

EISNERAMPER

PHILADELPHIA FILM SOCIETY

FINANCIAL STATEMENTS

JUNE 30, 2019
(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 statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 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 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.



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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 June 30, 2019, 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.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on page 17 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.

EisnerAmper LLP

EISNERAMPER LLP
Philadelphia, Pennsylvania
November 29, 2021



PHILADELPHIA FILM SOCIETY

Statement of Financial Position

June 30, 2019

ASSETS

Current assets:

Cash	\$ 136,102
Accounts receivable	9,632
Promises to give, net	333,588
Prepaid expenses	9,021
Restricted cash	<u>50,000</u>

Total current assets 538,343

Property and equipment, net of accumulated depreciation 6,358,468

Other assets:

Promises to give, net, noncurrent	214,031
Deposits	<u>3,236</u>

\$ 7,114,078

LIABILITIES

Current liabilities:

Accounts payable and accrued expenses	\$ 504,812
Current portion of long-term debt	167,407
Current portion of capital lease obligation	61,249
Deferred income	<u>3,000</u>

Total current liabilities 736,468

Long-term debt, net of current portion 2,899,569

Capital lease obligation, net of current portion 163,922

Total liabilities 3,799,959

NET ASSETS

Without donor restrictions	2,773,119
With donor restrictions	<u>541,000</u>

Total net assets 3,314,119

\$ 7,114,078

PHILADELPHIA FILM SOCIETY

**Statement of Activities and Changes in Net Assets
Year Ended June 30, 2019**

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenue and support:			
Contributions	\$ 1,040,107	\$ 541,000	\$ 1,581,107
Ticket sales	955,365	-	955,365
Rental income	312,784	-	312,784
Membership dues	244,221	-	244,221
Labor fees	78,367	-	78,367
Concession sales	210,655	-	210,655
Other income	324,881	-	324,881
	<u>3,166,380</u>	<u>541,000</u>	<u>3,707,380</u>
Expenses:			
Program services	3,252,393	-	3,252,393
Supporting services:			
General and administrative	719,250	-	719,250
Fundraising	424,945	-	424,945
	<u>4,396,588</u>	<u>-</u>	<u>4,396,588</u>
Change in net assets	(1,230,208)	541,000	(689,208)
Net assets at beginning of year	<u>4,003,327</u>	<u>-</u>	<u>4,003,327</u>
Net assets at end of year	<u>\$ 2,773,119</u>	<u>\$ 541,000</u>	<u>\$ 3,314,119</u>

PHILADELPHIA FILM SOCIETY

**Statement of Functional Expenses
Year Ended June 30, 2019**

	Program Services - Film Presentation and Education	Supporting Services		Total
		General and Administrative	Fundraising	
Payroll:				
Management	\$ 15,000	\$ 60,000	\$ 75,000	\$ 150,000
Other payroll	887,526	98,614	109,571	1,095,711
	<u>902,526</u>	<u>158,614</u>	<u>184,571</u>	<u>1,245,711</u>
Expenses:				
Advertising	47,517	19,662	96,673	163,852
Bank and credit card fees	35,775	3,538	-	39,313
Bad debt	-	1,857	98	1,955
Computer software	40,553	3,729	2,331	46,613
Concession	58,361	-	-	58,361
Donations	1,616	-	-	1,616
Depreciation	733,106	7,405	-	740,511
Dues and subscriptions	15,224	10,149	1,335	26,708
Employee benefits	58,927	10,640	12,276	81,843
Equipment and film rentals	329,745	148,147	-	477,892
Catering	85,513	3,665	32,984	122,162
Insurance	110,976	21,138	-	132,114
Interest	93,596	62,397	8,210	164,203
Maintenance	43,915	444	-	44,359
Meals and entertainment	11,078	7,213	7,471	25,762
Office supplies	7,492	12,486	4,994	24,972
Payroll service	4,943	3,295	434	8,672
Payroll taxes	90,596	16,358	18,874	125,828
Permits	2,705	-	-	2,705
Postage	1,510	2,517	1,007	5,034
Printing and program guide	13,017	7,100	3,550	23,667
Professional fees	-	85,300	-	85,300
Program expense - other	40,047	-	-	40,047
Real estate taxes	9,077	92	-	9,169
Rental - theater	106,739	-	-	106,739
Rentals - venues	85,107	-	-	85,107
Subcontractors	72,186	120,311	48,124	240,621
Telephone	8,365	5,577	734	14,676
Theater supplies and uniforms	25,522	-	-	25,522
Ticketing expense	4,258	-	-	4,258
Travel expense - guests	18,634	-	-	18,634
Travel expense - programmers	85,792	-	-	85,792
Travel expense - other	14,797	6,093	870	21,760
Utilities	86,070	869	-	86,939
Website design	7,108	654	409	8,171
	<u>2,349,867</u>	<u>560,636</u>	<u>240,374</u>	<u>3,150,877</u>
	<u>\$ 3,252,393</u>	<u>\$ 719,250</u>	<u>\$ 424,945</u>	<u>\$ 4,396,588</u>

PHILADELPHIA FILM SOCIETY

Statement of Cash Flows Year Ended June 30, 2019

Cash flows from operating activities:

Change in net assets	\$ (689,208)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	740,511
Changes in assets and liabilities:	
Accounts receivable	21,394
Promises to give	(528,901)
Prepaid expenses	16,892
Deposits	(2,486)
Restricted cash	(18)
Accounts payable and accrued expenses	107,328
Due to related parties	(11,886)
Deferred rent	<u>(7,575)</u>
Net cash used in operating activities	<u>(353,949)</u>

Cash flows from investing activities:

Purchases of property and equipment	<u>(30,927)</u>
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Cash flows from financing activities:

Principal repayment of capital lease obligation	(8,496)
Proceeds from long-term debt	508,125
Repayments of long-term debt	<u>(46,536)</u>
Net cash provided by financing activities	<u>453,093</u>

Net increase in cash 68,217

Cash at beginning of year 67,885

Cash at end of year \$ 136,102

Supplemental disclosure of cash flow information:

Cash paid during the year for interest	<u><u>\$ 164,203</u></u>
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Supplemental disclosure of noncash investing and financing activities:

Purchase of equipment through capital lease	<u><u>\$ 216,697</u></u>
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PHILADELPHIA FILM SOCIETY

Notes to Financial Statements June 30, 2019

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 ("U.S. GAAP").

[2] Classification of net assets:

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed or grantor-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 restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the 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. Net assets with donor restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

[3] Restricted cash:

As part of the note payable agreement with Centric Bank, the Society is required to maintain a minimum balance of \$50,000 in an operating account with Centric Bank. Accordingly, these funds are classified as restricted cash on the statement of financial position.

[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 E).

PHILADELPHIA FILM SOCIETY

Notes to Financial Statements June 30, 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[5] Contributions:

Contributions, including unconditional promises to give, are recorded when received as revenue without donor restrictions or as revenue with donor restrictions 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. The Society received in-kind contributions totaling \$147,028 for the year ended June 30, 2019. For the year ended June 30, 2019, \$105,250 is included in advertising and \$41,778 is included in catering on the statement of functional expenses.

[6] Promises to give:

Unconditional promises to give are presented at net present value using an appropriate discount rate as determined by management, and net of an allowance for uncollectible amounts (see Note D). An allowance for uncollectible promises to give is provided based upon management's judgment, including such factors as prior collection history, type of contribution, nature of fundraising activity, and is also based upon management's analysis of specific promises made.

[7] Revenue recognition and accounts receivable:

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. Deferred income is comprised of rents received prior to the related event taking 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, and special events revenue, which is recognized when the events take place.

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 June 30, 2019.

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Notes to Financial Statements June 30, 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[8] Functional allocation of expenses:

The costs of the Society's program and supporting services have been summarized on a functional basis in the statement of functional expenses. The statement reports certain categories of expenses that are attributable to one or more program or supporting services of the Society. Expenses that are allocated and their allocation methodology are as follows: payroll and employee benefits are allocated based on the employees' position and job duties; depreciation, insurance, interest, maintenance, real estate taxes, and utilities are allocated by square footage of the Society's buildings and office space; and the remaining expenses are individually coded directly to a specific department and function within the Society's chart of accounts, as determined by management.

[9] Advertising:

The Society expenses advertising costs as incurred. For the year ended June 30, 2019, advertising expenses totaled \$163,852.

[10] 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 the year ended June 30, 2019. U.S. GAAP requires 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 June 30, 2019, 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 the year ended June 30, 2019.

[11] 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.

[12] New accounting pronouncement:

In August 2016, Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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 Society has adopted ASU 2016-14 as of and for the year ended June 30, 2019. The adoption of ASU 2016-14 required amounts previously reported as unrestricted net assets to now be reported as net assets without donor restriction, the presentation of a statement of functional expenses, and additional disclosures related to liquidity and availability of resources.

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Notes to Financial Statements June 30, 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[13] Upcoming accounting pronouncements:

In May 2014, FASB issued 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. The new standard is effective for fiscal years beginning after December 15, 2019. The standard permits the use of either the retrospective or cumulative effect transition method. The adoption of ASU 2014-09 is not expected to have a material effect on the financial statements but will require enhanced disclosures.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies and improves guidance concerning, 1) evaluating whether a transaction should be accounted for as an exchange transaction or as a contribution, and 2) determining whether a contribution received is conditional. ASU 2018-08 is effective for annual periods beginning after December 15, 2018 for entities that are resource recipients and for annual periods beginning after December 15, 2019 for entities that are resource providers, with early adoption permitted. ASU 2018-08 should be applied on a modified prospective basis. Management is currently evaluating the effect that the new standard will have on its financial statements and related disclosures.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. The core principle of ASU 2016-02 is to increase transparency and comparability among organizations by recognizing lease assets and liabilities on the statement of financial position and disclosing key information. ASU 2016-02 will be effective for fiscal years beginning after December 15, 2021 (which will be the year beginning on July 1, 2023 for the Society), with early adoption permitted. Management is currently evaluating the impact of the adoption of ASU 2016-02 on its financial statements and related disclosures.

In November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230)*, which affects all entities that have restricted cash or restricted cash equivalents and are required to present a statement of cash flows. ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The update is effective for the Society for the fiscal year beginning after December 15, 2018. The Society does not believe the adoption of this guidance will have a material impact on the financial statements.

NOTE C - LIQUIDITY AND AVAILABILITY

As indicated in the accompanying financial statements, the Society's current liabilities exceed its current assets by \$198,125 as of June 30, 2019, and had a decrease in net assets of \$689,208 for the year then ended.

Subsequent to June 30, 2019, the Society was affected by the COVID-19 pandemic. Due to government mandates, the Society was forced to shut down its core indoor theater operations in March 2020, and remained closed through early September 2021. During this time, the Society was able to hold some virtual events and opened up a temporary drive-in theater in Philadelphia during the summer 2020, which is scheduled to remain in operation through November 2021; however, these only partially replaced the revenue lost due to their indoor theaters being shut down. In September 2021, both of the Society's indoor theaters reopened. Following are significant actions and events that took place to assist the Society better their financial situation and make it through the pandemic, as well as management's plans going forward to continue strengthening the Society's financial future.

PHILADELPHIA FILM SOCIETY

Notes to Financial Statements June 30, 2019

NOTE C - LIQUIDITY AND AVAILABILITY (CONTINUED)

As more fully described in Note K, in March 2020, the Society entered into a line of credit note agreement with a bank, whereby the bank advanced a maximum principal sum of \$500,000 to the Society, and is not due to be called until 2038.

In April 2020, the Society received a \$276,800 loan pursuant to the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") Paycheck Protection Program ("PPP"). The loan bore interest at 1%. During the year ended June 30, 2021, in accordance with the CARES Act provisions, the Association applied for loan forgiveness for the entire outstanding principal on the loan. In April 2021, the lender and the U.S. Small Business Administration ("SBA") approved the application, and the loan was forgiven in full.

In May 2020, the Society entered into a loan agreement with the SBA, under its Economic Injury Disaster Loan program, to borrow an original principal sum of \$150,000. The principal balance bears interest at a rate of 2.75% per annum and is payable in monthly installments of principal and interest totaling \$641 beginning in May 2021 through the maturity date of May 21, 2050, at which time all unpaid principal and interest are due and payable. Each monthly installment payment will be applied first to any interest accrued, with the balance going towards the principal. The note is collateralized by all business assets of the Society.

In March 2021, the Society received a second loan for \$308,404 pursuant to the CARES Act PPP. This loan may be forgiven subject to bank approval in accordance with the SBA guidelines. Neither principle nor interest is due until the earlier of the determination of loan forgiveness, if forgiveness is denied, or ten months after the end of the forgiveness period which is expected to be in August 2022. If forgiveness has been applied for but not approved by August 2022, the deferral period is to be extended until such a time as the forgiveness application is either approved or denied. If the loan forgiveness is either denied or not applied for, the loan will convert to a term loan with an interest rate of 1%. Monthly payments of principal and interest would commence with all outstanding principal and interest due at maturity in March 2026.

Also in March 2021, the mortgage note payable to the landlord of the Roxy Theater, which had an outstanding balance of \$481,892 as of June 30, 2019 (Note F), was forgiven after an agreed upon \$53,000 payment was made by the Society.

In June 2021, the Society also opened the PFS Bourse Theater (Note K), located in the Olde City district in Philadelphia, Pennsylvania. The PFS Bourse Theater will show films 365 days a year on 5 state-of-the-art screens. Management expects the PFS Bourse Theater to be its most profitable venue going forward.

In July 2021, the Society received \$907,733 from the SBA as part of the Shuttered Venue Operators Grant ("SVOG") program.

The Society has filed for, and expects to received, approximately \$250,000 from the Internal Service Revenue under its Employee Retention Credit program. Management is also expecting to receive approximately \$600,000 as a supplemental SVOG award, as the Society has met the criteria for it.

Per the Society's latest available unaudited interim financial statement, which were as of September 30, 2021, net assets without donor restrictions were approximately \$3,680,000 and total net assets were approximately \$4,377,000. Total cash on-hand was approximately \$500,000 and total current assets exceeded current liabilities by approximately \$316,000. Per management's latest cash flow projection, management projects a healthy average cash on-hand balance of approximately \$530,000 throughout the year ended June 30, 2022, with approximately \$450,000 on-hand as of June 30, 2022. Primarily due to the annual Philadelphia Film Festival, the Society's cash balance has historically peaked in the months between September and December, so while the forecast ends as of June 30, 2022, management is confident that the cash balance will be significantly higher as of November 29, 2022.

Based on the above factors, management of the Society believes that is current has sufficient cash sources to meet its funding requirements through November 29, 2022.

PHILADELPHIA FILM SOCIETY

Notes to Financial Statements June 30, 2019

NOTE C - LIQUIDITY AND AVAILABILITY (CONTINUED)

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of June 30, 2019:

Cash	\$ 136,102
Accounts receivable	9,632
Promises to give due within one year	<u>333,588</u>
	<u>\$ 479,322</u>

As part of the Society's liquidity management plan, the Society structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE D - PROMISES TO GIVE

The Society has received promises to give, some of which are due to be received in future years. Promises to give that are receivable in more than one year are discounted using a rate at the time of the pledge for the expected term of the promise to give to approximate the net present value of the estimated future cash flows. The discount rate used was 3% for the year ended June 30, 2019. All promises to give are expected to be collected in full.

Receivable in less than 1 year	\$ 333,588
Receivable in 1 - 5 years	<u>224,000</u>
Total promises to give	557,588
Less discount (at 3%) to net present value	<u>9,969</u>
Promises to give, net	<u>\$ 547,619</u>

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2019 consist of the following:

Furniture and equipment	\$ 2,936,775
Building and improvements	4,327,275
Land	1,600,000
Leasehold improvements	<u>626,432</u>
	9,490,482
Less accumulated depreciation	<u>3,132,014</u>
	<u>\$ 6,358,468</u>

Depreciation on property and equipment for the year ended June 30, 2019 amounted to \$740,511.

PHILADELPHIA FILM SOCIETY

Notes to Financial Statements June 30, 2019

NOTE E - PROPERTY AND EQUIPMENT

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 June 30, 2019, 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 F - LONG-TERM DEBT

Long-term debt as of June 30, 2019 consists of the following:

Mortgage note payable to bank, with a maximum available principal sum of \$2,500,000, bearing interest at 5.25% through the maturity date in May 2038; payable in monthly interest-only installments through May 2019; beginning in June 2019, monthly payments of principal and interest totaling \$15,400 are due and payable; the bank has the option to call the loan and demand payment of all unpaid principal and interest in May 2023, and at every five-year interval thereafter; secured by a first lien on the property of the Society and subject to certain covenants	\$ 2,500,000
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	481,892
Loan payable to bank in monthly installments of \$2,431, including interest at 6.48% with a final payment due in May 2022; note is secured by equipment	<u>85,084</u>
	3,066,976
less current portion	<u>167,407</u>
	<u><u>\$ 2,899,569</u></u>

PHILADELPHIA FILM SOCIETY

Notes to Financial Statements June 30, 2019

NOTE F - LONG-TERM DEBT (CONTINUED)

Scheduled maturities of long-term debt as of June 30, 2019 are as follows:

<u>Year Ending June 30,</u>	
2020	\$ 167,407
2021	121,008
2022	125,932
2023	2,371,251
2024	46,152
Thereafter	<u>235,226</u>
	<u><u>\$ 3,066,976</u></u>

Interest expense associated with long-term debt was \$161,964 for the year ended June 30, 2019.

NOTE G - CAPITAL LEASE OBLIGATION

The Society leases equipment under capital leases which expire at various dates through June 2024 and bear interest at rates ranging from 7.725% to 13.4%. Future minimum lease payments as of June 30, 2019 are as follows:

<u>Year Ending June 30,</u>	
2020	\$ 61,249
2021	55,662
2022	55,662
2023	55,662
2024	<u>55,662</u>
Total minimum lease payments	283,897
Less amount representing interest	<u>58,726</u>
	225,171
Less current portion	<u>61,249</u>
	<u><u>\$ 163,922</u></u>

Leased property under capital leases as of June 30, 2019 includes:

Furniture and equipment	\$ 253,007
Less accumulated depreciation	<u>45,218</u>
	<u><u>\$ 207,789</u></u>

Depreciation for assets under capital leases amounted to \$28,932 for the year ended June 30, 2019. Interest expense under the capital lease obligation amounted to \$2,239 for the year ended June 30, 2019.

PHILADELPHIA FILM SOCIETY

Notes to Financial Statements June 30, 2019

NOTE H - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods as of June 30, 2019:

Subject to expenditures for specified purpose:

Promises to give, the proceeds from which
are subject to the passage of time and
have been restricted by donors for:

Capital improvements	\$ 166,000
Student Screening Program	62,500
Screening room	<u>200,000</u>
	428,500

Subject to the passage of time:

Promises to give	<u>112,500</u>
	<u>\$ 541,000</u>

NOTE I - 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.

NOTE J - OTHER UNCERTAINTIES

The extent of the impact and effects of COVID-19 on the operation and financial performance of the Society's business are unknown. Due to the COVID-19 pandemic, the Society was mandated to shut down its core theater operations in March 2020, and remained closed until May 2021. See additional information regarding the impact of COVID-19 in Note C. The extent to which COVID-19 could continue to have a significant impact on the Society's financial condition and results of operations will depend on future developments as to the geographic presence of COVID-19 and government and healthcare responses to such spread, which are presently highly uncertain.

NOTE K - SUBSEQUENT EVENTS

The Society has evaluated subsequent events through November 29, 2021, which is the date the financial statements were available to be issued.

In October 2019, the Society executed an agreement to lease space at the Bourse Theatre located in Philadelphia, Pennsylvania. The base rent is \$9,583 for the first year of the lease, which commences on June 1, 2021, and increases 3% annually through the lease termination date on November 30, 2031. The lease also includes a tenant improvement allowance of up to approximately \$157,000.

In March 2020, the Society entered into a line of credit note agreement with a bank, whereby the bank advanced a maximum principal sum of \$500,000 to the Society. The note bears interest at the prime rate plus 1%, with a floor of 5.75%. The note was originally due on September 5, 2020, but was extended until May 10, 2038.

PHILADELPHIA FILM SOCIETY

Notes to Financial Statements June 30, 2019

NOTE K - SUBSEQUENT EVENTS (CONTINUED)

In March 2020, the Society entered into a capital lease arrangement with a vendor, financing \$98,000 of equipment to be used in the new Bourse Theatre. Monthly payments of \$2,108 are due and payable for a term of 60 months beginning in March 2020.

Also in March 2020, the Society entered into another capital lease arrangement with a vendor, financing \$159,587 of equipment to be used in the new Bourse Theatre. Monthly payments of \$3,559 are due and payable for a term of 60 months beginning in April 2020.

PHILADELPHIA FILM SOCIETY

Schedule of Revenue and Support Year Ended June 30, 2019

Contributions:

Foundation	\$ 451,336
Board of Directors	120,897
Individual	38,321
Corporate sponsorships	270,525
Capital campaign	553,000
Gifts in-kind	147,028
	<u>1,581,107</u>

Membership dues:

Membership dues	<u>244,221</u>
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Ticket sales, concessions and rental income:

Ticket and show income	955,365
Concession sales	210,655
Labor fees	78,367
Rental income	312,784
	<u>1,557,171</u>

Other income:

Convenience fees	62,500
Special events	119,461
Submission fees	53,904
Restoration fees	38,920
Advertising income	12,289
Facilities and badge fees	22,018
Credit card fees	4,455
Other income	11,334
	<u>324,881</u>
	<u>\$ 3,707,380</u>