JACOB BURNS FILM CENTER, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 AND 2017

JACOB BURNS FILM CENTER, INC.

CONTENTS

SEPTEMBER 30, 2018 AND 2017

D'Arcangelo&Co., LLP
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INDEPENDENT AUDITOR'S REPORT

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

Report on financial statements

We have audited the accompanying financial statements of the Jacob Burns Film Center, Inc. (a nonprofit corporation), which comprise the statements of financial position as of September 30, 2018 and 2017, 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, 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.

D'Arcangelo & Co, LLP

Rye Brook, New York
December 17, 2018

JACOB BURNS FILM CENTER, INC.

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2018 AND 2017

	2018	2017
ASSETS		
Cash and cash equivalents	$ 34,261	$ 160,405
Pledges receivable, net	2,518,465	3,085,044
Other receivables and prepaid expenses	299,773	189,366
Investments, endowment funds	28,240,306	28,318,329
Property and equipment, net	23,285,114	23,973,558
Total assets	$ 54,377,919	$ 55,726,702
LIABILITIES AND NET ASSETS		
Liabilities:		
Line of credit	$ 550,000	$ 400,000
Accounts payable and accrued expenses	526,763	778,327
Deferred membership dues	542,899	553,476
Accrued interest payable	718	848,632
Note payable	-	300,000
Mortgage note payable, net of deferred loan fees	5,447,691	5,203,696
Total liabilities	7,068,071	8,084,131
Net assets:		
Unrestricted	16,551,077	16,239,198
Board designated	2,565,306	2,873,329
	19,116,383	19,112,527
Temporarily restricted	2,518,465	3,085,044
Permanently restricted	25,675,000	25,445,000
Total net assets	47,309,848	47,642,571
Total liabilities and net assets	$ 54,377,919	$ 55,726,702

See notes to financial statements.

JACOB BURNS FILM CENTER, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2018

	Unrestricted	Temporarily restricted	Permanently restricted (endowment)	Total
Support, revenues and gains:				
Contributions	$ 515,638	$ 1,393,250	$ 280,000	$ 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	5,495,633	1,393,250	1,613,550	8,502,433
Reclassifications:				
Change in board designated restrictions	1,333,550	(1,333,550)	-	-
Satisfaction of program restrictions	318,256	(318,256)	-	-
Investment spending allocation	1,691,573	(308,023)	(1,383,550)	-
Total reclassifications	3,343,379	(1,959,829)	(1,383,550)	-
Total support, revenues, gains and reclassifications	8,839,012	(566,579)	230,000	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	(566,579)	230,000	(332,723)
Net assets, beginning of year	19,112,527	3,085,044	25,445,000	47,642,571
Net assets, end of year	$ 19,116,383	$ 2,518,465	$ 25,675,000	$ 47,309,848

See notes to financial statements.

JACOB BURNS FILM CENTER, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2017

	Unrestricted	Temporarily restricted	Permanently restricted (endowment)	Total
Support, revenues and gains:				
Contributions	$ 552,171	$ 1,208,016	$ 35,000	$ 1,795,187
Ticket sales	2,046,489	-	-	2,046,489
Membership sales	797,651	-	-	797,651
Film series	136,040	-	-	136,040
Concession sales, net of concession costs of $102,789 in 2017	238,248	-	-	238,248
Special events, net of expenses of $107,357 in 2017	440,417	-	-	440,417
Education program revenue	383,025	-	-	383,025
Grants	81,997	-	-	81,997
Facilities rental	9,738	-	-	9,738
Other income	162,374	-	-	162,374
Investment gain	107	-	2,050,485	2,050,592
Total support, revenues and gains	4,848,257	1,208,016	2,085,485	8,141,758
Reclassifications:				
Change in board designated restrictions	2,050,485	(2,050,485)	-	-
Satisfaction of program restrictions	1,655,891	(1,655,891)	-	-
Investment spending allocation	600,000	1,500,485	(2,100,485)	-
Total reclassifications	4,306,376	(2,205,891)	(2,100,485)	-
Total support, revenues, gains and classifications	9,154,633	(997,875)	(15,000)	8,141,758
Expenses:				
Program services				
Theater	3,707,376	-	-	3,707,376
Education	3,506,622	-	-	3,506,622
Total program services	7,213,998	-	-	7,213,998
Supporting services				
Management and general	525,258	-	-	525,258
Fundraising	562,301	-	-	562,301
Total supporting services	1,087,559	-	-	1,087,559
Total expenses	8,301,557	-	-	8,301,557
Change in net assets	853,076	(997,875)	(15,000)	(159,799)
Net assets, beginning of year	18,259,451	4,082,919	25,460,000	47,802,370
Net assets, end of year	$ 19,112,527	$ 3,085,044	$ 25,445,000	$ 47,642,571

See notes to financial statements.

JACOB BURNS FILM CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2018

	Program services					
	Theater	Education	Total	Management and general	Fundraising	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
	$ 3,950,942	$ 3,674,849	$ 7,625,791	$ 599,907	$ 609,458	$ 8,835,156

See notes to financial statements.

JACOB BURNS FILM CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2017

	Program services					
	Theater	Education	Total	Management and general	Fundraising	Total
Salaries, benefits and payroll taxes	$1,592,565	$ 2,039,711	$3,632,276	$ 385,175	$ 509,880	$ 4,527,331
Programming and screening	979,625	101,393	1,081,018	2,670	-	1,083,688
Rental and maintenance of equipment	42,673	82,694	125,367	11,364	-	136,731
Promotion	8,801	17,736	26,537	666	35,512	62,715
Marketing/advertising	52,065	27,915	79,980	1,916	1,976	83,872
Other operating expenses	34,765	57,667	92,432	16,586	2,058	111,076
Printing and publications	20,527	24,029	44,556	559	2,900	48,015
Occupancy	184,991	154,688	339,679	7,379	-	347,058
Telephone	8,650	9,151	17,801	855	-	18,656
Postage and shipping	16,863	7,828	24,691	543	5,186	30,420
Supplies	89,964	36,415	126,379	3,123	1,514	131,016
Professional and consulting fees	41,913	279,887	321,800	7,704	3,275	332,779
Insurance	61,987	62,803	124,790	6,101	-	130,891
Depreciation	387,682	582,436	970,118	61,363	-	1,031,481
Interest and other financing costs	184,305	22,269	206,574	19,254	-	225,828
	$ 3,707,376	$ 3,506,622	$7,213,998	$ 525,258	$ 562,301	$ 8,301,557

See notes to financial statements.

JACOB BURNS FILM CENTER, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ (332,723)	$ (159,799)
Adjustments to reconcile change in net assets		
to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,160,918	1,041,881
Realized (gains) on marketable investments	(767,208)	(127,184)
Unrealized (gain) loss on marketable investments	63,093	(1,307,897)
Valuation adjustment for pledges receivable	(28,421)	(18,266)
Allowance for uncollectible pledges	-	(30,000)
Debt forgiveness on accrued interest	(250,000)	-
Contributions permanently restricted for endowments	(280,000)	(35,000)
(Increase) decrease in operating assets:		
Pledges receivable	595,000	816,300
Other receivables and prepaid expenses	(110,407)	(95,661)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(251,564)	205,677
Deferred membership dues	(10,577)	26,767
Accrued interest payable	(597,914)	22,877
Net cash provided by (used in) operating activities	(809,803)	339,695
Cash flows from investing activities:		
Purchase of property and equipment	(340,022)	(181,935)
Proceeds from sale of marketable investments	19,353,050	5,704,202
Purchase of marketable investments	(18,570,912)	(5,754,606)
Net cash provided by (used in) investing activities	442,116	(232,339)
Cash flows from financing activities:		
Contributions permanently restricted for endowments	280,000	35,000
Capitalization of deferred financing costs	(43,942)	(21,265)
Proceeds from line of credit	850,000	400,000
Repayment of line of credit	(700,000)	-
Repayment of note payable	(300,000)	-
Proceeds from mortgage loan	5,600,000	-
Repayment of mortgage loans	(5,444,515)	(420,000)
Net cash provided by (used in) financing activities	241,543	(6,265)
Net increase (decrease) in cash and cash equivalents	(126,144)	101,091
Cash and cash equivalents, beginning of year	160,405	59,314
Cash and cash equivalents, end of year	$ 34,261	$ 160,405

See notes to financial statements.

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 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.

2. Summary of significant accounting policies:

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.

Basis of presentation and classification of net assets:

Under GAAP, the Film Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

- Unrestricted net assets - Net assets that are not subject to donor-imposed restrictions of a more specific nature than those which only obligate the organization to utilize funds in furtherance of its programs. Unrestricted net assets also include "underwater" endowments and funds borrowed from endowments for use in operations.

- Board designated net assets - While legally unrestricted, have been designated by the Board of Directors for program purposes.

- Temporarily restricted net assets - Net assets that are subject to donor-imposed stipulations that may or will be met either by the actions of the Film Center and/or the passage of time. Temporary restrictions may expire either because certain actions are taken by the organization which fulfill the restrictions or because of the passage of time. Expiration of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

- Permanently restricted net assets - Net assets that are subject to donor-imposed stipulations that they be maintained permanently by the Film Center. Generally, the donors of these assets permit the Film Center to use all or part of the income earned from the investment of these permanently restricted funds for unrestricted operating purposes of the Film Center.

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 and as unrestricted, temporarily restricted or permanently restricted support 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as a component of net assets released from restrictions.

Revenues are reported as increases in unrestricted net assets unless use of the related assets are limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

All other revenues and expenses are recorded on an accrual basis.

Investment valuation and income recognition:

Investments comprise money market funds, marketable debt and equity 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.

2. Summary of significant accounting policies (continued):

Investment valuation and income recognition (continued):

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 permanently restricted, temporarily restricted or unrestricted 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 either a permanent or temporary restriction 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.

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, 2018 and 2017.

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.

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 organization. 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 $100,400 and $83,872, for the years ended September 30, 2018 and 2017, 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.

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 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.

Recently issued accounting standards not yet adopted:

The Financial Accounting Standards Board, issued Accounting Standards Update 2016-14, Not-for-Profits (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities.* These amendments change presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These changes include qualitative and quantitative requirements in presentation of net asset classes, investment return, expenses, liquidity and availability of resources and presentation of operating cash flows. The standard is effective for Not-for-profit organizations for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018.

3. Pledges receivable:

Pledges receivable are summarized as follows as of September 30, 2018 and 2017:

	2018	2017
Due in less than one year	$ 925,000	$ 650,000
Due in one to five years	1,750,000	2,380,000
Due in five to ten years	40,000	280,000
Total unconditional pledges receivable	2,715,000	3,310,000
Less allowance for uncollectible pledges	(60,000)	(60,000)
Less discounts to present value	(136,535)	(164,956)
	$ 2,518,465	$ 3,085,044

A discount rate of 3% for 2018 and 2% for 2017 was used to determine the net present value of pledges receivable in more than one year.

Activity in the allowance for uncollectible pledges for the years ended September 30, 2018 and 2017 consists of the following:

	2018	2017
Balance, beginning of year	$ 60,000	$ 90,000
Direct write-offs	-	-
Provision for uncollectible pledges	-	(30,000)
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 and these accounts contain various types of investments, which are summarized below:

	2018		2017	
	Cost	Fair value	Cost	Fair value
Money market funds held for investment	$ 1,383,942	$ 1,383,942	$ 996,810	$ 996,810
Fixed income securities	7,826,237	7,785,177	13,036,252	12,661,388
Mutual funds:				
Large cap equity	8,473,580	9,524,744	7,187,270	8,550,969
Small cap equity	1,477,829	1,806,998	1,143,955	1,403,655
International equity	4,264,824	4,743,700	3,601,832	4,150,775
Other funds:				
Real estate funds	561,932	543,033	-	-
Private equity funds	200,000	213,267	-	-
Absolute return funds	1,450,752	1,393,648	551,000	554,732
Commodities funds	863,093	845,797	-	-
Total investments, endowment funds	$ 26,502,189	$ 28,240,306	$ 26,517,119	$ 28,318,329

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

	2018			2017
	Cost	Fair value	Excess of fair value over cost	Excess of cost over fair value
Balance, beginning of year	$ 26,517,119	$ 28,318,329	$ 1,801,210	$ 493,313
Balance, end of year	$ 26,502,189	$ 28,240,306	1,738,117	1,801,210
Unrealized gain (loss) on valuation of investments			(63,093)	1,307,897
Realized net gain from sales and maturities of marketable investments for the year			767,208	127,184
Net appreciation in fair value of marketable investments			$ 704,115	$ 1,435,081

4. Investments, endowment funds (continued):

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

	2018	2017
Interest and dividend income	$ 754,197	$ 739,284
Net change in unrealized value of investments	(63,093)	1,307,897
Realized gains on investments	767,208	127,184
Investment management fees	(124,762)	(123,880)
	$ 1,333,550	$ 2,050,485

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

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 permanently restricted net assets. The historic dollar value of those contributions are maintained inviolate. Income from the fund is classified with temporarily restricted net assets until those amounts are appropriated for expenditure by the organization'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 unrestricted net assets of the Film Center and that future gains be allocated to unrestricted net assets until such losses have been restored. There were no cumulative losses as of September 30, 2018 and 2017.

4. Investments, endowment funds (continued):

Endowment net asset composition by type of fund as of September 30, 2018 and 2017 is as follows:

September 30, 2018			
Board designated	Temporarily restricted	Permanently restricted	Total net endowment assets
$ 2,565,306	$ -	$ 25,675,000	$ 28,240,306

September 30, 2017			
Unrestricted	Temporarily restricted	Permanently restricted	Total net endowment assets
$ 2,873,329	$ -	$ 25,445,000	$ 28,318,329

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

	Board designated	Temporarily restricted	Permanently restricted	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	$ 2,565,306	$ -	$ 25,675,000	$ 28,240,306

4. Investments, endowment funds (continued):

The following is a reconciliation of the activity in the Endowment funds for the year ended September 30, 2017:

	Board designated	Temporarily restricted	Permanently restricted	Total net endowment funds
Balance, October 1, 2016	$ 1,143,003	$ 229,841	$ 25,460,000	$ 26,832,844
Contributions	-	-	35,000	35,000
Investment gains, net	-	-	2,050,485	2,050,485
Reclassifications	1,730,326	320,159	(2,050,485)	-
Appropriation for expenditure	-	(550,000)	(50,000)	(600,000)
Balance, September 30, 2017	$ 2,873,329	$ -	$ 25,445,000	$ 28,318,329

5. Fair value measurements:

GAAP establishes 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) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

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 other 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.

5. Fair value measurements (continued):

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.

Following is a general description of the valuation methodologies used for investment assets measured at fair value. There have been no changes in the methodologies used at September 30, 2018 or 2017.

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.

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, 2018 and 2017.

	Assets at fair value as of September 30, 2018			
Description	Total	Level 1	Level 2	Level 3
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	-
	$ 28,240,306	$ 17,459,384	$ 10,567,655	$ 213,267

5. Fair value measurements (continued):

	Assets at fair value as of September 30, 2017			
Description	Total	Level 1	Level 2	Level 3
Assets:				
Money market funds	$ 996,810	$ 996,810	$ -	$ -
Fixed income securities	12,661,388	-	12,661,388	-
Mutual funds:				
Large cap equity	8,550,969	8,550,969	-	-
Small cap equity	1,403,655	1,403,655	-	-
International equity	4,150,775	4,150,775	-	-
Other funds:				
Absolute return funds	554,732	-	554,732	-
	$ 28,318,329	$ 15,102,209	$ 13,216,120	$ -

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

	2018	2017
Balance, beginning of year	$ -	$ -
Purchases of Level 3 investment	200,000	-
Net appreciation in fair value	13,267	-
Balance, end of year	$ 213,267	$ -

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.

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, 2018 and 2017:

	2018	2017
Theater building	$ 10,306,268	$ 10,306,268
Education center	16,308,111	16,285,998
Computers and equipment	4,090,175	3,935,747
Theater equipment	2,173,998	2,010,517
	32,878,552	32,538,530
Less: accumulated depreciation	(11,617,531)	(10,589,065)
	21,261,021	21,949,465
Land	1,985,232	1,985,232
Theater artwork and books	38,861	38,861
	$ 23,285,114	$ 23,973,558

Depreciation expense for the years ended September 30, 2018 and 2017 totaled $1,028,466 and $1,031,481, respectively.

8. Deferred financing costs:

Deferred financing costs consist of the following as of September 30, 2018 and 2017:

	2018	2017
Original amount	$ 65,206	$ 177,272
Less: accumulated amortization	(2,445)	(26,000)
	$ 62,761	$ 151,272

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 amounted to $132,452 in 2018 and $10,400 in 2017, 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:

Fiscal year ending September 30,		Amount
2019	$	3,138
2020		3,138
2021		3,138
2022		3,138
2023		3,138
Thereafter		47,071
	$	62,761

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, 2018). 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. The balance of the line of credit outstanding at September 30, 2018 and 2017 was $550,000 and $400,000, respectively.

10. Mortgage note payable:

On December 20, 2017, the Film Center refinanced its existing JPMorgan Chase Bank debt with a 20-year Westchester Bank mortgage loan in the principal amount of $5,600,000 with a maturity date of December 20, 2037. The Westchester Bank 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 (FHLBNY) 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 FHLBNY 6-year rate advance index, with a minimum interest rate of 4.25% (4.25% at September 30, 2018), 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 $230,760 in 2018 and $193,421 in 2017. Interest accrued and payable amounted to $652 in 2018 and $16,900 in 2017. In addition, the Film Center must meet certain financial covenants as defined in the loan agreement.

Mortgage note payable at September 30, 2018:	2018	2017
Principal balance	$ 5,510,452	$ 5,354,968
Less deferred loan costs	(62,761)	(151,272)
	$ 5,447,691	$ 5,203,696

The future scheduled principal installments are as follows:

Fiscal year ending September 30,	Amount
2019	$ 130,151
2020	136,579
2021	143,227
2022	149,523
2023	156,094
Thereafter	4,794,878
	$ 5,510,452

11. Permanently restricted net assets:

Permanently restricted net assets consist of donor established endowment funds as follows:

	2018	2017
General purposes of the Film Center	$ 25,500,000	$ 25,220,000
Education programming	125,000	125,000
Theater programming	50,000	100,000
	$ 25,675,000	$ 25,445,000

12. Related party transactions:

Note payable:

On May 26, 2000, the Film Center purchased the building housing the old Rome Theater in Pleasantville, New York and an adjacent lot for $1,322,127 by delivery of two promissory notes in the amounts of $1,100,000 and $222,127 to Rome Enterprises, LLC, an affiliated company by virtue of a former board member. The $222,127 note was repaid on August 1, 2000 simultaneously with the receipt of the Westchester County IDA financing. The $1,100,000 note was partially repaid on June 15, 2006 with a repayment of $500,000, on September 28, 2012 with a repayment of $300,000. Pursuant to a Note Restructuring Agreement dated December 5, 2017 a final repayment of $300,000 was made on December 8, 2017.

The interest rate on the note was 1.63% per annum to June 30, 2017. Effective July 1, 2017, the interest rate was revised to 2.5% per annum. Interest accrued and payable on the note amounted to $831,731 at September 30, 2017. Additional interest accrued in fiscal 2018 up to the date of payoff on March 28, 2018 amounted to $9,842 bringing the balance of total accrued interest to $841,573. Pursuant to the restructuring agreement, the note holder forgave $250,000 of the accrued interest, included in other income on the statement of activities, and a final payment amounting to $591,573 was made in March 2018. Interest expense amounted to $9,842 and $20,766 for 2018 and 2017, respectively.

Support from Board of Directors:

Contributions received, including pledges, from members of the Board of Directors totaled $916,545 and $952,455 for the years ended September 30, 2018 and 2017, respectively.

13. 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.

14. Supplemental disclosure of cash flow information:

Cash paid for interest during the years ended September 30:

	2018	2017
Interest expense	$ 264,857	$ 192,111

Non-cash investing and financing costs:

	2018	2017
Accrued interest on subordinated note payable	$ -	$ 20,766

15. Commitments:

The Film Center has entered into an operating equipment lease for an office copier expiring December 31, 2018. Rent expense was $3,953 for 2018 and $4,160 for 2017. Future annual minimum lease commitments are $975 for 2019.

In April 2018, the Film Center entered into an agreement with a public relations firm to provide public relations strategies to promote the programs of the Film Center. The agreement calls for a monthly retainer of $7500 until October 2018. The agreement was renewed in October 2018 for an additional three-month period for the same $7,500 monthly retainer.

16. Subsequent events:

Management evaluated the activity of the Film Center through December 17, 2018 (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 15.