

1989 FINANCIAL REPORTS

Balance Sheet December 31, 1989

	General Fund		Reserve Fund		Building Fund	December 31, 1989 Combined
ASSETS						
Cash						
Checking accounts	\$ 184,021					\$ 184,021
Money market and savings	1,400,727		\$ 399,947			1,800,674
Petty cash	<u>400</u>	\$1,585,148	<u>399,947</u>	\$ 399,947		<u>400</u> \$1,985,095
Investments						
Certificates of deposit, due April 1990 through August 1992			702,375			702,375
United States Treasury Bills — at cost, due May and June, 1990			481,072			481,072
Corporate bonds — at cost (market \$76,400)			<u>85,640</u>	1,269,087		<u>85,640</u> 1,269,087
Accounts receivable						
Test film and publications	107,561					107,561
Accrued interest			9,624			9,624
Other	<u>500</u>	108,061		9,624		<u>500</u> 117,685
Inventory of test films — at cost		77,746				77,746
Prepaid expenses						
Employees' retirement plan	68,113					68,113
Future conferences	50,485					50,485
Other	<u>21,778</u>	140,376				<u>21,778</u> 140,376
Land and building, White Plains, New York — at cost					\$1,792,404	1,792,404
Equipment — Test film, office furniture and computer						<u>3</u>
<u>Total Assets</u>		<u>1,911,334</u>		<u>1,678,658</u>	<u>1,792,404</u>	<u>5,382,396</u>
 LIABILITIES AND FUND BALANCES						
Accounts payable	\$ 156,815					\$ 156,815
Payroll withholding taxes	168					168
Employees' retirement plan contribution	<u>74,946</u>	\$ 231,929				<u>74,946</u> \$ 231,929
Deferred income						
Membership dues paid in advance	287,398					287,398
Advance payment for test films, etc.	8,915					8,915
Future conferences	<u>18,670</u>	314,983				<u>18,670</u> 314,983
Fund Balances						
Board designated	152,516					152,516
Undesignated	<u>1,211,906</u>	1,364,422		\$1,678,658	\$1,792,404	<u>4,682,968</u> <u>4,835,484</u>
<u>Total Liabilities and Fund Balances</u>		<u>1,911,334</u>		<u>1,678,658</u>	<u>1,792,404</u>	<u>5,382,396</u>

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Statement of Income and Expenses and Changes in Balances of Funds — Year Ended December 31, 1989

	General Fund	Reserve Fund	Building Fund	December 31, 1989 Combined
INCOME				
Membership dues	\$ 585,491			\$ 585,491
Test film sales	\$ 265,311			\$ 265,311
Less: Direct costs	<u>155,316</u>	109,995		<u>155,316</u> 109,995
Technical conferences				
Income from registrations, exhibits, banquets, etc.	1,794,708			1,794,708
Less: Direct costs	<u>730,808</u>	1,063,900		<u>730,808</u> 1,063,900
Interest income	<u>92,247</u>	\$ 152,516		<u>244,763</u>
<u>Total Income</u>	<u>1,851,633</u>	<u>152,516</u>	\$ —	<u>2,004,149</u>
EXPENSES				
Publications				
Cost of publishing Journal, books, reprints, etc.	755,794			755,794
Less: Advertising revenue and sales to non-members	<u>292,365</u>	463,429		<u>292,365</u> 463,429
Membership records and promotion		98,438		98,438
Engineering services		273,978		273,978
Office salaries		223,015		223,015
Occupancy (net of rental income — \$56,491)		41,970		41,970
Payroll taxes		57,881		57,881
Retirement plan		79,852		79,852
General and administrative		308,341		308,341
Sections and chapters		58,107		58,107
I.S.O. Secretariat		612		612
Affiliations		31,883		31,883
Other expenses — net		<u>14,898</u>		<u>14,898</u>
<u>Total Operating Expenses</u>	<u>1,652,404</u>	—		<u>1,652,404</u>
EDP equipment and system development		<u>44,046</u>		<u>44,046</u>
<u>Total Expenses</u>	<u>1,696,450</u>	—	—	<u>1,696,450</u>
<u>Excess of Income for Year</u>	155,183	152,516	—	307,699
<u>Fund Balances</u> , beginning of year	1,056,723	1,678,658	1,792,404	4,527,785
Transfer of interest designated for educational activities	<u>152,516</u>	<u>(152,516)</u>	—	—
<u>Fund Balances</u> , end of year	<u>1,364,422</u>	<u>1,678,658</u>	<u>1,792,404</u>	<u>4,835,484</u>

Notes to Financial Statements December 31, 1989

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.

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. In addition, beginning January 1, 1989, all earnings of the Reserve Fund are to be transferred to the General Fund and designated to support Board approved educational activities.

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 to account for the acquisition costs of the Society's headquarters.

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, 1989:

Present value of accrued benefits	\$ 439,844
Value of plan assets	\$ 622,858

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 1989 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, 1989 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 aspects, the financial position of the SOCIETY OF MOTION PICTURE AND TELEVISION ENGINEERS, INC. at December 31, 1989 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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