

JACOB BURNS FILM CENTER, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2011 AND 2010

JACOB BURNS FILM CENTER, INC.

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SEPTEMBER 30, 2011 AND 2010

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Jacob Burns Film Center, Inc.
Pleasantville, New York

We have audited the accompanying statement of financial position of the Jacob Burns Film Center, Inc. (a nonprofit corporation) as of September 30, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Film Center's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jacob Burns Film Center, Inc. as of September 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

D'Arcangelo & Co., LLP

Rye Brook, New York
December 16, 2011

JACOB BURNS FILM CENTER, INC.

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ 2,418,382	\$ 660,157
Restricted cash	5,738	5,738
Pledges receivable, net	4,885,891	4,061,070
Other receivables and prepaid expenses	164,757	88,348
Investment, endowment fund	254,929	254,884
Property and equipment, net	23,625,919	24,047,102
Deferred financing costs, net	<u>227,617</u>	<u>240,584</u>
Total assets	<u><u>\$ 31,583,233</u></u>	<u><u>\$ 29,357,883</u></u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Line of credit	\$ -	\$ 965,648
Accounts payable and accrued expenses	381,999	326,670
Deferred membership dues	425,510	409,934
Accrued interest payable	730,846	711,524
Note payable	600,000	600,000
Industrial revenue bond payable	<u>3,540,000</u>	<u>3,655,000</u>
Total liabilities	<u>5,678,355</u>	<u>6,668,776</u>
Net assets:		
Unrestricted	20,763,249	18,372,299
Temporarily restricted	4,891,629	4,066,808
Permanently restricted	<u>250,000</u>	<u>250,000</u>
Total net assets	<u>25,904,878</u>	<u>22,689,107</u>
Total liabilities and net assets	<u><u>\$ 31,583,233</u></u>	<u><u>\$ 29,357,883</u></u>

JACOB BURNS FILM CENTER, INC.

STATEMENT OF ACTIVITIES

YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Unrestricted net assets:		
Revenues:		
Contributions	\$ 800,669	\$ 917,535
Contributions, donated services and materials	102,000	124,311
Ticket sales	1,486,815	1,278,953
Membership sales	655,946	635,591
Film series	112,200	112,650
Concession sales, net of concession costs of \$89,479 in 2011 and \$67,541 in 2010	123,678	129,227
Special event, net of expenses of \$332,763 in 2011 and \$130,408 in 2010	545,459	481,887
Education program revenue	401,351	385,420
Grants	199,200	141,783
Facilities rental	1,200	4,450
Other income	92,714	55,116
Investment income	1,749	40
Net assets released from restrictions: Satisfaction of program restrictions	<u>4,470,079</u>	<u>3,254,848</u>
Total revenues	<u>8,993,060</u>	<u>7,521,811</u>
Expenses:		
Program services	5,734,534	5,282,956
Management and general	389,001	435,011
Fundraising	<u>478,575</u>	<u>457,300</u>
Total operating expenses	<u>6,602,110</u>	<u>6,175,267</u>
Change in unrestricted net assets	<u>\$ 2,390,950</u>	<u>\$ 1,346,544</u>

(continued)

JACOB BURNS FILM CENTER, INC.

STATEMENT OF ACTIVITIES
(continued)

YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Temporarily restricted net assets:		
Revenues:		
Contributions	\$ 5,294,900	\$ 742,445
Net assets released from restrictions:		
Satisfaction of program restrictions	<u>(4,470,079)</u>	<u>(3,254,848)</u>
Change in temporarily restricted net assets	<u>\$ 824,821</u>	<u>\$ (2,512,403)</u>
Net assets, beginning of year:		
Unrestricted	\$ 18,372,299	\$ 17,025,755
Temporarily restricted	4,066,808	6,579,211
Permanently restricted	<u>250,000</u>	<u>250,000</u>
Total net assets, beginning of year	<u>22,689,107</u>	<u>23,854,966</u>
Change in net assets:		
Unrestricted	2,390,950	1,346,544
Temporarily restricted	<u>824,821</u>	<u>(2,512,403)</u>
Total change in net assets	<u>3,215,771</u>	<u>(1,165,859)</u>
Net assets, end of year:		
Unrestricted	20,763,249	18,372,299
Temporarily restricted	4,891,629	4,066,808
Permanently restricted	<u>250,000</u>	<u>250,000</u>
Total net assets, end of year	<u>\$ 25,904,878</u>	<u>\$ 22,689,107</u>

JACOB BURNS FILM CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2011

	Theater program services	Education program services	Total program services	Management and general	Fundraising	Total
Salaries, benefits and payroll taxes	\$ 1,081,032	\$ 1,458,285	\$ 2,539,317	\$ 261,456	\$ 346,106	\$ 3,146,879
Programming and screening	704,594	69,383	773,977	515	-	774,492
Rental and maintenance of equipment	17,851	36,431	54,282	4,899	-	59,181
Promotion	9,358	21,857	31,215	593	38,546	70,354
10th year anniversary expenses	-	-	-	-	62,334	62,334
Marketing/advertising	35,803	72,151	107,954	71	9,991	118,016
Other operating expenses	24,357	45,194	69,551	6,460	3,175	79,186
Printing and publications	132,624	68,580	201,204	720	11,645	213,569
Occupancy	154,641	154,813	309,454	7,085	-	316,539
Telephone	8,114	9,409	17,523	959	-	18,482
Postage and shipping	43,447	20,332	63,779	283	2,679	66,741
Supplies	73,834	68,674	142,508	3,672	2,309	148,489
Professional and consulting fees	51,185	307,439	358,624	6,199	1,790	366,613
Insurance	40,279	48,334	88,613	5,071	-	93,684
Depreciation	292,932	590,335	883,267	82,326	-	965,593
Interest and other financing costs	72,505	8,899	81,404	7,587	-	88,991
Amortization of deferred financing costs	10,958	904	11,862	1,105	-	12,967
	<u>\$ 2,753,514</u>	<u>\$ 2,981,020</u>	<u>\$ 5,734,534</u>	<u>\$ 389,001</u>	<u>\$ 478,575</u>	<u>\$ 6,602,110</u>

See notes to financial statements.

JACOB BURNS FILM CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2010

	Theater program services	Education program services	Total program services	Management and general	Fundraising	Total
Salaries, benefits and payroll taxes	\$ 1,242,267	\$ 1,045,074	\$ 2,287,341	\$ 304,985	\$ 397,728	\$ 2,990,054
Programming and screening	580,226	93,739	673,965	242	-	674,207
Rental and maintenance of equipment	19,488	37,581	57,069	5,155	-	62,224
Promotion	5,072	12,180	17,252	786	36,180	54,218
Marketing/advertising	38,195	76,974	115,169	174	10,561	125,904
Other operating expenses	20,366	55,225	75,591	5,268	125	80,984
Printing and publications	125,415	57,774	183,189	216	5,839	189,244
Occupancy	141,202	127,319	268,521	6,889	-	275,410
Telephone	5,588	7,247	12,835	806	-	13,641
Postage and shipping	37,081	17,436	54,517	8,087	1,978	64,582
Supplies	88,828	76,056	164,884	4,789	1,772	171,445
Professional and consulting fees	49,716	288,587	338,303	4,649	3,117	346,069
Insurance	42,342	49,899	92,241	5,157	-	97,398
Depreciation	285,037	574,425	859,462	80,108	-	939,570
Interest and other financing costs	22,826	46,001	68,827	6,415	-	75,242
Amortization of deferred financing costs	4,573	9,217	13,790	1,285	-	15,075
	<u>\$ 2,708,222</u>	<u>\$ 2,574,734</u>	<u>\$ 5,282,956</u>	<u>\$ 435,011</u>	<u>\$ 457,300</u>	<u>\$ 6,175,267</u>

See notes to financial statements.

JACOB BURNS FILM CENTER, INC.

STATEMENT OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	2011	2010
Cash flows from operating activities:		
Change in net assets	\$ 3,215,771	\$ (1,165,859)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	978,560	954,645
Valuation adjustment for pledges receivable	(54,945)	(203,029)
Value of donated assets	-	(14,311)
Gain in valuation of investment endowment fund	-	(14)
(Increase) decrease in operating assets:		
Pledges receivable	(769,876)	2,715,433
Other receivables and prepaid expenses	(76,409)	71,929
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	55,329	(190,123)
Deferred membership dues	15,576	8,670
Accrued interest payable	19,322	15,402
Net cash provided by operating activities	3,383,328	2,192,743
Cash flows (used in) investing activities:		
Purchase of property and equipment	(544,410)	(427,344)
Purchase in investment, endowment fund	(45)	-
Net cash (used in) investing activities	(544,455)	(427,344)
Cash flows from financing activities:		
Repayment of line of credit	(965,648)	(2,900,000)
Change in restricted cash	-	(1)
Repayment of Industrial Revenue Bond financing	(115,000)	(110,000)
Net cash (used in) financing activities	(1,080,648)	(3,010,001)
Net increase (decrease) in cash and cash equivalents	1,758,225	(1,244,602)
Cash and cash equivalents, beginning of year	660,157	1,904,759
Cash and cash equivalents, end of year	\$ 2,418,382	\$ 660,157

See notes to financial statements.

JACOB BURNS FILM CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011 AND 2010

1. Organization:

The Jacob Burns Film Center (“JBFC” or “Film Center”) is a nonprofit educational and cultural institution in Pleasantville, NY, dedicated to presenting the best of independent, documentary, and world cinema; promoting 21st century literacy; and making film a vibrant part of the community. Housing a state-of-the-art theater complex, a 27,000 square-foot Media Arts Lab, and a residence for international filmmakers, the JBFC campus provides opportunities for people of all ages to discover, explore, and learn through the power of film, media and 21st-century technology.

A group of Westchester County individuals interested in creating a cultural arts center formed the Organization in 1998, and in 2000 purchased the old Rome Theater in Pleasantville, NY. The theater was built in 1925 and was one of the first movie theaters in Westchester County. The Film Center building opened on June 12, 2001. The Media Arts Lab building opened for occupancy in August 2008, and the residence for international filmmakers opened in April 2009.

Over 85,000 students in grades 3-12 and college have participated in our education programs, more than 50% of them from underserved communities throughout the tri-state area. Their participation, including transportation, is funded entirely by the JBFC, thanks in part to support from individuals, foundations, and corporations. Programs range from film, animation and new media production to experiments in emergent technologies – each course helping students master the tools of 21st century communication while fostering intellectual curiosity and creative exploration.

The JBFC Theater houses three screens and is open to the public 365 days a year. Exhibitions include first-run independent features, previews, classic films, and documentaries from around the world. Each month, JBFC presents two to four curated series including annual and monthly programs, as well as special one-time events and retrospectives on important film artists. More than 150 directors, actors, authors, scholars, and other remarkable guests come to speak with our audience each year.

The Film Center is a not-for-profit corporation organized under the not-for-profit laws of New York State.

2. Summary of significant accounting policies:

Basis of accounting:

The accounting and reporting policies of the Film Center conform to accounting principles generally accepted in the United States of America (“GAAP”).

JACOB BURNS FILM CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010

2. Summary of significant accounting policies (continued):

Basis of presentation and classification of net assets:

The financial statements of the Film Center have been prepared on the accrual basis. Under GAAP, the Film Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Board designated net assets - Net assets that are not subject to donor-imposed stipulations but have been segregated by an action or actions of the Board of Directors.

Temporarily restricted net assets - Net assets that are subject to donor-imposed stipulations that may or will be met either by the actions of the Film Center and/or the passage of time. As of September 30, 2011, there are no restrictions on the temporarily restricted net assets other than the time in which the payments will be made.

Permanently restricted net assets - Net assets that are subject to donor-imposed stipulations that they be maintained permanently by the Film Center.

Pledges receivable:

All unconditional pledges to the Film Center are recorded as income when the promises are made. Conditional pledges are recognized as income when the conditions on which they depend have been substantially met. Pledges to be received after one year are discounted at an appropriate discount rate. An allowance for uncollectible pledges is provided based on management's judgment, including such factors as prior collection history and type of pledge.

JACOB BURNS FILM CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010

2. Summary of significant accounting policies (continued):

Revenue and expense recognition:

Contributions received are recorded at fair value when received as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Interest from investments is recognized when earned, and dividends are recognized on the ex-dividend date. Operating expenses are recorded when incurred.

Use of estimates in the preparation of financial statements:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of income and expenses during the reporting period. Actual results could differ from those estimates.

Investment, endowment fund:

Investment, endowment fund consists of a money market mutual fund stated at fair value. This is considered a level 1 valuation as defined by GAAP. The Film Center does not have any investments valued using level 2 or 3 valuation methods.

The Film Center maintains this donor-restricted fund whose purpose is to provide long-term support for its programs. In classifying such fund for financial statement purposes as either permanently restricted, temporarily restricted or unrestricted net assets, the Board of Directors looks to the explicit directions of the donor where applicable and the provisions of the laws of the State of New York. The Board has determined that, absent donor stipulations to the contrary, the provisions of New York State law do not impose either a permanent or temporary restriction on the income or capital appreciation derived from the original gift.

JACOB BURNS FILM CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011 AND 2010

2. Summary of significant accounting policies (continued):

Fair value measurements:

In accordance with GAAP, fair value is defined as the price that the Film Center would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. GAAP establishes a three-tier hierarchy for measuring fair value of assets and liabilities. The three-tier hierarchy of inputs is summarized in three broad levels: Level 1 - quoted prices in active markets for identical securities, Level 2 - other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.) and Level 3 - significant unobservable inputs (including the Foundation's own assumptions in determining the fair value of investments).

Property and equipment and depreciation:

Property and equipment is stated at cost, or if donated, at fair value at the date of the gift. Acquisition of property and equipment in excess of \$1,000 are capitalized. Depreciation is computed by the straight-line method over the estimated useful lives of the assets. Computers and equipment are depreciated over estimated useful lives ranging from 5 to 25 years. The theater building and education buildings are being depreciated over their estimated useful lives of 40 years from the date placed in service. Theater artwork is not depreciated due to its indefinite life.

Deferred financing costs:

Financing costs related to the bond issue are being amortized on a straight line basis over the life of the financing (30 years). Financing costs related to the line of credit are amortized on a straight line basis over the life of the line of credit (3 years).

Income tax status:

The Film Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Film Center is not considered a private foundation; therefore all contributions are deductible to the maximum extent as provided by the Internal Revenue Code. The Film Center is also exempt from state income and sales taxes on purchases for charitable activities.

JACOB BURNS FILM CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011 AND 2010

2. Summary of significant accounting policies (continued):

Income tax status (continued):

The Organization evaluates the effect of uncertain tax positions in accordance with the provisions of GAAP. Management is not aware of any violations of its tax status as an organization exempt from income taxes, nor any exposure to unrelated business income tax. The Organization discloses material adjustments resulting from tax examinations, if any, and reports interest and penalties resulting from such adjustments as interest expense or other expense. There were no tax examinations or adjustments relating therefrom. Tax returns for the years 2007 through 2010 are subject to audit by the applicable taxing jurisdictions.

Donated material and services:

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

For the year ended September 30, 2011, the Film Center recorded donated advertising services amounting to \$102,000 (\$110,000 in advertising services plus donated library books amounting to \$14,311 in 2010). For 2011, \$102,000 is included as revenue in the statement of activities and advertising expense in the statement of functional expenses. For 2010, \$124,311 is included as revenue in the statement of activities, \$110,000 in advertising expense in the statement of functional expenses and \$14,311 as property and equipment on the statement of financial position.

Advertising:

Advertising costs are expensed as incurred and included in the statement of functional expenses. Advertising expense, including donated services, amounted to \$118,016 and \$125,904 for the years ended September 30, 2011 and 2010, respectively.

Cash equivalents:

For purposes of the statement of cash flows, the Film Center considers money market funds and U.S. treasury notes with of a maturity of three months or less at the date of original purchase to be cash equivalents.

JACOB BURNS FILM CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011 AND 2010

3. Concentration of credit risk:

Financial instruments that potentially subject the Film Center to concentrations of credit risk consist principally of cash accounts in financial institutions, which are not covered by or exceed the federal depository insurance coverage limit. The Film Center's cash management policy is to mitigate the Organization's credit risks by investing in or through major financial institutions.

4. Restricted cash:

The Film Center uses a designated bank account with U.S. Bank to fund its monthly bond principal payments.

5. Pledges receivable:

Pledges receivable are summarized as follows as of September 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Due in less than one year	\$ 2,968,988	\$ 2,405,612
Due in one to five years	2,015,000	1,808,500
Total unconditional pledges receivable	<u>4,983,988</u>	<u>4,214,112</u>
Less allowance for uncollectible pledges	(50,000)	(50,000)
Less discounts to present value	<u>(48,097)</u>	<u>(103,042)</u>
	<u>\$ 4,885,891</u>	<u>\$ 4,061,070</u>

A discount rate of 2.0% was used to determine the net present value of pledges receivable in more than one year for 2011 and 2010.

6. Endowment Fund:

The Endowment Fund was established in June 2007 funded by installments received from a \$250,000 restricted pledge. The Endowment Fund is comprised of a money market cash fund of \$254,929 at September 30, 2011. In accordance with the donor's restrictions, the original principal and any principal additions to the fund shall remain intact, and that only the income thereon be used to support the Film Center's programming. Investment income and gains are reported as increases in unrestricted net assets. Investment income totaled \$45 in fiscal 2011 and \$14 in fiscal 2010.

JACOB BURNS FILM CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011 AND 2010

6. Endowment fund (continued):

In August 2008, the FASB issued FASB Staff Position No. FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*. This standard provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). It also improves disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds, whether or not the organization is subject to UPMIFA).

The State of New York enacted UPMIFA on September 17, 2010, the provisions of which apply to endowment funds existing on or established after that date. The Board of Directors has determined that the Film Center's permanently restricted net assets meet the definition of endowment funds under UPMIFA. The implementation of UPMIFA had no effect on the financial statements.

Endowment net asset composition by type of fund as of September 30, 2011 and 2010 is as follows:

<u>2011:</u>	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total net endowment assets</u>
Donor restricted endowment fund	\$ 4,929	\$ -	\$ 250,000	\$ 254,929
<u>2010:</u>	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total net endowment assets</u>
Donor restricted endowment fund	\$ 4,884	\$ -	\$ 250,000	\$ 254,884

JACOB BURNS FILM CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011 AND 2010

6. Endowment fund (continued):

The following is a reconciliation of the activity in the Endowment fund for the year ended September 30, 2011:

	Unrestricted	Temporarily restricted	Permanently restricted	Total net endowment funds
Balance, October 1, 2010	\$ 4,884	\$ -	\$ 250,000	\$ 254,884
Investment income, net	-	-	45	45
Amount appropriated for expenditure	45	-	(45)	-
Balance, September 30, 2011	<u>\$ 4,929</u>	<u>\$ -</u>	<u>\$ 250,000</u>	<u>\$ 254,929</u>

The following is a reconciliation of the activity in the Endowment fund for the year ended September 30, 2010:

	Unrestricted	Temporarily restricted	Permanently restricted	Total net endowment funds
Balance, October 1, 2009	\$ 4,870	\$ -	\$ 250,000	\$ 254,870
Investment income, net	-	-	14	14
Amount appropriated for expenditure	14	-	(14)	-
Balance, September 30, 2010	<u>\$ 4,884</u>	<u>\$ -</u>	<u>\$ 250,000</u>	<u>\$ 254,884</u>

JACOB BURNS FILM CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011 AND 2010

7. Fair value measurements:

In accordance with the provisions of GAAP *Fair Value Measurements*, the following are the Project's financial assets presented at fair value:

<u>Description</u>	<u>2011</u>	<u>Fair value measurements at reporting date using</u>		
		<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Assets:				
Restricted cash	\$ 5,738	\$ 5,738	\$ -	\$ -
Investment- endowment fund	254,929	254,929	-	-
	<u>\$ 260,667</u>	<u>\$ 260,667</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Description</u>	<u>2010</u>	<u>Fair value measurements at reporting date using</u>		
		<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Assets:				
Restricted cash	\$ 5,738	\$ 5,738	\$ -	\$ -
Investment- endowment fund	254,884	254,884	-	-
	<u>\$ 260,622</u>	<u>\$ 260,622</u>	<u>\$ -</u>	<u>\$ -</u>

JACOB BURNS FILM CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011 AND 2010

8. Property and equipment:

Property and equipment consists of the following as of September 30, 2011 and 2010:

	2011	2010
Theater building	\$ 6,570,204	\$ 6,551,019
Education center	16,137,128	16,112,360
Computers and equipment	2,201,848	1,797,954
Theater equipment	1,284,470	1,187,907
	26,193,650	25,649,240
Less accumulated depreciation	4,579,824	3,614,231
	21,613,826	22,035,009
Land	1,985,232	1,985,232
Theater artwork and books	26,861	26,861
	\$ 23,625,919	\$ 24,047,102

Depreciation expense for the years ended September 30, 2011 and 2010 totaled \$965,593 and \$939,570, respectively.

9. Deferred financing costs:

Deferred financing costs consists of the following as of September 30, 2011 and 2010:

	2011	2010
Original amount	\$ 373,561	\$ 373,561
Less accumulated amortization	145,944	132,977
	\$ 227,617	\$ 240,584

JACOB BURNS FILM CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011 AND 2010

9. Deferred financing costs (continued):

Amortization of the deferred financing costs for the next five years and thereafter is as follows:

Fiscal year ending <u>September 30,</u>	<u>Amount</u>
2012	\$ 12,063
2013	12,063
2014	12,063
2015	12,063
2016	12,063
Thereafter	<u>167,302</u>
	<u>\$ 227,617</u>

10. Industrial revenue bond payable:

The Film Center participated with the County of Westchester Industrial Development Agency ("IDA") in the issuance of \$4,500,000 of tax exempt Civic Facility Revenue Bonds as of August 1, 2000 for the benefit of the Film Center. The bond proceeds were placed in trust and used to make renovations and equip the facility located at 364 Manville Road, Pleasantville, New York and for certain debt service costs.

The bonds issued by the IDA are an unconditional obligation of the Film Center under the terms of a lease ("financing") agreement with the IDA to make payments which, in the aggregate, will be sufficient in timing and amount to pay the principal and interest on the IDA bonds. Interest is due monthly and calculated weekly, based on the minimum rate of interest that would be necessary to sell the bonds in a secondary market (.19% as of September 30, 2011), not to exceed the maximum rate of 12% during the term of the bond issue. Interest expense amounted to \$9,252 and \$10,528 for fiscal 2011 and 2010, respectively.

JACOB BURNS FILM CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011 AND 2010

10. Industrial revenue bond payable (continued):

The Film Center's obligation to the IDA consists of mandatory sinking fund payments under the terms of the IDA lease, sufficient to meet the IDA's obligations to the bondholders. That obligation, however, is subordinated to a separate letter of credit and redemption agreement with the bank that issued the letter of credit which provides security to the bondholders.

Terms of the obligation to County of Westchester IDA and bank letter of credit:

The terms of the IDA lease, as modified by a separate letter of credit and reimbursement agreement, are as follows:

Interest only payments were required commencing September 1, 2000, with sinking fund installments, due in annual principal redemption installments which vary during the thirty year term of the bonds, payable July 1 each year commencing July 1, 2002, with a final maturity on July 1, 2030. The bonds are collateralized by an irrevocable direct pay letter of credit from a bank expiring July 16, 2016. The bank Letter of Credit and Reimbursement Agreement requires that 1/12 of the annual sinking fund requirement be paid monthly to the bank so that one month before the due date of the sinking fund payment, sufficient funds are on deposit to allow the bank to pay the mandatory Sinking Fund Installment redemptions.

The future scheduled mandatory installments as set out in the IDA bond issue totaling \$3,540,000 are as follows:

<u>Fiscal year ending</u> <u>September 30,</u>	<u>Amount</u>
2012	\$ 120,000
2013	130,000
2014	135,000
2015	140,000
2016	145,000
2017-2021	830,000
2022-2026	1,035,000
2027-2030	1,005,000
	<hr/>
	\$ 3,540,000

JACOB BURNS FILM CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010

10. Industrial revenue bond payable (continued):

Security, bank letter of credit:

The bond was originally collateralized by a letter of credit issued by the Bank of New York, which expired July 16, 2009. On December 22, 2008 the Film Center executed a substitute letter of credit to replace the Bank of New York letter of credit. On January 6, 2009, the substitute letter of credit was accepted by the other contractual parties to the agreement. JPMorgan Chase Bank, N.A. issued the letter of credit which expired on July 17, 2011. On July 5, 2011 the Film Center renewed the letter of credit to expire July 16, 2016. Under the letter of credit, the bond trustee can draw an amount not to exceed \$3,599,356 at September 30, 2011 of principal plus bond interest accrued for fifty-one days at a maximum rate of 12% per annum. The Film Center and JPMorgan Chase Bank, N.A have entered into a Letter of Credit and Reimbursement agreement as of December 22, 2008, to which the Film Center is obligated to reimburse the Bank for all amounts drawn by the trustee upon default, at the Bank's prime rate plus 3% per annum. As of September 30, 2011, no such drawings had been made pursuant to the terms of the letter of credit. The letter of credit is secured by a first mortgage on the property acquired and a first security interest in all personal property of the Film Center. The Letter of Credit and Reimbursement agreement also includes the maintenance of certain financial and other covenants as specified in the Agreement until the letter of credit expires or is terminated.

JACOB BURNS FILM CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010

11. Related party transactions:

Note payable:

On May 26, 2000, the Film Center purchased the building housing the old Rome Theater in Pleasantville, New York and an adjacent lot for \$1,322,127 by delivery of two promissory notes in the amounts of \$1,100,000 and \$222,127 to Rome Enterprises, LLC, an affiliated company by virtue of one common Board member. The \$222,127 note was repaid on August 1, 2000 simultaneously with the receipt of the IDA financing. The \$1,100,000 note was partially repaid on June 15, 2006 with a repayment of \$500,000. The balance of the note of \$600,000 is due and payable on demand including accrued interest. The note holder has agreed not to call the loan within the next fiscal year. The interest rate on the note is 1.63% per annum. Interest expense amounted to \$21,168 and \$20,829 for fiscal 2011 and 2010, respectively. The note and interest are subordinated to the IDA financing. Interest accrued and payable on the note totals \$719,874 and \$698,706 at September 30, 2011 and 2010, respectively.

Film documentary project:

In October 2010, the Film Center entered into a partnership with a film production company owned 50% by a board member to produce a film documentary. Financial support for the project includes \$20,536 in fiscal 2011 which is included in other receivables and prepaid expenses on the statement of financial position.

Support from Board of Directors:

Contributions received, including pledges, from members of the Board of Directors totaled \$5,296,464 and \$337,107 for the years ended September 30, 2011 and 2010, respectively.

12. Revolving line of credit:

In September 2007, the Film Center entered into a three year line of credit agreement with JPMorgan Chase Bank to pay for any shortfall in funding required for the construction of the Education Center. The line of credit expired on September 21, 2010 and was subsequently extended to December 31, 2010. The line had a maximum borrowing capacity of \$5,000,000. The interest rate on borrowings was prime less 0.5% (2.75% at December 31, 2010). Interest expense amounted to \$8,401 and \$60,940 in fiscal 2011 and 2010, respectively. The line of credit balance of \$965,648 was fully repaid in December 2010.

JACOB BURNS FILM CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011 AND 2010

13. Pension plan:

The Film Center adopted a 403(b) retirement savings plan for its eligible employees. Participating employees can elect to defer up to the maximum allowed by the Internal Revenue Code per year to the plan. No employer matching contribution is provided.

14. Supplemental disclosure of cash flow information:

Cash paid for interest during the years ended September 30:

	<u>2011</u>	<u>2010</u>
Interest expense	\$ 58,948	\$ 110,845

Non-cash investing and financing costs:

	<u>2011</u>	<u>2010</u>
Accrued interest on subordinated note payable	\$ 21,168	\$ 20,829
Donated assets	\$ -	\$ 14,311

15. Commitments:

The Film Center entered into a contract with Local Projects to develop a web based prototype virtual teaching and learning platform as part of its education programming amounting to \$335,500. As of September 30, 2011, \$97,750 was paid on this contract.

16. Subsequent events:

Management has evaluated subsequent events through December 16, 2011, which is the date the financial statements are available for issuance.