



Montemayor Britton Bender PC

CERTIFIED PUBLIC ACCOUNTANTS

**FILM SOCIETY OF AUSTIN, INC.
d.b.a. AUSTIN FILM SOCIETY
AND
FILM SOCIETY OF AUSTIN THEATER, LLC
d.b.a AFS CINEMA**

**INDEPENDENT AUDITOR'S REPORT
AND
CONSOLIDATED FINANCIAL STATEMENTS**

31 AUGUST 2018



Montemayor Britton Bender PC
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors

Film Society of Austin d.b.a. Austin Film Society and Austin Studios

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying consolidated financial statements of Film Society of Austin, Inc. d.b.a. Austin Film Society and Film Society of Austin Theater, LLC d.b.a. AFS Cinema (AFS), which comprise the consolidated statement of financial position as of 31 August 2018, and the related consolidated statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of AFS as of 31 August 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

31 January 2019
Austin, Texas

Montemayor Britton Bender PC

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**FILM SOCIETY OF AUSTIN, INC. d.b.a. AUSTIN FILM SOCIETY
AND FILM SOCIETY OF AUSTIN THEATER, LLC d.b.a. AFS CINEMA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 AUGUST 2018**

ASSETS

Current assets	
Cash	\$369,160
Investments	307,946
Rent receivable	30,943
Contributions receivable	204,400
Government contracts and grants receivable	192,744
Prepaid expenses and other	<u>65,331</u>
	1,170,524
Fixed assets	2,944,347
Restricted cash	50,000
Restricted investments	<u>196,677</u>
	<u>\$4,361,548</u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$296,586
Security deposits	51,654
Current maturities of long-term debt	49,246
Deferred revenue	104,290
Accrued liabilities	<u>144,093</u>
	<u>645,869</u>
Net assets	
Unrestricted	
Undesignated	3,007,309
Designated	<u>140,359</u>
	3,147,668
Temporarily restricted	321,334
Permanently restricted	<u>246,677</u>
	<u>3,715,679</u>
	<u>\$4,361,548</u>

The accompanying notes are an integral part of this financial statement presentation.

**FILM SOCIETY OF AUSTIN, INC. d.b.a. AUSTIN FILM SOCIETY
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CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED 31 AUGUST 2018**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE				
Rental income	\$1,598,836	\$0	\$0	\$1,598,836
Contributions	813,777	719,367	50,000	1,583,144
Government contracts and grants	1,426,343	0	0	1,426,343
Admissions	603,188	0	0	603,188
Concessions, net of cost of goods sold of \$119,749	332,798	0	0	332,798
Fees for services	284,009	0	0	284,009
Memberships	191,303	0	0	191,303
Other	89,943	52,786	0	142,729
Net assets released from restrictions	<u>474,400</u>	<u>(474,400)</u>	<u>0</u>	<u>0</u>
	<u>5,814,597</u>	<u>297,753</u>	<u>50,000</u>	<u>6,162,350</u>
EXPENSES				
Salaries and benefits	2,596,857	0	0	2,596,857
Facilities	412,747	0	0	412,747
Sponsored projects	368,673	0	0	368,673
Utilities	335,161	0	0	335,161
Depreciation	303,194	0	0	303,194
Film rental	227,001	0	0	227,001
Austin Public equipment (Note 17)	206,434	0	0	206,434
Professional fees	164,058	0	0	164,058
Contract labor	161,607	0	0	161,607
Small equipment purchases	113,490	0	0	113,490
Marketing and publicity	108,021	0	0	108,021
Special events	96,476	0	0	96,476
Travel and meals	95,391	0	0	95,391
Grants to artists	90,500	0	0	90,500
Equipment rental	86,082	0	0	86,082
Insurance	80,192	0	0	80,192
Bank fees	79,057	0	0	79,057
Other	<u>262,079</u>	<u>0</u>	<u>0</u>	<u>262,079</u>
	<u>5,787,020</u>	<u>0</u>	<u>0</u>	<u>5,787,020</u>
CHANGE IN NET ASSETS	27,577	297,753	50,000	375,330
BEGINNING NET ASSETS	<u>3,120,121</u>	<u>23,581</u>	<u>196,677</u>	<u>3,340,379</u>
ENDING NET ASSETS	<u>\$3,147,698</u>	<u>\$321,334</u>	<u>\$246,677</u>	<u>\$3,715,709</u>

The accompanying notes are an integral part of this financial statement presentation.

**FILM SOCIETY OF AUSTIN, INC. d.b.a. AUSTIN FILM SOCIETY
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CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED 31 AUGUST 2018**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$375,300
Depreciation expense	303,194
Unrealized gain on investments	(46,159)
Bad debt	40,826
Donation for endowment fund	(50,000)
Change in landlord reimbursement receivable	391,804
Change in rent receivable	10,355
Change in contributions receivable	(116,414)
Change in government contracts and grants receivable	(27,934)
Change in prepaid expenses and other	(17,343)
Change in accounts payable	(103,166)
Change in security deposits	(8,942)
Change in deferred revenue	80,224
Change in accrued liabilities	<u>22,915</u>
	<u>854,660</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of investments	(8,691)
Purchases of fixed assets	<u>(618,500)</u>
	<u>(627,191)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Transfers to endowment fund	50,000
Repayment of principal	<u>(236,454)</u>
	<u>(186,454)</u>

NET CHANGE IN CASH AND RESTRICTED CASH	41,015
BEGINNING CASH AND RESTRICTED CASH	<u>378,145</u>
ENDING CASH AND RESTRICTED CASH	<u>\$419,160</u>

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**FILM SOCIETY OF AUSTIN, INC. d.b.a. AUSTIN FILM SOCIETY
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CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED 31 AUGUST 2018

	PROGRAM SERVICES					SUPPORTING SERVICES		
	Filmmaker Support	Community Media	Texas Film Awards	Austin Studios	AFS Cinema	Management & General	Fundraising	TOTAL
Salaries and benefits	\$ 82,453	\$ 498,349	\$ 175,223	\$ 359,102	\$ 681,415	\$ 444,340	\$ 355,975	\$ 2,596,857
Facilities	-	9,693	-	93,359	305,593	1,201	2,901	412,747
Sponsored projects	368,673	-	-	-	-	-	-	368,673
Utilities	1,185	34,057	-	218,307	68,701	11,021	1,890	335,161
Depreciation	-	-	-	198,801	85,375	19,018	-	303,194
Film rental	-	-	250	-	224,994	-	1,757	227,001
Austin Public equipment	-	206,434	-	-	-	-	-	206,434
Professional fees	-	2,795	-	36,468	6,413	91,282	27,100	164,058
Contract labor	810	135,340	15,850	2,285	7,247	-	75	161,607
Cost of goods sold	-	-	-	-	119,749	-	-	119,749
Small equipment purchases	16	13,998	1,388	8,950	76,519	11,352	1,267	113,490
Marketing and publicity	50	1,036	33,030	102	59,030	409	14,364	108,021
Special events	547	3,099	48,217	-	3,149	3,223	38,241	96,476
Travel and meals	11,400	11,797	23,439	191	24,116	7,466	16,982	95,391
Grants to artists	90,500	-	-	-	-	-	-	90,500
Equipment rental	-	7,939	35,594	821	32,305	9,175	248	86,082
Insurance	-	2,229	536	49,100	19,705	8,622	-	80,192
Bank fees	-	2,016	1,173	20	48,657	1,681	25,510	79,057
Other	8,905	10,400	69,891	45,816	73,410	44,433	9,224	262,079
	564,539	939,182	404,591	1,013,322	1,836,378	653,223	495,534	5,906,769
Less expenses included with revenues on the statement of activities	-	-	-	-	(119,749)	-	-	(119,749)
	\$ 564,539	\$ 939,182	\$ 404,591	\$ 1,013,322	\$ 1,716,629	\$ 653,223	\$ 495,534	\$ 5,787,020

The accompanying notes are an integral part of this financial statement presentation.

**FILM SOCIETY OF AUSTIN, INC. d.b.a. AUSTIN FILM SOCIETY
AND FILM SOCIETY OF AUSTIN THEATER, LLC d.b.a. AFS CINEMA**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION

Incorporated under the State of Texas Non-Profit Corporation Act in 1986, Film Society of Austin, Inc. d.b.a. Austin Film Society (AFS) was established by a group interested in screening important films from around the world that would not otherwise be shown in Austin. From the outset, AFS has presented programs within an artistic and cultural context. AFS exists to promote the appreciation of film and to support creative media production.

AFS is organized exclusively for charitable and educational purposes and for lessening the burdens of government, including for such purposes, the making of distributions to organizations that qualify as exempt organizations under section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code. Without limiting the foregoing, these purposes may be accomplished through educating the public as to the virtue and rewards of viewing classic, international and rarely seen films and multimedia productions; educating the public as to the techniques of creating and distributing such films; and supporting creative filmmaking by providing equipment, facilities, grants, scholarships, fiscal sponsorship and the like.

In May 2016, AFS signed a long-term lease with The Linc and opened the AFS Cinema, a full-time two-screen movie theater. The AFS Cinema brings exhibitions to a local audience. It also hosts a lobby bar, concessions, and event hall to support community gatherings and supplement ticket sales.

AFS created Film Society of Austin Cinema, LLC d.b.a. AFS Cinema, a single-member LLC, to develop and hold the Cinema property. The IRS considers this corporation a "disregarded entity" and as such, is not required to file a tax return separate from AFS. The AFS Cinema is under the same management and Board of Directors as the Film Society. The financial statements of AFS and Film Society of Austin Cinema d.b.a. AFS Cinema have been consolidated. All intercompany transactions have been eliminated.

AFS conducts the following programs:

AFS Cinema - This program focuses on exhibiting contemporary global cinema, classic masterpieces by well-known auteurs, U.S. and international independent works, repertory series, documentary films of great importance and experimental films that push the boundaries of content and expand film language.

Filmmaker Support - AFS provides professional development services to filmmakers including fiscal sponsorship, educational workshops, networking events and works-in-progress screenings. AFS raises and distributes cash funds and in-kind support services to emerging film and creative media artists from across Texas through the annual AFS Grant program.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION

Community Media - AFS provides support for mediamakers to create content and diversify the media landscape. AFS offers low- and no-cost training and access to equipment, facilities, and distribution opportunities via Austin Public, which is operated by AFS through a management contract with the City of Austin. AFS's youth media program provides a variety of educational opportunities through in-school and after-school programs, summer media camps, and studio tours.

Texas Film Awards - The Texas Film Awards brings together legends of cinema and television and honors those who have contributed significantly to film culture and the industry at large. This program honors the best in Texas talent by inducting honorees into the Texas Film Hall of Fame.

Austin Studios - Austin Studios is a creative media production facility operated by AFS through a lease with the City of Austin. Austin Studios serves as a production base for feature films, commercials, music videos, and short-form content. The facility also provides mediamakers with the infrastructure to get their films made and grow their businesses.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

AFS uses the accrual basis method of accounting. Using this method of accounting, revenue and accounts receivable are reported when funds are considered earned, regardless of when cash is received. Expenses and accounts payable are reported when obligations are incurred, regardless of when cash is disbursed.

FINANCIAL STATEMENT PREPARATION

AFS 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.

Unrestricted net assets result from rental income, admissions, concessions, membership dues, and other operating revenues and unrestricted contributions, less expenses incurred in operations to raise contributions and for administrative functions.

Support that is restricted by the donor for a specific activity or time period is recorded as an increase in temporarily restricted net assets.

Permanently restricted net assets result from contributions that must be maintained in perpetuity.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FIXED ASSETS

Fixed assets are capitalized at cost if the value of the item is more than \$5,000 and the estimated useful service life of the item is more than one year. Donations of fixed assets are recorded as support at their estimated fair value at the date of donation. Depreciation is computed over the estimated useful service life of the asset (generally 5 to 10 years) using the straight line method.

INVESTMENTS

Investments consist of mutual funds carried at fair value.

RECEIVABLES

Unconditional grants and contributions are recorded as revenue and receivable at fair value on the date of the award. AFS earns revenue from cost-reimbursement grants when expenses are incurred in performance of the grant contract.

Rental income is recorded as revenue and receivable at the beginning of each month within the tenant's lease term. Amounts are considered past due in accordance with lease agreements.

Uncollectible receivables are provided for using the allowance method of accounting for bad debts, whereby a provision for uncollectible accounts is charged to expense. This estimate is based on management's experience with tenants, individual grantors and donors. AFS considers all receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been recorded.

CONTRIBUTIONS

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Temporarily or permanently restricted net assets are reclassified to unrestricted net assets upon expiration of time or purpose restrictions.

RENTAL INCOME AND SECURITY DEPOSITS

AFS rents studio space to filmmakers for the production of movies. AFS requires security deposits from film companies renting studio space. These deposits are recorded as a liability on the consolidated statement of financial position.

**FILM SOCIETY OF AUSTIN, INC. d.b.a. AUSTIN FILM SOCIETY
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CONTRIBUTED GOODS AND SERVICES

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

FEDERAL INCOME TAX

AFS is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except to the extent it has unrelated business activities. As such, no provision for federal income taxes has been made in the accompanying consolidated financial statements.

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

SUBSEQUENT EVENTS

AFS has evaluated subsequent events as of the date of the Independent Auditor's Report, the date the consolidated financial statements were available to be issued.

NOTE 3: INVESTMENTS AND INVESTMENT RETURN

<u>Investment return</u>	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Interest and dividends	\$0	\$3,491	\$3,491
Net realized and unrealized gains	<u>0</u>	<u>49,295</u>	<u>49,295</u>
	<u>\$0</u>	<u>\$52,786</u>	<u>\$52,786</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4: FAIR VALUE MEASUREMENTS

	Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments in mutual funds	<u>\$504,623</u>	<u>\$504,623</u>	<u>N/A</u>	<u>N/A</u>

NOTE 5: NET ASSETS DESIGNATED BY BOARD OF DIRECTORS

AFS has received unrestricted contributions that have been designated by the Board of Directors as the Artistic Fund, which will seed projects and be replenished as part of each project. The Board of Directors has also designated a portion of the AFS Grants Program Fund, the Operations Fund, and the Harrison McClure Endowed Film Fund. The designated portion is calculated as the accumulated increase, if any, in the Consumer Price Index for All Urban Consumers over the permanently restricted balance in each fund from 1 January 2007.

Designated for Endowment	\$110,327
Designated for Artistic Fund	<u>30,032</u>
	<u>\$140,359</u>

NOTE 6: FIXED ASSETS

Leasehold improvements	\$3,286,015
Furniture and equipment	685,691
Owned facilities	294,126
Construction in progress	952,174
Website	<u>154,563</u>
	5,372,569
Accumulated depreciation	<u>(2,428,222)</u>
	<u>\$2,944,347</u>

**FILM SOCIETY OF AUSTIN, INC. d.b.a. AUSTIN FILM SOCIETY
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7: NOTES PAYABLE

AFS has a note payable to the Moody Foundation with an original balance of \$475,000. This note is unsecured, bears an interest rate of 5%, and is payable in monthly installments of \$5,038, beginning 15 June 2009 and continuing regularly until 15 June 2019, when the entire amount hereof, principal and interest then remaining unpaid, shall be then due and payable. The current balance of \$49,246 matures in the year ended 31 August 2019.

NOTE 8: LINE OF CREDIT

On 7 May 2018 AFS opened a line of credit with a financial institution with available funds of \$474,923. This line of credit has an outstanding balance of \$0 at year end and a maturity date of 7 May 2019. The line of credit is unsecured and has an interest rate of 4.75%. The line of credit is collateralized by assignment of reimbursement payments paid by the City of Austin to AFS under the Austin Public capital equipment contract.

On 7 May 2018 AFS opened a line of credit with a financial institution with available funds of \$1,000,000. This line of credit has an outstanding balance of \$0 at year end and a maturity date of 7 November 2019. The line of credit is unsecured and has an interest rate of 4.75%. The line of credit is collateralized by assignment of reimbursement payments paid by the City of Austin from bond funds.

On 25 July 2018 AFS opened a line of credit with a financial institution with available funds of \$300,000. This line of credit has an outstanding balance of \$0 at year end and a maturity date of 25 July 2019. The line of credit is unsecured and has an interest rate of 4.75%. The line of credit is collateralized by all accounts receivable.

NOTE 9: RESTRICTED NET ASSETS

PERMANENTLY RESTRICTED NET ASSETS AND RELATED ASSETS

Permanently restricted net assets from which interest earned may be used in operations.	\$100,000
Permanently restricted net assets resulting from the sale of a house. The donor stipulated that the house be sold and proceeds are permanently restricted with the interest to be used for making grants to filmmakers.	96,677
Permanently restricted net assets from which interest earned must be used for scholarships to support undergraduate students in making a film to complete a course or degree requirement.	<u>50,000</u>
	<u>\$246,677</u>

Restricted investments and cash related to the permanent net asset restrictions are included in non-current assets in the consolidated statement of financial position.

**FILM SOCIETY OF AUSTIN, INC. d.b.a. AUSTIN FILM SOCIETY
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9: RESTRICTED NET ASSETS

TEMPORARILY RESTRICTED NET ASSETS

Future operations	\$250,000
Grants to filmmakers	70,932
Sponsored projects	<u>402</u>
	<u>\$321,334</u>

NOTE 10: ENDOWMENTS

AFS's endowment consists of three funds 1) the AFS Grant Program Fund, 2) the Operations Fund, and 3) the Harrison McClure Endowed Film Fund. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of AFS has interpreted the State Prudent Management of Institutional Funds Act as requiring the preservation of the historic value of the original gift as of the gift date to the donor-restricted endowment fund due to explicit donor stipulations. As a result of this interpretation, AFS classifies as permanently restricted net assets (a) the historical value of the gift donated to the permanent endowment, and (b) the historical value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund not classified in permanently restricted net assets is classified in temporarily restricted net assets until those amounts are used for the intended purpose.

The Board of Directors has established the amount available for distribution for the AFS Grant Program Fund and the Operations Fund in any calendar year is unrestricted for use, in the amount by which the funds, after deduction of any fees or expenses, exceed the "Base." The Base is defined as the amount that was in the fund as of 1 January 2007 (\$248,246) as increased each calendar year by the increase, if any, in the Consumer Price Index for All Urban Consumers.

The amount available for distribution for the Harrison McClure Endowed Film Fund in any year is the amount by which the asset value of the fund after deduction of any fees or expenses exceeds \$50,000 plus the increase in the Consumer Price Index for All Urban Consumers since 1 January 2017.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10: ENDOWMENTS

Endowment Net Asset Composition by Type of Fund

<u>Endowment Funds</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted	\$0	\$70,932	\$246,677	\$317,609
Board-designated	<u>110,327</u>	<u>0</u>	<u>0</u>	<u>110,327</u>
	<u>\$110,327</u>	<u>\$70,932</u>	<u>\$246,677</u>	<u>\$427,936</u>

Changes in Endowment Net Assets

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beginning endowment net assets	\$29,612	\$18,146	\$196,677	\$244,435
Contributions	0	0	50,000	50,000
Board designation	110,747	0	0	110,747
Interest income	0	3,491		3,491
Realized and unrealized gains	0	49,295	0	49,295
Amounts appropriated for expenditure	<u>(30,032)</u>	<u>0</u>	<u>0</u>	<u>(30,032)</u>
Ending endowment net assets	<u>\$110,327</u>	<u>\$70,932</u>	<u>\$246,677</u>	<u>\$427,936</u>

Return Objective and Risk Parameters and Strategies Employed for Achieving Objectives:

All endowment funds are invested in mutual funds and cash. Maximization of return on investment is an important objective. Allocation of assets for investment varies from time to time, as determined by the Board of Directors and management. Investments are allocated among money market mutual funds and domestic and international stock market index mutual funds.

Spending Policy and How the Investments Objective Relate to Spending Policy:

AFS's policy includes stipulations to make grants to filmmakers and for operations, under rules established by the Board of Directors. Earnings on the board-designated endowment are available to be spent upon approval of the Board of Directors.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11: CONTRIBUTED FACILITIES

AFS leases its facilities from the City for \$100 a year. The fair value of the use of this property cannot be reasonably determined; therefore, no amounts have been recognized for contributed facilities in the consolidated statement of activities. On 30 November 2014 the City extended the lease agreement to 21 July 2034 and there are two additional extensions to the lease for twenty-five years each at AFS's option.

NOTE 12: CONCENTRATIONS

AFS received 22% of its revenue from one source and 13% of its revenue from one tenant. 76% of government contracts and grants receivable is due from one local government. 85% of contributions receivable is due from one donor.

Cash at year end exceeded FDIC coverage by \$289,815.

NOTE 13: RETIREMENT PLAN

AFS has established a Simple IRA plan for all employees who have received or are expected to receive at least \$5,000 in compensation. Employees can contribute the maximum allowed under the Internal Revenue Service limitations. AFS matches employee contributions up to 3% of salary. During the year AFS contributed \$43,774 to the retirement plan.

NOTE 14: OPERATING LEASE

On 1 June 2016, AFS entered into an operating lease agreement for space through May 2023 with monthly rental payments of \$12,664. On 1 June 2018 AFS entered into an operating lease agreement for space through May 2023 with monthly rental payments of \$1,983. Future minimum lease payments include estimated common area maintenance fees based on 2018 expenses. Future minimum lease payments for the operating leases as of 31 August 2018 are as follows:

2019	\$285,420
2020	285,420
2021	285,420
2022	285,420
2023	<u>214,065</u>
	<u>\$1,355,745</u>

**FILM SOCIETY OF AUSTIN, INC. d.b.a. AUSTIN FILM SOCIETY
AND FILM SOCIETY OF AUSTIN THEATER, LLC d.b.a. AFS CINEMA**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15: CONTRIBUTED GOODS AND SERVICES

During the year AFS received the following contributed services, which are included in contributions on the statement of activities:

Special event	\$30,513
Legal services	18,218
Equipment purchases	<u>3,505</u>
	<u>\$52,236</u>

Contributed services were used for the following activities:

Texas Film Awards	\$28,718
Management and general	18,218
AFS Cinema	2,250
Development	1,561
Community Media	<u>1,489</u>
	<u>\$52,236</u>

NOTE 16: RELATED PARTY TRANSACTIONS

Members of the AFS Board of Directors provide various supporting contributions such as membership contributions, Texas Film Hall of Fame table sponsorships, and contributed services. Total contributions from Board members for the year were \$92,670.

NOTE 17: AUSTIN PUBLIC EQUIPMENT

Under its grant contract with the City of Austin, AFS is allowed to purchase equipment for use for Austin Public Access television activity. The City of Austin retains title to such equipment. Accordingly, such purchases are not capitalized but are included in expenses.