

1992 FINANCIAL REPORTS

Balance Sheet December 31, 1992

	General Fund		Reserve Fund	Building Fund	December 31, 1992 Combined
ASSETS					
Cash					
Checking accounts	\$192,496				\$ 192,496
Money markets and savings	198,695		\$1,404,362		1,603,057
Petty Cash	<u>400</u>	\$ 391,591	<u> </u>	\$1,404,362	<u>400</u> \$1,795,953
Investments					
United States Treasury Bills— at cost, due March and June 1993			393,805		393,805
Corporate bonds—at cost (market \$60,000 1992 and \$83,100, 1991)			<u>60,450</u>	454,255	<u>60,450</u> 454,255
Accounts receivable					
Test film and publications	63,224				63,224
Accrued interest			3,767		3,767
Other	<u>26,430</u>	89,654	<u> </u>	3,767	<u>26,430</u> 93,421
Inventory of test films—at cost		102,591			102,591
Prepaid expenses					
Employees' retirement plan	68,750				68,750
Future conferences	22,771				22,771
Other	<u>15,391</u>	106,912			<u>15,391</u> 106,912
Land and building, White Plains, New York—(at cost, net of accumulated depreciation of \$247,578, 1992 and \$209,489, 1991)				1,544,826	1,544,826
Equipment—test film, office furniture and computer		<u>3</u>			<u>3</u>
Total Assets		<u>690,751</u>	<u>1,862,384</u>	<u>1,544,826</u>	<u>4,097,961</u>
LIABILITIES AND FUND BALANCES					
Accounts payable	57,374				57,374
Payroll withholding taxes	185				185
Employees' retirement plan contribution	<u>75,000</u>	\$ 132,559			<u>75,000</u> \$ 132,559
Deferred income					
Membership dues paid in advance	211,658				211,658
Prepaid journal subscriptions	136,830				136,830
Advance payment for test films, etc.	50,086				50,086
Future conferences	<u>36,743</u>	435,317			<u>36,743</u> 435,317
Fund Balances					
Board designated	84,936				84,936
Undesignated	<u>37,939</u>	<u>122,875</u>	<u>1,862,384</u>	<u>1,544,826</u>	<u>3,445,149</u> <u>3,530,085</u>
Total Liabilities and Fund Balances		<u>690,751</u>	<u>1,862,384</u>	<u>1,544,826</u>	<u>4,097,961</u>

Exhibit A

1992 FINANCIAL REPORTS

Statement of Income and Expenses and Changes in Balances of Fund—Year Ended December 31, 1992

	General Fund	Reserve Fund	Building Fund	December 31, 1992 Combined
INCOME				
Membership dues	\$ 452,000			\$ 452,000
Test film sales	\$ 237,364			\$ 237,364
Less: Direct costs	<u>136,790</u>	100,574		<u>136,790</u> 100,574
Technical conferences				
Income from registrations, exhibits, banquets, etc.	1,126,145			1,126,145
Less: Direct costs	<u>711,366</u>	414,779		<u>711,366</u> 414,779
Interest income		<u>11,848</u>	\$ 71,259	<u>83,107</u>
Total Income	<u>979,201</u>	<u>71,259</u>	<u>\$ —</u>	<u>1,050,460</u>
EXPENSES				
Publications				
Cost of publishing Journal, books, reprints, etc.	494,284			494,284
Less: Income from subscriptions, advertising and other	<u>280,279</u>	214,005		<u>280,279</u> 214,005
Membership records and promotion		80,903		80,903
Engineering services		248,405		248,405
Office salaries		250,566		250,566
Occupancy (net of rental income -- \$40,170, 1992 and \$58,706, 1991)		65,587		65,587
Payroll taxes		62,734		62,734
Retirement plan		84,210		84,210
General and administrative		225,999		225,999
Sections and chapters		80,674		80,674
Affiliations		15,568		15,568
Other expenses—net		5,486		5,486
Educational grants		—		—
Tutorial program—net		<u>13,838</u>		<u>13,838</u>
Total Operating Expenses	<u>1,347,975</u>			<u>1,347,975</u>
EDP equipment and system development	14,051			14,051
Office equipment	2,729			2,729
Depreciation expense			<u>38,089</u>	<u>38,089</u>
Total Expenses	<u>1,364,755</u>	<u>—</u>	<u>38,089</u>	<u>1,402,844</u>
Excess of Income (Expense) for Year	(385,554)	71,259	(38,089)	(352,384)
Fund Balances, beginning of year	<u>508,429</u>	<u>1,791,125</u>	<u>1,582,915</u>	<u>3,882,469</u>
Fund Balances, end of year	<u>122,875</u>	<u>1,862,384</u>	<u>1,544,826</u>	<u>3,530,085</u>

Exhibit B

Notes to Financial Statements December 31, 1992

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.

Prior to 1992 prepaid subscriptions to the Journal by nonmembers were taken into income as cash payments were received. Beginning in 1992 subscription revenue applicable to subsequent years is being deferred. In addition, the portion of membership dues pertaining to the Journal subscriptions contained therein is being allocated to Journal subscription revenue. The amount allocated was \$154,510.

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. As of December 31, 1992, the Reserve Fund balance reached that objective totaling \$1,862,384.

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 a forty year useful life. Annual depreciation charges of \$38,089 will be provided as set forth in the attached Exhibit B.

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 December 1, 1992:

Present value of accrued benefits	\$854,816
Present value of vested accrued benefits	\$816,460
Value of plan assets	\$943,464

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 1992 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, 1992 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, 1992 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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