

THE FILM SOCIETY OF LINCOLN CENTER, INC.

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2014 AND 2013

THE FILM SOCIETY OF LINCOLN CENTER, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Film Society of Lincoln Center, Inc.

We have audited the accompanying statements of The Film Society of Lincoln Center, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Film Society of Lincoln Center, Inc. as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Lotz + Carr, LLP

New York, New York
May 19, 2015

THE FILM SOCIETY OF LINCOLN CENTER, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2014 AND 2013

	2014				2013			
	Operating	Properties and Capital	Board Designated Funds	Total	Operating	Properties and Capital	Board Designated Funds	Total
Assets								
Cash and cash equivalents (Notes 1b and 3)								
Unrestricted	\$ 493,205	\$ 1,110,364	\$ -	\$ 1,603,569	\$1,176,748	\$ 1,291,583	\$ -	\$ 2,468,331
Temporarily restricted	238,530	-	-	238,530	80,953	-	-	80,953
Accounts receivable	469,828	-	990	470,818	357,987	-	1,675	359,662
Contributions receivable (Notes 1c and 4)								
Unrestricted	797,854	1,603,181	-	2,401,035	785,285	2,502,453	-	3,287,738
Temporarily restricted	236,800	-	-	236,800	388,519	-	-	388,519
Prepaid expenses and other assets	104,143	-	-	104,143	92,237	-	-	92,237
Investments (Notes 1d, 1e, 5 and 9)								
Unrestricted	3,043	-	1,055,663	1,058,706	129,749	-	2,099,003	2,228,752
Temporarily restricted	458,605	-	-	458,605	505,296	-	-	505,296
Property and equipment, net (Notes 1f and 6)	-	35,934,185	-	35,934,185	-	37,251,239	-	37,251,239
Total Assets	\$2,802,008	\$38,647,730	\$1,056,653	\$42,506,391	\$3,516,774	\$41,045,275	\$2,100,678	\$46,662,727
Liabilities and Net Assets								
Liabilities								
Loan payable (Note 9)	\$ -	\$ 2,000,000	\$ -	\$ 2,000,000	\$ -	\$ 4,000,000	\$ -	\$ 4,000,000
Accounts payable and accrued expenses	325,432	-	-	325,432	515,037	-	-	515,037
Due to Lincoln Center for the Performing Arts, Inc. (Note 7)	1,242,512	-	-	1,242,512	1,846,297	-	-	1,846,297
Deferred revenue (Note 1g)	273,369	-	-	273,369	314,887	-	-	314,887
Security deposit payable (Note 11)	20,000	-	-	20,000	20,000	-	-	20,000
Interfund payable (receivable)	499,411	500,917	(1,000,328)	-	1,160,351	(158,541)	(1,001,810)	-
Total Liabilities	<u>2,360,724</u>	<u>2,500,917</u>	<u>(1,000,328)</u>	<u>3,861,313</u>	<u>3,856,572</u>	<u>3,841,459</u>	<u>(1,001,810)</u>	<u>6,696,221</u>
Commitments and Contingency (Notes 7, 9, 10, 11 and 12)								
Net Assets (Deficit)								
Unrestricted (Note 2a)	(492,651)	36,146,813	2,056,981	37,711,143	(1,314,566)	37,203,816	3,102,488	38,991,738
Temporarily restricted (Note 2b)	933,935	-	-	933,935	974,768	-	-	974,768
Total Net Assets (Deficit)	<u>441,284</u>	<u>36,146,813</u>	<u>2,056,981</u>	<u>38,645,078</u>	<u>(339,798)</u>	<u>37,203,816</u>	<u>3,102,488</u>	<u>39,966,506</u>
Total Liabilities and Net Assets	\$2,802,008	\$38,647,730	\$1,056,653	\$42,506,391	\$3,516,774	\$41,045,275	\$2,100,678	\$46,662,727

See notes to financial statements.

THE FILM SOCIETY OF LINCOLN CENTER, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014					2013						
	Unrestricted		Board Designated Funds	Total Unrestricted	Temporarily Restricted	Total	Unrestricted		Board Designated Funds	Total Unrestricted	Temporarily Restricted	Total
	Operating	Properties and Capital					Operating	Properties and Capital				
Revenues, Gains and Other Support												
Contributions	\$ 5,220,008	\$ 360,728	\$ -	\$ 5,580,736	\$ 266,781	\$ 5,847,517	\$ 5,097,961	\$ 166,007	\$ -	\$ 5,263,968	\$ 66,971	\$ 5,330,939
Gala benefit	1,868,277	-	-	1,868,277	-	1,868,277	2,145,509	-	-	2,145,509	-	2,145,509
Less: Direct expenses	(273,769)	-	-	(273,769)	-	(273,769)	(535,810)	-	-	(535,810)	-	(535,810)
Admissions and ticket charges												
New York Film Festival	1,137,898	-	-	1,137,898	-	1,137,898	1,047,381	-	-	1,047,381	-	1,047,381
Theater general programming and festivals	1,556,776	-	-	1,556,776	-	1,556,776	1,670,278	-	-	1,670,278	-	1,670,278
Concession income	156,275	-	-	156,275	-	156,275	124,616	-	-	124,616	-	124,616
Less: Cost of goods sold	(38,894)	-	-	(38,894)	-	(38,894)	(36,389)	-	-	(36,389)	-	(36,389)
Café revenue (Note 11)	299,583	-	-	299,583	-	299,583	243,765	-	-	243,765	-	243,765
<i>Film Comment</i> magazine												
Subscriptions and sales	232,570	-	-	232,570	-	232,570	241,850	-	-	241,850	-	241,850
Advertising	439,324	-	-	439,324	-	439,324	331,996	-	-	331,996	-	331,996
Theater rentals	323,194	-	-	323,194	-	323,194	230,815	-	-	230,815	-	230,815
Net investment income (Note 5)	-	1,489	61,406	62,895	3,284	66,179	-	859	162,074	162,933	7,888	170,821
Other income	280,538	-	-	280,538	-	280,538	154,551	-	-	154,551	-	154,551
	11,201,780	362,217	61,406	11,625,403	270,065	11,895,468	10,716,523	166,866	162,074	11,045,463	74,859	11,120,322
Net assets released from restrictions	310,898	-	-	310,898	(310,898)	-	565,510	-	-	565,510	(565,510)	-
Total Revenues, Gains and Other Support	11,512,678	362,217	61,406	11,936,301	(40,833)	11,895,468	11,282,033	166,866	162,074	11,610,973	(490,651)	11,120,322
Expenses												
Program Services												
New York Film Festival	2,344,658	86,698	-	2,431,356	-	2,431,356	2,444,520	90,069	-	2,534,589	-	2,534,589
Theater general programming and festivals	5,751,517	1,169,140	-	6,920,657	-	6,920,657	5,815,574	1,188,095	-	7,003,669	-	7,003,669
<i>Film Comment</i> magazine	761,069	13,725	-	774,794	-	774,794	815,332	15,019	-	830,351	-	830,351
Membership programs	567,888	38,744	-	606,632	-	606,632	610,998	42,397	-	653,395	-	653,395
Total Program Services	9,425,132	1,308,307	-	10,733,439	-	10,733,439	9,686,424	1,335,580	-	11,022,004	-	11,022,004
Supporting Services												
Management and general	1,231,925	153,093	-	1,385,018	-	1,385,018	1,199,181	217,973	-	1,417,154	-	1,417,154
Fundraising	1,081,187	17,252	-	1,098,439	-	1,098,439	1,297,071	18,878	-	1,315,949	-	1,315,949
Total Supporting Services	2,313,112	170,345	-	2,483,457	-	2,483,457	2,496,252	236,851	-	2,733,103	-	2,733,103
Total Expenses	11,738,244	1,478,652	-	13,216,896	-	13,216,896	12,182,676	1,572,431	-	13,755,107	-	13,755,107
Increase (Decrease) in Net Assets Before Transfers	(225,566)	(1,116,435)	61,406	(1,280,595)	(40,833)	(1,321,428)	(900,643)	(1,405,565)	162,074	(2,144,134)	(490,651)	(2,634,785)
Transfer to operations	1,106,913	-	(1,106,913)	-	-	-	-	-	-	-	-	-
Transfer for purchase of property and equipment	(59,432)	59,432	-	-	-	-	(38,555)	38,555	-	-	-	-
Total Transfers	1,047,481	59,432	(1,106,913)	-	-	-	(38,555)	38,555	-	-	-	-
Increase (decrease) in net assets	821,915	(1,057,003)	(1,045,507)	(1,280,595)	(40,833)	(1,321,428)	(939,198)	(1,367,010)	162,074	(2,144,134)	(490,651)	(2,634,785)
Net assets (deficit), beginning of year	(1,314,566)	37,203,816	3,102,488	38,991,738	974,768	39,966,506	(375,368)	38,570,826	2,940,414	41,135,872	1,465,419	42,601,291
Net Assets (Deficit), End of Year	\$ (492,651)	\$36,146,813	\$2,056,981	\$37,711,143	\$ 933,935	\$38,645,078	\$(1,314,566)	\$37,203,816	\$ 3,102,488	\$38,991,738	\$ 974,768	\$39,966,506

See notes to financial statements.

THE FILM SOCIETY OF LINCOLN CENTER, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash Flows From Operating Activities		
Decrease in net assets	\$(1,321,428)	\$(2,634,785)
Adjustments to reconcile decrease in net assets to net cash used by operating activities:		
Depreciation	1,376,486	1,410,189
Donated securities	(17,702)	(139,684)
Realized gain on investments	(141,631)	(1,145)
Unrealized (gain) loss on investments	108,295	(131,364)
Capital campaign contributions	(1,255,000)	(2,589,113)
Bad debt expense	16,000	54,842
(Increase) decrease in:		
Accounts receivable	(127,156)	94,873
Contributions receivable, net	1,038,422	2,902,625
Prepaid expenses and other assets	(11,906)	(2,932)
Increase (decrease) in:		
Accounts payable and accrued expenses	(189,605)	(188,176)
Due to Lincoln Center for the Performing Arts, Inc.	(603,785)	561,894
Deferred revenue	(41,518)	52,541
Net Cash Used By Operating Activities	<u>(1,170,528)</u>	<u>(610,235)</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	(59,432)	(38,555)
Purchase of investments	(22,012)	(80,245)
Proceeds from sale of investments	1,289,787	408,991
Net Cash Provided By Investing Activities	<u>1,208,343</u>	<u>290,191</u>
Cash Flows From Financing Activities		
Principal payments on loan payable	(2,000,000)	(1,500,000)
Capital campaign contributions received	1,255,000	2,589,113
Net Cash Provided (Used) By Financing Activities	<u>(745,000)</u>	<u>1,089,113</u>
Net increase (decrease) in cash and cash equivalents	(707,185)	769,069
Cash and cash equivalents, beginning of year	<u>2,549,284</u>	<u>1,780,215</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,842,099</u>	<u>\$ 2,549,284</u>
Supplemental Disclosure		
Interest paid	<u>\$ 97,566</u>	<u>\$ 163,413</u>

See notes to financial statements.

THE FILM SOCIETY OF LINCOLN CENTER, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2014 AND 2013****Note 1 - Organization and Summary of Significant Accounting Policies****a - Organization**

The Film Society of Lincoln Center, Inc. (the "Film Society") was formed to develop, stimulate and support the art of film and related media by the presentation of a film festival or festivals at Lincoln Center for the Performing Arts, Inc. ("Lincoln Center") or elsewhere; show selected film programs; encourage the study of film through seminars and teaching programs at schools, colleges, and other institutions; develop educational programs that involve the use of film and the use of film for training programs, employee services, and the improvement of social conditions; and participate in any and all matters in conjunction with or independent of others in sponsoring, promoting and improving the film media.

b - Cash and Cash Equivalents

For purposes of the statement of cash flows, the Film Society considers all highly liquid debt instruments, purchased with a maturity of three months or less, to be cash equivalents, except for those held by management for long-term investment purposes.

c - Contributions and Contributions Receivable

Contributions are recognized when the donor makes a promise to give, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Contributions of property, plant and equipment without donor stipulation concerning the use of such long-lived assets are reported as revenues of the unrestricted net assets class. Contributions of cash or other assets to be used to acquire property, plant and equipment with such donor stipulations are reported as revenues of the temporarily restricted net assets class; the restrictions are considered to be released at the time such long-lived assets are placed into service.

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

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

THE FILM SOCIETY OF LINCOLN CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

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

d - Fair Value Measurements

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

Fair value measurements are categorized into three levels as follows:

- Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Film Society has the ability to access at the measurement date.
- Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 Inputs that are unobservable.

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

Investments are measured at fair value on a recurring basis. Investments with fair values that are based on quoted market prices in active markets are therefore classified within Level 1.

e - Investments

Interest, dividends and gains and losses on investments are reflected in the statement of activities as increases and decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Gains and other investment income that are limited to specific uses by donor-imposed restrictions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

THE FILM SOCIETY OF LINCOLN CENTER, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2014 AND 2013****Note 1 - Organization and Summary of Significant Accounting Policies (continued)**f - Property and Equipment

Building and improvements and the EBM Film Center are stated at cost and are being depreciated using the straight-line method over an estimated useful life of 40 years. Property and equipment acquired are recorded at cost and are being depreciated using the straight-line method over the useful lives of the assets.

g - Revenue Recognition

Memberships, which annually entitle donors to certain discounts and events, are recognized as revenues in the period received. Program fees, admissions, rentals and magazine subscriptions are recognized as revenue in the period earned.

h - Advertising

Advertising costs are charged to operations when incurred. Advertising costs incurred were \$240,585 and \$259,274 for the years ended December 31, 2014 and 2013, respectively.

i - Financial Statement Presentation

The Film Society reports information regarding its financial position and activities according to three classes of net assets based on the existence or absence of donor-imposed restrictions: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

j - Estimates

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

k - Tax Status

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

The Film Society is subject to federal and state income taxes on any net income derived from advertising revenue, a business activity which is regularly conducted and is, by statute, unrelated to its exempt purpose. Management believes that it has appropriate support for any tax positions taken and does not have any uncertain tax positions that are material to the financial statements. The Film Society's tax returns are generally subject to examination by taxing authorities for a period of three years from the date of filing.

l - Subsequent Events

The Film Society has evaluated subsequent events through May 19, 2015, the date that the financial statements are considered available to be issued.

THE FILM SOCIETY OF LINCOLN CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

Note 2 - Net Assets

a - Board Designated Funds

Board Designated Funds consist of amounts raised from fundraising campaigns in prior years, which are held in the Film Society's investment portfolio, to be used for purposes to be determined at the discretion of the Board of Directors.

b - Temporarily Restricted Net Assets

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

	<u>2014</u>	<u>2013</u>
Programming/Educational Initiatives	\$684,635	\$536,249
Future periods	<u>249,300</u>	<u>438,519</u>
Total	<u>\$933,935</u>	<u>\$974,768</u>

Note 3 - Concentration of Credit Risk

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

Note 4 - Contributions Receivable

Contributions receivable at December 31 are due as follows:

	<u>2014</u>			
	<u>Unrestricted</u>		<u>Temporarily</u>	<u>Total</u>
	<u>Operating</u>	<u>Properties and Capital</u>	<u>Restricted</u>	
Due within one year	\$797,854	\$1,444,999	\$236,800	\$2,479,653
Due within one to five years	<u>-</u>	<u>170,000</u>	<u>-</u>	<u>170,000</u>
	797,854	1,614,999	236,800	2,649,653
Less: Discount	<u>-</u>	<u>(11,818)</u>	<u>-</u>	<u>(11,818)</u>
Total	<u>\$797,854</u>	<u>\$1,603,181</u>	<u>\$236,800</u>	<u>\$2,637,835</u>

THE FILM SOCIETY OF LINCOLN CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

Note 4 - Contributions Receivable (continued)

	2013			
	Unrestricted		Temporarily Restricted	Total
	Operating	Properties and Capital		
Due within one year	\$785,285	\$1,484,999	\$200,000	\$2,470,284
Due within one to five years	-	1,080,000	200,000	1,280,000
	785,285	2,564,999	400,000	3,750,284
Less: Discount	-	(62,546)	(11,481)	(74,027)
Total	<u>\$785,285</u>	<u>\$2,502,453</u>	<u>\$388,519</u>	<u>\$3,676,257</u>

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

Note 5 - Investments

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

	2014		2013	
	Fair Value	Cost	Fair Value	Cost
Cash and cash equivalents	\$ 14,314	\$ 14,314	\$ 395,278	\$ 395,278
Mutual funds - equities	375,829	251,408	866,586	647,382
Mutual funds - fixed income	1,127,168	1,130,937	1,472,184	1,462,441
	<u>\$1,517,311</u>	<u>\$1,396,659</u>	<u>\$2,734,048</u>	<u>\$2,505,101</u>

Net investment income for the years ended December 31, 2014 and 2013 is summarized as follows:

	2014	2013
Interest and dividends	\$ 32,843	\$ 38,312
Realized gain	141,631	1,145
Unrealized gain (loss)	(108,295)	131,364
	<u>\$ 66,179</u>	<u>\$170,821</u>

THE FILM SOCIETY OF LINCOLN CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

Note 6 - Property and Equipment

Property and equipment consist of the following at December 31:

	<u>Life</u>	<u>2014</u>	<u>2013</u>
Building and improvements	40 years	\$10,359,820	\$10,359,820
EBM Film Center building	40 years	34,280,807	34,280,807
Furniture and equipment	5 years	<u>2,061,643</u>	<u>2,002,211</u>
		46,702,270	46,642,838
Less: Accumulated depreciation		<u>(10,768,085)</u>	<u>(9,391,599)</u>
		<u>\$35,934,185</u>	<u>\$37,251,239</u>

Depreciation expense for the years ended December 31, 2014 and 2013 was \$1,376,486 and \$1,410,189, respectively.

Note 7 - Lincoln Center for the Performing Arts, Inc.

The Film Society is a constituent organization of Lincoln Center for the Performing Arts, Inc. ("Lincoln Center"). Under various agreements with Lincoln Center, the Film Society conducts programming in the Elinor Bunin-Monroe Film Center and the Walter Reade Theater, occupies its administrative offices, and uses other facilities of Lincoln Center for certain activities. Certain members of the Board of Directors of the Film Society are also members of the Board of Directors of Lincoln Center.

The Film Society participates in fundraising efforts conducted on a consolidated basis with Lincoln Center. The Film Society received \$152,280 in each of the years ended December 31, 2014 and 2013 for contributions through this consolidated fund drive.

Pursuant to an agreement with Lincoln Center, the Film Society pays a constituency fee to help fund the annual deficit of Alice Tully Hall. The fee for 2014 and 2013 was \$41,370 and \$40,770, respectively. In addition, Lincoln Center provides various administrative services for the Film Society for which the Film Society was charged \$44,664 for each of the years ended December 31, 2014 and 2013. The Film Society also reimburses Lincoln Center for expenses paid by Lincoln Center on behalf of the Film Society.

THE FILM SOCIETY OF LINCOLN CENTER, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2014 AND 2013****Note 7 - Lincoln Center for the Performing Arts, Inc. (continued)**

Lincoln Center processes the Film Society's payroll and related employee benefits. In addition, in cooperation with certain of its constituents, including the Film Society, Lincoln Center maintains a multipurpose building, which includes a residential tower, a theater and office space. The Film Society occupies office space, as well as a theater, in the building. The Film Society reimburses Lincoln Center for personnel costs and its share of occupancy costs.

Note 8 - 65th Street Redevelopment Project - Elinor Bunin-Munroe Film Center Project

A comprehensive campus wide planning initiative was launched in early 2000 by Lincoln Center, which led to the undertaking of the 65th Street Redevelopment Project, a multiyear redevelopment of the portion of the Lincoln Center campus located on or near West 65th Street. The project included the renovation of Alice Tully Hall and the construction of a new Film Center for the Film Society, the Elinor Bunin-Munroe Film Center.

Construction of the Elinor Bunin-Munroe Film Center was completed during 2011. Total costs for the construction and redevelopment of the property, including equipment, was approximately \$35 million. In addition, approximately \$3 million in expenses related to the Film Center Project were incurred from 2003 through 2011.

Contributions totaling approximately \$38 million have been recorded for the Film Center Project, including \$5.4 million received from Lincoln Center in matching contributions.

Note 9 - Loan Payable

The Film Society entered into a credit agreement with a financial institution, which allows for total borrowings of \$6 million, and has a maturity date of March 31, 2016. The borrowing options include the following rates based on the amount borrowed: i) the Prime Rate, ii) the Adjusted One Month London Interbank Offered Rate ("LIBOR"), iii) LIBOR plus 2.5%, or iv) the financial institution's then current corporate borrowing rate. The loan is secured by unrestricted marketable securities, and certain contributions receivable related to the Film Center Project. The loan specifies certain covenants, including the maintenance of minimum amounts of liquid assets and unrestricted net assets. The Film Society is also required to maintain certain cash balances at the same financial institution as additional collateral for the loan.

THE FILM SOCIETY OF LINCOLN CENTER, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2014 AND 2013****Note 9 - Loan Payable (continued)**

As of December 31, 2014 and 2013, outstanding borrowings totaled \$2 million and \$4 million, respectively. Interest expense totaled \$97,166 and \$162,242 for the years ended December 31, 2014 and 2013, respectively.

Note 10 - Line of Credit

The Film Society entered into a line of credit with a financial institution, in the total amount of \$1 million, to be used for working capital. This line of credit matures September 26, 2015. Borrowings bear interest at variable rates based on the financial institution's commercial borrowing rates.

No borrowings were outstanding at December 31, 2014 or 2013.

Note 11 - Commitment

The Film Society entered into an agreement with a third party for the operation of its Café in the EBM Film Center. The agreement expires on January 31, 2019 and requires the Café operator to pay the Film Society minimum monthly facility fees and a percentage of its annual gross sales.

Café revenue totaled \$299,583 and \$243,765 for the years ended December 31, 2014 and 2013, respectively.

Note 12 - Pension Plans

a - The Film Society's employees are compensated through Lincoln Center as employer of record and participates in a defined benefit pension plan maintained by Lincoln Center, which covers substantially all employees. Because the Film Society's employees comprise a portion of this plan, information as to vested and nonvested earned benefits, as well as plan assets as they relate to the Film Society's employees, is not readily available. The annual pension expense related to this plan totaled approximately \$230,000 (2014) and \$310,000 (2013).

THE FILM SOCIETY OF LINCOLN CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

Note 12 - Pension Plans (continued)

b - The Film Society contributes to a multiemployer defined benefit pension plan under the terms of a collective-bargaining agreement that covers its union-represented employees. The risk of participating in a multiemployer plan is different from single-employer plans in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the Film Society chooses to stop participating in its multiemployer plan, the Film Society may be required to pay that plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Film Society's participation in this plan, which comprises more than 5% of the total plan for the fiscal years ended June 30, 2014 and 2013, is outlined below. The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and the three-digit plan number, if applicable. The most recent Pension Protection Act (PPA) zone status available in 2014 and 2013 is for the plan's year-end at December 31, 2014 and 2013, respectively. The zone status is based on information that the Film Society received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration date of the collective-bargaining agreement to which the plan is subject.

<u>Pension Fund</u>	<u>EIN/Pension Plan Number</u>	<u>Pension Protection Act Zone Status</u>		<u>FIP/RP Status Pending Implementation</u>	<u>Contributions of The Film Society</u>		<u>Surcharge Imposed</u>	<u>Expiration of Collective Bargaining Agreement</u>
		<u>2014</u>	<u>2013</u>		<u>2014</u>	<u>2013</u>		
Moving Picture Machine Operators Union of Greater New York Local 306	13-6613842	Red	Red	Implemented	<u>\$51,823</u>	<u>\$51,179</u>	No	Memorandum of understanding - term to January 31, 2019

THE FILM SOCIETY OF LINCOLN CENTER, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2014 AND 2013****Note 13 - Functional Allocation of Expenses**

The cost of providing the various program and supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

SUPPLEMENTARY INFORMATION



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**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

To the Board of Directors of
The Film Society of Lincoln Center, Inc.

We have audited the financial statements of The Film Society of Lincoln Center, Inc. as of and for the years ended December 31, 2014 and 2013, and our report thereon dated May 19, 2015, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expenses for the year ended December 31, 2014 with comparative totals for 2013 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Lutz + Carr, LLP

New York, New York
May 19, 2015

THE FILM SOCIETY OF LINCOLN CENTER, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2014 WITH COMPARATIVE TOTALS FOR 2013

	Program Services				Supporting Services			2014	2013	
	New York Film Festival	Theater General Programming and Festivals	Film Comment Magazine	Membership Programs	Total	Management and General	Fundraising	Total	Total Expenses	Total Expenses
Salaries and benefits	\$ 756,151	\$ 3,514,624	\$ 222,862	\$ 266,585	\$ 4,760,222	\$ 971,087	\$ 540,605	\$1,511,692	\$ 6,271,914	\$ 6,314,562
Professional fees and contract services	304,020	307,037	234,896	109,441	955,394	73,447	210,006	283,453	1,238,847	1,277,738
Film rental and transportation	16,662	265,741	-	-	282,403	-	-	-	282,403	330,902
Printing and publications	37,612	57,071	154,007	12,496	261,186	13,361	28,084	41,445	302,631	335,432
Travel and lodging	147,329	161,773	8,127	16,167	333,396	14,351	41,211	55,562	388,958	483,343
Events and receptions	415,045	41,247	201	82,255	538,748	745	107,601	108,346	647,094	729,262
Utilities and maintenance	53,509	968,873	20,531	28,977	1,071,890	82,971	54,783	137,754	1,209,644	1,171,669
Hall rental	508,363	-	-	-	508,363	-	-	-	508,363	559,904
Advertising and promotion	47,250	70,345	89,694	5,072	212,361	13,335	14,889	28,224	240,585	259,274
Supplies and equipment	13,370	102,215	2,906	4,102	122,593	11,440	23,847	35,287	157,880	140,074
Postage and shipping	4,636	15,767	14,344	1,969	36,716	3,357	5,185	8,542	45,258	87,861
Insurance	12,012	67,677	4,609	6,505	90,803	17,099	12,298	29,397	120,200	117,007
Telephone	2,888	16,720	1,108	1,944	22,660	4,110	3,336	7,446	30,106	34,422
Production costs	3,893	23,185	1,494	2,108	30,680	5,543	5,361	10,904	41,584	49,445
Miscellaneous	21,878	139,017	6,275	25,245	192,415	10,022	28,940	38,962	231,377	225,768
Interest expense	40	225	15	22	302	97,223	41	97,264	97,566	163,413
Bad debt expense	-	-	-	-	-	16,000	-	16,000	16,000	54,842
Grants	-	-	-	5,000	5,000	-	5,000	5,000	10,000	10,000
Total expenses before depreciation	2,344,658	5,751,517	761,069	567,888	9,425,132	1,334,091	1,081,187	2,415,278	11,840,410	12,344,918
Depreciation	86,698	1,169,140	13,725	38,744	1,308,307	50,927	17,252	68,179	1,376,486	1,410,189
Total Expenses, 2014	<u>\$ 2,431,356</u>	<u>\$ 6,920,657</u>	<u>\$ 774,794</u>	<u>\$ 606,632</u>	<u>\$10,733,439</u>	<u>\$ 1,385,018</u>	<u>\$ 1,098,439</u>	<u>\$2,483,457</u>	<u>\$13,216,896</u>	
Total Expenses, 2013	<u>\$ 2,534,589</u>	<u>\$ 7,003,669</u>	<u>\$ 830,351</u>	<u>\$ 653,395</u>	<u>\$11,022,004</u>	<u>\$ 1,417,154</u>	<u>\$ 1,315,949</u>	<u>\$2,733,103</u>		<u>\$13,755,107</u>

See independent auditors' report on supplementary information.