

JACOB BURNS FILM CENTER, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022



LUTZ AND CARR

CERTIFIED PUBLIC ACCOUNTANTS, LLP

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Jacob Burns Film Center, Inc.

Opinion

We have audited the accompanying financial statements of Jacob Burns Film Center, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Jacob Burns Film Center, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Jacob Burns Film Center, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Jacob Burns Film Center, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Jacob Burns Film Center, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Lutz + Carr, LLP

New York, New York
January 19, 2024

JACOB BURNS FILM CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023	2022
Assets		
Cash and cash equivalents (Notes 1c and 4)	\$ 1,056,028	\$ 2,952,011
Contributions receivable, net (Notes 1d and 5)	127,626	44,220
Employee Retention Tax Credit receivable (Note 14)	553,568	553,568
Prepaid expenses and other assets	226,615	143,996
Investments - endowment funds (Notes 1e, 1f and 7)	28,320,393	25,908,168
Property and equipment, net (Notes 1g, 1h and 8)	20,164,277	19,287,319
Total Assets	\$50,448,507	\$48,889,282
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 263,188	\$ 285,632
Deferred revenue (Note 1j)	502,223	358,860
Mortgage note payable, net (Note 9)	4,748,332	4,901,169
Total Liabilities	5,513,743	5,545,661
Commitments and Contingency (Notes 7, 10, 11 and 17)		
Net Assets		
Without donor restrictions	16,392,588	15,666,759
With donor restrictions (Note 3)	28,542,176	27,676,862
Total Net Assets	44,934,764	43,343,621
Total Liabilities and Net Assets	\$50,448,507	\$48,889,282

See notes to financial statements.

JACOB BURNS FILM CENTER, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support						
Contributions	\$ 1,905,744	\$ 524,807	\$ 2,430,551	\$ 1,728,950	\$ 524,041	\$ 2,252,991
Loan forgiveness - Paycheck Protection Program (Note 12)	-	-	-	690,300	-	690,300
Shuttered Venue Operators Grant (Note 13)	-	-	-	1,009,358	-	1,009,358
Federal relief program - Employee Retention Tax Credit (Note 14)	-	-	-	553,568	-	553,568
Contributions - fiscally sponsored projects (Note 15)	160,250	-	160,250	249,400	-	249,400
Donated goods and services (Notes 1m, 16)	47,814	-	47,814	10,800	-	10,800
Fundraising benefit, net of direct expenses of \$52,834	398,622	-	398,622	-	-	-
Ticket sales	1,580,346	-	1,580,346	992,568	-	992,568
Membership sales	573,019	-	573,019	472,526	-	472,526
Film series income	57,480	-	57,480	54,480	-	54,480
Concession sales, net of concession costs of \$102,428 (2023) and \$61,769 (2022)	251,293	-	251,293	120,893	-	120,893
Education program revenue	96,662	-	96,662	54,819	-	54,819
Facilities rental	13,840	-	13,840	13,795	-	13,795
Net investment income (loss) (Note 7)	72,277	3,487,225	3,559,502	8,823	(5,019,673)	(5,010,850)
Loss on abandonment of property and equipment (Note 8)	-	-	-	(718,854)	-	(718,854)
Other income	99,362	-	99,362	64,723	-	64,723
	<u>5,256,709</u>	<u>4,012,032</u>	<u>9,268,741</u>	<u>5,306,149</u>	<u>(4,495,632)</u>	<u>810,517</u>
Net assets released from restrictions	2,071,718	(2,071,718)	-	958,818	(958,818)	-
Investment income appropriated to operations (Note 7)	1,075,000	(1,075,000)	-	975,000	(975,000)	-
Reduction of prior year grant	-	-	-	-	(22,000)	(22,000)
	<u>8,403,427</u>	<u>865,314</u>	<u>9,268,741</u>	<u>7,239,967</u>	<u>(6,451,450)</u>	<u>788,517</u>
Expenses						
Program Services						
Theater	4,353,299	-	4,353,299	3,783,443	-	3,783,443
Education	1,090,605	-	1,090,605	1,302,018	-	1,302,018
Artists Support	377,652	-	377,652	854,836	-	854,836
Total Program Services	<u>5,821,556</u>	<u>-</u>	<u>5,821,556</u>	<u>5,940,297</u>	<u>-</u>	<u>5,940,297</u>
Supporting Services						
Management and general	1,050,082	-	1,050,082	913,272	-	913,272
Fundraising	805,960	-	805,960	611,392	-	611,392
Total Supporting Services	<u>1,856,042</u>	<u>-</u>	<u>1,856,042</u>	<u>1,524,664</u>	<u>-</u>	<u>1,524,664</u>
Total Expenses	<u>7,677,598</u>	<u>-</u>	<u>7,677,598</u>	<u>7,464,961</u>	<u>-</u>	<u>7,464,961</u>
Increase (decrease) in net assets	725,829	865,314	1,591,143	(224,994)	(6,451,450)	(6,676,444)
Net assets, beginning of year	<u>15,666,759</u>	<u>27,676,862</u>	<u>43,343,621</u>	<u>15,891,753</u>	<u>34,128,312</u>	<u>50,020,065</u>
Net Assets, End of Year	<u>\$16,392,588</u>	<u>\$28,542,176</u>	<u>\$44,934,764</u>	<u>\$15,666,759</u>	<u>\$27,676,862</u>	<u>\$43,343,621</u>

See notes to financial statements.

JACOB BURNS FILM CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2023

	Program Services				Supporting Services			Total Expenses
	Theater	Education	Artists Support	Total	Management and General	Fundraising	Total	
Salaries, benefits and payroll taxes	\$1,853,838	\$ 418,518	\$ 85,380	\$2,357,736	\$ 640,787	\$ 567,563	\$1,208,350	\$3,566,086
Programming and screening	899,946	10,732	22,821	933,499	-	-	-	933,499
Rental and maintenance of equipment	164,781	21,100	603	186,484	5,839	3,577	9,416	195,900
Promotion	17,539	1,286	324	19,149	1,575	28,641	30,216	49,365
Marketing/advertising	139,112	13,073	201	152,386	978	1,193	2,171	154,557
Grant expense - fiscally sponsored projects (Note 15)	-	-	160,250	160,250	-	-	-	160,250
Other operating expenses	112,925	1,892	929	115,746	27,445	4,474	31,919	147,665
Printing and publications	31,323	202	36	31,561	177	5,207	5,384	36,945
Occupancy	256,557	107,761	13,131	377,449	11,939	11,633	23,572	401,021
Postage and shipping	39,791	231	58	40,080	280	8,831	9,111	49,191
Supplies	75,146	8,452	2,234	85,832	3,788	5,190	8,978	94,810
Professional and consulting fees	115,607	36,302	4,716	156,625	309,923	74,056	383,979	540,604
Insurance	73,660	34,975	6,148	114,783	5,130	6,263	11,393	126,176
Indirect benefit expenses	-	-	-	-	-	40,121	40,121	40,121
Interest and other financing costs	29,737	153,286	2,325	185,348	13,265	15,221	28,486	213,834
Total expenses before depreciation	3,809,962	807,810	299,156	4,916,928	1,021,126	771,970	1,793,096	6,710,024
Depreciation	543,337	282,795	78,496	904,628	28,956	33,990	62,946	967,574
Total Expenses	<u>\$4,353,299</u>	<u>\$1,090,605</u>	<u>\$377,652</u>	<u>\$5,821,556</u>	<u>\$ 1,050,082</u>	<u>\$ 805,960</u>	<u>\$1,856,042</u>	<u>\$7,677,598</u>

See notes to financial statements.

JACOB BURNS FILM CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2022

	Program Services				Supporting Services			Total Expenses
	Theater	Education	Artists Support	Total	Management and General	Fundraising	Total	
Salaries, benefits and payroll taxes	\$1,962,238	\$ 502,761	\$377,883	\$2,842,882	\$ 602,680	\$ 488,340	\$1,091,020	\$3,933,902
Programming and screening	529,143	3,063	52,347	584,553	-	-	-	584,553
Rental and maintenance of equipment	126,604	30,847	2,852	160,303	4,990	4,278	9,268	169,571
Promotion	16,374	1,369	684	18,427	1,198	47,665	48,863	67,290
Marketing/advertising	59,097	4,951	4,702	68,750	437	374	811	69,561
Grant expense - fiscally sponsored projects (Note 15)	-	-	249,400	249,400	-	-	-	249,400
Other operating expenses	80,253	1,689	682	82,624	3,665	3,382	7,047	89,671
Printing and publications	17,271	1,390	168	18,829	294	3,459	3,753	22,582
Occupancy	239,020	93,202	20,561	352,783	10,211	8,518	18,729	371,512
Telephone	18,925	1,727	1,331	21,983	1,511	1,295	2,806	24,789
Postage and shipping	25,322	286	142	25,750	251	7,177	7,428	33,178
Supplies	55,626	10,238	7,044	72,908	3,331	4,328	7,659	80,567
Professional and consulting fees	90,614	35,609	12,619	138,842	257,744	20,685	278,429	417,271
Insurance	65,805	34,326	7,490	107,621	4,975	4,265	9,240	116,861
Interest and other financing costs	28,327	161,266	7,990	197,583	12,524	10,169	22,693	220,276
Total expenses before depreciation	3,314,619	882,724	745,895	4,943,238	903,811	603,935	1,507,746	6,450,984
Depreciation	468,824	419,294	108,941	997,059	9,461	7,457	16,918	1,013,977
Total Expenses	<u>\$3,783,443</u>	<u>\$1,302,018</u>	<u>\$854,836</u>	<u>\$5,940,297</u>	<u>\$ 913,272</u>	<u>\$ 611,392</u>	<u>\$1,524,664</u>	<u>\$7,464,961</u>

See notes to financial statements.

JACOB BURNS FILM CENTER, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$1,591,143	\$ (6,676,444)
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Depreciation	967,574	1,013,977
Loss on abandonment of property and equipment	-	718,854
Forgiveness of loan payable - Paycheck Protection Program	-	(690,300)
Interest expense related to amortization of deferred financing costs	3,260	3,260
Realized (gain) loss on investments	162,847	(1,848,462)
Unrealized (gain) loss on investments	(2,956,413)	7,503,766
(Increase) decrease in:		
Contributions receivable	(83,406)	532,734
Employee Retention Tax Credit receivable	-	(553,568)
Prepaid expenses and other assets	(82,619)	119,373
Increase (decrease) in:		
Accounts payable and accrued expenses	(22,444)	(74,501)
Conditional advance	-	(218,805)
Deferred revenue	143,363	72,637
Net Cash Used By Operating Activities	<u>(276,695)</u>	<u>(97,479)</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	(1,844,532)	(207,198)
Purchase of investments	(4,140,791)	(16,545,708)
Proceeds from sale of investments	4,522,132	16,885,077
Net Cash Provided (Used) By Investing Activities	<u>(1,463,191)</u>	<u>132,171</u>
Cash Flows From Financing Activities		
Repayment of mortgage note	<u>(156,097)</u>	<u>(149,533)</u>
Net decrease in cash and cash equivalents	(1,895,983)	(114,841)
Cash and cash equivalents, beginning of year	<u>2,952,011</u>	<u>3,066,852</u>
Cash and Cash Equivalents, End of Year	<u><u>\$1,056,028</u></u>	<u><u>\$ 2,952,011</u></u>
Supplemental Information		
Interest paid	<u>\$ 210,275</u>	<u>\$ 216,839</u>

See notes to financial statements.

JACOB BURNS FILM CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

Note 1 - Organization and Summary of Significant Accounting Policies

a - Organization

The Jacob Burns Film Center, Inc. (“the Film Center or “JBFC”) 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 subject to government restrictions due to the pandemic. 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.

In 2023, JBFC completed upgrades to the three ground floor theaters. The upgrades include plush new seats, new flooring and LED floor lighting, the addition of handrails on all steps and upgraded technology for the Hearing Loop System. Two of the theaters also have reconfigured seating layout to optimize viewing and offer expanded legroom.

b - Basis of Accounting

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

JACOB BURNS FILM CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

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

c - Cash and Cash Equivalents

For purposes of the classification in the statement of financial position and presentation in the statement 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.

d - Contributions and Contributions Receivable

Contributions received are recorded at fair value as an unconditional promise to give or when a notification of a beneficial interest is received. Unconditional promises to give are recorded as without donor restriction or with donor restriction depending on the existence and/or nature of any donor restrictions. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets are limited by donor-imposed restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as a component of satisfaction of program restrictions. Restrictions satisfied in the same year are considered net assets without donor restrictions.

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

e - Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. Generally accepted accounting principles establish a framework for measuring fair value which maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Film Center. Unobservable inputs reflect the Film Center's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. Fair value measurements are categorized into three levels based on the inputs as follows:

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

JACOB BURNS FILM CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

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

e - Fair Value Measurements (continued)

Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 Inputs that are unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

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

f - Investments

Investments in marketable securities with readily determinable fair values are reported at fair value based upon quoted market prices.

The Film Center's alternative investments, consisting of limited partnerships and investment funds, which do not have readily determinable fair values, are reported in the financial statements based upon the underlying net asset value per share or its equivalent as a practical expedient, and are not required to be classified within the fair value hierarchy. The Film Center reviews and evaluates the values provided by the fund managers and general partners and agrees with the valuation methods and assumptions used in determining the net asset values of these investments. These estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed.

Purchases and sales of investments are recorded on a trade-date basis. Dividend income is recognized on the ex-dividend date. Interest income is recognized as earned on an accrual basis. Cost is determined on the basis of average cost. Investments received as gifts are recorded at fair value at the date of the gift, if available, or at appraised or nominal value.

Interest, dividends and gains and losses on investments are reflected in the statement of activities as increases and decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Gains and other investment income that are limited to specific uses by donor-imposed restrictions are reported as increases in net assets without donor restrictions if the restrictions are satisfied or expire in the fiscal year in which the gains and other investment income are recognized. All other donor restricted gains and other investment income are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

JACOB BURNS FILM CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

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

g - Property and Equipment

Property and equipment are stated at cost, or if donated, at fair value at the date of the gift. Acquisitions of property and equipment costing in excess of \$2,000 with an estimated useful life in excess of one year are capitalized. Repairs and maintenance are expensed as incurred. 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.

h - 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. The Film Center has not identified any such losses recognized during the years ended September 30, 2023 and 2022.

i - Deferred Financing Costs

The Film Center incurred financing costs in connection with obtaining financing. These costs are recorded as a reduction of the related indebtedness and amortization of the costs is reported as interest expense, on a straight-line basis over the period of the mortgage.

j - Revenue Recognition

The Film Center has multiple revenue streams that are accounted for as exchange transactions including admissions and ticket charges, concession income, facility rentals, memberships and other program revenue. With the exception of memberships, which can be for a period of one or two years, all of the Film Center's revenue from contracts with customers are from performance obligations with an initial expected duration of one year or less. Prices are specific to a distinct performance obligation and do not consist of multiple transactions. The Film Center records deferred revenue in situations when amounts are collected, but the performance obligations have not yet been met.

Admissions and ticket charges are recognized on the date the screening or programming takes place. Concession income is recognized when products are sold. Facility rental income is recognized ratably over the period of rental wage. Other program revenue is recognized at the point or over the period of time during which the program takes place.

JACOB BURNS FILM CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

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

- j - Revenue Recognition (continued)
Membership revenue is collected at the commencement of the membership period. Membership revenue is primarily an exchange transaction and entitles members to certain discounts and events over the course of the membership period. The Film Center allocates fees from membership between contribution and exchange transactions and recognizes the contribution portion upon sale, and the exchange transaction ratably over the membership term.
- k - Advertising
Advertising costs are expensed as incurred. Advertising expense totaled \$154,557 and \$69,561 in 2023 and 2022, respectively.
- l - Grants
Unconditional grants are recognized at the time authorized.
- m - Donated Property, Services and Goods
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.
- n - 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 U.S. GAAP.
- o - Financial Statement Presentation
The financial statements of the Film Center have been prepared in accordance with U.S. GAAP, which require the Film Center to report information regarding its financial position and activities according to the following net asset classifications:
- Net Assets Without Donor Restrictions
Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Film Center. These net assets may be used at the discretion of the Film Center's management and Board of Directors.

JACOB BURNS FILM CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

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

o - Financial Statement Presentation (continued)

Net Assets With Donor Restrictions

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

p - Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

q - Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Expenses are applied directly to programs where applicable or allocated on a reasonable and consistent basis as determined by management. A substantial portion of the Film Center's expenses are directly related to program activities. The expenses that are allocated include salaries, taxes and fringe benefits, office and other overhead expenses, which are allocated based on an estimate of employee time and effort, and insurance, depreciation and utilities and other occupancy costs, which are allocated based on square footage.

r - Tax Status

The Film Center is a not-for-profit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

s - Subsequent Events

The Film Center has evaluated subsequent events through January 19, 2024, the date that the financial statements are considered available to be issued.

t - Prior Year Information

For comparability, certain 2022 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used in 2023.

JACOB BURNS FILM CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

Note 2 - Information Regarding Liquidity and Availability

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 thirty days of operating expenses.

The Film Center's financial assets as of September 30 available to meet cash needs for general expenditures within one year are summarized as follows:

	<u>2023</u>	<u>2022</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$ 1,056,028	\$ 2,952,011
Contributions receivable, net	127,626	44,220
Employee Retention Tax Credit receivable	553,568	553,568
Other receivable (included in prepaid expenses and other assets)	77,821	-
Investments	<u>28,320,393</u>	<u>25,908,168</u>
Total Financial Assets	30,135,436	29,457,967
Less: Amounts not Available to be Used within One Year:		
Net assets with donor restrictions, subject to expenditure for specific purposes or passage of time	(221,783)	(1,768,694)
Plus: Net assets with restrictions to be met in less than one year	191,784	1,757,694
Net assets with donor restrictions for endowment, subject to spending policy and appropriation	(28,320,393)	(25,908,168)
Plus: Amounts appropriated for use within one year	<u>1,071,315</u>	<u>1,075,000</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$ 2,856,359</u>	<u>\$ 4,613,799</u>

The Film Center also has a line of credit, as more fully described in Note 10, available to meet short-term or unanticipated liquidity needs.

JACOB BURNS FILM CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

Note 3 - Net Assets With Donor Restrictions

Net assets with donor restrictions at September 30 are restricted for the following purposes or periods:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specific purpose:		
Programming	\$ 166,357	\$ 205,500
Capital projects	30,000	1,307,974
Specific periods	<u>25,426</u>	<u>255,220</u>
	<u>221,783</u>	<u>1,768,694</u>
Endowment, subject to spending policy and appropriation:		
Accumulated income (losses) subject to appropriation for use in general operations	<u>2,295,393</u>	<u>(116,832)</u>
Investment in perpetuity		
General purposes of the Film Center	25,900,000	25,900,000
Education programming	<u>125,000</u>	<u>125,000</u>
	<u>26,025,000</u>	<u>26,025,000</u>
Total Endowments	<u>28,320,393</u>	<u>25,908,168</u>
Total Net Assets With Donor Restrictions	<u>\$28,542,176</u>	<u>\$27,676,862</u>

Note 4 - Concentration 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. Cash in banks may exceed, from time to time, the Federal Deposit Insurance Corporation ("FDIC") coverage limits. Cash in bank accounts are limited to \$250,000 of FDIC insurance coverage. Investments are insured up to \$500,000 (with a limit of \$250,000 for cash) by the Security Investor Protection Corporation. The Film Center monitors its accounts with major financial institutions and believes the Film Center is not exposed to any significant credit risk on cash and cash equivalents and investments.

JACOB BURNS FILM CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

Note 5 - Contributions Receivable

Contributions receivable at September 30 are due as follows:

	<u>2023</u>	<u>2022</u>
Due within one year	\$123,200	\$40,000
Due in one to five years	<u>10,000</u>	<u>11,000</u>
	133,200	51,000
Less: Allowance for uncollectible amounts	(5,000)	(5,000)
Less: Discount to present value	<u>(574)</u>	<u>(1,780)</u>
Total	<u>\$127,626</u>	<u>\$44,220</u>

Contributions to be received after one year are discounted to present value using a discount rate of 3%.

Note 6 - Conditional Promises to Give

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, investment in infrastructure, and upgrades in lighting controls. \$126,625 was received and expended during the year ended September 30, 2019, \$177,275 was received and expended during the year ended September 30, 2022 and \$202,600 was received and expended during the year ended September 30, 2023.

In August 2023, the Film Center was awarded a grant from the New York State Council on the Arts totaling \$300,000. The grant is to support infrastructure and equipment upgrades. The project includes new accessible and ADA compliant doors in the entry to the building and all five theaters, renovating restrooms on the first and second floor for privacy and gender neutrality, and the purchase of five new theater projectors and an accompanying server. \$75,000 was earned and expended during the year ended September 30, 2023. The remaining balance of \$225,000 is subject to New York State funding and has not been recognized in the accompanying financial statements. The grant expires June 30, 2026.

JACOB BURNS FILM CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

Note 7 - Investments - Endowment Funds

Investments at September 30 consist of the following:

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market funds held for investment	\$ 1,451,915	\$ 1,451,915	\$ 1,405,825	\$ 1,405,825
Fixed income securities	6,202,804	5,702,960	5,844,420	5,183,291
Mutual funds:				
Large cap equity	9,728,732	10,591,119	10,352,823	9,400,871
Small cap equity	1,810,803	1,969,101	1,947,782	1,930,164
International equity	4,866,602	5,237,290	5,333,999	4,667,987
Real estate funds	1,431,952	1,164,423	1,440,912	1,191,486
Commodities and other funds	1,430,048	1,024,080	1,218,544	1,113,347
Other funds:				
Private equity funds	497,500	881,484	420,000	736,867
Absolute return funds	255,439	298,021	255,678	278,330
	<u>\$27,675,795</u>	<u>\$28,320,393</u>	<u>\$28,219,983</u>	<u>\$25,908,168</u>

The following summarizes the fair value of investments that are measured on a recurring basis at September 30:

	<u>2023</u>				<u>Measured at Net Asset Value</u>
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Money market funds held for investment	\$ 1,451,915	\$ 1,451,915	\$ -	\$ -	\$ -
Fixed income securities	5,702,960	-	5,702,960	-	-
Mutual funds:					
Large cap equity	10,591,119	10,591,119	-	-	-
Small cap equity	1,969,101	1,969,101	-	-	-
International equity	5,237,290	5,237,290	-	-	-
Real estate funds	1,164,423	1,164,423	-	-	-
Commodities and other funds	1,024,080	1,024,080	-	-	-
Other funds:					
Private equity funds	881,484	-	-	-	881,484
Absolute return funds	298,021	-	-	-	298,021
	<u>\$28,320,393</u>	<u>\$21,437,928</u>	<u>\$5,702,960</u>	<u>\$ -</u>	<u>\$1,179,505</u>

JACOB BURNS FILM CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

Note 7 - Investments - Endowment Funds (continued)

	2022				Measured at Net Asset Value
	Total	Level 1	Level 2	Level 3	
Money market funds held for investment	\$ 1,405,825	\$ 1,405,825	\$ -	\$ -	\$ -
Fixed income securities	5,183,291	-	5,183,291	-	-
Mutual funds:					
Large cap equity	9,400,871	9,400,871	-	-	-
Small cap equity	1,930,164	1,930,164	-	-	-
International equity	4,667,987	4,667,987	-	-	-
Real estate funds	1,191,486	1,191,486	-	-	-
Commodities and other funds	1,113,347	1,113,347	-	-	-
Other funds:					
Private equity funds	736,867	-	-	-	736,867
Absolute return funds	278,330	-	-	-	278,330
	<u>\$25,908,168</u>	<u>\$19,709,680</u>	<u>\$5,183,291</u>	<u>\$ -</u>	<u>\$1,015,197</u>

Investments 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 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.

The investments included in the Film Center's investment portfolio, valued using the net asset value, are redeemable based on the following terms and conditions as of September 30:

	2023	2022
Private equity funds:		
No redemptions until future distributions occur	\$ 881,484	\$ 736,867
Absolute return funds:		
Quarterly redemption with 75 days' notice	292,526	272,449
Semi-annual redemption with 90 days' notice	<u>5,495</u>	<u>5,881</u>
	<u>\$1,179,505</u>	<u>\$1,015,197</u>

JACOB BURNS FILM CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

Note 7 - Investments - Endowment Funds (continued)

The following are descriptions of the investment strategies of these investments:

Private Equity Funds

These funds invest in a diversified portfolio of underlying primary, secondary and co-investment private equity sponsors and funds.

Absolute Return

These funds invest in a diversified portfolio of underlying hedge fund strategies.

The Film Center has committed to invest a total of \$1,500,000 in limited partnerships which make periodic capital calls. As of September 30, 2023, the Film Center had made investments, as required by the partnerships, of \$1,257,500, leaving outstanding commitments of \$197,500. These capital calls are due at the discretion of the limited partnerships.

Net investment income (loss) for the years ended September 30 is summarized as follows:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 834,892	\$ 771,378
Realized gain (loss)	(162,847)	1,848,462
Unrealized gain (loss)	2,956,413	(7,503,766)
Investment management fees	<u>(68,956)</u>	<u>(126,924)</u>
	<u>\$3,559,502</u>	<u>\$(5,010,850)</u>

The Film Center's investment portfolio represents its endowment, which consists of the donor-restricted funds received for the support of education programming and general operations. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Consistent with New York State Not-For-Profit Corporation Law and the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), the Film Center classifies as net assets with donor restrictions, perpetual in nature (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts donated to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of any applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as perpetual in nature is classified as subject to spending policy and appropriation until those amounts are appropriated for expenditure.

JACOB BURNS FILM CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

Note 7 - Investments - Endowment Funds (continued)

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.

The Board of Directors, acting upon the recommendation of the Investment Committee, has established an annual endowment draw to support the operating needs of the forthcoming fiscal year budget. The annual draw of funds ranges from 3% - 4% of the trailing twenty quarter average total endowment market value. In addition, the Film Center's Board of Directors have approved investing a portion of the endowment investment portfolio in investment entities that generate positive environmental and social impact, supportive of underserved people and communities.

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. U.S. 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, 2023. As of September 30, 2022, the Film Center's endowment value was less than the amount received for investment in perpetuity by \$116,832.

Endowment net asset composition by type of fund as of September 30 is as follows:

	<u>With Donor Restrictions</u>		
	<u>Investment Income Above (Below) Original Gift Amount</u>	<u>Investment in Perpetuity</u>	<u>Total</u>
Donor-restricted endowment funds, 2023	<u>\$2,295,393</u>	<u>\$26,025,000</u>	<u>\$28,320,393</u>
Donor-restricted endowment funds, 2022	<u>\$ (116,832)</u>	<u>\$26,025,000</u>	<u>\$25,908,168</u>

JACOB BURNS FILM CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

Note 7 - Investments - Endowment Funds (continued)

Changes in endowment funds for the years ended September 30, 2023 and 2022 are summarized as follows:

	2023		
	With Donor Restrictions		
	Investment Income Above (Below) Original Gift Amount	Investment in Perpetuity	Total
Endowment funds, beginning of year	\$ (116,832)	\$26,025,000	\$25,908,168
Net investment income	3,487,225	-	3,487,225
Appropriation for expenditure	(1,075,000)	-	(1,075,000)
Endowment Funds, End of Year	<u>\$2,295,393</u>	<u>\$26,025,000</u>	<u>\$28,320,393</u>

	2022		
	With Donor Restrictions		
	Investment Income Above (Below) Original Gift Amount	Investment in Perpetuity	Total
Endowment funds, beginning of year	\$5,877,841	\$26,025,000	\$31,902,841
Net investment loss	(5,019,673)	-	(5,019,673)
Appropriation for expenditure	(975,000)	-	(975,000)
Endowment Funds, End of Year	<u>\$ (116,832)</u>	<u>\$26,025,000</u>	<u>\$25,908,168</u>

Note 8 - Property and Equipment

Property and equipment consist of the following at September 30:

	Life	2023	2022
Theater building	5-40 years	\$12,514,312	\$10,779,767
Education Center	5-40 years	16,341,958	16,335,963
Computers and equipment	3-20 years	3,157,887	3,152,620
Theater equipment	5-25 years	2,388,098	2,289,373
		<u>34,402,255</u>	<u>32,557,723</u>
Less: Accumulated depreciation		(16,262,071)	(15,294,497)
		<u>18,140,184</u>	<u>17,263,226</u>
Land		1,985,232	1,985,232
Theater artwork and books		38,861	38,861
		<u>\$20,164,277</u>	<u>\$19,287,319</u>

JACOB BURNS FILM CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

Note 8 - Property and Equipment (continued)

In 2014, the Film Center initiated a project for the development of a web-based virtual learning platform which was launched in 2017. The platform was used to host all of the Film Center's educational materials and learning programs at the time. However, due to the cost and complexity of maintaining the platform, a decision was made in 2022 to cease use of the platform and bring forward a limited offering of educational programs hosted on a more cost-effective third party platform. Accordingly, during the year ended September 30, 2022, the Film Center disposed of assets related to this project totaling \$1,198,087 and recognized a loss on disposal of \$718,854.

Note 9 - Mortgage Note Payable

On December 20, 2017, the Film Center refinanced its previous bank mortgage loan with a 20-year Valley National 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 405 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 six-year rate advance index, with a minimum interest rate of 4.25% (4.25% at September 30, 2023 and 2022), to fully amortize the then existing debt with a final payment of all outstanding principal and accrued interest at its maturity.

Interest expense totaled \$213,535, including \$3,260 of amortized financing costs for 2023 and \$220,099, including \$3,260 of amortized financing costs for 2022.

Mortgage note payable for the years ended September 30 is summarized as follows:

	<u>2023</u>	<u>2022</u>
Principal balance	\$4,794,794	\$4,950,891
Less: Unamortized deferred financing costs	<u>(46,462)</u>	<u>(49,722)</u>
	<u>\$4,748,332</u>	<u>\$4,901,169</u>

JACOB BURNS FILM CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

Note 9 - Mortgage Note Payable (continued)

The future scheduled principal installments are as follows:

<u>Year Ending September 30,</u>	
2024	\$ 162,381
2025	170,092
2026	177,568
2027	185,862
2028	194,030
Thereafter, through December 20, 2037	<u>3,904,861</u>
	<u>\$4,794,794</u>

The Film Center must meet certain financial covenants as defined in the loan agreement and has met the financial covenants.

Note 10 - Line of Credit

Effective September 11, 2017, the Film Center entered into a \$750,000 revolving credit loan agreement with Valley National 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% (8.25% and 6.0% at September 30, 2023 and 2022, respectively). Interest is payable monthly. The line of credit is subject to an annual thirty-day cleanup provision whereby the line of credit will have a zero balance for thirty-consecutive calendar days. There was no activity on the line of credit during the years ended September 30, 2023 and 2022.

Note 11 - Retirement 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. Subsequent to September 30, 2023, the Film Center amended the plan effective January 1, 2024, to provide for a discretionary employer matching contribution, as determined on an annual basis.

JACOB BURNS FILM CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

Note 12 - Loans Payable - Paycheck Protection Program

On April 12, 2021, the Film Center received a loan totaling \$690,300 under the Paycheck Protection Program administered by the U.S Small Business Administration. The loan bears interest at 1% per annum, is due on April 12, 2026, and may be forgiven if the Film Center meets certain employee retention requirements and the funds are used for eligible expenses. In October 2021, the full amount of the loan was forgiven.

Note 13 - Shuttered Venue Operators Grant

On July 8, 2021, the Film Center received a Shuttered Venue Operators Grant (the "SVOG") from the U.S. Small Business Administration (the "SBA") in the amount of \$890,805. The SVOG is recognized as contribution revenue only when approved expenses have been incurred. During the year ended September 30, 2021, the Film Center incurred approved expenses totaling \$672,000, and recognized this portion of the SVOG as revenue. Accordingly, the remaining \$218,805 of the SVOG was reflected as conditional advance at September 30, 2021.

On October 20, 2021, the Film Center was awarded a supplemental SVOG in the amount of \$790,553, bringing the total SVOG award to \$1,681,358. During the year ended September 30, 2022, the Film Center incurred approved expenses totaling \$1,009,358, and recognized this remaining portion of the SVOG as revenue.

Note 14 - Employee Retention Tax Credit

The Coronavirus Aid, Relief and Economic Security ("CARES") Act enacted in 2020 allowed eligible employees to claim employee retention tax credits for qualified wages paid after March 21, 2020 and before September 30, 2021. The Film Center qualified for the credit during this period based on full and partial suspension due to government COVID-related orders and a decrease in gross receipts.

JACOB BURNS FILM CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

Note 15 - Fiscal Sponsorships

The Film Center offers a fiscal sponsorship program for certain independent film projects whose work furthers the Film Center's mission and exempt purpose. The Film Center collects up to a 5% administrative management fee on contributions received for fiscal-sponsorship projects. The Film Center recognized administrative fee income of \$4,125 and \$8,586, included in other income in the accompanying statement of activities, during the years ended September 30, 2023 and 2022, respectively. Management has assessed that the participation of the Film Center involves no material financial exposure.

Note 16 - Donated Goods and Services

The Film Center received the following donated goods and services during the years ended September 30:

	<u>2023</u>	<u>2022</u>
Wine	\$10,800	\$10,800
Advertising services	<u>37,014</u>	<u>-</u>
	<u>\$47,814</u>	<u>\$10,800</u>

The Film Center received donated wine in connection with various donor engagement events. The donated wine was valued by the donor based on rates charged by the donor for those products. The Film Center also received donated advertising services in connection with its program services. The value of the donated services was provided by the service provider.

Note 17 - Contingency

The Film Center is subject to litigation and legal claims that arise in the ordinary course of its activities. A matter pending is a personal injury claim for injuries allegedly sustained at the Film Center. Management has referred this to its insurance carrier, and believes that this claim is without merit and that the ultimate resolution of this matter will not have a material adverse effect on the financial condition of the Film Center.