

JACOB BURNS FILM CENTER, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

JACOB BURNS FILM CENTER, INC.

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Jacob Burns Film Center, Inc.
Pleasantville, New York

Prager Metis CPAs, LLC

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Report on financial statements

We have audited the accompanying financial statements of the Jacob Burns Film Center, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2019, 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.

Auditor's 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 from 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 auditor's 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 Jacob Burns Film Center, Inc. as of September 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

Adoption of new accounting guidance:

As discussed in Note 2 to the financial statements, in 2019, Jacob Burns Film Center, Inc. adopted new accounting guidance related to the presentation of financial statements of not-for-profit entities. Our report is not modified with respect to this matter.

Prior period financial statements

The financial statements of Jacob Burns Film Center, Inc. as of September 30, 2018, were audited by other auditors whose report dated December 17, 2018, expressed an unmodified opinion on those statements.

Prager Metis CPAs, LLC

Rye Brook, New York
January 10, 2020

JACOB BURNS FILM CENTER, INC.

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 7,171	\$ 34,261
Pledges receivable, net	3,734,426	2,518,465
Other receivables and prepaid expenses	285,226	299,773
Investments, endowment funds	27,562,858	28,240,306
Grant receivable	379,875	-
Property and equipment, net	<u>22,590,456</u>	<u>23,285,114</u>
Total assets	<u>\$ 54,560,012</u>	<u>\$ 54,377,919</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Line of credit	\$ 735,000	\$ 550,000
Accounts payable and accrued expenses	635,847	526,763
Deferred membership dues	529,068	542,899
Accrued interest payable	-	718
Deferred grant revenue	379,875	-
Mortgage note payable, net of deferred loan fees	<u>5,320,781</u>	<u>5,447,691</u>
Total liabilities	<u>7,600,571</u>	<u>7,068,071</u>
Net assets:		
Without donor restrictions		
Undesignated	15,662,157	16,551,077
Board designated	<u>1,837,858</u>	<u>2,565,306</u>
	17,500,015	19,116,383
With donor restrictions	<u>29,459,426</u>	<u>28,193,465</u>
Total net assets	<u>46,959,441</u>	<u>47,309,848</u>
Total liabilities and net assets	<u>\$ 54,560,012</u>	<u>\$ 54,377,919</u>

See notes to financial statements.

JACOB BURNS FILM CENTER, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2019

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Support, revenues and gains:			
Contributions	\$ 1,442,093	\$ 2,786,377	\$ 4,228,470
Ticket sales	2,143,592	-	2,143,592
Membership sales	809,404	-	809,404
Film series	122,880	-	122,880
Concession sales, net of concession costs of \$90,197 in 2019	257,921	-	257,921
Special events, net of expenses of \$116,694 in 2019	416,668	-	416,668
Education program revenue	206,906	-	206,906
Grants	-	237,145	237,145
Facilities rental	18,834	-	18,834
Other income	161,953	-	161,953
Investment gain	133	147,095	147,228
Total support, revenues and gains	<u>5,580,384</u>	<u>3,170,617</u>	<u>8,751,001</u>
Reclassifications:			
Change in board designated restrictions	147,095	(147,095)	-
Satisfaction of program restrictions	890,988	(890,988)	-
Investment spending allocation	866,573	(866,573)	-
Total reclassifications	<u>1,904,656</u>	<u>(1,904,656)</u>	<u>-</u>
Total support, revenues, gains and reclassifications	<u>7,485,040</u>	<u>1,265,961</u>	<u>8,751,001</u>
Expenses:			
Program services			
Theater	4,243,390	-	4,243,390
Education	3,675,836	-	3,675,836
Total program services	<u>7,919,226</u>	<u>-</u>	<u>7,919,226</u>
Supporting services			
Management and general	587,321	-	587,321
Fundraising	594,861	-	594,861
Total supporting services	<u>1,182,182</u>	<u>-</u>	<u>1,182,182</u>
Total expenses	<u>9,101,408</u>	<u>-</u>	<u>9,101,408</u>
Change in net assets	(1,616,368)	1,265,961	(350,407)
Net assets, beginning of year	<u>19,116,383</u>	<u>28,193,465</u>	<u>47,309,848</u>
Net assets, end of year	<u>\$ 17,500,015</u>	<u>\$ 29,459,426</u>	<u>\$ 46,959,441</u>

See notes to financial statements.

JACOB BURNS FILM CENTER, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2018

	Without donor restrictions	With donor restrictions	Total
Support, revenues and gains:			
Contributions	\$ 515,638	\$ 1,673,250	\$ 2,188,888
Ticket sales	2,254,361	-	2,254,361
Membership sales	834,533	-	834,533
Film series	137,815	-	137,815
Concession sales, net of concession costs of \$104,137 in 2018	291,168	-	291,168
Special events, net of expenses of \$88,354 in 2018	596,685	-	596,685
Education program revenue	280,468	-	280,468
Grants	-	193,729	193,729
Facilities rental	7,208	-	7,208
Other income	383,861	-	383,861
Investment gain	167	1,333,550	1,333,717
Total support, revenues and gains	5,301,904	3,200,529	8,502,433
Reclassifications:			
Change in board designated restrictions	1,333,550	(1,333,550)	-
Satisfaction of program restrictions	511,985	(511,985)	-
Investment spending allocation	1,691,573	(1,691,573)	-
Total reclassifications	3,537,108	(3,537,108)	-
Total support, revenues, gains and classifications	8,839,012	(336,579)	8,502,433
Expenses:			
Program services			
Theater	3,950,942	-	3,950,942
Education	3,674,849	-	3,674,849
Total program services	7,625,791	-	7,625,791
Supporting services			
Management and general	599,907	-	599,907
Fundraising	609,458	-	609,458
Total supporting services	1,209,365	-	1,209,365
Total expenses	8,835,156	-	8,835,156
Change in net assets	3,856	(336,579)	(332,723)
Net assets, beginning of year	19,112,527	28,530,044	47,642,571
Net assets, end of year	\$ 19,116,383	\$ 28,193,465	\$ 47,309,848

See notes to financial statements.

JACOB BURNS FILM CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2019

	Program services			Management and general	Fundraising	Total
	Theater	Education	Total			
Salaries, benefits and payroll taxes	\$ 2,062,692	\$ 1,972,207	\$ 4,034,899	\$ 400,520	\$ 530,193	\$ 4,965,612
Programming and screening	993,717	122,006	1,115,723	3,915	-	1,119,638
Rental and maintenance of equipment	53,952	103,587	157,539	14,185	-	171,724
Promotion	13,604	27,415	41,019	2,455	40,889	84,363
Marketing/advertising	59,976	56,427	116,403	6,120	1,749	124,272
Other operating expenses	35,198	65,044	100,242	29,832	2,828	132,902
Printing and publications	20,038	16,273	36,311	277	9,065	45,653
Occupancy	201,178	180,422	381,600	7,307	-	388,907
Telephone	9,503	9,301	18,804	797	-	19,601
Postage and shipping	13,910	8,924	22,834	3,948	4,061	30,843
Supplies	119,158	39,994	159,152	4,001	3,931	167,084
Professional and consulting fees	119,462	245,917	365,379	21,797	2,145	389,321
Insurance	63,044	69,635	132,679	6,792	-	139,471
Depreciation	398,758	599,076	997,834	63,116	-	1,060,950
Interest and other financing costs	79,200	159,608	238,808	22,259	-	261,067
	<u>\$ 4,243,390</u>	<u>\$ 3,675,836</u>	<u>\$ 7,919,226</u>	<u>\$ 587,321</u>	<u>\$ 594,861</u>	<u>\$ 9,101,408</u>

See notes to financial statements.

JACOB BURNS FILM CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2018

	Program services			Management and general	Fundraising	Total
	Theater	Education	Total			
Salaries, benefits and payroll taxes	\$ 1,708,415	\$ 2,028,527	\$ 3,736,942	\$ 413,194	\$ 546,971	\$ 4,697,107
Programming and screening	1,091,851	75,337	1,167,188	81	-	1,167,269
Rental and maintenance of equipment	50,284	93,806	144,090	12,699	-	156,789
Promotion	12,646	25,485	38,131	1,067	38,983	78,181
Marketing/advertising	53,511	41,150	94,661	3,945	1,794	100,400
Other operating expenses	29,078	55,473	84,551	30,388	7,665	122,604
Printing and publications	22,759	9,656	32,415	586	3,709	36,710
Occupancy	187,286	157,665	344,951	7,770	-	352,721
Telephone	9,101	9,621	18,722	899	-	19,621
Postage and shipping	19,048	7,824	26,872	6,791	7,102	40,765
Supplies	118,236	41,135	159,371	3,890	1,484	164,745
Professional and consulting fees	89,177	253,139	342,316	18,945	1,750	363,011
Insurance	57,207	61,941	119,148	5,926	-	125,074
Depreciation	386,549	580,734	967,283	61,183	-	1,028,466
Interest and other financing costs	115,794	233,356	349,150	32,543	-	381,693
	<u>\$ 3,950,942</u>	<u>\$ 3,674,849</u>	<u>\$ 7,625,791</u>	<u>\$ 599,907</u>	<u>\$ 609,458</u>	<u>\$ 8,835,156</u>

See notes to financial statements.

JACOB BURNS FILM CENTER, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets		
Without donor restrictions	\$ (1,616,368)	\$ 3,856
With donor restrictions	1,265,961	(336,579)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,064,210	1,160,918
Realized (gain) loss on marketable investments	279,995	(767,208)
Unrealized loss on marketable investments	69,384	63,093
Valuation adjustment for pledges receivable	19,688	(28,421)
Debt forgiveness on accrued interest	-	(250,000)
Contributions restricted for endowments	(100,000)	(280,000)
(Increase) decrease in operating assets:		
Pledges receivable	(1,235,649)	595,000
Other receivables and prepaid expenses	14,547	(110,407)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	109,084	(251,564)
Deferred membership dues	(13,831)	(10,577)
Accrued interest payable	(718)	(597,914)
Net cash (used in) operating activities	(143,697)	(809,803)
Cash flows from investing activities:		
Purchase of property and equipment	(366,292)	(340,022)
Proceeds from sale of marketable investments	18,538,767	19,353,050
Purchase of marketable investments	(18,210,698)	(18,570,912)
Net cash provided by (used in) investing activities	(38,223)	442,116
Cash flows from financing activities:		
Contributions restricted for endowments	100,000	280,000
Capitalization of deferred financing costs	-	(43,942)
Grant receivable	(379,875)	-
Deferred grant revenue	379,875	-
Proceeds from line of credit	1,290,000	850,000
Repayment of line of credit	(1,105,000)	(700,000)
Repayment of note payable	-	(300,000)
Proceeds from mortgage loan	-	5,600,000
Repayment of mortgage loans	(130,170)	(5,444,515)
Net cash provided by financing activities	154,830	241,543
Net (decrease) in cash and cash equivalents	(27,090)	(126,144)
Cash and cash equivalents, beginning of year	34,261	160,405
Cash and cash equivalents, end of year	\$ 7,171	\$ 34,261

See notes to financial statements.

JACOB BURNS FILM CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

1. Organization:

The Jacob Burns Film Center (“JBFC” or “Film Center”) is a nonprofit educational and cultural institution in Pleasantville, New York, dedicated to presenting the best of independent, documentary and world cinema; promoting 21st century literacy; and making film a vibrant part of the community. Housing a state-of-the-art theater complex, a 27,000 square-foot media arts lab, and a residence for international filmmakers, the JBFC campus provides opportunities for people of all ages to discover, explore, and learn through the power of film, media and 21st century technology.

A group of Westchester County individuals interested in creating a cultural arts center formed the JBFC in 1998, and in 2000 purchased the old Rome Theater in Pleasantville, New York. The theater was built in 1925 and was one of the first movie theaters in Westchester County. The Film Center building opened on June 12, 2001. The media arts lab building opened for occupancy in August 2008 and the residence for international filmmakers opened in April 2009.

Over 100,000 students in grades 3-12 and in college have participated from inception in the education programs, more than 70% of them from underserved communities throughout the tri-state area. Their participation, including transportation, is funded entirely by the JBFC, thanks in part to support from individuals, foundations, and corporations. Programs range from film, animation and new media production to experiments in emergent technologies – each course helping students master the tools of 21st century communication while fostering intellectual curiosity and creative exploration.

The JBFC Theater houses five screens and is open to the public 365 days a year. Exhibitions include first-run independent features, previews, classic films, and documentaries from around the world. Each month, JBFC presents two to four curated series including annual and monthly programs, as well as special one-time events and retrospectives on important film artists. More than 150 directors, actors, authors, scholars, and other remarkable guests come to speak with the JBFC audience each year.

The Film Center is a not-for-profit corporation organized under the not-for-profit laws of New York State.

JACOB BURNS FILM CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

2. Summary of significant accounting policies:

Adoption of new accounting standard

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires significant changes to the financial reporting model of organizations who follow the not-for-profit reporting model. The changes include reducing the classes of net assets from three classes to two – net assets with donor restrictions and net assets without donor restrictions. The ASU requires changes in the way certain information is aggregated and reported by the Film Center, including required disclosures about liquidity and availability of resources and increased disclosures on functional expenses. The new standard is effective for the Film Center's year ended September 30, 2019 and thereafter and must be applied on a retrospective basis. The Film Center adopted the ASU effective October 1, 2018. Adoption of the ASU did not result in any restatements to net assets or changes in net assets.

Basis of accounting:

The accounting and reporting policies of the Film Center conform to accounting principles generally accepted in the United States of America (“GAAP”) including recognition of revenues and expenses on the accrual basis of accounting.

Classification of net assets:

The Film Center’s net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets are classified and reported as follows:

- **Net assets without donor restrictions:** Assets that are available for use and are not subject to donor-imposed restrictions. This class also includes previously restricted net assets where restrictions have been met or expired. Board designated net assets - while legally unrestricted, have been designated by the Board of Directors for program purposes.
- **Net assets with donor restrictions:** Assets that are subject to usage limitations based on donor-imposed or grantor restrictions. Restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Organization. Certain restrictions may need to be maintained in perpetuity.

JACOB BURNS FILM CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

2. Summary of significant accounting policies (continued):

Pledges receivable:

All unconditional pledges to the Film Center are recorded as income when the promises are made. Conditional pledges are recognized as income when the conditions on which they depend have been substantially met. Pledges to be received after one year are discounted at an appropriate discount rate. An allowance for uncollectible pledges is provided based on management's judgment, including such factors as prior collection history and type of pledge.

Contributions, revenue and expense recognition:

Contributions received are recorded at fair value as without donor restriction or with donor restriction depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, with donor restricted net assets are reclassified to without donor restricted net assets and reported in the statements of activities as a component of satisfaction of program restrictions.

Revenues are reported as increases in without donor restricted net assets unless use of the related assets are limited by donor-imposed restrictions. Expenses are reported as decreases in without donor restricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in without donor restricted net assets unless their use is restricted by explicit donor stipulation or by law.

JACOB BURNS FILM CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

2. Summary of significant accounting policies (continued):

Investment valuation and income recognition:

Investments are comprised of money market funds, marketable debt, equity and commodity securities, and accrued interest and dividends thereon and are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See note 5 for a discussion on fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) includes the gains and losses on investments bought and sold as well as held during the period.

Donated investments are reflected as contributions at their fair values at date of receipt.

Investments, endowment funds:

The Film Center maintains various donor-restricted funds whose purpose is to provide long-term support for its programs. In classifying such funds for financial statement purposes as either donor restricted or without donor restricted net assets, the Board of Directors looks to the explicit directions of the donor, where applicable, and the provisions of the laws of New York State. The Board has determined that, absent donor stipulations to the contrary, the provisions of New York State law do not impose restrictions on the income or capital appreciation derived from the original gift.

The Board of Directors of the Film Center, acting through its Investment Committee, has established an endowment spending policy to support the current level of income needed from the endowment, while sustaining the long-term purchasing power of the endowment assets.

The Board has adopted a modified endowment model approach with its asset allocation target over multiple asset classes and sub-classes. The endowment has a target asset allocation of 5% to cash equivalents, 17% to fixed income securities, 44% to domestic equity securities, 16% to international equity securities, 5% to private equity securities, 5% to real estate equity securities, 5% to hedge funds/absolute return securities, and 3% to commodity securities. This approach incorporates a moderately medium risk profile and is intended to preserve the corpus of the endowment, while providing investment income.

JACOB BURNS FILM CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

2. Summary of significant accounting policies (continued):

Cash equivalents:

For purposes of the classification in the statements of financial position and presentation in the statements of cash flows, cash equivalents are defined as cash on hand, cash on deposit and money market funds not held for investment with maturities less than three months when acquired to be cash equivalents.

Property and equipment and depreciation:

Property and equipment is stated at cost, or if donated, at fair value at the date of the gift. Acquisitions of property and equipment costing in excess of \$500 with an estimated useful life in excess of one year are capitalized. Depreciation is computed by the straight-line method over the estimated useful lives of the assets. Computers and equipment and theater equipment are depreciated over estimated useful lives ranging from 5 to 25 years. The theater building and education center are being depreciated over their estimated useful lives of 40 years from the date placed in service. Theater artwork and books are not depreciated due to their indefinite life.

Impairment losses:

Management reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Impairment is measured at the amount by which the carrying value exceeds the asset's fair value. If the asset is determined to be impaired, an impairment loss is recognized as a non-operating expense (non-cash) in the year the impairment was determined. There were no impairment losses recognized during the years ended September 30, 2019 and 2018.

Tax exempt status:

The Film Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Film Center is not considered a private foundation; therefore all contributions are deductible to the maximum extent as provided by the Internal Revenue Code. The Film Center is also exempt from state income and sales taxes on purchases for charitable activities.

JACOB BURNS FILM CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

2. Summary of significant accounting policies (continued):

Donated property and services:

Donated non-cash assets are recorded at their fair values at the date of donation. Donated services that create or enhance non-financial assets or that require specialized skills, provided by individuals possessing those skills, and that would typically need to be purchased if not provided by donation, are recorded at fair value in the period received.

Contributed services:

Members of the Film Center's governing board donate significant time to the organization's activities. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Film Center. The value of this time is not recorded in the accompanying financial statements because it does not meet the criteria for recognition under GAAP.

Functional allocation of expenses:

The costs of providing the various program and supporting services have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs not specifically charged to a program or support service category have been allocated in reasonable ratios as determined by management.

Advertising:

Advertising costs are expensed as incurred and included in the statement of functional expenses. Advertising expense amounted to \$124,272 and \$100,400, for the years ended September 30, 2019 and 2018, respectively.

Use of estimates in the preparation of financial statements:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of income and expenses during the reporting period. Actual results could differ from those estimates.

JACOB BURNS FILM CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

2. Summary of significant accounting policies (continued):

Sales taxes:

The Film Center collects sales taxes imposed on nonexempt customers. The Film Center's policy is to exclude the tax collected and remitted from sales revenue and cost of sales. The taxes collected are reported as a liability until remitted to the appropriate taxing authority.

Concentrations of credit risk:

Financial instruments that potentially subject the Film Center to concentrations of credit risk consist principally of cash, bonds, and mutual funds held in bank accounts and brokerage accounts, which may exceed the Federal insurance coverage limits provided by the Federal Deposit Insurance Corporation ("FDIC") for bank accounts and Securities Investor Protection Corporation ("SIPC") for brokerage accounts. The Film Center monitors its accounts with major financial institutions to minimize its risk.

Reclassifications:

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

3. Pledges receivable:

Pledges receivable are summarized as follows as of September 30, 2019 and 2018:

	2019	2018
Due in less than one year	\$ 1,701,000	\$ 925,000
Due in one to five years	2,244,000	1,750,000
Due in five to ten years	-	40,000
Total pledges receivable	3,945,000	2,715,000
Less allowance for uncollectible pledges	(60,000)	(60,000)
Less discounts to present value	(150,574)	(136,535)
	\$ 3,734,426	\$ 2,518,465

A discount rate of 2% for 2019 and 3% for 2018 was used to determine the net present value of pledges receivable in more than one year.

JACOB BURNS FILM CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

3. Pledges receivable (continued):

Activity in the allowance for uncollectible pledges for the years ended September 30, 2019 and 2018 consists of the following:

	2019	2018
Balance, beginning of year	\$ 60,000	\$ 60,000
Direct write-offs	-	-
Provision for uncollectible pledges	-	-
Total allowance for uncollectible pledges	\$ 60,000	\$ 60,000

4. Investments, endowment funds:

The Film Center maintains various security accounts with a brokerage company and a money market bank account (2018) and these accounts contain various types of investments, which are summarized below:

	2019		2018	
	Cost	Fair value	Cost	Fair value
Money market funds				
held for investment	\$ 1,223,541	\$ 1,223,541	\$ 1,383,942	\$ 1,383,942
Fixed income securities	4,433,060	4,838,139	7,826,237	7,785,177
Mutual funds:				
Large cap equity	9,611,658	10,600,679	8,473,580	9,524,744
Small cap equity	1,519,728	1,582,724	1,477,829	1,806,998
International equity	4,998,305	5,255,537	4,264,824	4,743,700
Other funds:				
Real estate funds	1,291,356	1,370,133	561,932	543,033
Private equity funds	195,000	229,984	200,000	213,267
Absolute return funds	1,707,084	1,638,014	1,450,752	1,393,648
Commodities funds	914,393	824,107	863,093	845,797
Total investments, endowment funds	\$ 25,894,125	\$ 27,562,858	\$ 26,502,189	\$ 28,240,306

JACOB BURNS FILM CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

4. Investments, endowment funds (continued):

The following is a summary of the relationship between the cost basis and fair values of investment assets:

	2019		Excess of fair value over cost	2018
	Cost	Fair value		Excess of cost over fair value
Balance, beginning of year	\$ 26,502,189	\$ 28,240,306	\$ 1,738,117	\$ 1,801,210
Balance, end of year	\$ 25,894,125	\$ 27,562,858	1,668,733	1,738,117
Unrealized (loss) on valuation of investments			(69,384)	(63,093)
Realized net gain (loss) from sales and maturities of marketable investments for the year			(279,995)	767,208
Net (depreciation) appreciation in fair value of marketable investments			\$ (349,379)	\$ 704,115

Endowment investment income is allocated based on pooling of investments and consists of the following:

	2019	2018
Interest and dividend income	\$ 613,314	\$ 754,197
Net change in unrealized value of investments	(69,384)	(63,093)
Realized gain (loss) on investments	(279,995)	767,208
Investment management fees	(116,840)	(124,762)
	<u>\$ 147,095</u>	<u>\$ 1,333,550</u>

Current and prior year investments realized and unrealized gains and losses are reported in the statements of activities.

JACOB BURNS FILM CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
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4. Investments, endowment funds (continued):

The Film Center’s investment and spending policies are based on the requirements of the New York State Uniform Management of Institutional Funds Act (“UMIFA”). As a result of the Film Center’s interpretation of UMIFA, and in accordance with donor restrictions, contributions to the endowment fund are classified as donor restricted net assets. The historic dollar value of those contributions are maintained inviolate. Income from the fund is classified with donor restricted net assets until those amounts are appropriated for expenditure by the Film Center’s board for designated operating and capital expenditures. The Board of Directors, acting upon the recommendation of the Finance Committee, has established an annual endowment draw to support the operating needs of the forthcoming fiscal year budget. The annual draw of funds is expected to range from 3% - 4% of the trailing 12 quarter average total endowment market value.

Certain of the Film Center’s donor restricted endowments may experience losses due to market fluctuations and the continuing requirements of funding programs and capital requirements. GAAP requires that such excess losses be absorbed by the without donor restricted net assets of the Film Center and that future gains be allocated to without donor restricted net assets until such losses have been restored. There were no cumulative losses as of September 30, 2019 and 2018.

Endowment net asset composition by type of fund as of September 30, 2019 and 2018 is as follows:

September 30, 2019		
Board designated	With donor restrictions	Total net endowment assets
\$ 1,837,858	\$ 25,725,000	\$ 27,562,858
September 30, 2018		
Board designated	With donor restrictions	Total net endowment assets
\$ 2,565,306	\$ 25,675,000	\$ 28,240,306

JACOB BURNS FILM CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
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4. Investments, endowment funds (continued):

The following is a reconciliation of the activity in the Endowment funds for the year ended September 30, 2019:

	Board designated	With donor restrictions	Total net endowment funds
Balance, October 1, 2018	\$ 2,565,306	\$ 25,675,000	\$ 28,240,306
Contributions	-	100,000	100,000
Investment gains, net	-	147,095	147,095
Reclassifications	147,095	(147,095)	-
Appropriation for expenditure	(874,543)	(50,000)	(924,543)
Balance, September 30, 2019	<u>\$ 1,837,858</u>	<u>\$ 25,725,000</u>	<u>\$ 27,562,858</u>

The following is a reconciliation of the activity in the Endowment funds for the year ended September 30, 2018:

	Board designated	With donor restrictions	Total net endowment funds
Balance, October 1, 2017	\$ 2,873,329	\$ 25,445,000	\$ 28,318,329
Contributions	-	280,000	280,000
Investment gains, net	-	1,333,550	1,333,550
Reclassifications	1,333,550	(1,333,550)	-
Appropriation for expenditure	(1,641,573)	(50,000)	(1,691,573)
Balance, September 30, 2018	<u>\$ 2,565,306</u>	<u>\$ 25,675,000</u>	<u>\$ 28,240,306</u>

JACOB BURNS FILM CENTER, INC.
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5. Fair value measurements:

FASB ASC 820, "*Fair Value Measurements*", establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets at the measurement date that the Film Center has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. There have been no changes in the methodologies used at September 30, 2019 or 2018.

JACOB BURNS FILM CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
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5. Fair value measurements (continued):

Following is a general description of the valuation methodologies used for investment assets measured at fair value.

Money market funds: Valued using pricing models maximizing the use of observable inputs for similar funds.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by JBFC are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by JBFC are deemed to be actively traded.

Fixed income securities and other funds: Valued using methods based upon market transactions for comparable securities and relationships between securities which are generally recognized by institutional trades. These valuations are based on methods which include the consideration of yields or prices of securities of comparable quality, coupon, maturity and type; indications as to values from dealers; and general market conditions.

The preceding methods described may produce a fair value calculation that may not be reflective of future fair values. Furthermore, management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurement at the reporting date.

The inputs or methodology used for valuing investments are not necessarily an indication of the risk associated with investing in those investments.

JACOB BURNS FILM CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

5. Fair value measurements (continued):

The following table sets forth by level, within the fair value hierarchy, the Film Center's assets at fair value on a recurring basis as of September 30, 2019 and 2018.

<u>Description</u>	<u>Assets at fair value as of September 30, 2019</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Money market funds	\$ 1,223,541	\$ 1,223,541	\$ -	\$ -
Fixed income securities	4,838,139	-	4,838,139	-
Mutual funds:				
Large cap equity	10,600,679	10,600,679	-	-
Small cap equity	1,582,724	1,582,724	-	-
International equity	5,255,537	5,255,537	-	-
Other funds:				
Real estate funds	1,370,133	-	1,370,133	-
Private equity funds	229,984	-	-	229,984
Absolute return funds	1,638,014	-	1,638,014	-
Commodities funds	824,107	-	824,107	-
	<u>\$ 27,562,858</u>	<u>\$ 18,662,481</u>	<u>\$ 8,670,393</u>	<u>\$ 229,984</u>

JACOB BURNS FILM CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

5. Fair value measurements (continued):

<u>Description</u>	<u>Assets at fair value as of September 30, 2018</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Money market funds	\$ 1,383,942	\$ 1,383,942	\$ -	\$ -
Fixed income securities	7,785,177	-	7,785,177	-
Mutual funds:				
Large cap equity	9,524,744	9,524,744	-	-
Small cap equity	1,806,998	1,806,998	-	-
International equity	4,743,700	4,743,700	-	-
Other funds:				
Real estate funds	543,033	-	543,033	-
Private equity funds	213,267	-	-	213,267
Absolute return funds	1,393,648	-	1,393,648	-
Commodities funds	845,797	-	845,797	-
	<u>\$ 28,240,306</u>	<u>\$ 17,459,384</u>	<u>\$ 10,567,655</u>	<u>\$ 213,267</u>

Assets measured at fair value on a recurring basis using significant unobservable inputs:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 213,267	\$ -
Purchases of Level 3 investment	25,000	200,000
Sales proceeds	(30,000)	-
Net investment income	21,717	13,267
Balance, end of year	<u>\$ 229,984</u>	<u>\$ 213,267</u>

The Film Center's policy is to recognize transfers in and transfers out of levels as of the actual date of the event or change in circumstance that caused the transfer.

JACOB BURNS FILM CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
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6. Risks related to investments:

The Film Center invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market value changes, foreign exchange rates and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position and the statements of activities.

7. Property and equipment:

Property and equipment consists of the following as of September 30, 2019 and 2018:

	2019	2018
Theater building	\$ 10,470,080	\$ 10,306,268
Education center	16,308,111	16,308,111
Computers and equipment	4,246,624	4,090,175
Theater equipment	2,220,029	2,173,998
	33,244,844	32,878,552
Less: accumulated depreciation	(12,678,481)	(11,617,531)
	20,566,363	21,261,021
Land	1,985,232	1,985,232
Theater artwork and books	38,861	38,861
	\$ 22,590,456	\$ 23,285,114

Depreciation expense for the years ended September 30, 2019 and 2018 totaled \$1,060,950 and \$1,028,466, respectively.

8. Deferred financing costs:

Deferred financing costs consist of the following as of September 30, 2019 and 2018:

	2019	2018
Original amount	\$ 65,206	\$ 65,206
Less: accumulated amortization	(5,705)	(2,445)
	\$ 59,501	\$ 62,761

JACOB BURNS FILM CENTER, INC.
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8. Deferred financing costs (continued):

Financing costs related to the mortgage loan are being amortized on a straight line basis over a 20-year period amortization timetable.

Amortization expense included as part of interest and other financing costs in the statement of functional expenses amounted to \$3,260 in 2019 and \$132,452 in 2018, respectively. Average weighted life of 2018 additions is 20 years.

Amortization of the deferred financing costs for the next five years and thereafter is as follows:

<u>Fiscal year ending September 30,</u>	<u>Amount</u>
2020	\$ 3,260
2021	3,260
2022	3,260
2023	3,260
2024	3,260
Thereafter	<u>43,201</u>
	<u>\$ 59,501</u>

9. Revolving line of credit:

Effective September 11, 2017, the Film Center entered into a \$750,000 revolving credit loan agreement with The Westchester Bank, renewable annually. The line of credit is secured by all business assets of the Film Center and bears a rate of interest at prime less 0.25%, with a minimum interest rate not below 4% (4.75% at September 30, 2019). Interest is payable monthly. The line of credit is subject to an annual 30-day cleanup provision whereby the line of credit will have a zero balance for 30-consecutive calendar days. Interest expense amounted to \$21,675 in 2019 and \$8,073 in 2018. The balance of the line of credit outstanding at September 30, 2019 and 2018 was \$735,000 and \$550,000, respectively.

JACOB BURNS FILM CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
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10. Mortgage note payable:

On December 20, 2017, the Film Center refinanced its previous bank mortgage loan with a 20-year Westchester Bank mortgage loan in the principal amount of \$5,600,000 maturing on December 20, 2037. The loan is collateralized by the land and buildings located at 360, 364 and 401 Manville Road, Pleasantville, New York. The loan is payable in monthly principal and interest installments of \$30,531 through December 20, 2024. The interest rate is at the Federal Home Loan Bank of New York (FHLB NY) 7-year rate advance index plus 1.65% through December 20, 2024. Commencing January 20, 2025, monthly principal and interest payments will be readjusted at 1.85% above the FHLB NY 6-year rate advance index, with a minimum interest rate of 4.25% (4.25% at September 30, 2019), to fully amortize the then existing debt with a final payment of all outstanding principal and accrued interest at its maturity.

Interest expense amounted to \$235,550 in 2019 and \$230,760 in 2018. Interest accrued and payable amounted to \$652 in 2018. In addition, the Film Center must meet certain financial covenants as defined in the loan agreement and has met the financial covenants.

<u>Mortgage note payable at September 30:</u>	<u>2019</u>	<u>2018</u>
Principal balance	\$ 5,380,282	\$ 5,510,452
Less deferred loan costs	(59,501)	(62,761)
	<u>\$ 5,320,781</u>	<u>\$ 5,447,691</u>

The future scheduled principal installments are as follows:

<u>Fiscal year ending September 30,</u>	<u>Amount</u>
2020	\$ 136,579
2021	143,227
2022	149,523
2023	156,094
2024	162,381
Thereafter	<u>4,632,478</u>
	<u>\$ 5,380,282</u>

JACOB BURNS FILM CENTER, INC.
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11. Grant receivable and deferred grant revenue:

In March 2019, the Film Center was awarded a grant from the New York State Council on the Arts totaling \$506,500. The grant is to support capital improvements to address structural problems to the original footprint of the theater building. Capital improvements include renovation of the 140-seat theater for optimal viewing and audience experience, replacement of seats in all three original theaters, expansion and renovations of bathrooms, investment in infrastructure, increased functionality for visual art exhibits and musical performances in the third floor gallery and upgrades in lighting controls. \$126,625 was received and expended in fiscal 2019. The remaining balance of \$379,875 is included in grant receivable and deferred grant revenue on the statement of financial position. The grant expires February 28, 2022.

12. Net assets with donor restrictions:

Net assets with donor restrictions are as follows:

	2019	2018
General purposes of the Film Center	\$ 29,334,426	\$ 28,018,465
Education programming	125,000	125,000
Theater programming	-	50,000
	\$ 29,459,426	\$ 28,193,465

13. Related party transactions:

Support from Board of Directors:

Contributions received, including pledges, from members of the Board of Directors totaled \$794,664 and \$916,545 for the years ended September 30, 2019 and 2018, respectively.

14. Pension plan:

The Film Center adopted a 403(b) retirement savings plan for its eligible employees. Participating employees can elect to defer up to the maximum allowed by the Internal Revenue Code per year to the plan. No employer matching contribution is provided.

JACOB BURNS FILM CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
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15. Supplemental disclosure of cash flow information:

Cash paid for interest during the years ended September 30:

	2019	2018
Interest expense	\$ 258,525	\$ 264,857

16. Commitments:

The Film Center has entered into an operating equipment lease for an office copier expiring December 31, 2021. Rent expense was \$3,971 for 2019 and \$3,953 for 2018. Future annual minimum lease commitments are \$3,900 for 2019 and 2020 and \$975 for 2021.

In addition, the Film Center entered into an agreement with its operations and financial database software provider for annual support and technical service. The agreement is renewable annually October 1 of each fiscal year unless terminated by either party. The agreement calls for a minimum of 120 hours of service annually payable at a rate of \$1,500 per month.

17. Liquidity and availability of financial assets

The following represents the financial assets available to meet cash needs for general expenditures within one year as of September 30, 2019:

Cash and cash equivalents	\$ 7,171	
Pledges receivable, net	3,734,426	
Other receivables	190,589	
Grants receivable	379,875	
Marketable investments	27,562,858	
Financial assets	31,874,919	
 Less: those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	(29,459,426)	
Restricted for capital projects improvements and renovation	(379,875)	
 Financial assets available to meet cash needs for general expenditures within one year	 \$ 2,035,618	

JACOB BURNS FILM CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
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17. Liquidity and availability of financial assets (continued)

The Film Center manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. Cash needs of the Film Center are expected to be met on a monthly basis from its revenues, gains and reclassifications. In general, the Film Center maintains financial assets to meet 30 days of operating expenses. In addition, as disclosed in Note 9, the Film Center maintains a \$750,000 line of credit.

18. Subsequent events:

Management evaluated the activity of the Film Center through January 10, 2020 (the date the financial statements were available to be issued) and concluded that, no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements, except as disclosed in Note 16.