

**FILM AT LINCOLN CENTER, INC.
(formerly The Film Society of Lincoln Center, Inc.)**

FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Film at Lincoln Center, Inc.
(formerly The Film Society of Lincoln Center, Inc.)

We have audited the accompanying statements of Film at Lincoln Center, Inc. (formerly The Film Society of Lincoln Center, Inc.) (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses 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 Film at Lincoln Center, Inc. (formerly The Film Society of Lincoln Center, Inc.) as of December 31, 2018 and 2017, 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 29, 2019

FILM AT LINCOLN CENTER, INC.
(formerly The Film Society of Lincoln Center, Inc.)

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Assets						
Cash and cash equivalents (Notes 1b and 4)	\$ 1,633,393	\$ 448,082	\$ 2,081,475	\$ 1,416,480	\$ -	\$ 1,416,480
Accounts receivable	299,128	-	299,128	269,167	-	269,167
Contributions receivable (Notes 1c and 5)						
Operations and programs	1,017,883	362,725	1,380,608	1,187,991	530,642	1,718,633
Capital	174,999	-	174,999	224,999	-	224,999
Endowment	38,750	2,542,371	2,581,121	-	3,049,077	3,049,077
Prepaid expenses and other assets	88,886	-	88,886	102,542	-	102,542
Investments (Notes 1d, 1e, 6 and 7)	1,200,878	5,288,480	6,489,358	104,305	3,608,932	3,713,237
Property and equipment, net (Notes 1f and 8)	31,587,585	-	31,587,585	32,762,577	-	32,762,577
Total Assets	\$36,041,502	\$ 8,641,658	\$44,683,160	\$36,068,061	\$ 7,188,651	\$43,256,712
Liabilities and Net Assets						
Liabilities						
Accounts payable and accrued expenses	\$ 415,482	\$ -	\$ 415,482	\$ 308,489	\$ -	\$ 308,489
Due to Lincoln Center for the Performing Arts, Inc. (Note 9)	1,607,490	-	1,607,490	1,691,363	-	1,691,363
Deferred revenue (Note 1g)	409,018	-	409,018	334,129	-	334,129
Security deposit payable (Note 11)	20,000	-	20,000	20,000	-	20,000
Total Liabilities	2,451,990	-	2,451,990	2,353,981	-	2,353,981
Commitments and Contingency (Notes 9, 10, 11 and 12)						
Net Assets						
Without Donor Restrictions (Note 3a)						
Operating	743,628	-	743,628	714,504	-	714,504
Property and equipment	31,762,584	-	31,762,584	32,987,576	-	32,987,576
Board designated	1,083,300	-	1,083,300	12,000	-	12,000
Total Without Donor Restrictions	33,589,512	-	33,589,512	33,714,080	-	33,714,080
With Donor Restrictions						
Subject to time and purpose (Note 3b)	-	984,668	984,668	-	1,328,574	1,328,574
Perpetual in nature (Note 3c)	-	7,656,990	7,656,990	-	5,860,077	5,860,077
Total With Donor Restrictions	-	8,641,658	8,641,658	-	7,188,651	7,188,651
Total Net Assets	33,589,512	8,641,658	42,231,170	33,714,080	7,188,651	40,902,731
Total Liabilities and Net Assets	\$36,041,502	\$ 8,641,658	\$44,683,160	\$36,068,061	\$ 7,188,651	\$43,256,712

See notes to financial statements.

FILM AT LINCOLN CENTER, INC.
(formerly The Film Society of Lincoln Center, Inc.)

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018					2017						
	Without Donor Restrictions			With Donor Restrictions	Total	Without Donor Restrictions			With Donor Restrictions	Total		
	Operating	Property and Equipment	Board Designated Funds			Without Donor Restrictions	Operating	Property and Equipment			Board Designated Funds	Without Donor Restrictions
Revenues, Gains and Other Support												
Contributions	\$ 7,022,707	\$ -	\$ 1,112,000	\$ 8,134,707	\$ 180,923	\$ 8,315,630	\$ 7,054,673	\$ 11,592	\$ -	\$ 7,066,265	\$ 329,198	\$ 7,395,463
Contributions - endowment	-	-	-	-	1,796,913	1,796,913	-	-	-	-	2,569,108	2,569,108
Gala benefit	1,289,900	-	-	1,289,900	-	1,289,900	1,693,442	-	-	1,693,442	-	1,693,442
Less: Direct expenses	(252,844)	-	-	(252,844)	-	(252,844)	(371,219)	-	-	(371,219)	-	(371,219)
Admissions and ticket charges												
New York Film Festival	1,512,500	-	-	1,512,500	-	1,512,500	1,323,014	-	-	1,323,014	-	1,323,014
Theater general programming and festivals	1,871,717	-	-	1,871,717	-	1,871,717	1,560,962	-	-	1,560,962	-	1,560,962
Concession income	159,367	-	-	159,367	-	159,367	150,830	-	-	150,830	-	150,830
Less: Cost of goods sold	(46,737)	-	-	(46,737)	-	(46,737)	(41,657)	-	-	(41,657)	-	(41,657)
Café revenue (Note 11)	358,324	-	-	358,324	-	358,324	352,264	-	-	352,264	-	352,264
<i>Film Comment</i> magazine												
Subscriptions and sales	215,238	-	-	215,238	-	215,238	222,182	-	-	222,182	-	222,182
Advertising	425,359	-	-	425,359	-	425,359	411,454	-	-	411,454	-	411,454
Theater rentals	478,676	-	-	478,676	-	478,676	405,438	-	-	405,438	-	405,438
Net investment income (loss) (Note 6)	(4,181)	-	(40,700)	(44,881)	(313,342)	(358,223)	1,326	-	26,055	27,381	271,107	298,488
Other income	253,775	-	-	253,775	-	253,775	193,091	-	-	193,091	-	193,091
	13,283,801	-	1,071,300	14,355,101	1,664,494	16,019,595	12,955,800	11,592	26,055	12,993,447	3,169,413	16,162,860
Endowment appropriation	-	-	-	-	-	-	25,000	-	(2,397)	22,603	(22,603)	-
Net assets released from restrictions	211,487	-	-	211,487	(211,487)	-	128,130	-	-	128,130	(128,130)	-
Total Revenues, Gains and Other Support	13,495,288	-	1,071,300	14,566,588	1,453,007	16,019,595	13,108,930	11,592	23,658	13,144,180	3,018,680	16,162,860
Expenses												
Program Services												
New York Film Festival	3,302,650	101,817	-	3,404,467	-	3,404,467	3,215,448	101,093	-	3,316,541	-	3,316,541
Theater general programming and festivals	5,693,735	1,054,081	-	6,747,816	-	6,747,816	5,402,754	1,037,941	-	6,440,695	-	6,440,695
<i>Film Comment</i> magazine	1,049,811	27,293	-	1,077,104	-	1,077,104	1,075,499	26,795	-	1,102,294	-	1,102,294
Membership programs	1,148,896	54,372	-	1,203,268	-	1,203,268	1,183,099	54,717	-	1,237,816	-	1,237,816
Total Program Services	11,195,092	1,237,563	-	12,432,655	-	12,432,655	10,876,800	1,220,546	-	12,097,346	-	12,097,346
Supporting Services												
Management and general	1,223,160	51,175	-	1,274,335	-	1,274,335	1,167,728	51,089	-	1,218,817	-	1,218,817
Fundraising	1,013,453	19,463	-	1,032,916	-	1,032,916	1,045,104	17,875	-	1,062,979	-	1,062,979
Total Supporting Services	2,236,613	70,638	-	2,307,251	-	2,307,251	2,212,832	68,964	-	2,281,796	-	2,281,796
Total Expenses	13,431,705	1,308,201	-	14,739,906	-	14,739,906	13,089,632	1,289,510	-	14,379,142	-	14,379,142
Increase (Decrease) in Net Assets Before Campaign Activity and Transfers	63,583	(1,308,201)	1,071,300	(173,318)	1,453,007	1,279,689	19,298	(1,277,918)	23,658	(1,234,962)	3,018,680	1,783,718
Campaign Activity and Transfers												
Transfer for purchase of property and equipment	(133,209)	133,209	-	-	-	-	(5,231)	5,231	-	-	-	-
Campaign contributions	48,750	-	-	48,750	-	48,750	67,500	-	-	67,500	-	67,500
Campaign expenses	-	-	-	-	-	-	(316,750)	-	-	(316,750)	-	(316,750)
Other transfers (Note 3a)	50,000	(50,000)	-	-	-	-	360,150	(41,592)	(318,558)	-	-	-
Total Campaign Activity and Transfers	(34,459)	83,209	-	48,750	-	48,750	105,669	(36,361)	(318,558)	(249,250)	-	(249,250)
Increase (decrease) in net assets	29,124	(1,224,992)	1,071,300	(124,568)	1,453,007	1,328,439	124,967	(1,314,279)	(294,900)	(1,484,212)	3,018,680	1,534,468
Net assets, beginning of year	714,504	32,987,576	12,000	33,714,080	7,188,651	40,902,731	589,537	34,301,855	306,900	35,198,292	4,169,971	39,368,263
Net Assets, End of Year	\$ 743,628	\$31,762,584	\$1,083,300	\$ 33,589,512	\$ 8,641,658	\$42,231,170	\$ 714,504	\$32,987,576	\$ 12,000	\$ 33,714,080	\$ 7,188,651	\$40,902,731

See notes to financial statements.

FILM AT LINCOLN CENTER, INC.
(formerly The Film Society of Lincoln Center, Inc.)

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018 WITH COMPARATIVE TOTALS FOR 2017

	Program Services				Supporting Services			2018	2017	
	New York Film Festival	Theater General Programming and Festivals	<i>Film</i> Comment Magazine	Membership Programs	Total	Management and General	Fundraising	Total	Total Expenses	Total Expenses
Salaries, payroll taxes and employee benefits	\$ 946,156	\$ 3,521,146	\$ 448,115	\$ 892,730	\$ 5,808,147	\$ 840,254	\$ 319,565	\$1,159,819	\$ 6,967,966	\$ 6,550,099
Professional fees and contract services	158,763	440,316	259,636	38,659	897,374	67,218	137,105	204,323	1,101,697	1,231,486
Film rental and transportation	19,189	201,139	-	-	220,328	-	-	-	220,328	266,842
Printing and publications	69,175	47,376	131,980	14,883	263,414	10,734	19,653	30,387	293,801	290,945
Travel and lodging	100,940	183,801	10,136	9,971	304,848	8,083	53,760	61,843	366,691	271,016
Events and receptions	369,623	42,590	1,300	42,779	456,292	2,438	58,651	61,089	517,381	655,484
Utilities and maintenance	201,596	750,244	95,479	95,106	1,142,425	179,032	163,195	342,227	1,484,652	1,684,481
Hall rental	678,438	-	-	-	678,438	-	-	-	678,438	697,875
Advertising and promotion, including donated services of \$989,800	655,840	202,646	30,052	20,597	909,135	38,772	198,231	237,003	1,146,138	831,011
Supplies and equipment	22,741	66,460	3,896	3,881	96,978	7,305	6,659	13,964	110,942	123,338
Postage and shipping	2,293	6,544	26,405	1,234	36,476	1,540	2,083	3,623	40,099	55,108
Insurance	15,292	56,911	7,243	7,214	86,660	13,582	12,379	25,961	112,621	120,240
Telephone	3,509	13,058	1,662	1,655	19,884	3,117	2,840	5,957	25,841	29,086
Production costs	9,199	3,010	224	223	12,656	419	9,258	9,677	22,333	36,234
Bad debt expense	-	-	-	-	-	17,770	-	17,770	17,770	-
Credit card fees and other expenses	49,896	158,494	33,683	19,964	262,037	32,896	30,074	62,970	325,007	246,387
Total expenses before depreciation	3,302,650	5,693,735	1,049,811	1,148,896	11,195,092	1,223,160	1,013,453	2,236,613	13,431,705	13,089,632
Depreciation	101,817	1,054,081	27,293	54,372	1,237,563	51,175	19,463	70,638	1,308,201	1,289,510
Total Expenses, 2018	<u>\$ 3,404,467</u>	<u>\$ 6,747,816</u>	<u>\$1,077,104</u>	<u>\$ 1,203,268</u>	<u>\$12,432,655</u>	<u>\$ 1,274,335</u>	<u>\$ 1,032,916</u>	<u>\$2,307,251</u>	<u>\$14,739,906</u>	
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>

See notes to financial statements.

FILM AT LINCOLN CENTER, INC.
(formerly The Film Society of Lincoln Center, Inc.)

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

	Program Services					Supporting Services			Total Expenses
	New York Film Festival	Theater General Programming and Festivals	Film Comment Magazine	Membership Programs	Total	Management and General	Fundraising	Total	
Salaries, payroll taxes and employee benefits	\$ 900,901	\$ 3,292,856	\$ 419,588	\$ 856,818	\$ 5,470,163	\$ 800,027	\$ 279,909	\$1,079,936	\$ 6,550,099
Professional fees and contract services	189,275	426,120	260,201	81,198	956,794	70,535	204,157	274,692	1,231,486
Film rental and transportation	22,351	244,491	-	-	266,842	-	-	-	266,842
Printing and publications	69,883	46,413	130,950	10,890	258,136	10,639	22,170	32,809	290,945
Travel and lodging	73,143	138,923	9,525	9,390	230,981	7,820	32,215	40,035	271,016
Events and receptions	444,084	45,280	769	70,645	560,778	1,467	93,239	94,706	655,484
Utilities and maintenance	231,684	846,820	107,905	110,173	1,296,582	205,742	182,157	387,899	1,684,481
Hall rental	693,833	-	-	2,021	695,854	-	2,021	2,021	697,875
Advertising and promotion, including donated services of \$652,060	499,844	91,791	41,546	9,928	643,109	18,775	169,127	187,902	831,011
Supplies and equipment	18,688	77,411	4,850	4,952	105,901	9,249	8,188	17,437	123,338
Postage and shipping	1,587	6,458	41,242	1,803	51,090	1,341	2,677	4,018	55,108
Insurance	16,538	60,447	7,702	7,864	92,551	14,686	13,003	27,689	120,240
Telephone	3,975	14,715	1,851	1,890	22,431	3,530	3,125	6,655	29,086
Production costs	13,187	9,064	964	984	24,199	1,838	10,197	12,035	36,234
Credit card fees and other expenses	36,475	101,965	48,406	14,543	201,389	22,079	22,919	44,998	246,387
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
Depreciation	101,093	1,037,941	26,795	54,717	1,220,546	51,089	17,875	68,964	1,289,510
Total Expenses	<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>

See notes to financial statements.

FILM AT LINCOLN CENTER, INC.
(formerly The Film Society of Lincoln Center, Inc.)

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities		
Increase in net assets	\$1,328,439	\$1,534,468
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	1,308,201	1,289,510
Donated securities	(415,452)	(15,076)
Realized gain on investments	(20,973)	(95,702)
Unrealized (gain) loss on investments	459,284	(156,435)
Capital campaign contributions received	(50,000)	(30,000)
Endowment contributions	(1,806,913)	(2,569,108)
Bad debt expense	17,770	-
(Increase) decrease in:		
Accounts receivable	(47,731)	88,067
Contributions receivable	349,275	(619,266)
Prepaid expenses and other assets	13,656	(11,421)
Increase (decrease) in:		
Accounts payable and accrued expenses	106,993	(55,391)
Due to Lincoln Center for the Performing Arts, Inc.	(83,873)	68,878
Deferred revenue	74,889	(1,635)
Net Cash Provided (Used) By Operating Activities	<u>1,233,565</u>	<u>(573,111)</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	(133,209)	(5,231)
Purchase of investments	(5,118,789)	(2,953,744)
Proceeds from sale of investments	2,319,809	1,880,701
Net Cash Used By Investing Activities	<u>(2,932,189)</u>	<u>(1,078,274)</u>
Cash Flows From Financing Activities		
Capital campaign contributions received	50,000	30,000
Endowment contributions received	2,313,619	1,241,000
Net Cash Provided By Financing Activities	<u>2,363,619</u>	<u>1,271,000</u>
Net increase (decrease) in cash and cash equivalents	664,995	(380,385)
Cash and cash equivalents, beginning of year	<u>1,416,480</u>	<u>1,796,865</u>
Cash and Cash Equivalents, End of Year	<u><u>\$2,081,475</u></u>	<u><u>\$1,416,480</u></u>

See notes to financial statements.

FILM AT LINCOLN CENTER, INC.
(formerly The Film Society of Lincoln Center, Inc.)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 1 - Organization and Summary of Significant Accounting Policies

a - Organization

Film at Lincoln Center, Inc. (formerly The Film Society of Lincoln Center, Inc.) ("FLC") 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, FLC considers all highly liquid debt instruments, purchased with a maturity of three months or less, to be cash equivalents, except for those held 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 net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Contributions of property, plant and equipment without donor stipulation concerning the use of such long-lived assets are reported as revenues without donor restrictions. Contributions of cash or other assets to be used to acquire property, plant and equipment with such donor stipulations are reported as revenues with donor restrictions. Net assets are considered to be released from restriction when such long-lived assets are placed into service.

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

FLC uses the allowance method to determine uncollectible contributions receivable. The allowance, when necessary, is based on prior years' experience and management's analysis of specific promises made.

FILM AT LINCOLN CENTER, INC.
(formerly The Film Society of Lincoln Center, Inc.)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

d - Fair Value Measurements

Investments are measured at fair value on a recurring basis. 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 FLC'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 FLC 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.

e - Investments

Interest, dividends and gains and losses on investments are reflected in the statement of activities as increases and decreases in net assets without donor restrictions unless their use is 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 net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

FILM AT LINCOLN CENTER, INC.
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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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 forty 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 contribution revenue 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 \$1,146,138 (2018) and \$831,011 (2017), including donated services of \$652,060 (2018) and \$781,475 (2017).

i - Financial Statement Presentation

The financial statements of the FLC have been prepared in accordance with accounting principles generally accepted in the United States, which require FLC to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of FLC. These net assets may be used at the discretion of the FLC's management and Board of Directors.

Net Assets With Donor Restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions may be temporary in nature; those restrictions will be met by actions of FLC or the passage of time. Other donor restrictions may be perpetual in nature, whereby, the donor has stipulated the funds be maintained in perpetuity.

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.

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

k - Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Expenses are applied directly to programs where applicable or allocated on a reasonable and consistent basis. A substantial portion of the FLC's expenses are directly related to program activities. Salaries, payroll taxes and employee benefits, printing, travel, advertising, insurance, utilities, depreciation, and other office and administrative expenses are allocated based on management's estimates of employee time and effort.

l - Tax Status

Film at 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.

FLC 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.

m - Prior Year Information

For comparability, certain 2017 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used in 2018.

n - New Accounting Pronouncement

In 2018, the FLC adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the former reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions"; (b) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources; (c) requiring that all nonprofits present an analysis of expenses by function and nature and disclose the methods used to allocate costs; and (d) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. As permitted under the ASU in the year of adoption, FLC opted to not disclose liquidity and availability information for 2017.

o - Subsequent Events

FLC has evaluated subsequent events through May 29, 2019, the date that the financial statements are considered available to be issued.

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DECEMBER 31, 2018 AND 2017

Note 2 - Information Regarding Liquidity and Availability

FLC operates with a balanced budget each fiscal year based on anticipated revenues and expenses. Generally, more than half of annual revenue is comprised of contributions raised during the current year, and revenues from box office receipts and other sources earned during the year. FLC considers general expenses to be all expenses related to its ongoing programming activities, and the expenses related to general and administrative and fundraising activities undertaken to support these services.

FLC regularly monitors liquidity to meet its operating needs and other commitments and obligations. Staff prepares a weekly cash needs summary for review by the CFO, with an agreed-upon amount kept in reserve at times of heavy working capital needs.

FLC's financial assets as of December 31, 2018 available to meet general expenditures within one year are summarized as follows:

Financial Assets at Year-End:	
Cash and cash equivalents	\$ 2,081,475
Accounts receivable	299,128
Contributions receivable	4,136,728
Investments	<u>6,489,358</u>
Total Financial Assets	13,006,689
Less: Amounts not Available to be Used within One Year:	
Net assets with donor restrictions, subject to expenditure for specific purposes or passage of time	(984,668)
Plus: Net assets with restrictions to be met in less than a year	312,887
Net assets with donor restrictions for endowment, subject to spending policy and appropriation	(7,656,990)
Plus: Amounts appropriated for use within one year	197,000
Board designated endowment funds	(721,300)
Plus: Amounts appropriated for use within one year	28,000
Board designated reserves	<u>(362,000)</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$ 3,819,618</u>

In addition to these financial assets available within one year, FLC maintains board designated endowment funds of \$693,300, which are invested for long-term appreciation and current income, and board designated reserve funds of \$362,000, which are maintained for specific purposes. However, these amounts could be made available at any time to meet cash needs for general expenditures at the discretion of the Board. FLC also has a line of credit as more fully described in Note 10, available to meet short-term or unanticipated liquidity needs.

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 3 - Net Assets

a - Net Assets Without Donor Restrictions - Board Designated Net Assets

Board designated net assets consist of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Board designated endowment (Note 7)	\$ 721,300	\$12,000
Board Designated Reserves:		
50 th anniversary celebration	250,000	-
Digital archiving	<u>112,000</u>	<u>-</u>
	<u>362,000</u>	<u>-</u>
	<u>\$1,083,300</u>	<u>\$12,000</u>

b - Net Assets With Donor Restrictions - Subject to Time and Purpose Restriction

Net assets with donor restrictions at December 31 are available for future programs and periods as follows:

	<u>2018</u>	<u>2017</u>
Programming/Educational Initiatives	\$863,863	\$1,121,181
Future periods	<u>120,805</u>	<u>207,393</u>
Total	<u>\$984,668</u>	<u>\$1,328,574</u>

c - Net Assets With Donor Restrictions - Perpetual in Nature

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

Note 4 - Concentration of Credit Risk

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

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DECEMBER 31, 2018 AND 2017

Note 5 - Contributions Receivable

Contributions receivable at December 31 are due as follows:

	2018			
	Without Donor Restrictions	With Donor Restrictions		Total
		Time and Purpose	Perpetual in Nature	
Due within one year	\$1,231,632	\$237,610	\$1,122,225	\$2,591,467
Due within one to five years	-	135,500	1,550,500	1,686,000
	1,231,632	373,110	2,672,725	4,277,467
Less: Discount	-	(10,385)	(130,354)	(140,739)
Total	<u>\$1,231,632</u>	<u>\$362,725</u>	<u>\$2,542,371</u>	<u>\$4,136,728</u>
	2017			
	Without Donor Restrictions	With Donor Restrictions		Total
		Time and Purpose	Perpetual in Nature	
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
	1,412,990	550,900	3,172,500	5,136,390
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>

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

Note 6 - Investments

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

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$1,404,624	\$1,404,624	\$ 824,881	\$ 824,881
Mutual funds - equities	3,195,597	2,969,743	1,764,148	1,983,882
Mutual funds - fixed income	2,125,192	2,114,991	900,979	904,474
	<u>\$6,725,413</u>	<u>\$6,489,358</u>	<u>\$3,490,008</u>	<u>\$3,713,237</u>

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 6 - Investments (continued)

Net investment income (loss) for the years ended December 31, 2018 and 2017 is summarized as follows:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$106,959	\$ 62,075
Realized gain	20,973	95,702
Unrealized gain (loss)	(459,284)	156,435
Investment advisory fees	<u>(26,871)</u>	<u>(15,724)</u>
	<u>\$<u>(358,223)</u></u>	<u>\$<u>298,488</u></u>

Note 7 - Endowment Funds

FLC's endowment consists of the donor-restricted endowment fund described in Note 3c as well as the board designated funds described in Note 3a. 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"), FLC classifies as net assets for investment in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the endowment and (c) accumulations to the 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 endowment with donor restrictions that is not for investment in perpetuity is classified as endowment subject to spending policy and appropriation until those amounts are appropriated for expenditure by FLC.

In accordance with NYPMIFA, FLC 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 FLC 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 FLC;
- (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 FLC; and
- (viii) the investment policy of FLC

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DECEMBER 31, 2018 AND 2017

Note 7 - Endowment Funds (continued)

The Film Society's invested endowment funds by net asset classification as of December 31 are summarized as follows:

	2018			
	Without Donor Restrictions	With Donor Restrictions		Total
		Investment Income Above Original Gift Amount	Investment in Perpetuity	
Donor-restricted endowment funds	\$ -	\$14,934	\$5,114,619	\$5,129,553
Board designated endowment funds	<u>721,300</u>	<u>-</u>	<u>-</u>	<u>721,300</u>
Total Endowment Funds	<u>\$721,300</u>	<u>\$14,934</u>	<u>\$5,114,619</u>	<u>\$5,850,853</u>

	2017			
	Without Donor Restrictions	With Donor Restrictions		Total
		Investment Income Above Original Gift Amount	Investment in Perpetuity	
Donor-restricted endowment funds	\$ -	\$305,788	\$2,811,000	\$3,116,788
Board designated endowment funds	<u>12,000</u>	<u>-</u>	<u>-</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>

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

	2018			
	Without Donor Restrictions	With Donor Restrictions		Total
		Investment Income Above Original Gift Amount	Investment in Perpetuity	
Endowment funds, beginning of year	\$ 12,000	\$305,788	\$2,811,000	\$3,128,788
Contributions received	750,000	-	2,303,619	3,053,619
Net investment loss	<u>(40,700)</u>	<u>(290,854)</u>	<u>-</u>	<u>(331,554)</u>
Endowment Funds, End of Year	<u>\$721,300</u>	<u>\$ 14,934</u>	<u>\$5,114,619</u>	<u>\$5,850,853</u>

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DECEMBER 31, 2018 AND 2017

Note 7 - Endowment Funds (continued)

	<u>2017</u>			<u>Total</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		
		<u>Investment Income Above Original Gift Amount</u>	<u>Investment in Perpetuity</u>	
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>-</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>

FLC 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 FLC'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.

FLC 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 recommends the annual percentage to the Board for 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 2018, no appropriation was made from FLC's endowment funds. For 2017, a \$25,000 appropriation was made from the endowment funds.

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Note 8 - Property and Equipment

Property and equipment consist of the following at December 31:

	<u>Life</u>	<u>2018</u>	<u>2017</u>
Building and improvements	40 years	\$10,441,389	\$10,403,400
EBM Film Center building	40 years	34,280,807	34,280,807
Furniture and equipment	5 years	<u>2,939,333</u>	<u>2,844,113</u>
		47,661,529	47,528,320
Less: Accumulated depreciation		<u>(16,073,944)</u>	<u>(14,765,743)</u>
		<u>\$31,587,585</u>	<u>\$32,762,577</u>

Note 9 - Lincoln Center for the Performing Arts, Inc.

FLC is a constituent organization of Lincoln Center for the Performing Arts, Inc. ("Lincoln Center"). Under various agreements with Lincoln Center, FLC conducts programming in the Elinor Bunin-Monroe ("EBM") 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 FLC are also members of the Board of Directors of Lincoln Center.

FLC participates in fundraising efforts conducted on a consolidated basis with Lincoln Center. FLC received \$265,804 and \$206,248 for the years ended December 31, 2018 and 2017, respectively, for contributions through this consolidated fund drive.

Pursuant to an agreement with Lincoln Center, FLC pays a constituency fee to help fund the annual deficit of Alice Tully Hall. The fee for 2018 and 2017 was \$43,345 and \$42,679, respectively. In addition, Lincoln Center provides various administrative services for FLC, for which FLC was charged \$64,567 and \$60,421 for the years ended December 31, 2018 and 2017, respectively.

Lincoln Center processes FLC'S payroll and related employee benefits. In addition, in cooperation with certain of its constituents, including FLC, Lincoln Center maintains a multipurpose building, which includes a residential tower, a theater and office space. FLC occupies office space, as well as a theater, in the building. FLC reimburses Lincoln Center for personnel costs and its share of occupancy costs. Amounts due to Lincoln Center as of December 31, 2018 and 2017 totaled \$1,607,490 and \$1,691,363, respectively.

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Note 10 - Line of Credit

FLC had a \$1 million line of credit with a financial institution, to be used for working capital. This line of credit matured on September 26, 2018, and was not renewed. Borrowings bore interest at variable rates based on the financial institution's commercial borrowing rates.

In March 2019, FLC entered in a new line of credit with a different financial institution in the amount of \$1 million. This line of credit matures on March 20, 2020. Borrowings bear interest at variable rates based on the US prime rate.

Note 11 - Commitment

FLC 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, 2024 and requires the Café operator to pay FLC minimum monthly facility fees, and a percentage of its annual gross sales.

Note 12 - Pension Plans

a - FLC's employees are compensated through Lincoln Center and participate in a defined benefit pension plan maintained by Lincoln Center, which covers substantially all employees. Because FLC'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 FLC's employees, is not readily available. The annual pension expense related to this plan totaled approximately \$550,000 (2018) and \$250,000 (2017).

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Note 12 - Pension Plans (continued)

b - FLC 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 FLC chooses to stop participating in its multiemployer plan, FLC 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 2018 and 2017 is for the plan's year-end at December 31, 2017 and 2016, respectively. FLC's participation in this plan comprised approximately 1% of the total plan for the year ended December 31, 2017. For the year ended December 31, 2016, FLC's participation in this plan comprised approximately 5% of the total plan. The zone status is based on information that FLC 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>2018</u>	<u>2017</u>		<u>2018</u>	<u>2017</u>		
Moving Picture Machine Operators Union of Greater New York Local 306	13-6613842/001	Red	Red	Implemented	<u>\$72,042</u>	<u>\$71,636</u>	No	January 31, 2023