>	<u>3,290,969</u>	<u>39,368,263</u>
<b>Total Liabilities and Net Assets</b>	<b>\$36,068,061</b>	<b>\$ 1,328,574</b>	<b>\$ 5,860,077</b>	<b>\$43,256,712</b>	<b>\$37,540,421</b>	<b>\$ 879,002</b>	<b>\$ 3,290,969</b>	<b>\$41,710,392</b>

See notes to financial statements.

## THE FILM SOCIETY OF LINCOLN CENTER, INC.

## STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017						2016							
	Unrestricted			Temporarily Restricted	Permanently Restricted	Total	Unrestricted			Temporarily Restricted	Permanently Restricted	Total		
	Operating	Property and Equipment	Board Designated Funds				Operating	Property and Equipment	Board Designated Funds					
<b>Revenues, Gains and Other Support</b>														
Contributions	\$ 7,054,673	\$ 11,592	\$ -	\$ 7,066,265	\$ 329,198	\$ 2,569,108	\$ 9,964,571	\$ 6,645,608	\$ 349,398	\$ -	\$ 6,995,006	\$ 221,098	\$ 3,290,969	\$10,507,073
Gala benefit (including donated services of \$50,000 (2016))	1,693,442	-	-	1,693,442	-	-	1,693,442	1,348,467	-	-	1,348,467	-	-	1,348,467
Less: Direct expenses (including donated services of \$50,000 (2016))	(371,219)	-	-	(371,219)	-	-	(371,219)	(267,405)	-	-	(267,405)	-	-	(267,405)
Admissions and ticket charges														
New York Film Festival	1,323,014	-	-	1,323,014	-	-	1,323,014	1,292,126	-	-	1,292,126	-	-	1,292,126
Theater general programming and festivals	1,560,962	-	-	1,560,962	-	-	1,560,962	1,516,403	-	-	1,516,403	-	-	1,516,403
Concession income	150,830	-	-	150,830	-	-	150,830	103,397	-	-	103,397	-	-	103,397
Less: Cost of goods sold	(41,657)	-	-	(41,657)	-	-	(41,657)	(39,139)	-	-	(39,139)	-	-	(39,139)
Café revenue (Note 11)	352,264	-	-	352,264	-	-	352,264	333,852	-	-	333,852	-	-	333,852
<i>Film Comment</i> magazine														
Subscriptions and sales	222,182	-	-	222,182	-	-	222,182	207,698	-	-	207,698	-	-	207,698
Advertising	411,454	-	-	411,454	-	-	411,454	480,262	-	-	480,262	-	-	480,262
Theater rentals	405,438	-	-	405,438	-	-	405,438	347,618	-	-	347,618	-	-	347,618
Net investment income (Note 5)	1,326	-	26,055	27,381	271,107	-	298,488	-	3,718	12,373	16,091	103,341	-	119,432
Other income	193,091	-	-	193,091	-	-	193,091	172,827	-	-	172,827	-	-	172,827
	<u>12,955,800</u>	<u>11,592</u>	<u>26,055</u>	<u>12,993,447</u>	<u>600,305</u>	<u>2,569,108</u>	<u>16,162,860</u>	<u>12,141,714</u>	<u>353,116</u>	<u>12,373</u>	<u>12,507,203</u>	<u>324,439</u>	<u>3,290,969</u>	<u>16,122,611</u>
Transfer to operations	-	-	-	-	-	-	-	1,000,000	-	(1,000,000)	-	-	-	-
Endowment appropriation	25,000	-	(2,397)	22,603	(22,603)	-	-	-	-	-	-	-	-	-
Net assets released from restrictions	128,130	-	-	128,130	(128,130)	-	-	130,324	-	-	130,324	(130,324)	-	-
<b>Total Revenues, Gains and Other Support</b>	<u>13,108,930</u>	<u>11,592</u>	<u>23,658</u>	<u>13,144,180</u>	<u>449,572</u>	<u>2,569,108</u>	<u>16,162,860</u>	<u>13,272,038</u>	<u>353,116</u>	<u>(987,627)</u>	<u>12,637,527</u>	<u>194,115</u>	<u>3,290,969</u>	<u>16,122,611</u>
<b>Expenses</b>														
Program Services														
New York Film Festival	3,215,448	101,093	-	3,316,541	-	-	3,316,541	3,561,309	100,668	-	3,661,977	-	-	3,661,977
Theater general programming and festivals	5,402,754	1,037,941	-	6,440,695	-	-	6,440,695	5,640,582	1,103,393	-	6,743,975	-	-	6,743,975
<i>Film Comment</i> magazine	1,075,499	26,795	-	1,102,294	-	-	1,102,294	1,152,820	25,126	-	1,177,946	-	-	1,177,946
Membership programs	1,183,099	54,717	-	1,237,816	-	-	1,237,816	989,688	38,638	-	1,028,326	-	-	1,028,326
Total Program Services	<u>10,876,800</u>	<u>1,220,546</u>	<u>-</u>	<u>12,097,346</u>	<u>-</u>	<u>-</u>	<u>12,097,346</u>	<u>11,344,399</u>	<u>1,267,825</u>	<u>-</u>	<u>12,612,224</u>	<u>-</u>	<u>-</u>	<u>12,612,224</u>
Supporting Services														
Management and general	1,167,728	51,089	-	1,218,817	-	-	1,218,817	1,172,874	55,809	-	1,228,683	-	-	1,228,683
Fundraising	1,045,104	17,875	-	1,062,979	-	-	1,062,979	882,252	17,269	-	899,521	-	-	899,521
Total Supporting Services	<u>2,212,832</u>	<u>68,964</u>	<u>-</u>	<u>2,281,796</u>	<u>-</u>	<u>-</u>	<u>2,281,796</u>	<u>2,055,126</u>	<u>73,078</u>	<u>-</u>	<u>2,128,204</u>	<u>-</u>	<u>-</u>	<u>2,128,204</u>
<b>Total Expenses</b>	<u>13,089,632</u>	<u>1,289,510</u>	<u>-</u>	<u>14,379,142</u>	<u>-</u>	<u>-</u>	<u>14,379,142</u>	<u>13,399,525</u>	<u>1,340,903</u>	<u>-</u>	<u>14,740,428</u>	<u>-</u>	<u>-</u>	<u>14,740,428</u>
Increase (Decrease) in Net Assets Before Campaign Activity and Transfers	19,298	(1,277,918)	23,658	(1,234,962)	449,572	2,569,108	1,783,718	(127,487)	(987,787)	(987,627)	(2,102,901)	194,115	3,290,969	1,382,183
Campaign Activity and Transfers														
Transfer for purchase of property and equipment	(5,231)	5,231	-	-	-	-	-	(127,092)	127,092	-	-	-	-	-
Campaign contributions	67,500	-	-	67,500	-	-	67,500	150,000	-	-	150,000	-	-	150,000
Campaign expenses	(316,750)	-	-	(316,750)	-	-	(316,750)	(215,000)	-	-	(215,000)	-	-	(215,000)
Other transfers (Note 2a)	360,150	(41,592)	(318,558)	-	-	-	-	1,747,288	4,437	(1,751,725)	-	-	-	-
<b>Total Campaign Activity and Transfers</b>	<u>105,669</u>	<u>(36,361)</u>	<u>(318,558)</u>	<u>(249,250)</u>	<u>-</u>	<u>-</u>	<u>(249,250)</u>	<u>1,555,196</u>	<u>131,529</u>	<u>(1,751,725)</u>	<u>(65,000)</u>	<u>-</u>	<u>-</u>	<u>(65,000)</u>
Increase (decrease) in net assets	124,967	(1,314,279)	(294,900)	(1,484,212)	449,572	2,569,108	1,534,468	1,427,709	(856,258)	(2,739,352)	(2,167,901)	194,115	3,290,969	1,317,183
Net assets (deficit), beginning 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
<b>Net Assets, End of Year</b>	<u>\$ 714,504</u>	<u>\$32,987,576</u>	<u>\$ 12,000</u>	<u>\$33,714,080</u>	<u>\$ 1,328,574</u>	<u>\$ 5,860,077</u>	<u>\$40,902,731</u>	<u>\$ 589,537</u>	<u>\$34,301,855</u>	<u>\$ 306,900</u>	<u>\$35,198,292</u>	<u>\$ 879,002</u>	<u>\$ 3,290,969</u>	<u>\$39,368,263</u>

See notes to financial statements.

## THE FILM SOCIETY OF LINCOLN CENTER, INC.

## STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>Cash Flows From Operating Activities</b>		
Increase in net assets	\$1,534,468	\$1,317,183
Adjustments to reconcile increase in net assets to net cash used by operating activities:		
Depreciation	1,289,510	1,331,406
Donated securities	(15,076)	(36,340)
Realized gain on investments	(95,702)	(98,482)
Unrealized (gain) loss on investments	(156,435)	14,973
Capital campaign contributions	(30,000)	(459,000)
Endowment contributions	(2,569,108)	(3,290,969)
Bad debt expense	-	35,430
(Increase) decrease in:		
Accounts receivable	88,067	164,125
Contributions receivable	(619,266)	307,112
Prepaid expenses and other assets	(11,421)	38,309
Increase (decrease) in:		
Accounts payable and accrued expenses	(55,391)	(118,916)
Due to Lincoln Center for the Performing Arts, Inc.	68,878	112,075
Deferred revenue	(1,635)	26,828
Net Cash Used By Operating Activities	<u>(573,111)</u>	<u>(656,266)</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of property and equipment	(5,231)	(476,490)
Purchase of investments	(2,953,744)	(1,369,416)
Proceeds from sale of investments	1,880,701	619,243
Net Cash Used By Investing Activities	<u>(1,078,274)</u>	<u>(1,226,663)</u>
<b>Cash Flows From Financing Activities</b>		
Principal payments on loan payable	-	(1,000,000)
Capital campaign contributions received	30,000	459,000
Endowment contributions received	1,241,000	1,570,000
Borrowings under line of credit	-	250,000
Repayment of line of credit	-	(250,000)
Net Cash Provided By Financing Activities	<u>1,271,000</u>	<u>1,029,000</u>
Net decrease in cash and cash equivalents	(380,385)	(853,929)
Cash and cash equivalents, beginning of year	<u>1,796,865</u>	<u>2,650,794</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$1,416,480</u>	<u>\$1,796,865</u>
<b>Supplemental Disclosure:</b>		
Interest paid	<u>\$ -</u>	<u>\$ 9,998</u>

See notes to financial statements.

**THE FILM SOCIETY OF LINCOLN CENTER, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2017 AND 2016****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, 2017 AND 2016

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, 2017 AND 2016****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 \$831,011 (2017) and \$1,067,912 (2016), including donated services of \$652,060 (2017) and \$781,475 (2016).

**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 June 4, 2018, 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, 2017 AND 2016**

**Note 2 - Net Assets**

a - Board Designated Net Assets

Board Designated net assets had been comprised of amounts raised from fundraising campaigns in prior years, held in the Film Society's investment portfolio, to be used for purposes to be determined at the discretion of the Board of Directors. 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. In 2017, Board Designated funds totaling approximately \$308,000 were re-designated to establish a board designated endowment fund (Note 6).

b - Temporarily Restricted Net Assets

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

	<b>2017</b>	<b>2016</b>
Programming/Educational Initiatives	\$1,121,181	\$672,550
Future periods	207,393	206,452
Total	<b>\$1,328,574</b>	<b>\$879,002</b>

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, 2017 AND 2016

**Note 4 - Contributions Receivable**

Contributions receivable at December 31 are due as follows:

	<u>2017</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Due within one year	\$1,412,990	\$306,900	\$1,738,500	\$3,458,390
Due within one to five years	-	244,000	1,434,000	1,678,000
	<u>1,412,990</u>	<u>550,900</u>	<u>3,172,500</u>	<u>5,136,390</u>
Less: Discount	-	(20,258)	(123,423)	(143,681)
Total	<u>\$1,412,990</u>	<u>\$530,642</u>	<u>\$3,049,077</u>	<u>\$4,992,709</u>
	<u>2016</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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>

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:

	<u>2017</u>		<u>2016</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Cash and cash equivalents	\$ 824,881	\$ 824,881	\$ 262,499	\$ 262,499
Mutual funds - equities	1,983,882	1,764,148	1,047,429	974,677
Mutual funds - fixed income	<u>904,474</u>	<u>900,979</u>	<u>1,063,053</u>	<u>1,069,011</u>
	<u>\$3,713,237</u>	<u>\$3,490,008</u>	<u>\$2,372,981</u>	<u>\$2,306,187</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2017 AND 2016**

**Note 5 - Investments (continued)**

Net investment income (loss) for the years ended December 31, 2017 and 2016 is summarized as follows:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 62,075	\$ 35,923
Realized gain	95,702	98,482
Unrealized gain (loss)	156,435	(14,973)
Investment advisory fees	(15,724)	-
	<u>\$298,488</u>	<u>\$119,432</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 as well as the board designated funds described in Note 2a. 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, 2017 AND 2016

**Note 6 - Endowment Funds (continued)**

The Film Society's invested endowment funds composition are summarized as follows as of December 31:

	<b>2017</b>			
	<b><u>Unrestricted</u></b>	<b><u>Temporarily Restricted</u></b>	<b><u>Permanently Restricted</u></b>	<b><u>Total</u></b>
Donor-restricted endowment funds	\$ -	\$305,788	\$2,811,000	\$3,116,788
Board Designated Endowment funds	<u>12,000</u>	-	-	<u>12,000</u>
Total Endowment Funds	<u>\$12,000</u>	<u>\$305,788</u>	<u>\$2,811,000</u>	<u>\$3,128,788</u>

  

	<b>2016</b>			
	<b><u>Unrestricted</u></b>	<b><u>Temporarily Restricted</u></b>	<b><u>Permanently Restricted</u></b>	<b><u>Total</u></b>
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$92,761</u>	<u>\$1,570,000</u>	<u>\$1,662,761</u>

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

	<b>2017</b>			
	<b><u>Unrestricted</u></b>	<b><u>Temporarily Restricted</u></b>	<b><u>Permanently Restricted</u></b>	<b><u>Total</u></b>
Endowment funds, beginning of year	\$ -	\$ 92,761	\$1,570,000	\$1,662,761
Contributions received	-	-	1,241,000	1,241,000
Transfers in	307,965	-	-	307,965
Transfers out	(318,558)	-	-	(318,558)
Net assets released from restriction by appropriation for program expenditures	(2,397)	(22,603)	-	(25,000)
Net investment income	<u>24,990</u>	<u>235,630</u>	-	<u>260,620</u>
Endowment Funds, End of Year	<u>\$12,000</u>	<u>\$305,788</u>	<u>\$2,811,000</u>	<u>\$3,128,788</u>

  

	<b>2016</b>		
	<b><u>Temporarily Restricted</u></b>	<b><u>Permanently Restricted</u></b>	<b><u>Total</u></b>
Endowment funds, beginning of year	\$ -	\$ -	\$ -
Contributions received	-	1,570,000	1,570,000
Net investment income	<u>92,761</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 OF LINCOLN CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2017 AND 2016**

**Note 6 - Endowment Funds (continued)**

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 2017, a \$25,000 appropriation was made from the endowment funds. For 2016, no appropriation was made from the endowment funds.

**Note 7 - Property and Equipment**

Property and equipment consist of the following at December 31:

	<u>Life</u>	<u>2017</u>	<u>2016</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>2,844,113</u>	<u>2,838,882</u>
		47,528,320	47,523,089
Less: Accumulated depreciation		<u>(14,765,743)</u>	<u>(13,476,233)</u>
		<u>\$32,762,577</u>	<u>\$34,046,856</u>

Depreciation expense for the years ended December 31, 2017 and 2016 was \$1,289,510 and \$1,331,406, respectively.

**THE FILM SOCIETY OF LINCOLN CENTER, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2017 AND 2016****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 \$206,248 and \$205,316 for the years ended December 31, 2017 and 2016, 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 2017 and 2016 was \$42,679 and \$41,797, respectively. In addition, Lincoln Center provides various administrative services for the Film Society for which the Film Society was charged \$60,421 and \$61,350 for the years ended December 31, 2017 and 2016, 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, 2017 and 2016 totaled \$1,691,363 and \$1,622,485, respectively.

**Note 9 - Loan Payable**

The Film Society had 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. Interest expense totaled \$9,497 for the year ended December 31, 2016.

**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, 2018. Borrowings bear interest at variable rates based on the financial institution's commercial borrowing rates.



**THE FILM SOCIETY OF LINCOLN CENTER, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2017 AND 2016****Note 10 - Line of Credit (continued)**

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, 2017 or 2016.

**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 \$352,264 and \$333,852 for the years ended December 31, 2017 and 2016, 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 (2017 and 2016).
- 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, 2017 AND 2016**

**Note 12 - Pension Plans (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 2017 and 2016 is for the plan's year-end at December 31, 2016 and 2015, respectively. The Film Society's participation in this plan comprises more than 5% of the total plan for the years ended December 31, 2016 and 2015. 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>2017</u>	<u>2016</u>		<u>2017</u>	<u>2016</u>		
Moving Picture Machine Operators Union of Greater New York Local 306	13-6613842/001	Red	Red	Implemented	<u>\$71,636</u>	<u>\$67,087</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, 2017 and 2016, and our report thereon dated June 4, 2018, 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, 2017 with comparative totals for 2016 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  
June 4, 2018

## THE FILM SOCIETY OF LINCOLN CENTER, INC.

## SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017 WITH COMPARATIVE TOTALS FOR 2016

	Program Services					Supporting Services			2017	2016
	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	\$ 900,901	\$ 3,292,856	\$ 419,588	\$ 856,818	\$ 5,470,163	\$ 800,027	\$ 279,909	\$1,079,936	\$ 6,550,099	\$ 6,615,526
Professional fees and contract services	184,775	426,120	260,201	81,198	952,294	70,535	204,157	274,692	1,226,986	1,175,654
Film rental and transportation	22,351	244,491	-	-	266,842	-	-	-	266,842	219,530
Printing and publications	69,883	46,413	130,950	10,890	258,136	10,639	22,170	32,809	290,945	318,057
Travel and lodging	73,143	138,923	9,525	9,390	230,981	7,820	32,215	40,035	271,016	346,035
Events and receptions	444,084	45,280	769	70,645	560,778	1,467	93,239	94,706	655,484	693,680
Utilities and maintenance	231,684	846,820	107,905	110,173	1,296,582	205,742	182,157	387,899	1,684,481	1,673,980
Hall rental	693,833	-	-	2,021	695,854	-	2,021	2,021	697,875	636,881
Advertising and promotion, including donated services of \$652,060 (2017) and \$781,475 (2016)	499,844	91,791	41,546	9,928	643,109	18,775	169,127	187,902	831,011	1,067,912
Supplies and equipment	18,688	77,411	4,850	4,952	105,901	9,249	8,188	17,437	123,338	148,784
Postage and shipping	1,587	6,458	41,242	1,803	51,090	1,341	2,677	4,018	55,108	43,107
Insurance	16,538	60,447	7,702	7,864	92,551	14,686	13,003	27,689	120,240	129,768
Telephone	3,975	14,715	1,851	1,890	22,431	3,530	3,125	6,655	29,086	36,053
Production costs	13,187	9,064	964	984	24,199	1,838	10,197	12,035	36,234	32,993
Miscellaneous	40,975	101,965	48,406	14,543	205,889	22,079	22,919	44,998	250,887	215,634
Interest expense	-	-	-	-	-	-	-	-	-	9,998
Bad debt expense	-	-	-	-	-	-	-	-	-	35,430
Grants	-	-	-	-	-	-	-	-	-	10,000
Total expenses before depreciation	3,215,448	5,402,754	1,075,499	1,183,099	10,876,800	1,167,728	1,045,104	2,212,832	13,089,632	13,409,022
Depreciation	101,093	1,037,941	26,795	54,717	1,220,546	51,089	17,875	68,964	1,289,510	1,331,406
Total Expenses, 2017	<u>\$ 3,316,541</u>	<u>\$ 6,440,695</u>	<u>\$1,102,294</u>	<u>\$ 1,237,816</u>	<u>\$12,097,346</u>	<u>\$ 1,218,817</u>	<u>\$ 1,062,979</u>	<u>\$2,281,796</u>	<u>\$14,379,142</u>	
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>

See independent auditors' report on supplementary information.