

Sundance Institute

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the Years Ended August 31, 2020 and 2019



Sundance Institute

CONTENTS

	<u>Page</u>
Independent Auditor's Report.....	1
Financial Statements:	
Statements of Financial Position	3
Statement of Activities 2020	4
Statement of Activities 2019	5
Statements of Functional Expenses.....	6-7
Statements of Cash Flows	8
Notes to Financial Statements	9-34



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, 2020 and 2019, and the related statements of activities and cash flows for the years then ended, the statement of functional expenses for the years ended August 31, 2020 and 2019, 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, 2020 and 2019, 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.

A handwritten signature in black ink that reads "Larson & Company P.C." in a cursive script.

Salt Lake City, Utah
November 20, 2020

Larson & Company
11240 South River Heights Drive, Suite 300, Salt Lake City, UT 84095
Main: (801) 313-1900 | Fax: (801) 313-1912
www.larsco.com

Member of
CPAmerica
Member  Crowe Global

FINANCIAL STATEMENTS

Sundance Institute
 Statements of Financial Position
 August 31, 2020 and 2019

<u>ASSETS</u>	2020	2019
Cash and cash equivalents	\$ 16,895,314	\$ 6,767,874
Investments	27,057,244	30,653,195
Short-term promises to give, net	18,696,627	14,784,771
Accounts receivable, net	8,747	84,795
Prepaid expenses	569,580	842,739
Property and equipment, net	2,717,831	2,779,965
Long-term promises to give, net	5,879,195	6,738,296
Other assets	1,797,736	1,245,712
Total assets	\$ 73,622,274	\$ 63,897,347
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts payable and accrued expenses	\$ 4,207,475	\$ 4,373,868
Deferred revenue	945,393	1,360,040
Paycheck protection program loan	2,993,400	-
Total liabilities	\$ 8,146,268	\$ 5,733,908
Without donor restrictions		
Operations	11,005,503	9,448,810
Board designated endowment funds	1,875,604	1,643,019
Total without donor restrictions	\$ 12,881,107	\$ 11,091,829
With donor restrictions		
Operations	16,967,405	13,166,577
Core (General) endowment	9,933,073	9,706,402
Core (Ford) endowment	3,877,650	3,792,059
Theatre (Duke) endowment	6,282,212	6,144,316
Documentary (Engelhard) endowment	2,179,614	2,132,064
Innovation fund	949,598	948,336
Capital campaign	12,405,347	11,181,856
Total with donor restrictions	\$ 52,594,899	\$ 47,071,610
Total net assets	\$ 65,476,006	\$ 58,163,439
Total liabilities and net assets	\$ 73,622,274	\$ 63,897,347

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

Sundance Institute
Statement of Activities
Year ended August 31, 2020

	2020		
	Without donor restrictions	With donor restrictions	Total
Contribution revenue			
Corporate	\$ 8,997,110	\$ 4,553,829	\$ 13,550,939
Foundation	3,980,417	6,387,003	10,367,420
Individual	7,464,821	2,562,613	10,027,434
Government	1,931,550	1,870,462	3,802,012
Special Events	997,671	-	997,671
Less: costs of direct benefit to donors	(174,474)	-	(174,474)
Donated services and materials	4,210,580	-	4,210,580
	<u>\$ 27,407,675</u>	<u>\$ 15,373,907</u>	<u>\$ 42,781,582</u>
Program Revenue			
Box office and admissions	13,290,040	-	13,290,040
Merchandise	511,790	-	511,790
Submission	1,145,792	-	1,145,792
Collab	513,414	-	513,414
Contract services	424,000	-	424,000
	<u>\$ 15,885,036</u>	<u>\$ -</u>	<u>\$ 15,885,036</u>
Other revenue, gains and losses			
Interest and dividends	233,015	-	233,015
Rental	6,500	-	6,500
Other	464,191	-	464,191
	<u>\$ 703,706</u>	<u>\$ -</u>	<u>\$ 703,706</u>
Total support, revenue, gains and losses	<u>\$ 43,996,417</u>	<u>\$ 15,373,907</u>	<u>\$ 59,370,324</u>
Net assets released from restrictions	11,106,809	(11,106,809)	-
Total support, revenue, gains and net assets released from restrictions	<u>\$ 55,103,226</u>	<u>\$ 4,267,098</u>	<u>\$ 59,370,324</u>
Expenditures:			
Program expenses:			
Salaries and benefits	16,379,555	-	16,379,555
Operating expenses	21,423,690	-	21,423,690
Donated services and materials	3,603,104	-	3,603,104
	<u>\$ 41,406,349</u>	<u>\$ -</u>	<u>\$ 41,406,349</u>
Supporting services expenses:			
General and administrative	6,568,933	-	6,568,933
Fundraising	4,972,380	-	4,972,380
Donated services and materials	607,476	-	607,476
	<u>\$ 12,148,789</u>	<u>\$ -</u>	<u>\$ 12,148,789</u>
Total expenses	<u>\$ 53,555,138</u>	<u>\$ -</u>	<u>\$ 53,555,138</u>
Total increase (decrease) in net assets	<u>\$ 1,548,088</u>	<u>\$ 4,267,098</u>	<u>\$ 5,815,186</u>
Non-operating income and (expense)			
Interest and dividends	31,929	176,529	208,458
Realized and unrealized losses on long-term investments	209,261	1,186,277	1,395,538
Net assets released from restrictions	128,820	(128,820)	-
Net appreciation in life insurance	-	22,205	22,205
Long-term investment management fees	(128,820)	-	(128,820)
Total non-operating income	<u>\$ 241,190</u>	<u>\$ 1,256,191</u>	<u>\$ 1,497,381</u>
Increase (decrease) in net assets	<u>\$ 1,789,278</u>	<u>\$ 5,523,289</u>	<u>\$ 7,312,567</u>
Net assets at beginning of year	<u>\$ 11,091,829</u>	<u>\$ 47,071,610</u>	<u>\$ 58,163,439</u>
Net assets at end of year	<u>\$ 12,881,107</u>	<u>\$ 52,594,899</u>	<u>\$ 65,476,006</u>

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 restrictions	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
	<u>\$ 24,545,730</u>	<u>\$ 21,893,868</u>	<u>\$ 46,439,598</u>
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
	<u>\$ 15,378,893</u>	<u>\$ -</u>	<u>\$ 15,378,893</u>
Other revenue, gains and losses			
Interest and dividends	416,949	-	416,949
Rental	129,600	-	129,600
Other	446,852	-	446,852
	<u>\$ 993,401</u>	<u>\$ -</u>	<u>\$ 993,401</u>
Total support, revenue, gains and losses	<u>\$ 40,918,024</u>	<u>\$ 21,893,868</u>	<u>\$ 62,811,892</u>
Net assets released from restrictions	14,097,907	(14,097,907)	-
Total support, revenue, gains and net assets released from restrictions	<u>\$ 55,015,931</u>	<u>\$ 7,795,961</u>	<u>\$ 62,811,892</u>
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
	<u>\$ 42,522,397</u>	<u>\$ -</u>	<u>\$ 42,522,397</u>
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
	<u>\$ 11,902,569</u>	<u>\$ -</u>	<u>\$ 11,902,569</u>
Total expenses	<u>\$ 54,424,966</u>	<u>\$ -</u>	<u>\$ 54,424,966</u>
Total increase (decrease) in net assets	<u>\$ 590,965</u>	<u>\$ 7,795,961</u>	<u>\$ 8,386,926</u>
Non-operating income and (expense)			
Interest and dividends	39,354	183,134	222,488
Realized and unrealized gains 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)
	<u>\$ 49,787</u>	<u>\$ 121,069</u>	<u>\$ 170,856</u>
Increase (decrease) in net assets	<u>\$ 640,752</u>	<u>\$ 7,917,030</u>	<u>\$ 8,557,782</u>
Net assets at beginning of year	<u>\$ 10,451,077</u>	<u>\$ 39,154,580</u>	<u>\$ 49,605,657</u>
Net assets at end of year	<u>\$ 11,091,829</u>	<u>\$ 47,071,610</u>	<u>\$ 58,163,439</u>

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

Sundance Institute
Statement of Functional Expenses
Year ended August 31, 2020

	Program Services	Management and General	Fundraising and Development	Cost of Goods Sold	2020 Total
Salaries and benefits	\$ 13,868,126	\$ 1,907,350	\$ 3,135,837	-	\$ 18,911,313
Payroll taxes	1,041,888	140,625	225,651	-	1,408,164
Employee benefits	1,937,347	281,724	442,713	-	2,661,784
Accounting fees	6	92,739	(520)	-	92,225
Legal fees	53,960	186,297	-	-	240,257
Professional services	6,636,118	1,602,971	422,192	-	8,661,281
Grants and other assistance	3,992,247	16,265	-	-	4,008,512
Advertising and promotion	550,419	140,523	22,233	-	713,175
Occupancy	2,717,030	694,024	186,525	-	3,597,579
Information technology	223,376	615,497	120	-	838,993
Travel	5,479,901	403,760	192,206	-	6,075,867
Conferences, conventions and meetings	823,509	20,655	120,022	-	964,186
Office expenses	1,938,273	465,159	92,844	-	2,496,276
Bad debt expense	252,182	69,500	131,469	-	453,151
Depreciation and amortization	605,523	209,473	-	-	814,996
Interest	-	12,056	-	-	12,056
Insurance	167,279	40,140	15,613	-	223,032
Other	1,119,165	141,365	121,761	-	1,382,291
Cost of direct benefits to donors	(174,474)	-	-	-	(174,474)
Cost of goods sold	-	-	-	282,153	282,153
Total expenses by function	41,231,875	7,040,123	5,108,666	282,153	53,662,817
Less expenses included with revenues on the statement of activities					
Cost of goods sold	-	-	-	(282,153)	(282,153)
Cost of direct benefits to donors	174,474	-	-	-	174,474
Total expenses included in the expense section on the statement of activities	\$ 41,406,349	\$ 7,040,123	\$ 5,108,666	\$ -	\$ 53,555,138

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

Sundance Institute
Statement of Functional Expenses
Year ended August 31, 2019

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

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

Sundance Institute
 Statements of Cash Flows
 Years ended August 31, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 7,312,567	\$ 8,557,782
Adjustment to reconcile change in net assets to cash from operating activities:		
Depreciation and amortization	814,996	780,042
Donated stock	(555,384)	(646,573)
Increase in cash value of life insurance policies	(22,205)	(22,887)
(Gain) loss on sale of assets	-	5,389
Realized and unrealized gain on investments	(1,395,537)	(60,867)
Decrease (increase) in:		
Discount on promises to give	(10,283)	980,900
Promises to Give	(3,042,472)	(9,449,198)
Accounts receivable	76,048	(2,075)
Prepaid expenses	273,159	76,068
Other assets	2,547	(23,318)
Increase (decrease) in:		
Accounts payable and accrued expenses	(166,393)	(97,358)
Deferred revenue	(414,647)	52,412
Cash flows provided (used) by operating activities	2,872,396	150,317
 Cash flows from investing activities		
Purchase of property and equipment	(752,862)	(510,249)
Purchase of construction in progress	(554,571)	(528,233)
Purchase of investments	(40,687,070)	(25,400,652)
Proceeds from sale of investments	46,256,147	28,135,487
Cash flows provided (used) by investing activities	4,261,644	1,696,353
 Cash flows from financing activities		
Increase in paycheck protection program loan	2,993,400	-
Cash flows provided (used) by financing activities	2,993,400	-
 Net increase (decrease) in cash and cash equivalents	10,127,440	1,846,670
Cash and cash equivalents, beginning of period	6,767,874	4,921,204
Cash and cash equivalents, end of period	\$ 16,895,314	\$ 6,767,874
 Noncash investing and financing activities		
Property and equipment financed with accounts payable	\$ -	\$ -
Stock donations	\$ 555,384	\$ 646,573

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

Sundance Institute
NOTES TO FINANCIAL STATEMENTS
August 31, 2020 and 2019

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 makers, 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 2020 Sundance Film Festival presented 118 feature-length films, representing 27 countries and 44 first-time filmmakers. Of the 65 directors in all four competition categories, comprising 56 films, 46% were women, 38% were people of color, and 12% were LGBTQ+. In the U.S. Dramatic Competition, 47% of the directors were women; 53% were people of color; 5% were LGBTQ+. In this year's U.S. Documentary Competition, 45% were women; 23% were people of color; 23% were LGBTQ+. 44%, or 52, of all films were directed by one or more women; 34%, or 40, were directed by one or more filmmakers of color; 15% or 18 by one or more people who identify as LGBTQ+. 23 films were supported by Sundance Institute in development, whether through direct granting or residency Labs. 107 of the Festival's feature films, or 91% of the lineup were world premieres. Additionally, the Festival showcased 74 short films and episodics along with 27 New Frontier exhibitions. These films were selected from 15,100 submissions, including 3,853 feature-length films and 10,397 short films. Of the feature film submissions, 1,698 were from the U.S. and 2,155 were international. The Festival drew 116,800 attendees, generated \$167.5 million in economic activity for the state of Utah and supported 2,730 local jobs, according to an independent third party's economic impact study released June 2020.

Feature Film Program

This program has supported and championed many of the leading independent filmmakers of the past 35 years whose distinctive, singular films have engaged audiences internationally. It embraces the discovery and development of independent filmmakers from the U.S. and around the world, encouraging a rigorous creative process with a focus on original and deeply resonant Storytelling. Over the years, the Feature Film Program has evolved to provide in-depth and year-round support to a next generation of filmmakers from development through distribution and has become a global model for supporting artists around the world. The program provides support to fiction feature writers, directors, writer/directors, or writer/director teams through Labs, along with year round mentorships, grants and customized strategic support, the program works to foster self-expression, risk-taking, collaboration, and community.

Sundance Institute
NOTES TO FINANCIAL STATEMENTS
August 31, 2020 and 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nature of Operations (Continued)

Documentary Film Program

This program supports nonfiction filmmakers worldwide in the production of cinematic documentaries on contemporary themes. Established in 2002, the program is a vibrant global resource for independent nonfiction storytelling that invests through its Documentary Fund to support the work of nonfiction filmmakers from around the globe. In a changing media landscape, the fund has been a stable, progressive force in supporting work that has expressed the world in creative, complex, beautiful, and provocative ways, and has created real cultural and social impact around some of the most pressing issues of our time. The Documentary Film Program also provides creative labs through unique residential workshops that bring together a world-class community of directors, editors, and producers dedicated to bold, courageous nonfiction storytelling.

Indigenous Program

Sundance Institute's commitment to supporting Indigenous artists is woven throughout our history. The Indigenous Program has built and sustained an indigenous film circle, which now spans over three generations. The cycle of work begins by scouting for and identifying indigenous artists, bringing them to Labs, along with year round mentorships, grants and customized strategic support to get their work made and shown, then taking the filmmakers and their work back to native lands. The Native Filmmakers Lab has been a vital part of supporting indigenous filmmakers since 2004.

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

Each year, the invitation-only Catalyst Forum introduces prospective financiers to a slate of 10 to 12 top-notch, Sundance Institute-supported documentary and fiction projects seeking financing. Through project presentations, individually scheduled meetings, and informal social gatherings, investors interface directly with filmmakers, top advisors, and Institute program leadership.

Creative Producing

This initiative encompasses a year-round series of labs, fellowships, and events focusing on nurturing the next generation of independent producers and renewing the community of veteran producers dedicated to sustaining the vibrancy and vitality of independent film.

Sundance Institute
NOTES TO FINANCIAL STATEMENTS
August 31, 2020 and 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nature of Operations (Continued)

Episodic Program

Over the past six years, we have witnessed an explosion in the opportunities available for writers developing episodic content for cable and online platforms. We have seen audiences and critics embrace the bold vision and complex characters that are thriving in cable drama and comedy. The internet has become both a place to pilot stories for traditional media and to create entertainment content for the growing audience watching on mobile devices.

Ignite

Sundance Ignite is a program designed to inspire a new generation of audience members and film artists around the power of storytelling. The program offers individuals ages 18 to 24 the Ignite Ticket Package, an exclusive chance to see the newest films at the Sundance Film Festival and the Sundance Ignite x Adobe Fellowship Program, a competitive and year-round Festival and industry experience.

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 builds upon the Institute's commitment to support and celebrate voices from historically underrepresented communities across all of the Institute's artistic disciplines. Through our Knight-supported regional sessions and Intensives, the Momentum Fellowship for midcareer artists, and the Launch Grant for first-time feature filmmakers, this program nurtures storytellers from historically marginalized ethnicities, abilities, genders, regions, and orientations in bespoke and customized engagement.

Women at Sundance

Women at Sundance is dedicated to creating gender equity in American media and innovating ways for women to succeed as storytellers who shape our cultural landscape. We support women filmmakers to grow and sustain their careers through a yearlong fellowship program, an annual financing intensive, and community events throughout the year. We collaborate in the field to activate systemic change through ReFrame, a project that partners with Women in Film Los Angeles and industry insiders to forge gender parity at every level in film, TV, and media.

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.

Sundance Institute
NOTES TO FINANCIAL STATEMENTS
August 31, 2020 and 2019

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.

Sundance Institute
NOTES TO FINANCIAL STATEMENTS
August 31, 2020 and 2019

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:

	<u>2020</u>	<u>2019</u>
Cash on deposit	\$ 7,537,009	\$ 5,008,333
Government money market funds	9,346,467	1,690,366
Accrued interest	11,838	69,175
Total	<u>\$ 16,895,314</u>	<u>\$ 6,767,874</u>

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, 2020 and 2019. 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.

Sundance Institute
NOTES TO FINANCIAL STATEMENTS
August 31, 2020 and 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Promises to Give (Continued)

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 \$316,325 and \$86,325 as of August 31, 2020 and August 31, 2019, respectively.

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*. FASB 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, 2020 and 2019.

Sundance Institute
NOTES TO FINANCIAL STATEMENTS
August 31, 2020 and 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Construction-in-progress

During the year ended August 31, 2019, Sundance Institute launched a Capital Campaign to support the construction of a building in Park City, Utah. 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 and recorded as part of other assets. Depreciation of this new facility will begin when it is placed into service.

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 \$518,809 and \$509,418 for the fiscal years ended August 31, 2020 and 2019, respectively. \$326,276 and \$252,430 were provided through in-kind contributions during the fiscal years ended August 31, 2020 and 2019, 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.

Sundance Institute
NOTES TO FINANCIAL STATEMENTS
August 31, 2020 and 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. FASB 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 FASB 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, 2020.

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. FASB 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.

Sundance Institute
NOTES TO FINANCIAL STATEMENTS
August 31, 2020 and 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments (Continued)

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

Adoption of New Accounting Standards

During the year ended August 31, 2020, the Institute adopted ASU 2018-09, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update provide a more robust framework for determining whether a transaction should be accounted for as a contribution or an exchange transaction. No change in the Institute's revenue recognition methods were needed as a result of adopting this standard.

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*. The new standard will be effective beginning September 1, 2021. 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 adoption of this standard is not expected to have a material impact on the financial statements of the Institute.

Sundance Institute
NOTES TO FINANCIAL STATEMENTS
August 31, 2020 and 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

In March 2016, the FASB issued Accounting Standards Update 2016-02, *Leases*, which requires all leases that have a term of more than 12 months to be recognized as assets and liabilities on the balance sheet at inception. This new guidance is effective for fiscal years beginning after December 15, 2021. 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. Management is evaluating the impact of the Standard on the organization's financial reporting and determining the appropriate time to implement this pronouncement.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which increases the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure requirements. This new guidance is effective for fiscal years beginning after June 15, 2021. The amendments in this updated guidance require organizations to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. Additionally, organizations are required to enhance disclosures by disaggregating the amount of nonfinancial assets recognized within the statement of activities by type of contributed nonfinancial asset and providing additional qualitative information for each disaggregated category. The Organization is currently in the process of evaluating the impacts this update will have on the presentation of its financial statements.

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%. In fiscal year 2019 the Institute began a multi-year Capital Campaign. Promises to give include \$9,343,081 net Capital Campaign and \$548,336 net Innovation Fund pledges received for the fiscal year ended August 31, 2020 and \$12,366,537 net Capital Campaign and \$948,336 net Innovation Fund pledges for the fiscal year ending August 31, 2019.

Sundance Institute
NOTES TO FINANCIAL STATEMENTS
August 31, 2020 and 2019

2. PROMISES TO GIVE (Continued)

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

	<u>2020</u>	<u>2019</u>
Included in current promises to give are the following:		
Promises to give	\$ 19,012,952	\$ 14,871,096
Less allowance	<u>(316,325)</u>	<u>(86,325)</u>
Net current promises to give	<u><u>18,696,627</u></u>	<u><u>14,784,771</u></u>
Included in noncurrent promises to give are the following:		
Promises to give	\$ 7,107,116	\$ 7,976,500
Less discount	<u>(1,227,921)</u>	<u>(1,238,204)</u>
Net noncurrent promises to give	<u><u>\$ 5,879,195</u></u>	<u><u>\$ 6,738,296</u></u>
Amounts due in:		
Less than one year	\$ 14,330,028	\$ 9,276,693
One to five years	11,790,040	13,570,903
Less allowance	(316,325)	(86,325)
Less discount	<u>(1,227,921)</u>	<u>(1,238,204)</u>
	<u><u>\$ 24,575,822</u></u>	<u><u>\$ 21,523,067</u></u>

3. CONDITIONAL PLEDGES

Park City Municipal Corporation has a long term Master Festival License Agreement allowing the Institute to produce the Sundance Film Festival in Park City. The agreement expires in 2026 with an automatic renewal of an additional 1 year.

In July 2019 the Institute received a \$3 million irrevocable bequest as part of its Capital Campaign 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. The net outstanding pledge as of August 31, 2020 was \$4,500,000.

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, and as of August 31, 2020 the net outstanding balance of this pledge was \$1,250,000. Another donor pledged \$5 million over ten years, and as of August 31, 2020 the net outstanding balance of this pledge was \$4,000,000.

In 2020 the Institute received a pledge that is conditional upon matching funds being raised relating to the documentary film program. The pledge was for a total of \$5 million over 5 years. Of the total pledge amount, \$1,250,500 remains as conditional upon matching funds being raised.

Sundance Institute
NOTES TO FINANCIAL STATEMENTS
August 31, 2020 and 2019

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:

	2020	2019
	Estimated fair value	Estimated fair value
	<u> </u>	<u> </u>
Program		
Film Festival	\$ 3,211,918	\$ 2,729,713
Feature Film	72,721	689,571
Theatre	78,932	151,021
Documentary	8,805	71,575
Film Music	25,091	181,882
General and Administrative	471,191	319,716
Advancement	136,285	17,742
Indigenous	23,000	29,880
Other	182,637	238,347
	<u> </u>	<u> </u>
Total donated services and materials	\$ <u>4,210,580</u>	\$ <u>4,429,447</u>

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

Sundance Institute
NOTES TO FINANCIAL STATEMENTS
August 31, 2020 and 2019

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:

	<u>2020</u>	<u>2019</u>
Cash and short-term investments	\$ 16,895,314	13,508,219
Accounts receivable	8,747	84,795
Short-term promises to give, net	<u>504,810</u>	<u>1,035,038</u>
Total financial assets	17,408,871	14,628,052

Endowment Fund:

Board budgeted draw in FY 2020 from endowment assets	<u>750,000</u>	<u>1,100,000</u>
--	----------------	------------------

Financial assets available to meet general expenditures within the next twelve months	<u>\$ 18,158,871</u>	<u>15,728,052</u>
---	----------------------	-------------------

The financial assets available to meet general expenditures within the next twelve months represents 48% of the operating budget for fiscal year 2021. 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 2021. 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 with a maturity date of January 31, 2021. This line of credit had a zero balance as of August 31, 2020 and 2019.

The Institute's annual endowment draw is approved by the Finance Committee and is targeted to not 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 early stages of a Capital Campaign to support the construction of a building in Park City, Utah and its endowment funds.

Sundance Institute
NOTES TO FINANCIAL STATEMENTS
August 31, 2020 and 2019

6. PROPERTY AND EQUIPMENT, NET

Depreciation and amortization expense was \$814,996 and \$780,042 for the years ended August 31, 2020 and 2019, respectively.

	<u>2020</u>	<u>2019</u>
Leasehold improvements	\$ 1,853,302	\$ 1,758,274
Office equipment	136,615	122,197
Furniture & Fixtures	5,215	5,215
Production equipment	1,096,204	1,096,204
Projection equipment	2,037,164	1,930,612
Software	1,579,062	1,357,779
Tech equipment	<u>303,119</u>	<u>507,406</u>
 Total property and equipment	 7,010,681	 6,777,687
Accumulated depreciation and amortization	<u>(4,292,850)</u>	<u>(3,997,722)</u>
Net property and equipment	<u>\$ 2,717,831</u>	<u>\$ 2,779,965</u>

7. OTHER ASSETS

Other assets consist of the following at August 31:

	<u>2020</u>	<u>2019</u>
Operating fund:		
Deposits	\$ 113,806	\$ 121,795
Work of art	125,000	125,000
Merchandise inventory	17,647	34,410
Cash surrender value of donated life insurance policies	458,478	436,273
Construction in process	<u>1,082,805</u>	<u>528,234</u>
Total other assets	<u>\$ 1,797,736</u>	<u>\$ 1,245,712</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, 2020 and 2019

8. INVESTMENTS

Investments consist of the following at August 31:

	2020	2019
Fixed income securities	\$ 3,540,375	\$ 7,967,207
Mutual funds – bonds	5,583,281	1,406,698
Mutual funds – equities	10,403,372	6,880,382
Alternative investments	7,530,216	14,398,908
Total Investments	\$ 27,057,244	\$ 30,653,195

Investment returns for the year ended August 31, 2020 are summarized as follows:

	Without donor restrictions	With donor restrictions	Total
Interest and dividends	\$ 264,944	\$ 176,529	\$ 441,473
Realized and unrealized gains	209,261	1,186,277	1,395,538
Total investment return	474,205	1,362,806	1,837,011
Less: Management fees	(128,820)	-	(128,820)
Non-operating investment return	\$ 345,385	\$ 1,362,806	\$ 1,708,191

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

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, 2020. See Note 1 for a discussion of the Institute's policies regarding this fair value hierarchy.

Sundance Institute
NOTES TO FINANCIAL STATEMENTS
August 31, 2020 and 2019

9. FAIR VALUE MEASUREMENTS (Continued)

Assets and Liabilities Measured at Fair Value on a Recurring Basis as of August 31, 2020 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, 2020
Cash equivalents	\$ 9,346,467	\$ -	\$ -	\$ 9,346,467
Fixed income securities	3,540,375	-	-	3,540,375
Mutual funds – bonds	5,583,281	-	-	5,583,281
Mutual funds – equities	10,403,372	-	-	10,403,372
Alternative investment	-	-	7,530,216	7,530,216
Total	<u>\$ 28,873,495</u>	<u>\$ -</u>	<u>\$ 7,530,216</u>	<u>\$ 36,403,711</u>

Assets and Liabilities Measured at Fair Value on a Recurring Basis as of August 31, 2019 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, 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	<u>\$ 17,944,653</u>	<u>\$ -</u>	<u>\$ 14,398,908</u>	<u>\$ 32,343,561</u>

The Company invests in SCS Opportunities Fund, Ltd., SCS Special Situations Fund, Ltd. and Multi-Sector Credit Offshore, Ltd. 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, 2020 and 2019 are summarized as follows:

	2020	2019
Balance, beginning of year	\$ 14,398,908	\$ 14,613,634
Sales	(6,837,142)	(298,617)
Purchases	-	-
Unrealized gain	(31,549)	83,891
Balance, end of year	<u>\$ 7,530,216</u>	<u>\$ 14,398,908</u>

Sundance Institute
NOTES TO FINANCIAL STATEMENTS
August 31, 2020 and 2019

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, 2019, 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 transfers from Level 1 to Level 2 during the year ended August 31, 2020.

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, 2020, there were no drawdowns on the loan.

On July 31, 2020, 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. PAYCHECK PROTECTION PROGRAM

On April 7, 2020, the Institute obtained a federal Paycheck Protection Program (PPP) loan for \$2,993,400 with an annual interest rate of 1%. The PPP was created by the federal government in response to economic repercussions of the spread of the COVID-19 during 2020. PPP loans will be forgiven if loan recipients: 1) Spend loan proceeds by December 31, 2020 and 2) Spend a minimum of 60% of loan proceeds on payroll costs. The Institute has followed these guidelines thus far and plans on receiving 100% loan forgiveness.

Sundance Institute
NOTES TO FINANCIAL STATEMENTS
August 31, 2020 and 2019

12. COMMITMENTS

The Institute leases office space under non-cancellable 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, 2020 and 2019, the deferred rent liability (which is included with accrued expenses on the Statement of Financial Position) was \$384,566 and \$489,123, 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 \$4,856,855 and \$4,526,475 for the fiscal years ended August 31, 2020 and 2019, respectively:

Future commitments as of August 31, 2020 are as follows:

Years Ending August 31,	Office Space	Film Festival	Total
2021	\$ 992,653	\$ 1,102,784	\$ 2,095,437
2022	880,585	865,821	1,746,406
2023	544,380	220,701	765,081
2024	420,064	105,819	525,883
2025	-	-	-
Later years	-	-	-
	<u>\$ 2,837,682</u>	<u>\$ 2,295,125</u>	<u>\$ 5,132,807</u>

Other commitments include employment contracts the Institute has entered into with certain key executives before August 31, 2021. The first provides a severance payment equal to one-year annual salary if employment is terminated before August 31, 2021. The second provides a severance payment of one-year annual salary plus an additional \$50,000 and three months of COBRA if employment is terminated before February 15, 2024.

Sundance Institute
NOTES TO FINANCIAL STATEMENTS
August 31, 2020 and 2019

13. PROGRAM EXPENSES

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

	<u>2020</u>	<u>2019</u>
Film Festival	\$ 23,117,028	\$ 21,467,520
Feature Film	2,718,794	3,928,327
Theatre	1,497,467	2,236,756
Documentary	4,359,879	5,613,373
Film Music	472,246	687,028
Indigenous	603,709	724,511
Outreach & Inclusion	1,810,776	1,823,079
Creative Producing Unit	1,286,756	1,965,709
Episodic Program	711,367	681,101
New Frontier	670,196	1,029,733
Public Programming	512,197	656,416
Digital	3,081,276	1,708,843
Impact & Engagement	<u>564,658</u>	<u>-</u>
Total program expenses	<u>\$ 41,406,349</u>	<u>\$ 42,522,397</u>

14. 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:

	<u>2020</u>	<u>2019</u>
Time restricted pledges	\$ 5,151,947	\$ 5,006,179
Restricted endowment funds	22,272,549	21,774,841
Innovation funds	949,598	948,336
Capital campaign	12,405,347	11,181,856
Film festival	5,204,723	3,193,859
Feature film	406,186	475,211
Diversity & outreach	1,112,500	1,426,056
Documentary	<u>5,092,049</u>	<u>3,065,272</u>
Total with donor restricted net assets	<u>\$ 52,594,899</u>	<u>\$ 47,071,610</u>

Sundance Institute
NOTES TO FINANCIAL STATEMENTS
August 31, 2020 and 2019

15. 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. Effective September 1, 2020, the Institute terminated the discretionary percentage contribution. 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, 2020 and 2019, the Institute contributed \$878,379 and \$848,372, respectively, to the plan.

16. 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 Catalog

Sundance Catalog provides purchase discounts to all Institute staff of merchandise sold through its catalog along with in-kind donations of storage space and furniture used for events valued at \$67,050 and \$63,250 for the years ended August 31, 2020 and 2019, respectively.

Sundance Group

Sundance Group provides travel and security for Mr. Redford during the Film Festival. Expenses related to these services were \$10,863 and \$3,279 for the years ended August 31, 2020 and 2019 respectively. The Institute had no payables due to Sundance Group for the years ended August 31, 2020 and 2019, respectively.

Sundance Partners

Sundance Partners provides catering and lodging at the Sundance Resort during the Institute's program activities. Expenses related to these services were \$775,487 and \$1,336,185 for the years ended August 31, 2020 and 2019 respectively. Additionally due to COVID-19 the Institute cancelled its Spring, Summer and Fall 2020 Labs which were to be held at the Sundance Mountain Resort, paying a total cancellation fee of \$355,878 in June 2020. The Institute had payables due to Sundance Partners of \$0 and \$191,869 for the years ended August 31, 2020 and 2019, respectively.

SundanceTV

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 was \$857,220 for 2020. The pledge receivable balance for this agreement was \$908,653 and \$1,765,873 as of August 31, 2020 and 2019, respectively.

In December 2018, AMC Networks on behalf of SundanceTV signed a two year Episodic Story Initiative Supporter Agreement. The annual scheduled payment was \$60,000 for 2020. The pledge receivable balance for this agreement was \$0 and \$60,000 as of August 31, 2020 and 2019, respectively.

Kenneth Cole Productions

In January 2020 Kenneth Cole Productions made an in-kind donation of staff and volunteer jackets valued at \$118,850 and \$113,000 for the years ended August 31, 2020 and 2019 respectively.

Sundance Institute
NOTES TO FINANCIAL STATEMENTS
August 31, 2020 and 2019

16. RELATED PARTY TRANSACTIONS (Continued)

Board of Trustees

The Institute received contributions of \$3,969,887 and \$2,560,902 from members of the Institute's Board of Trustees (the Board) for the years ended August 31, 2020 and 2019, respectively. Outstanding pledges receivable from board members were \$9,593,515 and \$11,186,855 as of August 31, 2020 and 2019, respectively.

Members of the Institute's Board 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.

17. 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 34% and 41% of total promises to give at August 31, 2020 and 2019, respectively.

Sundance Institute
NOTES TO FINANCIAL STATEMENTS
August 31, 2020 and 2019

18. 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 donor 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 Institute 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, 2020:

	Without donor restrictions	With donor restrictions	Total
Donor-restricted:			
Core (General)	\$ -	\$ 9,933,073	\$ 9,933,073
Core (Ford)	-	3,877,650	3,877,650
Theatre (Duke)	-	6,282,212	6,282,212
Documentary (Engelhard)	-	2,179,614	2,179,614
	-	22,272,549	22,272,549
Board-designated endowment funds	1,875,604	-	1,875,604
Total endowment net assets	\$ 1,875,604	\$ 22,272,549	\$ 24,148,153

Sundance Institute
NOTES TO FINANCIAL STATEMENTS
August 31, 2020 and 2019

18. ENDOWMENT (Continued)

Changes in endowment net assets for the fiscal year ended August 31, 2020:

	Without donor restrictions	With donor restrictions	Total
	<u> </u>	<u> </u>	<u> </u>
Endowment net assets, beginning of year	\$ 1,643,019	\$ 21,774,841	\$ 23,417,860
Investment income	28,594	176,529	205,123
Net appreciation (realized and unrealized)	214,010	1,186,277	1,400,287
Contributions and net appreciation in life insurance	-	22,205	22,205
Appropriation of endowment assets for expenditures	<u>(10,018)</u>	<u>(887,302)</u>	<u>(897,320)</u>
Endowment net assets, end of year	<u>\$ 1,875,604</u>	<u>\$ 22,272,550</u>	<u>\$ 24,148,154</u>

Endowment net asset composition by type of fund as of August 31, 2019:

	Without donor restrictions	With donor restrictions	Total
	<u> </u>	<u> </u>	<u> </u>
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)	<u>-</u>	<u>2,132,064</u>	<u>2,132,064</u>
	-	21,774,841	21,774,841
Board-designated endowment funds	<u>1,643,019</u>	<u>-</u>	<u>1,643,019</u>
Total endowment net assets	<u>\$ 1,643,019</u>	<u>\$ 21,774,841</u>	<u>\$ 23,417,860</u>

Sundance Institute
NOTES TO FINANCIAL STATEMENTS
August 31, 2020 and 2019

18. 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

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

	2020	2019
The portion of perpetual endowment funds that is required to be retained permanently either by donor stipulation or by UPMIFA	\$ 10,559,647	\$ 10,537,442
The portion of perpetual endowment funds subject to a time restriction under UPMIFA:		
Without purpose restrictions	7,251,076	6,983,906
With purpose restrictions	4,461,826	4,253,493
Total endowment funds with donor restrictions	\$ 22,272,549	\$ 21,774,841

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, 2020 and 2019, there were no deficiencies.

Sundance Institute
NOTES TO FINANCIAL STATEMENTS
August 31, 2020 and 2019

18. 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, 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.

19. RESTRICTED ASSETS

The following table presents the nature of cash, cash equivalents, and investments as either with donor restrictions or without donor restrictions.

	2020	2019
Cash and Cash Equivalents		
Cash without restrictions	\$ 13,636,432	\$ 3,056,985
Cash with donor restrictions	3,258,882	3,710,889
Total Cash and Cash Equivalents	<u>\$ 16,895,314</u>	<u>\$ 6,767,874</u>
Investments		
General Endowment	\$ 22,272,549	\$ 21,774,841
Other	123,072	6,314,516
Capital Campaign	2,786,022	920,819
Quasi Endowment	1,875,601	1,643,019
Total Investments	<u>27,057,244</u>	<u>30,653,195</u>
Total Cash, Cash Equivalents and Investments	<u>\$ 43,952,558</u>	<u>\$ 37,421,069</u>

Sundance Institute
NOTES TO FINANCIAL STATEMENTS
August 31, 2020 and 2019

20. SUBSEQUENT EVENTS

Management has evaluated subsequent events for the period after August 31, 2020 through November 20, 2020, the date the financial statements were available to be issued. Other than the item noted below, no other subsequent events were noted that would warrant additional disclosures.

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a “Public Health Emergency of International Concern.” The subsequent COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of various industry business operations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. While the Institute expects this matter to negatively impact its operating results, the related financial impact and duration cannot be reasonably estimated at this time.