Sundance Institute

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the Years Ended August 31, 2019 and 2018

Larson
CERTIFIED PUBLIC ACCOUNTANTS

Sundance Institute

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CERTIFIED PUBLIC ACCOUNTANTS

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, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, the statement of functional expenses for the year ended August 31, 2019 and summarized comparative information for the year ended August 31, 2018, 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, 2019 and 2018, 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.

Adoption of New Accounting Standard

As explained in Note 1 to the consolidated financial statements, during the year ended August 31 2019, the Institute adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2016-14, *Not-for-profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Larson & Company P.C.

Salt Lake City, Utah
November 19, 2019

FINANCIAL STATEMENTS

Sundance Institute

Statements of Financial Position

August 31, 2019 and 2018

ASSETS	2019	2018
Cash and cash equivalents	$ 6,767,874	$ 4,921,204
Investments	30,653,195	32,680,590
Short-term promises to give, net	14,784,771	11,298,420
Accounts receivable, net	84,795	82,720
Prepaid expenses	842,739	918,806
Property and equipment, net	2,779,965	3,055,148
Long-term promises to give, net	6,738,296	1,756,350
Other assets	1,245,712	671,273
Total assets	$ 63,897,347	$ 55,384,511

LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 4,373,868	$ 4,471,226
Deferred revenue	1,360,040	1,307,628
Total liabilities	$ 5,733,908	$ 5,778,854
Without donor restrictions		
Operations	9,448,810	8,844,648
Board designated endowment funds	1,643,019	1,606,429
Total without donor restrictions	$ 11,091,829	$ 10,451,077
With donor restrictions		
Operations	13,166,577	16,534,990
Core (General) endowment	9,706,402	10,056,598
Core (Ford) endowment	3,792,059	3,948,234
Theatre (Duke) endowment	6,144,316	6,395,931
Documentary (Engelhard) endowment	2,132,064	2,218,827
Innovation fund	948,336	-
Capital campaign	11,181,856	-
Total with donor restrictions	$ 47,071,610	$ 39,154,580
Total net assets	$ 58,163,439	$ 49,605,657
Total liabilities and net assets	$ 63,897,347	$ 55,384,511

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

Sundance Institute

Statement of Activities

Year ended August 31, 2019

	2019		
	Without donor restrictions	With donor restrictionss	Total
Contribution revenue			
Corporate	$ 7,260,448	$ 1,790,740	$ 9,051,188
Foundation	2,532,676	5,979,907	8,512,583
Individual	7,829,440	13,206,201	21,035,641
Government	1,621,027	917,020	2,538,047
Special Events	1,155,107	-	1,155,107
Less: costs of direct benefit to donors	(282,415)	-	(282,415)
Donated services and materials	4,429,447	-	4,429,447
	$ 24,545,730	$ 21,893,868	$ 46,439,598
Program Revenue			
Box office and admissions	13,028,816	-	13,028,816
Merchandise	343,395	-	343,395
Submission	1,121,294	-	1,121,294
Collab	111,339	-	111,339
Conference	114,549	-	114,549
Contract services	659,500	-	659,500
	$ 15,378,893	$ -	$ 15,378,893
Other revenue, gains and losses			
Interest and dividends	416,949	-	416,949
Rental	129,600	-	129,600
Other	446,852	-	446,852
	$ 993,401	$ -	$ 993,401
Total support, revenue, gains and losses	$ 40,918,024	$ 21,893,868	$ 62,811,892
Net assets released from restrictions	14,097,907	(14,097,907)	-
Total support, revenue, gains and net assets released from restrictions	$ 55,015,931	$ 7,795,961	$ 62,811,892
Expenditures:			
Program expenses:			
Salaries and benefits	16,149,959	-	16,149,959
Operating expenses	22,280,449	-	22,280,449
Donated services and materials	4,091,989	-	4,091,989
Total program expenses	$ 42,522,397	$ -	$ 42,522,397
Supporting services expenses:			
General and administrative	7,248,094	-	7,248,094
Fundraising	4,317,017	-	4,317,017
Donated services and materials	337,458	-	337,458
Total supporting services	$ 11,902,569	$ -	$ 11,902,569
Total expenses	$ 54,424,966	$ -	$ 54,424,966
Total increase (decrease) in net assets	$ 590,965	$ 7,795,961	$ 8,386,926
Non-operating income and (expense)			
Interest and dividends	39,354	183,134	222,488
Realized and unrealized losses on long-term investments	15,822	45,045	60,867
Realized losses on fixed assets	(5,389)	-	(5,389)
Net assets released from restrictions	129,997	(129,997)	-
Net appreciation in life insurance	-	22,887	22,887
Long-term investment management fees	(129,997)	-	(129,997)
Total non-operating income	$ 49,787	$ 121,069	$ 170,856
Increase (decrease) in net assets	$ 640,752	$ 7,917,030	$ 8,557,782
Net assets at beginning of year	$ 10,451,077	$ 39,154,580	$ 49,605,657
Net assets at end of year	$ 11,091,829	$ 47,071,610	$ 58,163,439

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

Sundance Institute

Statement of Activities

Year ended August 31, 2018

	2018		
	Without donor restrictions	With donor restrictionss	Total
Contribution revenue			
Corporate	$ 8,679,720	$ 5,966,645	$ 14,646,365
Foundation	4,975,208	4,609,017	9,584,225
Individual	7,499,756	852,119	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
	$ 27,283,700	$ 12,337,807	$ 39,621,507
Program Revenue			
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
	$ 14,005,304	$ -	$ 14,005,304
Other revenue, gains and losses			
Interest and dividends	271,972	-	271,972
Rental	48,600	-	48,600
Other	630,926	-	630,926
	$ 951,498	$ -	$ 951,498
Total support, revenue, gains and losses	$ 42,240,502	$ 12,337,807	$ 54,578,309
Net assets released from restrictions	7,665,395	(7,665,395)	-
Total support, revenue, gains and net assets released from restrictions	$ 49,905,897	$ 4,672,412	$ 54,578,309
Expenditures:			
Program expenses:			
Salaries and benefits	14,230,137	-	14,230,137
Operating expenses	19,573,473	-	19,573,473
Donated services and materials	3,575,523	-	3,575,523
Total program expenses	$ 37,379,133	$ -	$ 37,379,133
Supporting services expenses:			
General and administrative	7,337,144	-	7,337,144
Fundraising	3,305,196	-	3,305,196
Donated services and materials	714,406	-	714,406
Total supporting services	$ 11,356,746	$ -	$ 11,356,746
Total expenses	$ 48,735,879	$ -	$ 48,735,879
Total increase (decrease) in net assets	$ 1,170,018	$ 4,672,412	$ 5,842,430
Non-operating income and (expense)			
Interest and dividends	37,496	171,994	209,490
Realized and unrealized gains 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)
Total non-operating income	$ 143,313	$ 1,601,390	$ 1,744,703
Increase (decrease) in net assets	$ 1,313,331	$ 6,273,802	$ 7,587,133
Net assets at beginning of year	$ 9,137,746	$ 32,880,778	$ 42,018,524
Net assets at end of year	$ 10,451,077	$ 39,154,580	$ 49,605,657

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

Sundance Institute

Statements of Functional Expenses

Year ended August 31, 2019

	Program Services	Management and General	Fundraising and Development	Cost of Goods Sold	2019 Total	2018 Total
Salaries and benefits	$ 13,209,438	$ 2,287,541	$ 2,539,853	$ -	$ 18,036,832	$ 15,650,903
Payroll taxes	992,120	181,273	189,201	-	1,362,594	1,154,473
Employee benefits	1,948,400	296,974	342,288	-	2,587,662	2,294,548
Accounting fees	-	78,704	520	-	79,224	73,319
Legal fees	-	284,206	65	-	284,271	172,216
Professional services	5,395,327	1,156,355	537,827	-	7,089,509	6,327,676
Grants and other assistance	4,282,939	20,137	-	-	4,303,076	3,403,993
Advertising and promotion	457,759	119,466	18,808	-	596,033	506,240
Occupancy	2,586,438	660,280	111,434	-	3,358,152	3,217,501
Information technology	61,281	387,362	332	-	448,975	511,493
Travel	8,092,473	722,880	312,453	-	9,127,806	8,565,326
Conferences, conventions and meetings	1,024,484	92,216	68,730	-	1,185,430	1,125,667
Office expenses	2,506,591	778,228	43,484	-	3,328,303	3,356,790
Bad debt expense	46,292	-	-	-	46,292	(77,967)
Depreciation and amortization	537,386	242,656	-	-	780,042	619,263
Insurance	152,135	40,863	14,391	-	207,389	180,327
Other	1,229,334	218,669	155,373	-	1,603,376	1,654,111
Cost of direct benefits to donors	282,415	-	-	-	282,415	218,255
Cost of goods sold	-	-	-	335,045	335,045	233,089
Total expenses by function	42,804,812	7,567,810	4,334,759	335,045	55,042,426	49,187,223
Less expenses included with revenues on the statement of activities						
Cost of goods sold	-	-	-	(335,045)	(335,045)	(233,089)
Cost of direct benefits to donors	(282,415)	-	-	-	(282,415)	(218,255)
Total expenses included in the expense section on the statement of activities	$ 42,522,397	$ 7,567,810	$ 4,334,759	$ -	$ 54,424,966	$ 48,735,879

Sundance Institute

Statements of Cash Flows

Years ended August 31, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	$ 8,557,782	$ 7,587,133
Adjustment to reconcile change in net assets to cash from operating activities:		
Depreciation and amortization	780,042	619,263
Donated stock	(646,573)	(477,792)
Increase in cash value of life insurance policies	(22,887)	(21,715)
(Gain) loss on sale of assets	5,389	-
Realized and unrealized gain on investments	(60,867)	(1,642,677)
Decrease (increase) in:		
Discount on promises to give	980,900	88,549
Promises to Give	(9,449,198)	(4,272,915)
Accounts receivable	(2,075)	64,795
Prepaid expenses	76,068	(229,663)
Other assets	(23,318)	(10,614)
Increase (decrease) in:		
Accounts payable and accrued expenses	(97,358)	(763,861)
Deferred revenue	52,412	209,501
Cash flows provided (used) by operating activities	150,317	1,150,004
Cash flows from investing activities		
Purchase of property and equipment	(510,249)	(2,791,265)
Purchase of construction in progress	(528,233)	-
Purchase of investments	(25,400,652)	(23,781,481)
Proceeds from sale of investments	28,135,487	26,780,854
Cash flows provided (used) by investing activities	1,696,353	208,108
Net increase (decrease) in cash and cash equivalents	1,846,670	1,358,112
Cash and cash equivalents, beginning of period	4,921,204	3,563,092
Cash and cash equivalents, end of period	$ 6,767,874	$ 4,921,204
Noncash investing and financing activities		
Property and equipment financed with accounts payable	$ -	$ 90,000
Stock donations	$ 646,573	$ 477,792

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

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 2019 Sundance Film Festival presented 112 feature-length films, representing 33 countries and 45 first-time filmmakers. 40%, or 45, of all Feature films were directed by one or more women; 36%, or 40, were directed by one or more filmmakers of color; 13% or 15 by one or more people who identify as LGBTQIA. Additionally, the Festival showcased 73 short films and episodics along with 30 New Frontier exhibitions. These films were selected from 14,259 submissions, including 4,018 feature-length films and 9,443 short films. Of the feature film submissions, 1,767 were from the U.S. and 2,251 were international. 102 feature films at the Festival were world premieres. The Festival drew 122,313 attendees, generated $182.5 million in economic activity for the state of Utah and supported 3,052 local jobs, according to an independent third party's economic impact study released June 1, 2019.

Feature Film Program
This program advances original storytelling from distinctive voices by supporting independent filmmakers from development through distribution of their feature projects. The program was established over 35 years ago, responding to the shared conviction that independent film has the ability to catalyze far-reaching artistic and cultural impact. Through Labs, mentorship, grants, and year-round customized strategic support, we are committed to fostering self-expression, risk-taking, collaboration, and community. The program has championed the unique visions of a next generation of feature filmmakers from around the world, and has become an international model for supporting artists.

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. Established in 2002 with founding support from Open Society Foundations, the program seeks to build community, encourage excellence, ethical practice, and experimentation in form; champion under-represented voices; and support the social and cultural impact of this work upon release.

Indigenous Program
Sundance Institute's commitment to supporting Indigenous artists is woven throughout our history. Indigenous filmmakers have long been involved in the Institute, going back to Larry LittleBird (Laguna/Santo Domingo Pueblo) and Chris SpottedEagle (Houmas Nation), who participated in the first meetings founding Sundance Institute. Following president and founder Robert Redford's original vision, the Institute has remained committed to supporting the voices of Indigenous artists.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nature of Operations (Continued)

Theatre Program
The Sundance Institute Theatre Program provides a catalytic process of artistic development for independent theatre-makers in the U.S. and globally, using a range of artist-driven engagement opportunities that connect, support, and sustain artists and their projects across their careers. This program emphasizes intensive short-term interactions with creative mentors, held within the context of retreat settings removed from commercial pressures and other demands of contemporary life.

Film Music Program
The Sundance Film Music Program is unique in its dedication to aural storytelling and connecting composers and filmmakers. This program empowers composers, directors, and storytellers of all disciplines, giving them first-hand experience of the collaborative process, with the goal of nurturing the development of music in film. The Film Music program raises the profile of music in film through a Composer Lab and a series of concerts, events and panels at the Sundance Film Festival.

Catalyst
Sundance Catalyst connects culturally-engaged film investors and funders with highly-anticipated film projects and with the Sundance community. The goal is to foster a meaningful dialogue that opens new paths to production for the most promising new independent films and to create a culture where investors and filmmakers can build fertile partnerships for the long-term.

Creative Distribution
This initiative empowers filmmakers navigating the changing business of independent film. Through an array of online resources, the program provides support and insights on creative funding, marketing, and distribution.

Creative Producing
Sundance Institute has long recognized the crucial role independent producers play in finding, championing, and shaping original voices in filmmaking. Their tenacity and longevity are crucial to the quality and abundance of independent cinema, and we are committed to deepening our support. The Creative Producing Program encompasses a year-round series of Labs, Fellowships, granting and events focusing not only on nurturing the next generation of independent producers, but renewing the community of veteran producers dedicated to sustaining the vibrancy and vitality of independent film.

Episodic Program
Offering one of the few training grounds for independent voices to develop an original series and pilot script, the Sundance Institute Episodic Program provides artists from across all scripted platforms with the tools, training, and industry access to move their projects and careers forward.

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 through the Ignite Fellows Program, a competitive and year-round artist-development program supporting emerging filmmakers with a year of mentorship and program opportunities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nature of Operations (Continued)

New Frontier
New Frontier at Sundance Institute is a dynamic cutting edge, cross-programmatic initiative created to identify, foster and present independent work by creators engaged in interdisciplinary practices that innovate the art and form of story and cinematic expression at the intersection of emerging technologies. Committed to experimentation and pushing traditional boundaries, New Frontier nourishes the creation of fresh new worlds of storymaking, which spring out of the crossroads of film, art, journalism, music, performance, games, and emerging media technologies. The Labs and Residency programs at New Frontier work to identify and foster independent artists and creative technologists innovating the art and form of story at the convergence of diverse forms of creative expression; and to build a community of collaborators across diverse disciplines to push the boundaries of story.

Outreach & Inclusion
The Outreach & Inclusion Program encompasses initiatives across all programs within the organization to deepen engagement with and support of storytellers and audiences across ethnicities, genders, abilities, sexual orientations, and geographic regions. In doing so, the organization works to increase the diversity of projects submitted for consideration to all Institute programs—including labs, intensives, grants, and the Sundance Film Festival—and to inspire emerging artists to tell their stories.

Women at Sundance
In 2012, Sundance Institute launched Women at Sundance to foster gender equity for women behind the camera and forge ways for women to succeed as storytellers who shape our cultural landscape.
In our digital age, society is increasingly shaped by stories told with moving images. Diversity in media is critically important to the health of our culture because it is through media that we understand ourselves and each other. The stories that frame our lives must be inclusive of the full range of storytelling voices. As a proven artist pipeline, the American independent film sector is one place where opportunities exist to create change. Sundance Institute, whose mission is to discover, develop, and champion independent storytellers, is thus in a strategic position to make significant impact through research, artist support, and education.

Adoption of New Accounting Standard

During the year ended August 31, 2019, the Institute adopted the Accounting Standards Update (ASU) ASU-2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The ASU has been applied retrospectively to all periods presented.

The adoption of the ASU resulted in presenting net assets according to the new classifications described in the "Basis of Presentation" section below, added disclosures regarding the liquidity and availability of the Institute's financial assets (Note 5) and the addition of a statement of functional expenses for the year ended August 31, 2019 with summarized comparative totals for the year ended August 31, 2018.

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 two classes of net assets: without donor restrictions and with donor restrictions. Classification of restricted net assets is determined by the nature of any donor imposed restrictions.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

- Without donor restriction net assets represent expendable funds available for operations which are not otherwise limited by donor restrictions.

- With donor restriction 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 or require 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 assets with and without donor restriction, 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 (Engelhard) 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.

Innovation Fund – consists of contributed principal and earnings from donors with the restriction that the funds must be used to support new initiatives of the Institute.

Capital Campaign – consists of principal and earnings from donors with the restriction that the funds be used to support the Institute’s campaign efforts to construct a building in Park City, Utah as well as the Institute’s endowment.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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:

	2019	2018
Cash on deposit	$ 5,008,333	$ 4,824,967
Bonds maturing within 3 months	1,690,366	6,846
Accrued interest	69,175	89,391
Total	$ 6,767,874	$ 4,921,204

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 receivable amounts is recorded as of August 31, 2019 and 2018. 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 pledge accounts recorded was $86,325 and $60,809 as of August 31, 2019 and August 31, 2018, respectively.

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:

Assets	Useful Lives
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, 2019 and 2018.

Construction-in-progress

During the year ended August 31, 2019, Sundance Institute is in the beginning stages of a Capital Campaign to support the construction of a building in Park City, Utah and its endowment funds. A site has been identified and an option to acquire the property has been obtained. All project costs related to the development of this new facility are capitalized. Depreciation of this new facility will began when it is placed into service.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 support with donor restriction that increases those net asset classes. Net assets with donor restriction are reclassified to net assets without donor restriction 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 without donor restriction.

Advertising Costs

Advertising costs are charged to operations when incurred. Advertising expense was $509,418 and $350,017 for the fiscal years ended August 31, 2019 and 2018, respectively $252,430 and $207,169 were provided through in-kind contributions during the fiscal years ended August 31, 2019 and 2018, respectively.

Functional Allocation of Expenses

The costs of programs and supporting services have been summarized on a functional basis in the Statement of Activities and Statement of Functional Expenses. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

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, 2018 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, 2019.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments (Continued)

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.

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, 2020. Management is evaluating the impact of the Standard on the organization's financial reporting and determining the appropriate time to implement this pronouncement.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230)*. This update requires that a statement of cash flows explain the change during the period to also include restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This new guidance is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. Management is evaluating the impact of the Standard on the organization's financial reporting and determining the appropriate time to implement this pronouncement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

In June 2018, the FASB issued ASU 2018-08, *Not-for Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update was made in response to ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The purpose of this update is to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The update is effective for fiscal years beginning after December 15, 2018. The amendments in this update should be applied on a modified prospective basis. Management is evaluating the impact of the Standard on the organization's financial reporting and determining the appropriate time to implement this pronouncement.

Reclassification

Certain amounts in prior year financials were reclassified to match the current year presentation. This reclassification did not have an impact on the change in net assets for the year ended August 31, 2019.

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%. Promises to give includes $12,366,537 net Capital Campaign and $948,336 net Innovation Fund pledges received for the Institute's Capital Campaign, which began during fiscal year 2019.

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

	2019	2018
Included in current promises to give are the following:		
Promises to give	$ 14,871,096	$ 11,359,229
Less allowance	(86,325)	(60,809)
Net current promises to give	14,784,771	11,298,420
Included in noncurrent promises to give are the following:		
Promises to give	$ 7,976,500	$ 2,013,653
Less discount	(1,238,204)	(257,303)
Net noncurrent promises to give	$ 6,738,296	$ 1,756,350
Amounts due in:		
Less than one year	$ 9,276,693	$ 8,889,009
One to five years	13,570,903	4,483,873
Less allowance	(86,325)	(60,809)
Less discount	(1,238,204)	(257,303)
	$ 21,523,067	$ 13,054,770

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.

In July 2019 the Institute received a $3 million irrevocable bequest from a donor that upon future receipt will be used to establish a new endowment fund for the support of female artists.

In June 2019 the Institute received a Capital Campaign pledge of $5,000,000 from a donor which is partially conditional upon the groundbreaking of the new building.

In 2019 the Institute received two pledges that are conditional upon the amounts raised for the capital campaign. A donor pledged $2.5 million over five years. Another donor pledged $5 million over ten years.

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:

	2019 Estimated fair value	2018 Estimated fair value
Program		
Film Festival	$ 2,729,713	$ 2,490,988
Feature Film	689,571	586,158
Theatre	151,021	77,250
Documentary	71,575	46,951
Film Music	181,882	177,608
General and Administrative	319,716	704,025
Advancement	17,742	10,381
Native Initiative	29,880	13,575
Other	238,347	182,993
Total donated services and materials	$ 4,429,447	$ 4,289,929

Donated services included legal services and independent contractor services used for its annual Sundance Film Festival along with its labs across various programs.

5. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2019	2018
Cash and short-term investments	$ 13,508,219	13,811,539
Accounts receivable	84,795	82,720
Short-term promises to give, net	1,035,038	893,949
Total financial assets	14,628,052	14,788,208
Endowment Fund:		
Board budgeted draw in FY 2020 from endowment assets	1,100,000	965,000
Financial assets available to meet general expenditures within the next twelve months	$ 15,728,052	15,753,208

The financial assets available to meet general expenditures within the next twelve months represents 29% of the operating budget for fiscal year 2020. The remaining portion of the budget will be provided by the net assets with donor restrictions already held by the Institute that are estimated to be released from assets with donor restrictions and additional unrestricted donations in fiscal year 2020. As part of the Institute's liquidity management plan, it invests cash in excess of monthly operating requirements in short-term investments. The Institute has a $3.5 million line of credit available for its short term needs. This line of credit had a zero balance as of August 31, 2019 and 2018.

The Institute's annual endowment draw is approved by the Finance Committee and cannot exceed 5% in a given year, computed using the lessor of a three year rolling average or a 12 month value with the same effective ending date.

Sundance Institute is in the beginning stages of a Capital Campaign to support the construction of a building in Park City, Utah and its endowment funds.

6. PROPERTY AND EQUIPMENT, NET

Depreciation and amortization expense was $780,042 and $619,263 for the years ended August 31, 2019 and 2018, respectively.

	2019	2018
Leasehold improvements	$ 1,758,274	$ 1,552,252
Office equipment	122,197	142,915
Furniture & Fixtures	5,215	5,215
Production equipment	1,096,204	1,141,699
Projection equipment	1,930,612	1,991,012
Software	1,357,779	1,059,528
Tech equipment	507,406	597,317
Total property and equipment	6,777,687	6,489,938
Accumulated depreciation and amortization	(3,997,722)	(3,434,790)
Net property and equipment	$ 2,779,965	$ 3,055,148

7. OTHER ASSETS

Other assets consist of the following at August 31:

	2019	2018
Operating fund:		
Deposits	$ 121,795	$ 122,053
Work of art	125,000	125,000
Merchandise inventory	34,410	10,834
Cash surrender value of donated life insurance policies	436,273	413,386
Construction in process	528,234	
Total other assets	$ 1,245,712	$ 671,273

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

8. INVESTMENTS

Investments consist of the following at August 31:

	2019	2018
Fixed income securities	$ 7,967,207	$ 8,962,597
Mutual funds – bonds	1,406,698	1,105,837
Mutual funds – equities	6,880,382	7,998,522
Alternative investments	14,398,908	14,613,634
Total Investments	$ 30,653,195	$ 32,680,590

Investment returns for the year ended August 31, 2019 are summarized as follows:

	Without donor restrictions	With donor restrictions	Total
Interest and dividends	$ 456,303	$ 183,134	$ 639,437
Realized and unrealized gains	15,822	45,045	60,867
Total investment return	472,125	228,179	700,304
Less: Management fees	(129,997)	-	(129,997)
Non-operating investment return	$ 342,128	$ 228,179	$ 570,307

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

	Without donor restrictions	With donor restrictions	Total
Interest and dividends	$ 309,468	$ 171,994	$ 481,462
Realized and unrealized gains	105,817	1,536,860	1,642,677
Total investment return	415,285	1,708,854	2,124,139
Less: Management fees	(129,179)	-	(129,179)
Non-operating investment return	$ 286,106	$ 1,708,854	$ 1,994,960

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.

9. 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, 2019. 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, 2019 are as follows:

9. FAIR VALUE MEASUREMENTS (Continued)

		Quoted Prices In Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)		Balance as of August 31, 2019
Cash equivalents	$	1,690,366	$	-	$	-	$	1,690,366
Fixed income securities		7,967,207		-		-		7,967,207
Mutual funds – bonds		1,406,698		-		-		1,406,698
Mutual funds – equities		6,880,382		-		-		6,880,382
Alternative investment		-		-		14,398,908		14,398,908
Total	$	17,944,653	$	-	$	14,398,908	$	32,343,561

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

		Quoted Prices In Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)		Balance as of August 31, 2018
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	$	18,073,802	$	-	$	14,613,634	$	32,687,436

The Company invests in SCS Opportunities Fund, Ltd., SCS Special Situations Fund, Ltd., Multi-Sector Credit Offshore, Ltd., US Public Equity, LLC and International Public Equity, 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, 2019 and 2018 are summarized as follows:

		2019		2018
Balance, beginning of year	$	14,613,634	$	12,280,173
Sales		(298,617)		(741,308)
Purchases		-		2,000,000
Unrealized gain		83,891		1,074,769
Balance, end of year	$	14,398,908	$	14,613,634

9. FAIR VALUE MEASUREMENTS (Continued)

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, 2018, 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, 2019.

10. LINE OF CREDIT AND LETTER OF CREDIT

On January 31, 2019, the Institute renewed a $3.5 million unsecured, nondisclosable revolving credit facility (the "Credit Facility") with a term of two years that will expire on January 31, 2021 with Zions Bank. The Credit Facility may be used to provide for the Institute's 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, 2019, there were no drawdowns on the loan.

On July 31, 2019, 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.

11. 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, 2019 and 2018, the deferred rent liability (which is included with accrued expenses on the Statement of Financial Position) was $489,123 and $481,235, 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 $4,526,475 and $3,935,598 for the fiscal years ended August 31, 2019 and 2018, respectively:

Future commitments as of August 31, 2019 are as follows:

11. COMMITMENTS (Continued)

Years Ending August 31,	Office Space	Film Festival	Total
2020	$ 862,452	$ 1,786,803	$ 2,649,255
2021	862,452	1,372,369	2,234,821
2022	750,384	1,012,020	1,762,404
2023	149,178	623,989	773,167
2024	24,863	531,148	556,011
Later years	-	-	-
	$ 2,649,329	$ 5,326,329	$ 7,975,658

Other commitments include employment contracts the Institute has entered into with key executives. The first provides a severance payment up to one-time annual salary if employment is terminated before March 10, 2020. The second provides a severance payment up to 32 weeks of annual salary if employment is terminated before August 31, 2021.

12. PROGRAM EXPENSES

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

	2019	2018
Film Festival	$ 21,467,520	$ 19,891,177
Feature Film	3,928,327	3,717,428
Theatre	2,236,756	1,970,045
Documentary	5,613,373	4,786,385
Film Music	687,028	706,910
Native Program	724,511	708,992
Other	7,864,881	5,598,196
Total program expenses	$ 42,522,397	$ 37,379,133

13. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions represent contributions received which are either time or purpose restricted. The following is a schedule of net assets with donor restrictions as of August 31:

13. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

	2019	2018
Time restricted pledges	$ 5,006,179	$ 5,840,159
Restricted endowment funds	21,774,841	22,619,590
Innovation funds	948,336	-
Capital campaign	11,181,856	-
Film festival	3,193,859	5,160,321
Feature film	475,211	206,833
Theatre	-	-
Diversity & outreach	1,426,056	2,194,739
Documentary	3,065,272	3,132,938
Total with donor restricted net assets	$ 47,071,610	$ 39,154,580

14. 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, 2019 and 2018, the Institute contributed $848,372 and $778,363, respectively, to the plan.

15. RELATED PARTY TRANSACTIONS

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

<u>Sundance Catalog</u>
Sundance Catalog provides In-Kind donations of storage space and furniture used for events valued at $63,250 and $0 for the years ended August 31, 2019 and 2018, respectively.

<u>Sundance Group</u>
Sundance Group provides travel and security for Mr. Redford during the Film Festival. Expenses related to these services were $3,279 and $4,882 for the years ended August 31, 2019 and 2018 respectively. The Institute had no payables due to Sundance Group for the years ended August 31, 2019 and 2018, respectively.

<u>SundanceNOW</u>
In 2018 SundanceNOW entered into an Institute Associate agreement for $85,000. This agreement was not renewed in 2019.

<u>Sundance Partners</u>
Sundance Partners provides catering and lodging at the Sundance Resort during the Institute's summer program activities. Expenses related to these services were $1,336,185 and $1,184,308 for the years ended

15. RELATED PARTY TRANSACTIONS (Continued)

August 31, 2019 and 2018 respectively. The Institute had payables due to Sundance Partners of $191,869 and $7,042 for the years ended August 31, 2019 and 2018, respectively.

Sundance TV
In September 2017, 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 2019-2021 Sundance Film Festival. The annual scheduled payment is $816,400 for 2019. The pledge receivable balance for this agreement was $1,765,873 and $2,582,273 as of August 31, 2019 and 2018, respectively.

In December 2018, AMC Networks on behalf of SundanceTV signed a two year Episodic Story Initiative Supporter Agreement. The annual scheduled payment is $60,000 for 2019. The pledge receivable balance for this agreement was $60,000 and $0 as of August 31, 2019 and 2018, respectively.

Kenneth Cole Productions
In January 2019 Kenneth Cole Productions made an in-kind donation of staff and volunteer jackets valued at $113,000 and $109,750 for the years ended August 31, 2019 and 2018 respectively.

Board of Trustees
The Institute received contributions of $2,560,902 and $1,412,917 from members of the Institute's Board of Trustees (the "Board") for the years ended August 31, 2019 and 2018, respectively.

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.

16. 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 41% and 42% of total promises to give at August 31, 2019 and 2018, respectively.

17. 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.

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, 2019:

	Without donor restrictions	With donor restrictions	Total
Donor-restricted:			
Core (General)	$ -	$ 9,706,402	$ 9,706,402
Core (Ford)	-	3,792,059	3,792,059
Theatre (Duke)	-	6,144,316	6,144,316
Documentary (Engelhard)	-	2,132,064	2,132,064
	-	21,774,841	21,774,841
Board-designated endowment funds	1,643,019	-	1,643,019
Total endowment net assets	$ 1,643,019	$ 21,774,841	$ 23,417,860

17. ENDOWMENT (Continued)

Changes in endowment net assets for the fiscal year ended August 31, 2019:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	$ 1,606,429	$ 22,619,590	$ 24,226,019
Investment income	35,378	183,134	218,512
Net appreciation (realized and unrealized)	10,664	45,045	55,709
Contributions and net appreciation in life insurance	-	22,887	22,887
Appropriation of endowment assets for expenditures	(9,452)	(1,095,815)	(1,105,267)
Endowment net assets, end of year	$ 1,643,019	$ 21,774,841	$ 23,417,860

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

	Without donor restrictions	With donor restrictions	Total
Donor-restricted:			
Core (General)	$ -	$ 10,056,598	$ 10,056,598
Core (Ford)	-	3,948,234	3,948,234
Theatre (Duke)	-	6,395,931	6,395,931
Documentary (Engelhard)	-	2,218,827	2,218,827
	-	22,619,590	22,619,590
Board-designated endowment funds	1,606,429	-	1,606,429
Total endowment net assets	$ 1,606,429	$ 22,619,590	$ 24,226,019

17. ENDOWMENT (Continued)

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

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	$ 1,473,296	$ 21,218,200	$ 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	(11,370)	(429,179)	(440,549)
Endowment net assets, end of year	$ 1,606,429	$ 22,619,590	$ 24,226,019

Description of amounts classified as net assets with donor restrictions are as follows:

	2019	2018
The portion of perpetual endowment funds that is required to be retained permanently either by donor stipulation or by UPMIFA	$ 10,537,442	$ 10,514,555
The portion of perpetual endowment funds subject to a time restriction under UPMIFA:		
Without purpose restrictions	6,983,906	7,490,277
With purpose restrictions	4,253,493	4,614,758
Total endowment funds with donor restrictions	$ 21,774,841	$ 22,619,590

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 net assets without donor restrictions. As of August 31, 2019 and 2018, there were no deficiencies.

17. ENDOWMENT (Continued)

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.

18. SUBSEQUENT EVENTS

The Institute entered into a lease for its Park City, Utah offices, which commenced on September 1, 2019 that will expire on August 31, 2024. Total rent will be $375,929 per year with an annual rent escalation of 2.5% on the anniversary of the commencement date. The lease terms provide for two 5-year extensions at the Institute's election.

Management has evaluated subsequent events for the period after August 31, 2019 through November 19, 2019, the date the financial statements were available to be issued. No other subsequent events were noted that would warrant additional disclosures.