

EISNERAMPER

PHILADELPHIA FILM SOCIETY

FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015
(with supplementary information)



PHILADELPHIA FILM SOCIETY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Philadelphia Film Society

Report on the Financial Statements

We have audited the accompanying financial statements of Philadelphia Film Society, which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for each of the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



Opinion

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the financial position of Philadelphia Film Society as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for each of the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note B[11] to the financial statements, Philadelphia Film Society's recent financial performance shows a decrease in net assets for the year ended December 31, 2016. In addition, the Philadelphia Film Society's current liabilities exceeds its current assets as of December 31, 2016. Management's evaluation of the events and conditions and management's plans in regard to these matters are also described in Note B[11]. Our opinion is not modified with respect to this matter.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on page 16 is presented for purposes of additional analysis and is not a required part of the financial statements. Such supplementary 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 supplementary 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 supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "EisnerAmper LLP".

EISNERAMPER LLP
Philadelphia, Pennsylvania
June 25, 2018

PHILADELPHIA FILM SOCIETY

Statements of Financial Position

	December 31	
	2016	2015
ASSETS		
Current assets:		
Cash	\$ 72,916	\$ 79,003
Accounts receivable	75,625	43,917
Pledges and contributions receivable	256,595	179,600
Prepaid expenses	19,890	28,029
Restricted cash	227,858	281,893
Total current assets	652,884	612,442
Property and equipment , net of accumulated depreciation	7,824,923	8,415,523
Other assets:		
Pledges and contributions receivable, noncurrent	-	130,000
Deposits	750	1,997
	750	131,997
	\$ 8,478,557	\$ 9,159,962
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	\$ 392,735	\$ 256,637
Due to related parties	4,712	-
Current portion of long-term debt	61,553	60,196
Current portion of capital lease obligation	5,239	-
Deferred rent	-	5,385
Line-of-credit	1,409,504	848,038
Ticket sales collected on behalf of others	227,858	281,893
Total current liabilities	2,101,601	1,452,149
Long-term debt , net of current portion	509,820	517,840
Capital lease obligation , net of current portion	14,683	-
Total liabilities	2,626,104	1,969,989
NET ASSETS		
Unrestricted	5,689,953	6,921,723
Temporarily restricted	162,500	268,250
Total net assets	5,852,453	7,189,973
	\$ 8,478,557	\$ 9,159,962

See notes to financial statements

PHILADELPHIA FILM SOCIETY

Statements of Activities and Changes in Net Assets

	Year Ended December 31					
	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and support:						
Contributions	\$ 630,486	\$ 62,500	\$ 692,986	\$ 8,923,729	\$ 38,250	\$ 8,961,979
Ticket sales	608,398	-	608,398	397,613	-	397,613
Rental income	470,703	-	470,703	440,159	-	440,159
Membership dues	167,938	-	167,938	229,979	-	229,979
Labor fees	234,924	-	234,924	193,773	-	193,773
Concession sales	192,913	-	192,913	75,246	-	75,246
Other income	270,809	-	270,809	135,672	-	135,672
Net assets released from restrictions	168,250	(168,250)	-	209,550	(209,550)	-
	<u>2,744,421</u>	<u>(105,750)</u>	<u>2,638,671</u>	<u>10,605,721</u>	<u>(171,300)</u>	<u>10,434,421</u>
Expenses:						
Program services	3,268,037	-	3,268,037	2,810,073	-	2,810,073
Supporting services:						
General and administrative	410,700	-	410,700	457,255	-	457,255
Fundraising	297,454	-	297,454	220,444	-	220,444
	<u>3,976,191</u>	<u>-</u>	<u>3,976,191</u>	<u>3,487,772</u>	<u>-</u>	<u>3,487,772</u>
Change in net assets	(1,231,770)	(105,750)	(1,337,520)	7,117,949	(171,300)	6,946,649
Net assets (deficiency) at beginning of year	<u>6,921,723</u>	<u>268,250</u>	<u>7,189,973</u>	<u>(196,226)</u>	<u>439,550</u>	<u>243,324</u>
Net assets at end of year	<u>\$ 5,689,953</u>	<u>\$ 162,500</u>	<u>\$ 5,852,453</u>	<u>\$ 6,921,723</u>	<u>\$ 268,250</u>	<u>\$ 7,189,973</u>

See notes to financial statements

PHILADELPHIA FILM SOCIETY

**Statement of Functional Expenses
Year Ended December 31, 2016**

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	
Payroll:				
Management	\$ 159,124	\$ 95,546	\$ 85,832	\$ 340,502
Other payroll	981,015	82,736	118,194	1,181,945
	<u>1,140,139</u>	<u>178,282</u>	<u>204,026</u>	<u>1,522,447</u>
Expenses:				
Advertising	131,516	2,798	5,596	139,910
Bank and credit card fees	40,977	7,231	-	48,208
Bad debt	20,284	8,285	-	28,569
Computer software	25,204	3,600	7,201	36,005
Concession	47,146	-	-	47,146
Donations	7,900	-	-	7,900
Depreciation	628,887	6,352	-	635,239
Dues and subscriptions	3,407	1,391	-	4,798
Employee benefits	64,620	10,339	11,201	86,160
Equipment and film rentals	279,474	2,823	-	282,297
Events planning	34,190	-	-	34,190
Insurance	77,756	6,720	11,519	95,995
Interest	66,942	27,343	-	94,285
Maintenance	37,244	15,213	-	52,457
Meals and entertainment	14,421	24,721	2,060	41,202
Office supplies	9,170	5,002	2,501	16,673
Payroll service	6,525	2,665	-	9,190
Payroll taxes	109,120	17,459	18,914	145,493
Permits	2,369	-	-	2,369
Postage	11,952	6,519	3,260	21,731
Printing and program guide	25,275	13,787	6,893	45,955
Professional fees	35,799	17,629	-	53,428
Program expense - other	47,593	-	-	47,593
Rental - office and theater	104,390	1,054	-	105,444
Rentals - venues	58,000	-	-	58,000
Subcontractors	39,667	21,637	10,818	72,122
Telephone	11,280	4,608	-	15,888
Theater supplies and uniforms	31,442	-	-	31,442
Ticketing expense	1,290	-	-	1,290
Travel expense - guests	16,381	-	-	16,381
Travel expense - programmers	68,081	-	-	68,081
Travel expense - other	20,534	1,081	-	21,615
Utilities	42,602	23,238	11,619	77,459
Website design	6,460	923	1,846	9,229
	<u>2,127,898</u>	<u>232,418</u>	<u>93,428</u>	<u>2,453,744</u>
	<u>\$ 3,268,037</u>	<u>\$ 410,700</u>	<u>\$ 297,454</u>	<u>\$ 3,976,191</u>

See notes to financial statements

PHILADELPHIA FILM SOCIETY

Statement of Functional Expenses Year Ended December 31, 2015

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Payroll:				
Management	\$ 49,350	\$ 21,150	\$ 70,500	\$ 141,000
Other payroll	908,697	161,035	80,517	1,150,249
	<u>958,047</u>	<u>182,185</u>	<u>151,017</u>	<u>1,291,249</u>
Expenses:				
Advertising	132,471	2,819	5,637	140,927
Bank and credit card fees	31,123	5,492	-	36,615
Bad debt	37,695	15,397	-	53,092
Computer software	10,729	37,551	5,365	53,645
Concessions	34,535	-	-	34,535
Depreciation	483,206	4,881	-	488,087
Dues and subscriptions	3,943	1,610	-	5,553
Employee benefits	47,955	9,073	7,776	64,804
Equipment and film rentals	224,300	2,266	-	226,566
Events planning	24,104	-	-	24,104
Insurance	63,766	5,511	9,447	78,724
Interest	42,569	17,387	-	59,956
Maintenance	42,587	17,394	-	59,981
Meals and entertainment	9,778	16,761	1,397	27,936
Office supplies	18,368	10,019	5,009	33,396
Payroll service	6,014	2,456	-	8,470
Payroll taxes	99,019	18,733	16,057	133,809
Permits	5,336	-	-	5,336
Postage	14,849	8,100	4,050	26,999
Printing and program guide	21,245	11,588	5,794	38,627
Professional fees	73,004	32,753	-	105,757
Program expense - other	12,268	-	-	12,268
Rental - office and theater	109,300	1,104	-	110,404
Rentals - venues	58,000	-	-	58,000
Subcontractors	73,780	30,135	-	103,915
Telephone	10,607	4,332	-	14,939
Theater supplies and uniforms	29,470	-	-	29,470
Ticketing expense	4,703	-	-	4,703
Travel expense - guests	19,627	-	-	19,627
Travel expense - programmers	46,304	-	-	46,304
Travel expense - other	28,891	1,521	-	30,412
Utilities	32,321	17,629	8,815	58,765
Website design	159	558	80	797
	<u>1,852,026</u>	<u>275,070</u>	<u>69,427</u>	<u>2,196,523</u>
	<u>\$ 2,810,073</u>	<u>\$ 457,255</u>	<u>\$ 220,444</u>	<u>\$ 3,487,772</u>

See notes to financial statements

PHILADELPHIA FILM SOCIETY

Statements of Cash Flows

	Year Ended December 31	
	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ (1,337,520)	\$ 6,946,649
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	635,239	488,087
Forgiveness of loans payable, Board of Directors	-	(55,000)
(Increase) decrease in assets:		
Accounts receivable	(31,708)	(43,917)
Pledges and contributions receivable	53,005	103,500
Prepaid expenses	8,139	(9,114)
Deposits	1,247	(1,247)
Restricted cash	54,035	(281,893)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	136,098	(151,466)
Due to related parties	4,712	-
Deferred rent	(5,385)	5,385
Ticket sales collected on behalf of others	(54,035)	281,893
Net cash provided by (used in) operating activities	<u>(536,173)</u>	<u>7,282,877</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(21,239)</u>	<u>(8,129,559)</u>
Cash flows from financing activities:		
Net borrowings under line-of-credit agreements	561,466	748,048
Repayment of capital lease obligation	(3,478)	-
Proceeds from long-term debt	60,000	266,199
Repayments of long-term debt	<u>(66,663)</u>	<u>(139,776)</u>
Net cash provided by financing activities	<u>551,325</u>	<u>874,471</u>
Net increase (decrease) in cash	(6,087)	27,789
Cash at beginning of year	<u>79,003</u>	<u>51,214</u>
Cash at end of year	<u><u>\$ 72,916</u></u>	<u><u>\$ 79,003</u></u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u><u>\$ 95,091</u></u>	<u><u>\$ 54,998</u></u>
Supplemental disclosure of noncash financing activities:		
Obligation under capital lease incurred for equipment purchase	<u><u>\$ 23,400</u></u>	<u><u>\$ -</u></u>

See notes to financial statements

PHILADELPHIA FILM SOCIETY

Notes to Financial Statements December 31, 2016 and 2015

NOTE A - ORGANIZATION AND NATURE OF OPERATIONS

The Philadelphia Film Society (the "Society"), formed on August 1, 2001 and located in Philadelphia, Pennsylvania, is a nonprofit organization that is the Philadelphia region's foremost resource for film presentation and education, serving as a vital member of the arts and culture community. The Society creates opportunities for diverse communities to experience film through initiatives that inspire, educate, challenge and entertain. It is committed to presenting film as a powerful medium for artistic expression, transformative force and catalyst for strengthening community. As the producer of the Philadelphia Film Festival and creative force behind the Roxy and Prince Music Theaters, the Society raises awareness of film as an important art form in Philadelphia.

The Society acquired the Prince Music Theater facility, a historic theater located in Philadelphia's art district, in 2015 using the proceeds from a generous contribution from the Wyncote Foundation. The acquisition of the Prince Music Theater has significantly expanded the operations of the Society, enabling it to host live arts and additional major film events. The Prince Music Theater is also home to Philadelphia's largest movie screen.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Basis of accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

[2] Classification of net assets:

Resources in the financial statements are classified for accounting and reporting purposes in classes of net assets according to the existence or absence of donor-imposed restrictions. The accompanying financial statements may include the following classes of net assets:

- ***Unrestricted***

Unrestricted net assets are used to account for funds which have not been restricted by donors.

- ***Temporarily Restricted***

Temporarily restricted net assets are subject to donor-imposed stipulations that will be met either by actions of the Society and/or the passage of time. When a restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

- ***Permanently Restricted***

Permanently restricted net assets represent those resources subject to donor-imposed stipulations that the corpus be invested in perpetuity and that only the investment income be made available for operations in accordance with donor restrictions. There were no permanently restricted net assets as of December 31, 2016 or 2015.

[3] Restricted cash and ticket sales collected on behalf of others:

The Society collects cash from ticket sales on behalf of clients who rent out the Prince Theater. This cash is maintained in separate bank account for the benefit of these clients. Accordingly, these funds are classified as restricted cash and a corresponding liability, ticket sales collected on behalf of others, on the statements of financial position.

PHILADELPHIA FILM SOCIETY

Notes to Financial Statements December 31, 2016 and 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[4] Property and equipment and depreciation:

Property and equipment are stated at cost, if purchased, or at fair value at the date of donation, if donated, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which are generally 5 years for furniture and equipment, 30 years for leasehold improvements and 39 years for building. It is the Society's policy to capitalize property and equipment with a cost of \$1,000 or more (see Note D).

[5] Revenue recognition and accounts receivable:

Contributions, including unconditional pledges, are recorded when received as unrestricted revenue or temporarily restricted net assets depending on the absence or existence of any donor restrictions. Conditional promises to give are not included as revenue until the conditions are substantially met.

In-kind contributions are recorded at their estimated fair values in the period received. Donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. There were no in-kind contributions received during the years ended December 31, 2016 or 2015.

Ticket sale revenue is recognized when the related movie is shown or the event takes place.

Rental income primarily consists of charges for rents in connection with the use of the Prince Music Theater and the Roxy Theater. This revenue is recognized once the event takes place.

Membership dues are recognized over the term of the membership.

Labor fees are recognized when the services are performed.

Concession sales are recognized at the time of sale.

Other income primarily consists of fees associated with ticket purchases, which are recognized at the time of sale.

Accounts receivable are periodically reviewed by management for collectability. Bad debts are provided on the allowance method based on historical experience and management's evaluation of outstanding accounts receivable. Accounts are written off when they are deemed uncollectible. Management has determined that an allowance is not deemed necessary as of December 31, 2016 or 2015.

[6] Functional allocation of expenses:

The costs of providing the programs and activities have been summarized on a functional basis on the accompanying statements of activities and changes in net assets and statements of functional expenses. Accordingly, certain costs have been allocated among program services and supporting services in reasonable ratios determined by management.

PHILADELPHIA FILM SOCIETY

Notes to Financial Statements December 31, 2016 and 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[7] Federal tax status:

The Society is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and is not subject to income tax, except on unrelated business income. The Society had no unrelated business income for either of the years ended December 31, 2016 or 2015. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability, if the organization has taken an uncertain tax position that more likely than not would not be sustained upon examination by a government authority. Management has analyzed the tax positions taken by the Society and has concluded that as of December 31, 2016 and 2015 there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

The Society recognizes accrued interest and penalties associated with uncertain tax positions, if any, as part of general and administrative expenses. There were no income tax related interest and penalties recorded for either of the years ended December 31, 2016 or 2015.

[8] Deferred rent:

The Society recognizes rent expense on a straight-line basis over the life of the leases. The difference between rent expense recognized and rental payments, as stipulated in the leases, is reflected as deferred rent in the statements of financial position.

[9] Use of 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 the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

[10] New accounting pronouncements:

In May 2014, Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 requires an entity to recognize revenue depicting the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 will also result in enhanced revenue related disclosures. ASU 2014-09 has an effective date for private companies for fiscal years beginning after December 15, 2018. ASU 2015-14 defers the effective date for all entities for one year. Early adoption is permitted for fiscal years beginning after December 15, 2016. The Society is evaluating the effect that this new guidance will have on its financial statements and related disclosures.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. This standard requires entities that lease assets to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by those leases. The standard is effective for fiscal years beginning after December 15, 2019. The guidance is required to be applied by the modified retrospective transition approach. Early adoption is permitted. Management is currently evaluating the impact of the adoption of ASU 2016-02 on its financial statements and related disclosures.

PHILADELPHIA FILM SOCIETY

Notes to Financial Statements December 31, 2016 and 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[10] New accounting pronouncements (continued):

In August 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 amends the presentation and disclosures to help not-for-profit organizations provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. ASU 2016-14 includes qualitative and quantitative requirements in the following areas: a) net asset classes, b) investment return, c) expenses, d) liquidity and availability of resources, and e) presentation of operating cash flows. The new standard will be effective for fiscal years beginning after December 15, 2017, which will be the year beginning on July 1, 2018 for the Society, with early adoption permitted. Management is currently evaluating the impact of the adoption of ASU 2016-14 on its financial statements and related disclosures.

[11] Liquidity:

As indicated in the accompanying financial statements, the Society showed a decrease in net assets of \$1,347,040 during the year ended December 31, 2016. As of that date, the Society's current liabilities exceeded its current assets by \$1,458,237, primarily due to the outstanding balance of its line-of credit.

On May 9, 2018, the Society entered into a \$2.5 million mortgage loan agreement with Centric Bank. The proceeds of the mortgage were used to pay off the outstanding line-of-credit balance. With the remaining proceeds, income from operations, and fundraising efforts, management of the Society believes that it currently has sufficient cash to meet its funding requirements through June 25, 2019.

[12] Reclassification:

Certain amounts in the 2015 financial statements have been reclassified to conform to the current year presentation.

NOTE C - PLEDGES AND CONTRIBUTIONS RECEIVABLE

The Society has received pledges, some of which are receivable in future years. All pledges receivable are expected to be collected in full.

Pledges and contributions receivable as of December 31, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Less than one year	\$ 256,595	\$ 179,600
1 - 5 years	-	130,000
Total pledges	<u>\$ 256,595</u>	<u>\$ 309,600</u>

PHILADELPHIA FILM SOCIETY

Notes to Financial Statements December 31, 2016 and 2015

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2016 and 2015 consists of the following:

	<u>2016</u>	<u>2015</u>
Furniture and equipment	\$ 2,539,838	\$ 2,505,883
Building and improvements	4,299,760	4,289,076
Land	1,600,000	1,600,000
Leasehold improvements	<u>626,432</u>	<u>626,432</u>
	9,066,030	9,021,391
Less accumulated depreciation	<u>1,241,107</u>	<u>605,868</u>
	<u><u>\$ 7,824,923</u></u>	<u><u>\$ 8,415,523</u></u>

Depreciation on property and equipment for the years ended December 31, 2016 and 2015 amounted to \$635,239 and \$488,087, respectively.

Management evaluates the recoverability of the investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of December 31, 2016 and 2015, and in the opinion of management, there was no impairment. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

NOTE E - LINE-OF-CREDIT

In March 2015, the Society entered into a line-of-credit agreement with borrowings up to \$1,000,000 with Uninvest Bank ("Uninvest"). In June 2016, the maximum borrowings were increased to \$1,500,000. This line-of-credit bears interest at 4.75% and is collateralized by the Prince Music Theater. There was \$1,409,504 and \$848,038 outstanding on the line-of-credit as of December 31, 2016 and 2015, respectively. Interest expense was \$54,075 and \$37,468 for the years ended December 31, 2016 and 2015, respectively. In May 2018, the outstanding line-of-credit was paid off in full (see Note L).

NOTE F - LONG-TERM DEBT

Long-term debt as of December 31, 2016 and 2015 consists of the following:

	<u>2016</u>	<u>2015</u>
Mortgage note payable to bank in monthly installments of \$3,068, including interest at 8.888% with a final payment due in June 2018; note is secured by equipment	\$ 48,834	\$ 82,255
Mortgage note payable to the landlord of the Roxy Theater in monthly installments of \$5,148, including interest at 6% with a final payment due in October 2028; note is secured by the building improvements made	<u>522,539</u>	<u>495,781</u>
	<u><u>\$ 571,373</u></u>	<u><u>\$ 578,036</u></u>

PHILADELPHIA FILM SOCIETY

Notes to Financial Statements December 31, 2016 and 2015

NOTE F - LONG-TERM DEBT (CONTINUED)

Scheduled maturities of long-term debt as of December 31, 2016 are as follows:

<u>Year Ending December 31</u>	
--------------------------------	--

2017	\$ 61,553
2018	48,209
2019	35,255
2020	37,430
2021	39,739
Thereafter	<u>349,187</u>
	<u>\$ 571,373</u>

Interest expense associated with long-term debt was \$37,557 and \$22,488 for the years ended December 31, 2016 and 2015, respectively.

NOTE G - CONCENTRATION OF CREDIT RISK

The Society maintains its cash at several financial institutions. At times, such deposits may exceed federally insured limits. Management does not believe the cash is subject to undue risk when balances are in excess of federally insured limits.

The Society received approximately 81% of its total revenue from one donor for the year ended December 31, 2015; however, none was received from this donor for the year ended December 31, 2016. This same donor accounted for approximately 39% and 65% of total pledges and contributions receivable as of December 31, 2016 and 2015, respectively.

NOTE H - COMMITMENTS

The Society entered into an agreement to lease the Roxy Theater located on Sansom Street in Philadelphia, Pennsylvania, which expires on December 31, 2018. Rent is made up of two components. Base rent is a set amount that is stated in the terms of the lease. Additional rent is an amount calculated by the landlord which includes all taxes related to the property. There are options to extend the lease for two additional periods of five years each. The Society is required to pay utilities, insurance, real estate taxes and maintenance on the theater.

Scheduled future minimum rental commitments under the noncancelable lease agreement as of December 31, 2016 are as follows:

<u>Year Ending December 31</u>	
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2017	\$ 106,740
2018	<u>106,740</u>
	<u>\$ 213,480</u>

Rent expense associated with this lease amounted to \$105,444 and \$110,404 for the years ended December 31, 2016 and 2015, respectively.

PHILADELPHIA FILM SOCIETY

Notes to Financial Statements December 31, 2016 and 2015

NOTE I - CAPITAL LEASE OBLIGATION

The Society leases equipment under a capital lease which expires in April 2020 and bears interest at approximately 13.4%. Future minimum lease payments as of December 31, 2016 are as follows:

<u>Year Ending December 31</u>	
2017	\$ 5,239
2018	5,986
2019	6,840
2020	<u>1,857</u>
	<u>\$ 19,922</u>

Leased property under a capital lease as of December 31, 2016 and 2015 include:

	<u>2016</u>	<u>2015</u>
Furniture and equipment	\$ 23,400	\$ -
Less accumulated depreciation	<u>2,340</u>	<u>-</u>
	<u>\$ 21,060</u>	<u>\$ -</u>

Interest expense under the capital lease obligation amounted to \$2,653 and \$-0- for the years ended December 31, 2016 and 2015, respectively.

NOTE J - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2016 and 2015 are available as follows:

	<u>2016</u>	<u>2015</u>
Time restrictions	\$ 162,500	\$ 230,000
Mobile movie house project	<u>-</u>	<u>38,250</u>
	<u>\$ 162,500</u>	<u>\$ 268,250</u>

NOTE K - RELATED PARTY TRANSACTIONS

The Society incurred fees of \$57,782 and \$3,853 for the years ended December 31, 2016 and 2015, respectively, from an insurance company in which a Board member of the Society holds a management position. Amounts due to this insurance company were \$4,712 and \$-0- as of December 31, 2016 and 2015, respectively, and are included in due to related parties on the statements of financial position.

PHILADELPHIA FILM SOCIETY

Notes to Financial Statements December 31, 2016 and 2015

NOTE L - SUBSEQUENT EVENTS

The Society has evaluated subsequent events through June 25, 2018, which is the date the financial statements were available to be issued.

On May 9, 2018, the Society entered into a mortgage loan agreement with Centric Bank, whereby Centric Bank agreed to lend the Society a principal sum of \$2,500,000, bearing interest at a rate of 5.25% over a 20-year term, with an option for Centric Bank to call the loan every five years. Beginning on June 10, 2018, twelve monthly installments of interest only are due. Beginning on June 10, 2019, monthly installments of principal and interest totaling \$15,400 are due through May 10, 2023, at which time, Centric Bank has the option to call the loan and demand payment of all outstanding principal and interest. If the loan is not called at this time, a new monthly installment amount shall be determined by Centric Bank. The loan is secured by a first lien on the property of the Society and is subject to certain covenants. The loan proceeds were used to pay off the outstanding line-of-credit balance discussed in Note E and the remaining proceeds from the loan will be used to fund capital improvements, working capital and capital reserve.

PHILADELPHIA FILM SOCIETY

Schedule of Revenue and Support Year Ended December 31, 2016

Contributions:

Foundation income	\$ 164,428
Board of Directors	85,988
Individual contributions	211,527
Corporate sponsorship income	<u>231,043</u>
	<u>692,986</u>

Membership dues:

Membership dues	<u>167,938</u>
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Ticket sales, concessions and rental income:

Ticket and show income	608,398
Concession sales	192,913
Labor fees	234,924
Rental income	<u>470,703</u>
	<u>1,506,938</u>

Other income:

Convenience fees	58,255
Submission fees	41,050
Restoration fees	36,064
Advertising income	19,462
Facilities and badge fees	36,554
Credit card fees	21,307
Other income	<u>58,117</u>
	<u>270,809</u>
	<u>\$ 2,638,671</u>