



# 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 2020**



## Montemayor Britton Bender PC

CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors

Film Society of Austin, Inc. d.b.a. Austin Film Society  
and Film Society of Austin Theater, LLC dba AFS Cinema

### 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 2020, 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.

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### 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 2020, 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.

### Report on Summarized Comparative Information

We have previously audited AFS's 31 August 2019 consolidated financial statements and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated 16 July 2020. In our opinion the summarized comparative information presented herein as of and for the year ended 31 August 2019, is consistent, in all material respects with the audited financial statements from which it has been derived.

Montgomery Britton Bender PC

12 February 2021  
Austin, Texas

**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 2020**

**ASSETS**

	<u>31 August 2020</u>	Memorandum only <u>31 August 2019</u>
Current assets		
Cash	\$1,153,234	\$381,926
Investments	384,308	311,843
Rent receivable	45,128	44,784
Contributions receivable	0	162,500
Local government contracts and grants receivable	284,617	769,946
Prepaid expenses and other	<u>62,075</u>	<u>70,635</u>
	1,929,362	1,741,634
Fixed assets	7,454,038	7,265,867
Restricted cash	60,000	50,000
Restricted investments	<u>196,677</u>	<u>196,677</u>
	<u>\$9,640,077</u>	<u>\$9,254,178</u>

**LIABILITIES AND NET ASSETS**

Current liabilities		
Accounts payable	\$213,783	\$283,579
Security deposits	101,479	83,253
Deferred revenue	155,775	36,113
Accrued liabilities	97,035	531,401
Current portion of long term debt	<u>367,943</u>	<u>0</u>
	936,015	934,346
Long term debt, net of current portion	<u>401,393</u>	<u>0</u>
	<u>1,337,408</u>	<u>934,346</u>
Net assets		
Without donor restrictions		
Undesignated	7,833,111	7,762,257
Board designated	<u>198,641</u>	<u>142,048</u>
	8,031,752	7,904,305
With donor restrictions	<u>270,917</u>	<u>415,527</u>
	<u>8,302,669</u>	<u>8,319,832</u>
	<u>\$9,640,077</u>	<u>\$9,254,178</u>

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  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED 31 AUGUST 2020**

	<u>31 August 2020</u>			Memorandum Only <u>31 August 2019</u>
	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>	
<b>REVENUE</b>				
Rental income	\$1,927,368	\$0	\$1,927,368	\$1,892,871
Local government contracts and grants	1,106,084	0	1,106,084	5,350,992
Contributions, including \$30,363 and \$115,858 contributed goods and services	791,788	157,305	949,093	1,608,769
Admissions	411,112	0	411,112	670,462
Concessions, net of cost of goods sold of \$128,652 and \$128,652	173,157	0	173,157	349,246
Memberships	147,180	0	147,180	236,132
Fees for services	115,534	0	115,534	265,828
Other	111,585	0	111,585	3,913
Net assets released from restrictions	<u>301,915</u>	<u>(301,915)</u>	<u>0</u>	<u>0</u>
	<u>5,085,723</u>	<u>(144,610)</u>	<u>4,941,113</u>	<u>10,378,213</u>
<b>EXPENSES</b>				
Program				
Filmmaker Support	446,031	0	446,031	451,720
AFS Cinema	1,319,309	0	1,319,309	1,818,303
Community Media	581,641	0	581,641	983,772
Austin Studios	1,304,454	0	1,304,454	1,191,589
Texas Film Awards	<u>417,635</u>	<u>0</u>	<u>417,635</u>	<u>304,909</u>
	4,069,070	0	4,069,070	4,750,293
Administrative	636,549	0	636,549	793,945
Fundraising	<u>252,657</u>	<u>0</u>	<u>252,657</u>	<u>229,822</u>
	<u>4,958,276</u>	<u>0</u>	<u>4,958,276</u>	<u>5,774,060</u>
<b>CHANGE IN NET ASSETS</b>	127,447	(144,610)	(17,163)	4,604,153
<b>BEGINNING NET ASSETS (Note 20)</b>	<u>7,904,305</u>	<u>415,527</u>	<u>8,319,832</u>	<u>3,715,679</u>
<b>ENDING NET ASSETS</b>	<u>\$8,031,752</u>	<u>\$270,917</u>	<u>\$8,302,669</u>	<u>\$8,319,832</u>

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  
CONSOLIDATED STATEMENT OF CASH FLOWS  
YEAR ENDED 31 AUGUST 2020**

	<u>31 August 2020</u>	Memorandum Only <u>31 August 2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	(\$17,163)	\$4,604,153
Depreciation expense	228,359	247,891
Unrealized gain on investments	(63,329)	6,679
Loss on sale of assets	0	6,571
Bad debt	10,773	22,705
Change in rent receivable	(11,117)	(13,841)
Change in contributions receivable	162,500	19,195
Change in local government contracts and grants receivable	485,329	(577,202)
Change in prepaid expenses and other	8,560	(5,304)
Change in accounts payable	(69,796)	(13,007)
Change in security deposits	18,226	31,599
Change in deferred revenue	119,662	(68,177)
Change in accrued liabilities	<u>(434,366)</u>	<u>387,308</u>
	<u>437,638</u>	<u>4,648,570</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(9,136)	(10,576)
Proceeds from sale of fixed assets	0	10,000
Purchases of fixed assets	<u>(416,530)</u>	<u>(4,585,982)</u>
	<u>(425,666)</u>	<u>(4,586,558)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from debt	1,129,458	153,526
Repayment of principal	<u>(360,122)</u>	<u>(202,772)</u>
	<u>769,336</u>	<u>(49,246)</u>
<b>NET CHANGE IN CASH AND RESTRICTED CASH</b>	781,308	12,766
<b>BEGINNING CASH AND RESTRICTED CASH</b>	<u>431,926</u>	<u>419,160</u>
<b>ENDING CASH AND RESTRICTED CASH</b>	<u>\$1,213,234</u>	<u>\$431,926</u>

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**  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED 31 AUGUST 2020

	Program Services						Fundraising	Total
	Filmmaker Support	AFS Cinema	Community Media	Austin Studios	Texas Film Awards	Administrative		
Salary & Fringe	\$ 136,726	\$ 603,469	\$ 383,025	\$ 375,264	\$ 141,693	\$ 434,104	\$ 233,717	\$ 2,307,998
Maintenance & Repair	0	38,722	7,823	743,965	10,963	0	0	801,473
Depreciation	0	43,861	0	174,738	0	9,760	0	228,359
Professional Fees	0	5,626	55,592	0	85,343	71,695	8,205	226,461
Rent	0	220,358	0	0	0	0	0	220,358
Film Rental	0	191,936	0	0	0	0	0	191,936
Grants to Artists	148,000	0	0	0	0	0	0	148,000
Program Expenses	64,244	23,275	8,908	3,269	14,530	26,030	5,821	146,077
Network and Systems	0	36,790	6,965	0	0	47,009	266	91,030
Sponsored Projects	88,440	0	0	0	0	0	0	88,440
Marketing/Publicity	0	24,338	0	0	52,228	7,245	1,382	85,193
Equipment Purchases	0	0	82,253	0	0	0	0	82,253
Utilities	0	41,405	19,961	0	0	0	0	61,366
Travel & Meals	8,505	14,175	1,603	0	29,354	3,211	724	57,572
Insurance	0	33,341	0	0	612	2,578	0	36,531
Other	116	42,013	15,511	7,218	82,912	34,917	2,542	185,229
	\$ 446,031	\$ 1,319,309	\$ 581,641	\$ 1,304,454	\$ 417,635	\$ 636,549	\$ 252,657	\$ 4,958,276

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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 FUNCTIONAL EXPENSES  
YEAR ENDED 31 AUGUST 2019  
(MEMORANDUM ONLY)

	Program Services						Total
	Filmmaker Support	AFS Cinema	Community Media	Austin Studios	Texas Film Awards	Administrative	
Salary & Fringe	\$ 99,394	\$ 752,227	\$ 447,868	\$ 226,078	\$ 100,188	\$ 535,762	\$ 2,367,733
Rent	0	282,308	0	62,614	0	0	344,922
Austin Public	0	0	304,459	0	0	0	304,459
Maintenance and repair	0	47,271	12,206	227,899	150	0	287,526
Utilities	0	46,606	19,979	202,246	0	0	268,831
Professional Fees	0	6,051	0	141,461	0	99,885	258,742
Depreciation	0	31,010	0	197,863	0	19,018	247,891
Sponsored Projects	242,498	0	0	0	0	0	242,498
Film Rental	0	238,713	0	0	0	0	238,713
Special Events	10,230	106,606	1,899	0	64,644	26,610	212,442
Contract Labor	0	5,895	145,540	4,481	35,409	1,504	192,829
Insurance	0	44,742	2,056	105,811	0	2,578	155,187
Network and systems	0	11,560	13,326	65,485	0	13,534	103,905
Travel & Meals	16,359	27,954	10,281	127	34,118	5,508	100,360
Marketing/Publicity	492	61,214	1,588	728	16,244	8,023	89,157
Grants to Artists	77,500	0	0	0	0	0	77,500
Other	5,248	156,146	24,570	(43,205)	54,156	81,523	281,365
	\$ 451,721	\$ 1,818,303	\$ 983,772	\$ 1,191,588	\$ 304,909	\$ 793,945	\$ 5,774,060

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.

**FILM SOCIETY OF AUSTIN, INC. d.b.a. AUSTIN FILM SOCIETY  
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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**

Net assets are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. These 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.

Net Assets With Donor Restrictions

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.



**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**

Donor imposed restrictions are released when the restriction expires, which includes when the stipulated time has elapsed, when the stipulated purpose for which the restricted resource has been fulfilled, or both.

**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 support with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions upon expiration of time or purpose restrictions.

**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**

**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.

**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.

**FUNCTIONAL ALLOCATION OF EXPENSES**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses are allocated based on estimates of personnel time and management's review and analysis of individual transactions and costs. Expenses that are allocated are salary and benefits, rent, maintenance and repair, utilities, professional fees, depreciation, contract labor, insurance, special events, network and systems, travel and meals, marketing and publicity, and other.



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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**MEMORANDUM ONLY TOTALS**

The financial statements include certain prior-year summarized comparative information in total, not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with AFS's financial statements for the year ended 31 August 2019, from which the summarized information was derived.

**NOTE 3: 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>\$580,985</u>	<u>\$580,985</u>	<u>N/A</u>	<u>N/A</u>

**NOTE 4: NET ASSETS DESIGNATED BY BOARD OF DIRECTORS**

AFS has received contributions without donor restrictions 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 balance restricted by donors to be held in perpetuity in each fund from 1 January 2007.

Designated for Endowment	\$167,614
Designated for Artistic Fund	<u>31,027</u>
	<u>\$198,641</u>

**NOTE 5: LINE OF CREDIT**

On 25 July 2020 AFS renewed 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 2020. The line of credit is unsecured and has a variable interest rate, currently at 3.25%. The line of credit is collateralized by all accounts receivable.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 6: 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 7: FIXED ASSETS**

Leasehold improvements	\$3,871,937
Furniture and equipment	716,138
Owned facilities	479,187
Construction in progress	5,133,359
Website	<u>154,563</u>
	10,355,184
Accumulated depreciation	<u>(2,901,146)</u>
	<u>\$7,454,038</u>

**NOTE 8: NET ASSETS WITH DONOR RESTRICTIONS**

Perpetual in nature

Net assets with donor restrictions to be held in perpetuity from which interest earned may be used in operations. \$100,000

Net assets with donor restrictions to be held in perpetuity 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

Net assets with donor restrictions from which interest earned must be used for scholarships to support undergraduate students in making a film to complete a course or degree requirement. 60,000

256,677

Purpose restrictions

Sponsored projects 14,240

\$270,917

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 8: NET ASSETS WITH DONOR RESTRICTIONS**

Satisfaction of purpose restrictions and expiration of time restrictions:

Time restrictions	\$162,500
Sponsored projects	75,961
Grants to filmmakers	<u>63,454</u>
	<u>\$301,915</u>

**NOTE 9: 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 \$60,000 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 9: ENDOWMENTS**

Endowment Net Asset Composition by Type of Fund

<u>Endowment Funds</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted			
Original donor-restricted gift amount and amounts required to be held in perpetuity	\$0	\$256,677	\$256,677
Board-designated	<u>167,614</u>	<u>0</u>	<u>167,614</u>
	<u>\$167,614</u>	<u>\$256,677</u>	<u>\$424,291</u>

Changes in Endowment Net Assets

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Beginning endowment net assets	\$111,338	\$246,677	\$358,015
Contributions	0	10,000	10,000
Board designation	56,276	0	56,276
Realized and unrealized gain (loss)	0	6,900	6,900
Amounts appropriated for expenditure	<u>0</u>	<u>(6,900)</u>	<u>(6,900)</u>
Ending endowment net assets	<u>\$167,614</u>	<u>\$256,677</u>	<u>\$424,291</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 10: CONCENTRATIONS**

AFS received 45% of its revenue from two sources. 86% of receivables were due from two sources.

Cash at year end exceeded FDIC coverage by \$811,197.

**NOTE 11: 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 \$45,746 to the retirement plan.

**NOTE 12: 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. On 1 May 2019, AFS entered into an operating lease agreement for space through April 2022 with monthly rental payments of \$3,700. During the year AFS paid lease payments totaling \$771,719. Future minimum lease payments include estimated common area maintenance fees based on 2020 expenses. Future minimum lease payments for the operating leases as of 31 August 2020 are as follows:

2021	\$352,842
2022	338,042
2023	<u>231,332</u>
	<u>\$922,216</u>

**NOTE 13: CONTRIBUTED GOODS AND SERVICES**

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

Marketing and publicity	\$14,000
Special event	11,374
Professional fees	<u>4,989</u>
	<u>\$30,363</u>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 13: CONTRIBUTED GOODS AND SERVICES**

Contributed services were used for the following activities:

Texas Film Awards	\$23,500
Operations	<u>6,863</u>
	<u>\$30,363</u>

**NOTE 14: 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 \$176,295.

**NOTE 15: 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.

**NOTE 16: LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, within one year of the statement of financial position date, comprise the following:

Cash	\$1,153,234
Investments	384,308
Rent receivable	45,128
Government contracts and grants receivable	<u>284,617</u>
	1,867,287
Less net assets unavailable for general expenditure due to donor imposed restrictions	<u>(14,240)</u>
	<u>\$1,853,047</u>

As part of AFS's liquidity management, financial assets are structured to be available as general expenditures, liabilities, and other obligations come due. AFS invests cash in excess of daily requirements in investments.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 16: LIQUIDITY AND AVAILABILITY**

Restricted investments and cash relate to the net assets with donor restrictions to be held in perpetuity.

AFS has a line of credit with an available balance of \$300,000 which it could draw upon in the event of an unanticipated liquidity need.

See note 17 for additional details regarding AFS's debt agreements.

AFS's endowment funds consist of donor restricted and board designated investments. Income from donor-restricted endowments are board designated. Donor restricted endowment funds are not available for general expenditure.

See Note 8 for additional details regarding the nature of donor imposed restrictions on cash, receivables, and investments that are not available for general expenditures within one year of the statement of financial position date.

The balance in the board designated investment account (Note 4) at 31 August 2020 was \$198,641. These amounts could be made available if necessary by obtaining Board of Directors approval prior to spending.

**NOTE 17: DEBT**

20 April 2020 AFS received a \$463,500 loan from the Small Business Administration as part of *Coronavirus Aid, Relief and Economic Security Act's* Paycheck Protection Plan. The loan is unsecured, nonrecourse, accrues interest at one percent per annum. Under the terms of the loan, a portion or all of the loan is forgivable to the extent that the loan proceeds are used to fund qualifying payroll, rent, and utilities during a designated period established by the Small Business Administration. The note is payable in 18 equal installments of \$25,594 beginning November 2020.

15 June 2020 AFS received a \$150,000 loan from the Small Business Administration as part of the Disaster Assistance Program. The loan is secured by all tangible and intangible personal property and accrues interest at 2.75% per annum. The loan is payable in monthly installments of \$641 for thirty years beginning June 2021.

In 2009 AFS entered into an agreement to reimburse Catellus for the cost to construct a fence on the AFS's rental property upon completion. The construction was completed and AFS became liable for the reimbursement payments beginning 15 February 2020. The total cost for the construction and design was \$215,957. The reimbursement is payable in 24 monthly payments of \$9,620 including accrued interest. Interest accrues at a rate of prime plus 1%, not less than 6%. At year end the interest rate was 6.5%.



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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 17: DEBT**

Future debt obligations are as follows for the year ended 30 August:

2021	\$367,943
2022	255,777
2023	3,618
2024	3,719
2025	3,822
Thereafter	<u>134,457</u>
	<u>\$769,336</u>

**NOTE 18: CHANGE IN ACCOUNTING PRINCIPAL**

On 21 June 2018, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2018-08, Not-For-Profit Entities (Topic 958) - Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The update assists entities in evaluating whether transactions should be accounted for as contributions or as exchange transactions, and determining whether a contribution is conditional. AFS has implemented ASU 2018-08 and has adjusted the presentation in these financial statements accordingly. ASU 2018-08 was applied using the modified prospective basis as of 1 September 2019.

**NOTE 19: LEASES IN FINANCIAL STATEMENTS OF LESSORS**

AFS leases office space and sound stage space to various tenants. Future minimum rentals to be received on these leases are \$2,277,912 and \$499,827 in the years ending 31 August 2021, and 2022, respectively. Additional information on the office buildings and sound stage spaces:

<u>Description</u>	<u>Cost</u>	<u>Book Value</u>
Office buildings	\$479,187	\$183,215
Sound stage spaces leasehold improvements (the property for these spaces is owned by the City of Austin)	<u>2,232,636</u>	<u>270,210</u>
	<u>\$2,711,823</u>	<u>\$453,425</u>



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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 20: NET ASSET RECLASS**

Net assets with donor restrictions were overstated and net assets without donor restrictions were understated by \$72,119 as of 31 August 2019 due to net assets with donor restrictions not being released when expenses were incurred for the specified purpose. Each period presented has been reclassified to correct the net asset balances. The impact of this adjustment is also reflected in the endowment disclosures in Footnote 9. Additionally, endowment net assets with donor restrictions were overstated by \$72,119 as of 31 August 2019. Beginning endowment net assets with donor restrictions have been corrected in Footnote 9.