

# Sundance Institute

---

## FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

*For the Years Ended August 31, 2018 and 2017*



# Sundance Institute

## CONTENTS

	<b><u>Page</u></b>
Independent Auditor's Report.....	1
Financial Statements:	
Statements of Financial Position .....	3
Statement of Activities 2018 .....	4
Statement of Activities 2017 .....	5
Statements of Cash Flows .....	6
Notes to Financial Statements .....	7-28



## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of  
Sundance Institute

We have audited the accompanying financial statements of Sundance Institute (the "Institute") (a nonprofit organization), which comprise the statements of financial position as of August 31, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sundance Institute as of August 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Larson & Company P.C.*

Salt Lake City, Utah  
November 20 2018

## FINANCIAL STATEMENTS

**Sundance Institute**  
 Statements of Financial Position  
 August 31, 2018 and 2017

<u>ASSETS</u>	2018	2017
Cash and cash equivalents	\$ 4,921,204	\$ 3,563,092
Investments	32,680,590	33,559,496
Short-term promises to give, net	11,298,420	8,239,158
Accounts receivable, net	82,720	147,515
Prepaid expenses	918,806	689,142
Property and equipment, net	3,055,148	883,146
Long-term promises to give, net	1,756,350	631,245
Other assets	671,273	638,944
<b>Total assets</b>	<b>\$ 55,384,511</b>	<b>\$ 48,351,738</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 4,471,226	\$ 5,235,087
Deferred revenue	1,307,628	1,098,127
<b>Total liabilities</b>	<b>\$ 5,778,854</b>	<b>\$ 6,333,214</b>
<b>Unrestricted net assets</b>		
Operations	8,844,648	7,664,450
Board designated endowment funds	1,606,429	1,473,296
<b>Total unrestricted</b>	<b>\$ 10,451,077</b>	<b>\$ 9,137,746</b>
<b>Temporarily restricted net assets</b>		
Operations	16,534,990	11,662,578
Core (General) endowment	5,242,043	4,691,783
Theatre (Duke) endowment	3,395,931	3,024,825
Documentary (Engelhard) endowment	1,218,827	1,090,860
Core (Ford) endowment	2,248,234	2,017,892
<b>Total temporarily restricted</b>	<b>\$ 28,640,025</b>	<b>\$ 22,487,938</b>
<b>Permanently restricted net assets</b>		
Core (General) endowment	4,814,555	4,692,840
Theatre (Duke) endowment	3,000,000	3,000,000
Documentary (Engelhard) endowment	1,000,000	1,000,000
Core (Ford) endowment	1,700,000	1,700,000
<b>Total permanently restricted</b>	<b>\$ 10,514,555</b>	<b>\$ 10,392,840</b>
<b>Total net assets</b>	<b>\$ 49,605,657</b>	<b>\$ 42,018,524</b>
<b>Total liabilities and net assets</b>	<b>\$ 55,384,511</b>	<b>\$ 48,351,738</b>

The accompanying notes to financial statements are an integral part of these statements

**Sundance Institute**  
Statement of Activities  
Year ended August 31, 2018

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Contribution revenue</b>				
Corporate	\$ 8,679,720	\$ 5,966,645	\$ -	\$ 14,646,365
Foundation	4,975,208	4,609,017	-	9,584,225
Individual	7,499,756	752,119	100,000	8,351,875
Government	1,208,662	910,026	-	2,118,688
Special Events	848,680	-	-	848,680
Less: costs of direct benefit to donors	(218,255)	-	-	(218,255)
Donated services and materials	4,289,929	-	-	4,289,929
	<u>\$ 27,283,700</u>	<u>\$ 12,237,807</u>	<u>\$ 100,000</u>	<u>\$ 39,621,507</u>
<b>Program Revenue</b>				
Box office and admissions	11,832,105	-	-	11,832,105
Merchandise	331,742	-	-	331,742
Submission	1,053,518	-	-	1,053,518
Collab	1,748	-	-	1,748
Conference	116,953	-	-	116,953
Contract services	669,238	-	-	669,238
	<u>\$ 14,005,304</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,005,304</u>
<b>Other revenue, gains and losses</b>				
Interest and dividends	271,972	-	-	271,972
Rental	48,600	-	-	48,600
Other	630,926	-	-	630,926
	<u>\$ 951,498</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 951,498</u>
Total support, revenue, gains and losses	<u>\$ 42,240,502</u>	<u>\$ 12,237,807</u>	<u>\$ 100,000</u>	<u>\$ 54,578,309</u>
Net assets released from restrictions	7,665,395	(7,665,395)	-	-
<b>Total support, revenue, gains and net assets released from restrictions</b>	<u>\$ 49,905,897</u>	<u>\$ 4,572,412</u>	<u>\$ 100,000</u>	<u>\$ 54,578,309</u>
<b>Expenditures:</b>				
<b>Program expenses:</b>				
Salaries and benefits	14,230,137	-	-	14,230,137
Operating expenses	18,165,717	-	-	18,165,717
Donated services and materials	3,575,523	-	-	3,575,523
	<u>\$ 35,971,377</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,971,377</u>
<b>Supporting services expenses:</b>				
General and administrative	8,744,900	-	-	8,744,900
Fundraising	3,305,196	-	-	3,305,196
Donated services and materials	714,406	-	-	714,406
	<u>\$ 12,764,502</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,764,502</u>
<b>Total expenses</b>	<u>\$ 48,735,879</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,735,879</u>
<b>Total increase (decrease) in net assets</b>	<u>\$ 1,170,018</u>	<u>\$ 4,572,412</u>	<u>\$ 100,000</u>	<u>\$ 5,842,430</u>
<b>Non-operating income and (expense)</b>				
Interest and dividends	37,496	171,994	-	209,490
Realized and unrealized losses on long-term investments	105,817	1,536,860	-	1,642,677
Net assets released from restrictions	129,179	(129,179)	-	-
Net appreciation in life insurance	-	-	21,715	21,715
Long-term investment management fees	(129,179)	-	-	(129,179)
	<u>\$ 143,313</u>	<u>\$ 1,579,675</u>	<u>\$ 21,715</u>	<u>\$ 1,744,703</u>
<b>Increase (decrease) in net assets</b>	<u>\$ 1,313,331</u>	<u>\$ 6,152,087</u>	<u>\$ 121,715</u>	<u>\$ 7,587,133</u>
<b>Net assets at beginning of year</b>	<u>\$ 9,137,746</u>	<u>\$ 22,487,938</u>	<u>\$ 10,392,840</u>	<u>\$ 42,018,524</u>
<b>Net assets at end of year</b>	<u>\$ 10,451,077</u>	<u>\$ 28,640,025</u>	<u>\$ 10,514,555</u>	<u>\$ 49,605,657</u>

The accompanying notes to financial statements are an integral part of these statements

**Sundance Institute**  
Statement of Activities  
Year ended August 31, 2017

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>Contribution revenue</b>				
Corporate	\$ 7,224,530	\$ 2,585,603	\$ -	\$ 9,810,133
Foundation	2,732,690	3,478,427	-	6,211,117
Individual	6,769,738	681,318	-	7,451,056
Government	1,329,454	816,623	-	2,146,077
Special Events	785,991	-	-	785,991
Less: costs of direct benefit to donors	(172,533)	-	-	(172,533)
Donated services and materials	3,907,233	-	-	3,907,233
	<u>\$ 22,577,103</u>	<u>\$ 7,561,971</u>	<u>\$ -</u>	<u>\$ 30,139,074</u>
<b>Program Revenue</b>				
Box office and admissions	11,353,654	-	-	11,353,654
Merchandise	312,929	-	-	312,929
Submission	1,051,910	-	-	1,051,910
Conference	92,510	-	-	92,510
Contract services	1,036,678	-	-	1,036,678
	<u>\$ 13,847,681</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,847,681</u>
<b>Other revenue, gains and losses</b>				
Interest and dividends	170,250	-	-	170,250
Rental	87,000	-	-	87,000
Other	655,667	-	-	655,667
	<u>\$ 912,917</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 912,917</u>
Total support, revenue, gains and losses	<u>\$ 37,337,701</u>	<u>\$ 7,561,971</u>	<u>\$ -</u>	<u>\$ 44,899,672</u>
Net assets released from restrictions	10,117,761	(10,117,761)	-	-
<b>Total support, revenue, gains and net assets released from restrictions</b>	<u>\$ 47,455,462</u>	<u>\$ (2,555,789)</u>	<u>\$ -</u>	<u>\$ 44,899,672</u>
<b>Expenditures:</b>				
<b>Program expenses:</b>				
Salaries and benefits	14,158,263	-	-	14,158,263
Operating expenses	18,173,098	-	-	18,173,098
Donated services and materials	3,168,745	-	-	3,168,745
<b>Total program expenses</b>	<u>\$ 35,500,106</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,500,106</u>
<b>Supporting services expenses:</b>				
General and administrative	7,296,080	-	-	7,296,080
Fundraising	3,171,137	-	-	3,171,137
Donated services and materials	738,489	-	-	738,489
<b>Total supporting services</b>	<u>\$ 11,205,706</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,205,706</u>
<b>Total expenses</b>	<u>\$ 46,705,812</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,705,812</u>
<b>Total increase (decrease) in net assets</b>	<u>\$ 749,650</u>	<u>\$ (2,555,789)</u>	<u>\$ -</u>	<u>\$ (1,806,140)</u>
<b>Non-operating income and (expense)</b>				
Interest and dividends	37,766	206,675	-	244,441
Realized and unrealized gains on long-term investments	103,909	2,049,340	-	2,153,250
Net assets released from restrictions	118,177	(118,177)	-	-
Net appreciation in life insurance	-	-	21,427	21,427
Long-term investment management fees	(118,177)	-	-	(118,177)
<b>Total non-operating income</b>	<u>\$ 141,676</u>	<u>\$ 2,137,838</u>	<u>\$ 21,427</u>	<u>\$ 2,300,941</u>
<b>Increase (decrease) in net assets</b>	<u>\$ 891,325</u>	<u>\$ (417,951)</u>	<u>\$ 21,427</u>	<u>\$ 494,802</u>
<b>Net assets at beginning of year</b>	<u>\$ 8,246,421</u>	<u>\$ 22,905,889</u>	<u>\$ 10,371,413</u>	<u>\$ 41,523,723</u>
<b>Net assets at end of year</b>	<u>\$ 9,137,746</u>	<u>\$ 22,487,938</u>	<u>\$ 10,392,840</u>	<u>\$ 42,018,525</u>

The accompanying notes to financial statements are an integral part of these statements

**Sundance Institute**  
 Statements of Cash Flows  
 Years ended August 31, 2018 and 2017

	2018	2017
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 7,587,133	\$ 494,802
<b>Adjustment to reconcile change in net assets to cash from operating activities:</b>		
Depreciation and amortization	619,263	413,738
Donated stock	(477,792)	(661,044)
Increase in cash value of life insurance policies	(21,715)	(14,481)
Realized and unrealized gain on investments	(1,642,677)	(2,153,250)
Amortization of discount on promises to give	88,549	(6,667)
<b>Decrease (increase) in:</b>		
Promises to Give	(4,272,915)	1,078,719
Accounts receivable	64,795	(68,176)
Prepaid expenses	(229,663)	213,516
Other assets	(10,614)	-
<b>Increase (decrease) in:</b>		
Accounts payable and accrued expenses	(763,861)	292,937
Deferred revenue	209,501	153,572
	<b>1,150,004</b>	<b>(256,334)</b>
 <b>Cash flows from investing activities</b>		
Purchase of property and equipment	(2,791,265)	(423,412)
Purchase of investments	(23,781,481)	(22,179,110)
Proceeds from sale of investments	26,780,854	22,961,400
	<b>208,108</b>	<b>358,878</b>
 <b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,358,112</b>	<b>102,544</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>3,563,092</b>	<b>3,460,548</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 4,921,204</b>	<b>\$ 3,563,092</b>
 <b>Noncash investing and financing activities</b>		
Property and equipment financed with accounts payable	\$ 90,000	\$ -
Stock donations	\$ 477,792	\$ 661,044

The accompanying notes to financial statements are an integral part of these statements

**Sundance Institute**  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2018 and 2017

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

Sundance Institute (the "Institute") is a Utah not-for-profit corporation organized in 1981 dedicated to the discovery and development of independent artists and audiences. Through its programs, the Institute seeks to discover, support and inspire independent film and theatre artists from the United States and around the world, and to introduce audiences to their work. The Institute presents its annual Sundance Film Festival and offers a range of artistic development programs that provide creative, financial, and strategic support for independent fiction and nonfiction filmmakers, screenwriters, documentary film editors, independent film producers, film music composers, playwrights and theatre artists. The Institute's labs and workshops offer an environment that encourages artists to take the creative risks that often lead to innovation. Leading film, theatre, and music professionals serve as creative advisors and support participating artists in realizing their original stories. Infused throughout the organization are the guiding values of creativity, community, freedom of expression, quality, independence, diversity, innovation and authenticity. The Institute seeks to promote film, theatre arts and artists as a source of fresh, challenging and diverse ideas in society through the following core programs:

*Sundance Film Festival Program*

The 2018 Sundance Film Festival presented 123 feature-length films, representing 29 countries and 53 first-time filmmakers, including 30 in competition. Additionally 69 short films were presented. These films were selected from 13,468 submissions (415 more than for 2017), including 3,901 feature-length films and 8,740 short films. Of the feature film submissions, 1,799 were from the U.S. and 2,102 were international. 108 feature films at the Festival were world premieres. The Festival drew 124,000 attendees, generated \$191.5 million in economic activity for the state of Utah and supported 3,323 local jobs, according to an independent third party's economic impact study released June 1, 2018.

*Feature Film Program*

This program has supported and championed many of the leading independent filmmakers of the past 37 years. Risk-taking, experimentation, and freedom of expression are the guiding values of the in-depth and year-round artist support provided to the next generation of filmmakers, from development through distribution.

*Native American & Indigenous Program*

This program provides for the participation of Native and Indigenous artists in the Institute's artistic development programs. As part of its continued efforts to strengthen the Native filmmaking community, the initiative holds Workshops and Labs that bring together indigenous filmmakers, producers and media institutions.

*Theatre Program*

This program provides a unique catalytic process of artistic engagement for independent theatre-makers through a range of artist-driven developmental opportunities that connect, support and sustain artists across their careers. The Theatre Program is deeply invested in the international exchange between artists in the United States with their colleagues in East Africa and Middle East/North Africa countries.

*Documentary Film Program*

This program supports non-fiction filmmakers worldwide in the production of cinematic documentaries on contemporary themes. Art, Reach and Change are values of the year-round support provided to filmmakers through the granting fund, Labs and fellows program.

**Sundance Institute**  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2018 and 2017

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Nature of Operations (Continued)**

*Film Music Program*

This program connects composers and directors, giving them first-hand experience in the collaborative process, with the goal of nurturing the development of music in film. Composer Labs for Feature Film and Documentary Film aim to enhance the role of music in independent film.

*Creative Distribution*

This initiative empowers filmmakers navigating the changing business of independent film. Online resources, live workshops and a network of allied organizations provide support on creative funding, marketing, and distribution.

*Episodic Storytelling*

This initiative offers a year-round suite of Labs and support designed to foster a next generation of creators developing and producing episodic content.

*New Frontier*

This dynamic initiative identifies and fosters independent artists working at the convergence of film, art, media, live performance, music and technology. The New Frontier exhibition at the Sundance Film Festival provides the highest level of curation in the emerging field, incorporating fiction, non-fiction and hybrid projects to showcase transmedia storytelling, multi-media installations, performance and films.

*Ignite*

Sundance Ignite identifies and supports new voices and talent from the next generation of filmmakers and fosters fresh audiences for independent storytelling. This program supports individuals ages 18-25 with special Sundance Film Festival Ticket Packages, a Fellows Program and Ignite On Tour, a traveling component designed to engage with students and emerging filmmakers.

*Initiatives*

Sundance Institute continually looks for ways to improve its creative, strategic and financial support of independent artists. Sundance Institute's core programs work together to collaborate on key initiatives to ensure the artist support is targeted, personal and effective. Those key cross programmatic initiatives include Creative Distribution, support for female filmmakers through the Women's Initiative, support for underrepresented voices through the Diversity Initiative, and connecting culturally-engaged film investors and funders with highly-anticipated film projects and with the Sundance community through Catalyst Forum.

**Basis of Presentation**

For external reporting purposes, the Institute prepares its financial statements using the accrual method of accounting and follows U.S. generally accepted accounting principles ("US GAAP") for not-for-profit organizations and reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted net assets. Classification of restricted net assets is determined by the nature of any donor imposed restrictions.

**Sundance Institute**  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2018 and 2017

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation (Continued)**

- Unrestricted net assets represent expendable funds available for operations which are not otherwise limited by donor restrictions.
- Temporarily restricted net assets consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Institute may spend the funds.
- Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations.

Internally, the accounts of the Institute are maintained in accordance with the principles of fund accounting. This is the procedure by which resources are classified for accounting and reporting purposes into funds established according to their nature and intended use.

The following self-balancing funds are maintained by the Institute:

*Operating Fund* - is used to account for unrestricted and temporarily restricted assets, liabilities and resources that are available to support the Institute's operations and programs.

*Core (General) Endowment Fund* - consists of the principal amount of gifts accepted with the donor stipulation that the corpus be maintained intact in perpetuity and that only the income generated from the corpus be expended for operations of the Institute.

*Core (Ford) Endowment Fund* - consists of contributed principal, earnings and matching contributions from individual donors generated through Institute fundraising activities, with a donor stipulation that a principal balance of \$1,700,000 be maintained intact in perpetuity. The earnings on the principal balance are available for use in operations.

*Theatre (Duke) Endowment Fund* - consists of contributed principal, earnings and matching contributions from individual donors generated through Institute fundraising activities, with a donor stipulation that a principal balance of \$3,000,000 be maintained intact in perpetuity. Earnings on the \$3,000,000 in principal must be used for specific artistic programming expenses as defined in the grant agreement.

*Documentary (Engelbard) Endowment Fund* - consists of the principal amount of gifts accepted with the donor stipulation that the corpus of \$1,000,000 be maintained in perpetuity and that earnings must be used for the Documentary Film Program.

**Use of estimates**

The preparation of financial statements in conformity with U.S. 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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Sundance Institute**  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2018 and 2017

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation (Continued)**

**Cash and cash equivalents**

The Institute considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents were made up of the following for years ended August 31:

	2018	2017
Cash on deposit	\$ 4,824,967	\$ 2,517,900
Bonds maturing within 3 months	6,846	979,853
Accrued interest	89,391	65,339
Total	\$ 4,921,204	\$ 3,563,092

**Accounts receivable**

Accounts receivable are recorded at their estimated realizable value. The Institute determines its allowance by considering a number of factors, including the length of time receivables are past due, the Institute's previous loss history, the payer's current ability to pay its obligation to the Institute, and the condition of the general economy and industry as a whole. Based on these factors, the Institute expects all accounts receivable to be collected; therefore, no allowance for uncollectible amounts is recorded as of August 31, 2018 and 2017. An account is written off when it is determined that all collection efforts have been exhausted.

**Promises to give**

Contributions represent unconditional promises to give that are expected to be collected within one year and are recorded in the period received at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded in the period received at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which promises are received. Discounts on contributions that are measured at present value are amortized between the date the promise to give is initially recognized and the date the cash or other contributed assets are received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

Based on historical experience, the contributor's current ability to pay its obligation to the Institute and the condition of the general economy and industry as a whole. The Institute has created an allowance for unconditional promises to give that it does not expect to be collected. The allowance for uncollectible accounts recorded was \$60,809 and \$189,950 as of August 31, 2018 and August 31, 2017, respectively.

**Sundance Institute**  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2018 and 2017

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property and equipment**

The Institute capitalizes all expenditures for property and equipment which individually exceed \$5,000. Donated property and equipment is recorded at fair value on the date of donation.

**Depreciation and amortization**

Depreciation and amortization are computed on the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Useful Lives</u>
Commercial buildings	39 years
Furniture and fixtures	5 years
Leasehold improvements	Lesser of useful life or term of the lease
Office equipment	5 years
Production equipment	5 years
Projection equipment	5 years
Software	3 years
Tech equipment	5 years

**Investments**

Investments are initially recorded at their acquisition cost if purchased and at estimated fair value on the date of donation if they were received as a contribution. Subsequent to acquisition, all debt and equity securities are valued and reported at their readily determinable fair market values. Realized and unrealized gains and losses are included in the Statement of Activities.

**Long-lived Assets**

The Institute accounts for long-lived assets in accordance with the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 360-10-05, *Accounting for the Impairment of Long-Lived Assets*. ASC 360-10-05 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell. No assets are considered to be impaired at August 31, 2018 and 2017.

**Donated Services and Materials**

Donated services and materials are reported at their estimated fair value as contributed revenue and expense.

**Deferred Revenue**

Cash receipts related to future exchange transactions are recorded as deferred revenue and are recognized as revenue in the time period in which the exchange occurs.

**Sundance Institute**  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2018 and 2017

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Program Revenue**

Ticket sales and other revenue are recorded as operating revenue as services are provided and when earned.

**Contributions**

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. Temporarily restricted net assets are reclassified to unrestricted net assets when a time restriction ends or a purpose restriction is accomplished. If a restriction is fulfilled in the same time period in which the contribution is received, the Institute reports the support as unrestricted.

**Advertising Costs**

Advertising costs are charged to operations when incurred. Advertising expense was \$350,017 and \$611,475 for the fiscal years ended August 31, 2018 and 2017, respectively. \$207,169 and \$270,192 were provided through in-kind contributions during the fiscal years ended August 31, 2018 and 2017, respectively.

**Functional Allocation of Expenses**

The costs of programs and supporting services have been summarized on a functional basis in the Statement of Activities. All direct costs are charged to the functional area they pertain to. Indirect costs are charged to programs and supporting services based on estimates made by management, taking into account the nature of the expense and how it relates to the functional area. General and administrative costs include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Institute.

**Income Taxes**

The Institute has received a determination letter from the Internal Revenue Service that it is an organization exempt from taxation under Section 501 (C)(3) of the Internal Revenue Code. Accordingly, the Institute is not subject to federal or state income taxes.

The Institute adopted the provisions of FASB ASC 74-10-25, *Accounting for Uncertainty in Income Taxes* on September 1, 2009. ASC 740-10-25 provides that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. Income tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized upon the adoption of ASC 740-10-25 and in subsequent periods. The Institute analyzed tax positions for all applicable tax jurisdictions for which the statute of limitations remained open for the years ended August 31, 2015 through August 31, 2017 and determined there were no material unrecognized benefits for the related tax jurisdictions since September 1, 2010 and it is not expected there will be a material change in the 12 months following the year ended August 31, 2018.

**Sundance Institute**  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2018 and 2017

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fair Value of Financial Instruments**

The Institute's financial statements, including cash, accounts receivable, accounts payable and accrued liabilities are carried at cost, which approximates their fair value because of the short-term nature of these instruments.

In accordance with the provisions of FASB ASC 820, *Fair Value Measurements*, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Institute uses various valuation approaches. ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Institute. Unobservable inputs are inputs that reflect the Institute's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the observability of inputs as follows:

Level 1-Valuations based on quoted prices in active markets for identical assets or liabilities that the Institute has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2-Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3-Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary from product to product and is affected by a wide variety of factors, including, for example, the type of product, whether the product is new and not yet established in the marketplace, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Institute in determining fair value is greatest for instruments categorized in Level 3.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Institute's own assumptions are set to reflect those that the Institute believes market participants would use in pricing the asset or liability at the measurement date.

See Note 8 for a description of valuation techniques applied to the major categories of financial instruments measured at fair value.

**Sundance Institute**  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2018 and 2017

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**New Accounting Pronouncements**

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 (“ASU 2014-09”), an update to FASB ASC 606, Revenue from Contracts with Customers. This update revises previous revenue recognition standards to improve guidance on revenue recognition requirements. Under the new standard, recognition of revenue occurs when a customer obtains control of promised goods or services in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The new standard will be effective for us beginning September 1, 2019. The adoption of this standard is not expected to have a material impact on the financial statements of the Institute.

In March of 2016, the FASB issued Accounting Standards Update 2016-02, Leases, which requires all leases that have a term of more than 12 months will be required to be recognized as assets and liabilities on the balance sheet at inception. A lessee would recognize a lease liability to make lease payments owed to a lessor (liability) and a benefit for the right to use the leased asset (asset) for the lease term. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee would depend on whether the lessee is expected to consume more than an insignificant portion of the economic benefits embedded in the underlying asset. This new guidance is effective for fiscal years beginning after December 15, 2019. Management is evaluating the impact of the Standard on the organization’s financial reporting and determining the appropriate time to implement this pronouncement

In August of 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities (the “Standard”). The Standard establishes the new financial reporting framework for not-for-profit organizations. The update will result in changes to the presentation of the statements of financial position, activities, and cash flows. The new guidance reduces the classification of net assets to two categories: (1) net assets without donor restrictions and (2) net assets with donor restriction. It also changes the classification and accounting for underwater endowments. The Standard requires enhanced net asset disclosures which include information about the timing, nature of restrictions, and composition of the net assets with donor restrictions. Enhanced disclosures are also required for board designated net assets, which are classified as net assets without donor restrictions.

To improve the transparency and utility of liquidity information provided in not-for-profit financial statements, the Standard requires disclosure of quantitative and qualitative liquidity information, including how an entity manages liquidity risk and disclosures about availability of assets to meet cash needs within one year of the balance sheet date.

Changes to the statement of activities includes a requirement to report the total change in net assets and the changes in each of the two new classes of nets assets described above. All nonprofits will be required to present an analysis of expenses by function and by natural classification. This can be done on the face of the statement of activities, in a separate statement, or in the footnotes to the financial statements. The statement of cash flows may continue to be presented using the direct or indirect method. If the direct method is adopted, the organization is no longer required to include the indirect method reconciliation.

The Standard is effective for the fiscal years beginning after December 15, 2017. Early adoption is permitted. Management is evaluating the impact of the Standard on the organization’s financial reporting and determining the appropriate time to implement this pronouncement.

**Sundance Institute**  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2018 and 2017

**2. PROMISES TO GIVE**

Promises to give include amounts not yet collected from pledges, grants and contracts that meet the definition of unconditional promises to give. Amounts which will not be collected within one year are recorded at the present value of their estimated future cash flows, using Treasury Yield Curve Rates. The rate is determined by the pledge date, future due date (1 year, 2 year, etc.) and an additional risk discount rate of 0.50%.

Information related to promises to give as of August 31, is as follows:

	<u>2018</u>	<u>2017</u>
Included in current promises to give are the following:		
Promises to give	\$ 11,359,229	\$ 8,429,108
Less allowance	<u>(60,809)</u>	<u>(189,950)</u>
Net current promises to give	<u>11,298,420</u>	<u>8,239,158</u>
Included in noncurrent promises to give are the following:		
Promises to give	\$ 2,013,653	\$ 800,000
Less discount	<u>(257,303)</u>	<u>(168,755)</u>
Net noncurrent promises to give	<u>1,756,350</u>	<u>631,245</u>
Amounts due in:		
Less than one year	\$ 8,889,009	\$ 8,429,108
One to five years	4,483,873	800,000
Thereafter	-	-
Less allowance	(60,809)	(189,950)
Less discount	<u>(257,303)</u>	<u>(168,755)</u>
	<u>\$ 13,054,770</u>	<u>\$ 8,870,403</u>

**3. CONDITIONAL PLEDGES**

Park City Municipal Corporation has a long term Master Festival License Agreement that expires in 2026 with an automatic renewal of an additional 1 year.

**Sundance Institute**  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2018 and 2017

**4. DONATED SERVICES AND MATERIALS**

The Institute has an extensive system in place to track and to record the financial impact of support from donated services and materials. Donated services and materials expense are included in program expense and in supporting services expense at their estimated fair market value.

Donated services and materials were contributed to support specific programs for the year ended August 31, as follows:

	2018		2017
	Estimated fair		Estimated fair
	value		value
	<u>                    </u>		<u>                    </u>
Program			
Film Festival	\$ 2,490,988	\$	1,985,779
Feature Film	586,158		568,191
Theatre	77,250		141,272
Documentary	46,951		64,333
Film Music	177,608		184,060
General and Administrative	704,025		734,221
Development	10,381		4,268
Native Initiative	13,575		27,150
Other	182,993		197,959
	<u>                    </u>		<u>                    </u>
Total donated services and materials	\$ <u>4,289,929</u>	\$	<u>3,907,233</u>

Donated services included legal services and independent contractor services used for labs across various programs.

**Sundance Institute**  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2018 and 2017

**5. PROPERTY AND EQUIPMENT, NET**

Depreciation and amortization expense was \$619,263 and \$413,738 for the years ended August 31, 2018 and 2017, respectively.

	2018	2017
Leasehold improvements	\$ 1,552,252	\$ 132,172
Office equipment	142,915	132,489
Furniture & Fixtures	5,215	5,215
Production equipment	1,141,699	801,847
Projection equipment	1,991,012	1,442,720
Software	1,059,528	608,479
Tech equipment	<u>597,317</u>	<u>575,749</u>
 Total property and equipment	 6,489,938	 3,698,671
Accumulated depreciation and amortization	<u>(3,434,790)</u>	<u>(2,815,525)</u>
Net property and equipment	<u>\$ 3,055,148</u>	<u>\$ 883,146</u>

**6. OTHER ASSETS**

Other assets consist of the following at August 31:

	2018	2017
Operating fund:		
Deposits	\$ 122,053	\$ 122,273
Work of art	125,000	125,000
Merchandise inventory	10,834	-
Cash surrender value of donated life insurance policies	<u>413,386</u>	<u>391,671</u>
Total other assets	<u>\$ 671,273</u>	<u>\$ 638,944</u>

The Sundance Institute General Endowment Fund is named as the sole beneficiary on the donated life insurance policies.

**Sundance Institute**  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2018 and 2017

**7. INVESTMENTS**

Investments consist of the following at August 31:

	<u>2018</u>	<u>2017</u>
Fixed income securities	\$ 8,962,597	\$ 11,586,075
Mutual funds – bonds	1,105,837	2,754,407
Mutual funds – equities	7,998,522	6,938,841
Alternative investments	<u>14,613,634</u>	<u>12,280,173</u>
Total Investments	<u>\$ 32,680,590</u>	<u>\$ 33,559,496</u>

Investment returns for the year ended August 31, 2018 are summarized as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest and dividends	\$ 309,468	\$ 171,994	\$ 481,462
Realized and unrealized gains	<u>105,817</u>	<u>1,536,860</u>	<u>1,642,677</u>
Total investment return	415,285	1,708,854	2,124,139
Less: Management fees	<u>(129,179)</u>	<u>-</u>	<u>(129,179)</u>
Non-operating investment return	<u>\$ 286,106</u>	<u>\$ 1,708,854</u>	<u>\$ 1,994,960</u>

Investment returns for the year ended August 31, 2017 are summarized as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest and dividends	\$ 208,016	\$ 206,675	\$ 414,691
Realized and unrealized gains	<u>103,909</u>	<u>2,049,340</u>	<u>2,153,250</u>
Total investment return	311,926	2,256,015	2,567,941
Less: Management fees	<u>(118,177)</u>	<u>-</u>	<u>(118,177)</u>
Non-operating investment return	<u>\$ 193,749</u>	<u>\$ 2,256,015</u>	<u>\$ 2,449,764</u>

Interest income on cash and cash equivalents and short-term investments is included in operating activities in the Statement of Activities as those instruments are used for the Institute's daily cash management activities. All other investment returns are considered non-operating.

**Sundance Institute**  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2018 and 2017

**8. FAIR VALUE MEASUREMENTS**

The following fair value hierarchy table presents information about the Institute's assets and liabilities measured at fair value on a recurring basis as of August 31, 2018. See Note 1 for a discussion of the Institute's policies regarding this fair value hierarchy.

Assets and Liabilities Measured at Fair Value on a Recurring Basis as of August 31, 2018 are as follows:

	Quoted Prices			Balance as of August 31, 2018
	In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Cash equivalents	\$ 6,846	-	-	\$ 6,846
Fixed income securities	8,962,597	-	-	8,962,597
Mutual funds – bonds	1,105,837	-	-	1,105,837
Mutual funds – equities	7,998,522	-	-	7,998,522
Alternative investment	-	-	14,613,634	14,613,634
Total	<u>\$ 18,073,802</u>	<u>\$ -</u>	<u>\$ 14,613,634</u>	<u>\$ 32,687,436</u>

Assets and Liabilities Measured at Fair Value on a Recurring Basis as of August 31, 2017 are as follows:

	Quoted Prices			Balance as of August 31, 2017
	In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Cash equivalents	\$ 979,853	-	-	\$ 979,853
Fixed income securities	11,586,075	-	-	11,586,075
Mutual funds – bonds	2,754,407	-	-	2,754,407
Mutual funds – equities	6,938,841	-	-	6,938,841
Alternative investment	-	-	12,280,173	12,280,173
Total	<u>\$ 22,259,176</u>	<u>\$ -</u>	<u>\$ 12,280,173</u>	<u>\$ 34,539,349</u>

**Sundance Institute**  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2018 and 2017

**8. FAIR VALUE MEASUREMENTS (Continued)**

The Company invests in SCS Opportunities Fund, Ltd., SCS Special Situations Fund, Ltd., SCS US Equity Fund, LLC, and SCS International Equity Fund, LLC (the “Funds”), alternative investment funds. Management considers these funds to be Level 3 trading security investment and invests in these funds for maximization of investment returns. The Funds invest in other private placement funds that are in both long and short non-publicly traded positions.

The changes in the recorded amount of the investment for the years ended August 31, 2018 and 2017 are summarized as follows:

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 12,280,173	\$ 12,101,974
Sales	(741,308)	(1,373,000)
Purchases	2,000,000	-
Unrealized gain	1,074,769	1,551,199
Balance, end of year	<u>\$ 14,613,634</u>	<u>\$ 12,280,173</u>

The Institute used the following methods and significant assumptions to estimate fair value of assets recorded at fair value:

Cash equivalents and fixed income securities consist of commercial paper, corporate bonds, and municipal bonds. These securities are valued using either an accretion model or the weighted average price from inputs from a variety of industry standard data providers, security master files from financial institutions, and other third-party sources.

Mutual funds consist of publicly traded money market, bond, and equity funds valued using identical securities traded in the open market.

The valuation of alternative investments is based on the value of the funds underlying investments as reported by the broker which are audited annually.

The Institute’s policy is to record transfers of assets and liabilities between Level 1 and Level 2 at their fair value as of the end of each reporting period, consistent with the date of the determination of fair value. Transfers between levels in the fair value hierarchy are recognized at the end of the reporting period. Assets are transferred from Level 2 to Level 1 when transactions volume and frequency are indicative of an active market. During the year ended August 31, 2017, there were no transfers of certain assets from Level 2 to Level 1. Conversely, assets are transferred from Level 1 to Level 2 when assets are no longer transacted with sufficient frequency and volume in an active market. The Institute had no significant transfers from Level 1 to Level 2 during the year ended August 31, 2018.

**Sundance Institute**  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2018 and 2017

**9. LINE OF CREDIT**

On January 6, 2017, the Institute renewed a \$3.5 million unsecured, nondisclosable revolving credit facility (the “Credit Facility”) with a term of eighteen months that will expire on February 1, 2019 with Zions Bank. The Credit Facility may be used to provide for the Institute ongoing general corporate working capital requirements. Revolving credit loan bears interest under the Credit Facility at the 90-day LIBOR Rate (as defined in the Credit Facility) plus 3.0%. In addition, the Credit Facility contains restrictive covenants relating to the Institute’s management and the operation of the Institute’s business. These covenants, among other things, limit or restrict the Institute’s ability to grant liens on its assets, incur additional indebtedness, enter into transactions to merge or consolidate with another entity. As of August 31, 2018, there were no drawdowns on the loan.

On July 31, 2018, the Institute renewed a \$66,522 irrevocable and unconditional standby letter of credit which serves as the security deposit for the New York office. This instrument renews annually.

**10. COMMITMENTS**

The Institute leases office space under non-cancelable operating leases that contain terms where the monthly payment increases over the lease term and contain certain renewal options. The deferred rent liability arising from escalating lease terms is amortized over the lease term. At August 31, 2018 and 2017, the deferred rent liability (which is included with accrued expenses on the Statement of Financial Position) was \$481,235 and \$425,601, respectively. The Institute also has various non-cancellable Film Festival venue rental agreements. In addition, the Institute also rents various venues and equipment for programs on an annual basis. Total rent expense was \$3,935,598 and \$4,178,745 for the fiscal years ended August 31, 2018 and 2017, respectively:

Future commitments as of August 31, 2018 are as follows:

Years Ending August 31,	Office Space	Film Festival	Total
2019	\$ 862,452	1,215,344	\$ 2,077,796
2020	862,452	1,113,268	1,975,720
2021	862,452	695,468	1,557,920
2022	750,384	461,794	1,212,178
2023	149,178	157,327	306,506
Later years	24,863	77,819	102,682
	<u>\$ 3,511,782</u>	<u>\$ 3,721,020</u>	<u>\$ 7,232,802</u>

Other commitments include employment contracts the Institute has entered into with a certain executive which provides a severance payment up to one-time annual salary if employment is terminated before March 10, 2020.

**Sundance Institute**  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2018 and 2017

**11. PROGRAM EXPENSES**

Program expenses for the years ended August 31, are summarized as follows:

	<u>2018</u>	<u>2017</u>
Film Festival	\$ 18,483,421	\$ 17,612,143
Feature Film	3,717,428	3,674,935
Theatre	1,970,045	2,209,129
Documentary	4,786,385	4,860,729
Film Music	706,910	789,079
Native Program	708,992	772,114
Other	<u>5,598,196</u>	<u>5,581,977</u>
Total program expenses	<u>\$ 35,971,377</u>	<u>\$ 35,500,106</u>

**12. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets represent contributions received which are either time or purpose restricted. The following is a schedule of temporarily restricted net assets as of August 31:

	<u>2018</u>	<u>2017</u>
Time Restricted Pledges	\$ 5,840,159	\$ 3,787,945
Endowment appreciation and earnings with no purpose restriction	12,105,035	10,825,360
Film Festival	5,160,321	1,711,451
Feature Film	206,833	284,508
Theatre	-	-
Diversity & Outreach	2,194,739	1,894,865
Documentary	<u>3,132,938</u>	<u>3,983,809</u>
Total temporarily restricted net assets	<u>\$ 28,640,025</u>	<u>\$ 22,487,938</u>

**13. EMPLOYEE BENEFIT PLANS**

The Institute has adopted a qualified profit sharing plan under section 401(k) of the Internal Revenue Code for the benefit of its employees. The plan allows eligible employees to contribute up to 100% of their compensation subject to limits determined by the Internal Revenue Service. Employees can contribute to the plan after three months of service. The Institute makes a committed safe harbor contribution and a discretionary percentage contribution to eligible staff with one year of service and a minimum of 1,000 hours. The amount is determined as part of the overall budget process which is ultimately approved by the Board of Trustees. During the years ended August 31, 2018 and 2017, the Institute contributed \$778,363 and \$701,852, respectively, to the plan.

**Sundance Institute**  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2018 and 2017

**14. RELATED PARTY TRANSACTIONS**

Included in promises to give, receivables, and payables are amounts due from related parties for transactions which relate to program activities.

Sundance Group

Sundance Group provides travel and security for Mr. Redford during the Film Festival. Expenses related to these services were \$4,882 and \$0 for the years ended August 31, 2018 and 2017 respectively. The Institute had no payables due to Sundance Group for the years ended August 31, 2018 and 2017, respectively.

Sundance Partners

Sundance Partners provides catering and lodging at the Sundance Resort during the Institute's summer program activities. Expenses related to these services were \$1,184,308 and \$1,155,607 for the years ended August 31, 2018 and 2017 respectively. The Institute had payables due to Sundance Partners of \$7,042 and \$179,516 for the years ended August 31, 2018 and 2017, respectively.

Sundance TV

In August 2014, AMC Networks on behalf of SundanceTV signed a three year Presenting Sponsor Agreement, with the option to renew for one year with the same terms, as the official television network of the Sundance Film Festival. The annual scheduled payment is \$785,000 for 2018. The pledge receivable balance for this agreement was \$0 and \$0 as of August 31, 2018 and 2017, respectively.

In September 2017, AMC Networks on behalf of SundanceTV signed a three year Presenting Sponsor Agreement as the official television network of the 2019-2021 Sundance Film Festival. The pledge receivable balance for this agreement was \$2,582,273 as of August 31, 2018.

In September 2016, AMC Networks on behalf of SundanceTV signed a two year Episodic Story Initiative Supporter Agreement. The annual scheduled payment is \$50,000 for 2018. The pledge receivable balance for this agreement was \$0 and \$50,000 as of August 31, 2018 and 2017, respectively.

SundanceNOW

In 2018 SundanceNOW entered into an Institute Associate agreement for \$85,000.

Kenneth Cole Productions

In January 2018 Kenneth Cole Productions made an In-Kind donation of staff and volunteer jackets valued at \$109,750 and \$109,190 for the years ended August 31, 2018 and 2017 respectively.

Board of Trustees

The Institute received contributions of \$1,412,917 and \$1,321,187 from members of the Institute's Board of Trustees (the "Board") for the years ended August 31, 2018 and 2017, respectively.

**Sundance Institute**  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2018 and 2017

**14. RELATED PARTY TRANSACTIONS\_(Continued)**

Members of the Institute's governing boards may, from time to time, be associated, either directly or indirectly, with companies doing business with the Institute. There are written annual conflict of interest policies for the Institute that require, among other things, that a member of a governing board must disclose the existence and nature of his or her financial interest in any proposed transaction or compensation arrangement to the Board. Disinterested members shall exercise due diligence in investigating the proposed transaction or arrangement including investigating possible alternatives. Disinterested members shall determine, by majority vote, whether the transaction or arrangement is in the Institute's best interest and for its own benefit, and whether the transaction is fair and reasonable to the Institute and shall make its decision as to whether to enter into the transaction or arrangement in conformity with such determination. This process is overseen by the Audit Committee of the Board.

**15. CONCENTRATION OF CREDIT AND MARKET RISK**

The Institute maintains its cash balances in bank accounts, which at times may exceed their federally insured limits of \$250,000 set by the Federal Deposit Insurance Corporation (FDIC). The Institute has not experienced any losses related to these accounts and believes it is not exposed to any significant credit risk on these balances.

The Institute also maintains accounts with stock brokerage firms. The accounts contain cash, securities and other investments. The Institute's investments in securities are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with these investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

The Institute's promises to give include amounts due from three large donors comprising 42% and 36% of total promises to give at August 31, 2018 and 2017, respectively.

**16. ENDOWMENT**

The Institute's endowment includes donor-restricted endowments. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**Sundance Institute**  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2018 and 2017

**16. ENDOWMENT (Continued)**

**Interpretation of relevant law** - The Board of Trustees of the Institute has interpreted the *Uniform Prudent Management of Institutional Funds Act* ("UPMIFA") as adopted by the State of Utah as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Institute classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Institute in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Institute considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Institute
- (7) The investment policies of the Institute

Endowment net asset composition by type of fund as of August 31, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted:				
Core (General)	\$ -	\$ 5,242,043	4,814,555	\$ 10,056,598
Theatre (Duke)	-	3,395,931	3,000,000	6,395,931
Documentary (Engelhard)	-	1,218,827	1,000,000	2,218,827
Core (Ford)	-	2,248,234	1,700,000	3,948,234
	<u>-</u>	<u>12,105,035</u>	<u>10,514,555</u>	<u>22,619,590</u>
Board-designated endowment funds	<u>1,606,429</u>	<u>-</u>	<u>-</u>	<u>1,606,429</u>
Total endowment net assets	<u>\$ 1,606,429</u>	<u>\$ 12,105,035</u>	<u>\$ 10,514,555</u>	<u>\$ 24,226,019</u>

**Sundance Institute**  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2018 and 2017

**16. ENDOWMENT (Continued)**

Changes in endowment net assets for the fiscal year ended August 31, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,473,296	10,825,360	10,392,840	\$ 22,691,496
Investment income	35,686	171,994	-	207,680
Net appreciation (realized and unrealized)	108,817	1,536,860	-	1,645,677
Contributions and net appreciation in life insurance	-	-	121,715	121,715
Appropriation of endowment assets for expenditures	<u>(11,370)</u>	<u>(429,179)</u>	<u>-</u>	<u>(440,549)</u>
Endowment net assets, end of year	<u>\$ 1,606,429</u>	<u>\$ 12,105,035</u>	<u>\$ 10,514,555</u>	<u>\$ 24,226,019</u>

Endowment net asset composition by type of fund as of August 31, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted:				
Core (General)	\$ -	\$ 4,691,783	\$ 4,692,840	\$ 9,384,623
Core (Ford)	-	2,017,892	1,700,000	3,717,892
Theatre (Duke)	-	3,024,825	3,000,000	6,024,825
Documentary (Engelhard)	<u>-</u>	<u>1,090,860</u>	<u>1,000,000</u>	<u>2,090,860</u>
	-	10,825,360	10,392,840	21,218,200
Board-designated endowment funds	<u>1,473,296</u>	<u>-</u>	<u>-</u>	<u>1,473,296</u>
Total endowment net assets	<u>\$ 1,473,296</u>	<u>\$ 10,825,360</u>	<u>\$ 10,392,840</u>	<u>\$ 22,691,496</u>

**Sundance Institute**  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2018 and 2017

**16. ENDOWMENT (Continued)**

Changes in endowment net assets for the fiscal year ended August 31, 2017.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,345,880	\$ 8,987,521	\$ 10,371,413	\$ 20,704,814
Investment income	36,559	206,675	-	243,234
Net appreciation (realized and unrealized)	97,002	2,049,340	-	2,146,342
Contributions and net appreciation in life insurance	-	-	21,427	21,427
Appropriation of endowment assets for expenditures	<u>(6,145)</u>	<u>(418,176)</u>	<u>-</u>	<u>(424,321)</u>
Endowment net assets, end of year	<u>\$ 1,473,296</u>	<u>\$ 10,825,360</u>	<u>\$ 10,392,840</u>	<u>\$ 22,691,496</u>

Description of amounts classified as permanently restricted net assets and temporarily restricted net assets (endowment only) are as follows:

	<u>2018</u>	<u>2017</u>
Permanently restricted net assets		
The portion of perpetual endowment funds that is required to be retained permanently either by donor stipulation or by UPMIFA	<u>\$ 10,514,555</u>	<u>\$ 10,392,840</u>
Total endowment funds classified as permanently restricted net assets	10,514,555	10,392,840
Temporarily restricted net assets		
The portion of perpetual endowment funds subject to a time restriction under UPMIFA:		
Without purpose restrictions	7,490,277	6,709,675
With purpose restrictions	<u>4,614,758</u>	<u>4,115,685</u>
Total endowment funds classified as temporarily restricted net assets	<u>\$ 12,105,035</u>	<u>\$ 10,825,360</u>

**Sundance Institute**  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2018 and 2017

**16. ENDOWMENT (Continued)**

***Funds with deficiencies*** - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or applicable state law requires the Institute to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in unrestricted net assets. As of August 31, 2018 and 2017, there were no deficiencies.

***Return objectives and risk parameters*** - The Institute has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the benchmarked indexes weighted in accordance with the target asset allocation while assuming a moderate level of investment risk. The Institute expects its endowment funds, over time, to provide a minimum rate of return that exceeds the rate of inflation (as measured by the Consumer Price Index) by not less than 5 percent annually. Actual returns in any given year may vary from this amount.

***Strategies employed for achieving objectives*** - To satisfy its long-term rate-of-return objectives, the Institute relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Institute targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

***Spending policy and how the investment objective relate to spending policy*** - The Institute has the option of appropriating for distribution each year up to 5 percent of its endowment fund's average fair value over the lesser of a three year rolling average or a 12 month value with the same effective ending date. In establishing this policy, the Institute considered the long-term expected return on its endowment. Accordingly, over the long term, the Institute expects the current spending policy to allow its endowment to grow at an average range of at least 2 to 5 percent annually. This is consistent with the Institute's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

**17. SUBSEQUENT EVENTS**

Management has evaluated subsequent events for the period after August 31, 2018 through November 20, 2018, the date the financial statements were available to be issued.