

# 1993 FINANCIAL REPORTS

## Balance Sheet December 31, 1993

	General Fund		Reserve Fund		Building Fund		December 31, 1993 Combined
<b>ASSETS</b>							
Cash							
Checking accounts	\$ 84,613						\$ 84,613
Money markets and savings	73,424		\$ 626,557				699,981
Petty Cash	<u>400</u>	\$ 158,437	<u>          </u>	\$ 626,557			<u>400</u> \$ 784,994
Investments							
United States Treasury Bills— at cost, due January through June 1994			1,182,625				1,182,625
Corporate bonds—at cost (market \$50.900)			<u>50,250</u>	1,232,875			<u>50,250</u> 1,232,875
Accounts receivable							
Test film and publications	56,828						56,828
Accrued interest			6,818				6,818
Other	<u>7,600</u>	64,428	<u>          </u>	6,818			<u>7,600</u> 71,246
Due from (to) other funds		66,250		(66,250)			—
Inventory of test films—at cost		67,342					67,342
Prepaid expenses							
Employees' retirement plan	68,750						68,750
Future conferences	11,134						11,134
Other	<u>49,920</u>	129,804					<u>49,920</u> 129,804
Land and building, White Plains, New York—at cost, net of accumulated depreciation of \$285,667)					\$1,549,500		1,549,500
Equipment—test film, office furniture and computer		<u>3</u>					<u>3</u>
<b>Total Assets</b>		<b><u>486,264</u></b>		<b><u>1,800,000</u></b>	<b><u>1,549,500</u></b>		<b><u>3,835,764</u></b>
<b>LIABILITIES AND FUND BALANCES</b>							
Accounts payable	\$ 73,179						\$ 73,179
Payroll withholding taxes	3,056						3,056
Employees' retirement plan contribution	<u>118,479</u>	\$ 194,714					<u>118,479</u> \$ 194,714
Deferred income							
Membership dues paid in advance	229,781						229,781
Prepaid journal subscriptions	143,260						143,260
Advance payment for test films, etc.	69,233						69,233
Future conferences	<u>28,250</u>	470,524					<u>28,250</u> 470,524
Fund Balances (Exhibit B)							
Board designated	—						
Undesignated	<u>(178,974)</u>	<u>(178,974)</u>		\$ 1,800,000	\$1,549,500		<u>3,170,526</u>
<b>Total Liabilities and Fund Balances</b>		<b><u>486,264</u></b>		<b><u>1,800,000</u></b>	<b><u>1,549,500</u></b>		<b><u>3,835,764</u></b>

Exhibit A

# 1993 FINANCIAL REPORTS

## Statement of Income and Expenses and Changes in Balances of Funds — Year Ended December 31, 1993

	General Fund	Reserve Fund	Building Fund	December 31, 1993 Combined
<b>INCOME:</b>				
Membership dues		\$ 494,915		\$ 494,915
Test film sales	\$ 235,293			\$ 235,293
Less: Direct costs	<u>138,420</u>	96,873		<u>138,420</u> 96,873
Technical conferences				
Income from registrations, exhibits, banquets, etc.	1,147,567			1,147,567
Less: Direct costs	<u>744,438</u>	403,129		<u>744,438</u> 403,129
Interest income		4,609	\$ 53,866	<u>58,475</u>
Sales of standards and other (net)	<u>58,206</u>			<u>58,206</u>
<b>Total Income</b>	<b>1,057,732</b>	<b>53,866</b>	<b>\$ —</b>	<b>1,111,598</b>
<b>EXPENSES</b>				
Publications				
Cost of publishing Journal, books, reprints, etc.	545,775			545,775
Less: Income from subscriptions, advertising and other	<u>347,781</u>	197,994		<u>347,781</u> 197,994
Membership records and promotion		89,768		89,768
Engineering services		263,454		263,454
Office salaries		257,455		257,455
Occupancy		116,686		116,686
Payroll taxes		69,677		69,677
Retirement plan		83,801		83,801
General and administrative		225,153		225,153
Sections and chapters		61,752		61,752
Affiliations		16,818		16,818
Severance expense		10,802		10,802
Tutorial programs — net		<u>14,905</u>		<u>14,905</u>
<b>Total Operating Expenses</b>	<b>1,408,265</b>			<b>1,408,265</b>
EDP equipment and system development	24,025			24,025
Office equipment	778			778
Depreciation expense			<u>38,089</u>	<u>38,089</u>
<b>Total Expenses</b>	<b>1,433,068</b>	<b>—</b>	<b>38,089</b>	<b>1,471,157</b>
<b>Excess of Income (Expense) for Year</b>	<b>(375,336)</b>	<b>53,866</b>	<b>(38,089)</b>	<b>(359,559)</b>
<b>Fund Balances, beginning of year</b>	<b>122,875</b>	<b>1,862,384</b>	<b>1,544,826</b>	<b>3,530,085</b>
Transfer of Funds	<u>73,487</u>	<u>(116,250)</u>	<u>42,763</u>	<u>—</u>
<b>Fund Balances, end of year (Exhibit A)</b>	<b><u>(178,974)</u></b>	<b><u>1,800,000</u></b>	<b><u>1,549,500</u></b>	<b><u>3,170,526</u></b>

Exhibit B

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## Notes to Financial Statements December 31, 1993

### 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 \$170,486.

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 expensed 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. During 1993, the Board recognized that the stated objective had been reached and authorized the excess amount, \$62,384 plus the current year's investment income, \$53,866 or a total of \$116,250, to be transferred from the Reserve Fund. The General Fund received \$73,487 and the Building Fund \$42,763.

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.

During 1993, the Society made improvements to the leased portion of its building totaling \$42,763 which was transferred from the Reserve Fund as previously mentioned. This amount has been capitalized and will be depreciated beginning in 1994 over the term of the lease (seven years).

### 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 Society has engaged new actuarial consultants for the plan year beginning December 1, 1993 and their report was not available at the time this report was issued. The former 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 1993 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, 1993 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, 1993 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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