

1990 FINANCIAL REPORTS

Balance Sheet December 31, 1990

	General Fund		Reserve Fund		Building Fund	December 31, 1990 Combined
ASSETS						
Cash						
Checking accounts	\$149,015					\$ 149,015
Money markets and savings	513,561		\$708,214			1,221,775
Petty cash	<u>400</u>	\$ 662,976	<u> </u>	\$ 708,214		<u>400</u> \$1,371,190
Investments						
Certificates of deposit, due October 1991 and August 1992			198,000			198,000
United States Treasury Bills – at cost, due 1991			674,367			674,367
Corporate bonds – at cost (market \$76,500, 1990 and \$76,400, 1989)			<u>85,640</u>	958,007		<u>85,640</u> 958,007
Accounts receivable						
Test film and publications	88,808					88,808
Accrued interest			12,437			12,437
Other	<u>23,456</u>	112,264	<u> </u>	12,437		<u>23,456</u> 124,701
Inventory of test films – at cost		80,542				80,542
Prepaid expenses						
Employees' retirement plan	82,500					82,500
Future conferences	49,885					49,885
Other	<u>20,251</u>	152,636				<u>20,251</u> 152,636
Land and building, White Plains, New York – (at cost, net of accumulated depreciation of \$171,400, 1990 and \$133,311, 1989)					\$1,621,004	1,621,004
Equipment – test film, office furniture and computer		<u>3</u>				<u>3</u>
Total Assets		<u>1,008,421</u>		<u>1,678,658</u>	<u>1,621,004</u>	<u>4,308,083</u>
LIABILITIES AND FUND BALANCES						
Accounts payable	\$ 70,352					\$ 70,352
Payroll withholding taxes	235					235
Employees' retirement plan contribution	<u>90,000</u>	\$ 160,587				<u>90,000</u> \$ 160,587
Deferred income						
Membership dues paid in advance	250,899					250,899
Advance payment for test films, etc.	16,746					16,746
Future conferences	<u>14,160</u>	281,805				<u>14,160</u> 281,805
Fund Balances						
Board designated	82,839					82,839
Undesignated	<u>483,190</u>	<u>566,029</u>		<u>\$1,678,658</u>	<u>\$1,621,004</u>	<u>3,782,852</u> <u>3,865,691</u>
Total Liabilities and Fund Balances		<u>1,008,421</u>		<u>1,678,658</u>	<u>1,621,004</u>	<u>4,308,083</u>

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Statement of Income and Expenses and Changes in Balances of Funds – Year Ended December 31, 1990

	General Fund	Reserve Fund	Building Fund	December 31, 1990 Combined
INCOME				
Membership dues	\$ 572,043			\$ 572,043
Test film sales	\$ 265,391			\$ 265,391
Less: Direct costs	<u>162,205</u>	103,186		<u>162,205</u> 103,186
Technical conferences				
Income from registrations, exhibits, banquets, etc.	1,177,150			1,177,150
Less: Direct costs	<u>905,619</u>	271,531		<u>905,619</u> 271,531
Interest income		<u>65,022</u>	\$ 148,443	<u>65,022</u> 213,465
<u>Total Income</u>	<u>1,011,782</u>	<u>148,443</u>	\$ —	<u>1,160,225</u>
EXPENSES				
Publications				
Cost of publishing Journal, books, reprints, etc.	818,267			818,267
Less: Advertising revenue and sales to non-members	<u>229,889</u>	588,378		<u>229,889</u> 588,378
Membership records and promotion		119,535		119,535
Engineering services		307,320		307,320
Office salaries		268,354		268,354
Occupancy (net of rental income – \$57,045, 1990 and \$56,491, 1989)		53,916		53,916
Payroll taxes		65,620		65,620
Retirement plan		84,998		84,998
General and administrative		284,580		284,580
Sections and chapters		123,835		123,835
Tutorial program – net		3,120		3,120
Affiliations		21,787		21,787
Educational grants		15,000		15,000
Other expenses – net		<u>1,647</u>		<u>1,647</u>
<u>Total Operating Expenses</u>	<u>1,938,090</u>	—		<u>1,938,090</u>
EDP equipment and system development	<u>20,528</u>			<u>20,528</u>
<u>Total Expenses</u>	<u>1,958,618</u>	—	—	<u>1,958,618</u>
<u>Excess of Income (Expense) for Year</u>	<u>(946,836)</u>	148,443	—	<u>(798,393)</u>
<u>Fund Balances, beginning of year</u>	1,364,422	1,678,658	1,659,093	4,702,173
Depreciation expense			(38,089)	(38,089)
Transfer of interest designated for educational activities	<u>148,443</u>	<u>(148,443)</u>		<u>—</u>
<u>Fund Balances, end of year</u>	<u>566,029</u>	<u>1,678,658</u>	<u>1,621,004</u>	<u>3,865,691</u>

Notes to Financial Statements December 31, 1990

1. ACCOUNTING POLICIES

General Fund

Members dues are billed on a monthly cycle basis and recorded as income when received in cash; the portion received which is applicable to subsequent years is deferred.

Prepaid subscriptions to the Journal by non-members are taken into income as cash payments are received.

Sales of test films, technical books, conference registrations and exhibit rental, and other sundry sales are taken into income in the year in which they are earned.

The costs of printing technical books are charged to expense in the year published and no inventory value is attributed to unsold books.

Costs of test films sold, which are more substantial in amount, are determined by taking into account the inventory cost value of unsold films at the beginning and end of each year.

The cost of furniture, equipment and computer software is charged to expense in the year purchased and/or placed in service. Equipment acquired under lease/purchase agreements is charged to expense as the lease payments are made. Effective January 1, 1990, FASB #93 requires not-for-profit organizations to capitalize and depreciate fixed asset additions that are material in nature. The Society's recent furniture and equipment acquisitions charged to the General Fund have, for the most part, been replacements of existing assets that would otherwise have been fully depreciated. Further, the difference between the cost of equipment expense and the amount of depreciation that would have been recorded is not material. Equipment acquisitions in future years, if material in amount, may warrant adoption of a capital/depreciation policy, similar to that adopted for the Building Fund in 1990 (see below).

All other publication, engineering and general and administrative expenses are taken into account by payment or accrual in the year to which the goods or services apply. Similarly, items of income or expense received or paid in advance are deferred to the year to which they apply.

Reserve Fund

The Reserve Fund was established to insure the continuation of essential services of the Society in the event of adverse general economic conditions. The objective of the fund, as redefined by the Board of Governors in July 1989, is \$1,800,000. During 1989 and 1990 Reserve Fund earnings were transferred to the General Fund and designated to support Board approved educational activities. Beginning January 1, 1991, all Reserve Fund earnings will again be credited to the principal of the Reserve Fund until the \$1,800,000 stated objective is reached.

Investments of the Reserve Fund are carried at cost since the securities are held for long-term investment and the Society does not wish to recognize short-term market fluctuations. Income is recorded under the accrual method of accounting.

Building Fund

The Building Fund was established in 1972 to account for the acquisition costs of the land and building for the Society's headquarters. Beginning January 1, 1990, depreciation is now being provided on the straight-line method based on forty year useful life. In addition, a cumulative adjustment of \$133,311 was required to restate the building fund balance as of January 1, 1990, for the depreciation that retroactively would have been provided to that date.

2. RETIREMENT PLAN

The Society sponsors a defined benefit pension plan for all eligible employees. The benefit is equal to 50% of the participant's final average earnings, reduced by an Internal Revenue Service stipulated portion of such participant's primary Social Security benefit.

The actuarial consultants reported the following information at November 30, 1990:

Present value of accrued benefits	\$554,510
Value of plan assets	\$750,332

3. TAX STATUS

The Society has been granted an exemption from Federal income taxes as a scientific organization under Sec. 501(c)(3) of the Internal Revenue Code. However, the Society's net advertising income from the Journal is subject to tax as unrelated business income. During 1990 the Journal showed a net loss so no tax provision is required.

Independent Auditor's Report

**To the Members and Board of Governors of the
Society of Motion Picture and Television Engineers, Inc.**

We have audited the accompanying balance sheet of the SOCIETY OF MOTION PICTURE AND TELEVISION ENGINEERS, INC. as of December 31, 1990 and the related statement of income and expenses and changes in balances of funds for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit 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 audit provides 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 the SOCIETY OF MOTION PICTURE AND TELEVISION ENGINEERS, INC. as of December 31, 1990 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

**Owen J. Flanagan & Co., Certified Public Accountants
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