Sundance Institute

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the Years Ended August 31, 2017 and 2016

Larson

CERTIFIED PUBLIC ACCOUNTANTS

Sundance Institute

CONTENTS

Larson
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, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sundance Institute as of August 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Larson & Company PC

Salt Lake City, Utah
November 15, 2017

FINANCIAL STATEMENTS

Sundance Institute

Statements of Financial Position

August 31, 2017 and 2016

ASSETS	2017	2016
Cash and cash equivalents	$ 3,563,092	$ 3,460,548
Investments	33,559,496	31,527,492
Short-term promises to give, net	8,239,158	7,918,877
Accounts receivable, net	147,515	79,337
Prepaid expenses	689,142	902,659
Property and equipment, net	883,146	873,474
Long-term promises to give, net	631,245	2,023,578
Other assets	638,944	624,463
Total assets	$ 48,351,738	$ 47,410,428
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 5,235,087	$ 4,942,150
Deferred revenue	1,098,127	944,555
Total liabilities	$ 6,333,214	$ 5,886,705
Unrestricted net assets		
Operations	7,664,450	6,900,541
Board designated endowment funds	1,473,296	1,345,880
Total unrestricted	$ 9,137,746	$ 8,246,421
Temporarily restricted net assets		
Operations	11,662,578	13,918,368
Core (General) endowment	4,691,783	3,887,838
Core (Ford) endowment	2,017,892	1,687,081
Theatre (Duke) endowment	3,024,825	2,491,852
Documentary (Engelhard) endowment	1,090,860	920,750
Total temporarily restricted	$ 22,487,938	$ 22,905,889
Permanently restricted net assets		
Core (General) endowment	4,692,840	4,671,413
Core (Ford) endowment	1,700,000	1,700,000
Theatre (Duke) endowment	3,000,000	3,000,000
Documentary (Engelhard) endowment	1,000,000	1,000,000
Total permanently restricted	$ 10,392,840	$ 10,371,413
Total net assets	$ 42,018,524	$ 41,523,723
Total liabilities and net assets	$ 48,351,738	$ 47,410,428

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

Sundance Institute

Statement of Activities

Year ended August 31, 2017

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

Sundance Institute

Statement of Activities

Year ended August 31, 2016

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Contribution revenue				
Corporate	$ 7,032,339	$ 1,791,839	$ -	$ 8,824,178
Foundation	2,696,883	2,718,336	-	5,415,219
Individual	5,951,142	588,542	-	6,539,684
Government	1,460,090	734,055	-	2,194,145
Special Events	858,160	-	-	858,160
Less: costs of direct benefit to donors	(209,289)	-	-	(209,289)
Donated services and materials	3,968,875		-	3,968,875
	$ 21,758,200	$ 5,832,772	$ -	$ 27,590,972
Program Revenue				
Box office and admissions	10,558,081	-	-	10,558,081
Merchandise	312,182	-	-	312,182
Submission	875,995	-	-	875,995
Conference	80,924	-	-	80,924
Contract services	1,357,570	-	-	1,357,570
	$ 13,184,752	$ -	$ -	$ 13,184,752
Other revenue, gains and losses				
Interest and dividends	102,157	-	-	102,157
Rental	107,940	-	-	107,940
Other	578,977	-	-	578,977
	$ 789,074	$ -	$ -	$ 789,074
Total support, revenue, gains and losses	$ 35,732,026	$ 5,832,772	$ -	$ 41,564,798
Net assets released from restrictions	9,133,745	(9,133,745)	-	-
Total support, revenue, gains and net assets released from restrictions	$ 44,865,771	$ (3,300,973)	$ -	$ 41,564,798
Expenditures:				
Program expenses:				
Salaries and benefits	11,799,444	-	-	11,799,444
Operating expenses	19,037,581	-	-	19,037,581
Donated services and materials	3,441,414	-	-	3,441,414
Total program expenses	$ 34,278,439	$ -	$ -	$ 34,278,439
Supporting services expenses:				
General and administrative	6,849,444	-	-	6,849,444
Fundraising	2,920,505	-	-	2,920,505
Donated services and materials	527,461	-	-	527,461
Total supporting services	$ 10,297,410	$ -	$ -	$ 10,297,410
Total expenses	$ 44,575,849	$ -	$ -	$ 44,575,849
Total increase (decrease) in net assets	$ 289,922	$ (3,300,973)	$ -	$ (3,011,051)
Non-operating income and (expense)				
Interest and dividends	39,440	559,612	-	599,052
Realized and unrealized gains on long-term investments	36,900	518,919	-	555,819
Net assets released from restrictions	84,603	(84,603)	-	-
Net appreciation in life insurance	-	-	42,508	42,508
Long-term investment management fees	(84,603)	-	-	(84,603)
Total non-operating income	$ 58,767	$ 993,928	$ 42,508	$ 1,095,203
Increase (decrease) in net assets	$ 348,689	$ (2,307,045)	$ 42,508	$ (1,915,848)
Net assets at beginning of year	$ 7,897,732	$ 25,212,934	$ 10,328,905	$ 43,439,571
Net assets at end of year	$ 8,246,421	$ 22,905,889	$ 10,371,413	$ 41,523,723

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

Sundance Institute

Statements of Cash Flows

Years ended August 31, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Change in net assets	$ 494,802	$ (1,915,848)
Adjustment to reconcile change in net assets to cash from operating activities:		
Depreciation and amortization	413,738	398,110
Donated stock	(661,044)	(492,392)
Increase in cash value of life insurance policies	(14,481)	(42,508)
(Gain) loss on sale of assets	-	17,574
Realized and unrealized gain on investments	(2,153,250)	(555,819)
Amortization of discount on promises to give	(6,667)	35,741
Decrease (increase) in:		
Promises to Give	1,078,719	3,310,818
Accounts receivable	(68,176)	(8,643)
Prepaid expenses	213,516	(395,106)
Other assets	-	(6,599)
Increase (decrease) in:		
Accounts payable and accrued expenses	292,937	1,193,343
Deferred revenue	153,572	(160,986)
Contingent liability	-	200,000
Cash flows provided (used) by operating activities	(256,334)	1,577,685
Cash flows from investing activities		
Purchase of property and equipment	(423,412)	(259,763)
Purchase of investments	(22,179,110)	(26,511,142)
Proceeds from sale of investments	22,961,400	23,258,933
Cash flows provided (used) by investing activities	358,878	(3,511,972)
Net increase (decrease) in cash and cash equivalents	102,544	(1,934,287)
Cash and cash equivalents, beginning of period	3,460,548	5,394,835
Cash and cash equivalents, end of period	$ 3,563,092	$ 3,460,548
Noncash investing and financing activities		
Property and equipment financed with accounts payable	$ -	$ 55,589
Stock donations	$ 661,044	$ 492,392

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 2017 Sundance Film Festival presented 119 feature-length films, representing 32 countries and 40 first-time filmmakers, including 20 in competition. These films were selected from 13,053 submissions (260 more than for 2016), including 4,068 feature-length films and 8,985 short films. Of the feature film submissions, 2,005 were from the U.S. and 2,063 were international. 102 feature films at the Festival were world premieres.

Feature Film Program
This program has supported and championed many of the leading independent filmmakers of the past 30 years. Risk-taking, experimentation, and freedom of expression are the guiding values of the in-depth and year-round artist support provided to the next generation of filmmakers, from development through distribution.

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nature of Operations (Continued)

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

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

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

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

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

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

Basis of Presentation

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

- Unrestricted net assets represent expendable funds available for operations which are not otherwise limited by donor restrictions.

- Temporarily restricted net assets consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Institute may spend the funds.

- Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations.

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

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

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

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

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

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

Documentary (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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Cash and cash equivalents

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

	2017	2016
Cash on deposit	$ 2,517,900	$ 3,110,050
Bonds maturing within 3 months	979,853	274,164
Accrued interest	65,339	76,334
Total	$ 3,563,092	$ 3,460,548

Accounts receivable

Accounts receivable are recorded at their estimated realizable value. The Institute determines its allowance by considering a number of factors, including the length of time receivables are past due, the Institute's previous loss history, the payer's current ability to pay its obligation to the Institute, and the condition of the general economy and industry as a whole. Based on these factors, the Institute expects all accounts receivable to be collected; therefore, no allowance for uncollectible amounts is recorded as of August 31, 2017 and 2016. An account is written off when it is determined that all collection efforts have been exhausted.

Promises to give

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

Based on historical experience, the contributor's current ability to pay its obligation to the Institute and the condition of the general economy and industry as a whole. The Institute has created an allowance for unconditional promises to give that it does not expect to be collected. The allowance for uncollectible accounts recorded was $189,950 and $173,750 as of August 31, 2017 and August 31, 2016, 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
Buildings	30 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, 2017 and 2016.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Program Revenue

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

Contributions

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

Advertising Costs

Advertising costs are charged to operations when incurred. Advertising expense was $611,475 and $672,924 for the fiscal years ended August 31, 2017 and 2016, respectively $270,192 and $441,173 were provided through in-kind contributions during the fiscal years ended August 31, 2017 and 2016, respectively.

Functional Allocation of Expenses

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

Income Taxes

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

The Institute adopted the provisions of FASB ASC 74-10-25, *Accounting for Uncertainty in Income Taxes* on September 1, 2009. ASC 740-10-25 provides that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. Income tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized upon the adoption of ASC 740-10-25 and in subsequent periods. The Institute analyzed tax positions for all applicable tax jurisdictions for which the statute of limitations remained open for the years ended August 31, 2014 through August 31, 2016 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, 2017.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments

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

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

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

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

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 ("ASU 2014-09"), an update to FASB ASC 606, Revenue from Contracts with Customers. This update revises previous revenue recognition standards to improve guidance on revenue recognition requirements. Under the new standard, recognition of revenue occurs when a customer obtains control of promised goods or services in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The new standard will be effective for us beginning September 1, 2018; early adoption is limited. The adoption of this standard is not expected to have a material impact on the financial statements of the Institute.

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

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

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

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

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

2. PROMISES TO GIVE

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

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

		2017		2016
Included in current promises to give are the following:				
Promises to give	$	8,429,108	$	8,092,627
Less allowance		(189,950)		(173,750)
Net current promises to give		8,239,158		7,918,877
Included in noncurrent promises to give are the following:				
Promises to give	$	800,000	$	2,199,000
Less discount		(168,755)		(175,422)
Net noncurrent promises to give	$	631,245	$	2,023,578
Amounts due in:				
Less than one year	$	8,429,108	$	8,092,627
One to five years		800,000		2,199,000
Thereafter		-		-
Less allowance		(189,950)		(173,750)
Less discount		(168,755)		(175,422)
	$	8,870,403	$	9,942,455

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.

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:

	2017 Estimated fair value	2016 Estimated fair value
Program		
Film Festival	$ 1,985,779	$ 2,196,926
Feature Film	568,191	718,153
Theatre	141,272	126,712
Documentary	64,333	69,087
Film Music	184,060	193,430
General and Administrative	734,221	527,461
Development	4,268	-
Native Initiative	27,150	33,800
Other	197,959	103,306
Total donated services and materials	$ 3,907,233	$ 4,072,181

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

5. PROPERTY AND EQUIPMENT, NET

Depreciation and amortization expense was $413,738 and $398,110 for the years ended August 31, 2017 and 2016, respectively.

	2017	2016
Leasehold improvements	$ 132,172	$ 132,172
Office equipment	132,489	132,490
Furniture & Fixtures	5,215	5,215
Production equipment	801,847	801,847
Projection equipment	1,442,720	1,260,700
Software	608,479	390,914
Tech equipment	575,749	551,923
Total property and equipment	3,698,671	3,275,261
Accumulated depreciation and amortization	(2,815,525)	(2,401,787)
Net property and equipment	$ 883,146	$ 873,474

6. OTHER ASSETS

Other assets consist of the following at August 31:

	2017	2016
Operating fund:		
Deposits	$ 122,273	$ 129,220
Work of art	125,000	125,000
Cash surrender value of donated life insurance policies	391,671	370,243
Total other assets	$ 638,944	$ 624,463

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

7. INVESTMENTS

Investments consist of the following at August 31:

	2017	2016
Fixed income securities	$ 11,586,075	$ 11,442,717
Mutual funds – bonds	2,754,407	3,821,227
Mutual funds – equities	6,938,841	4,161,574
Alternative investments	12,280,173	12,101,974
Total Investments	$ 33,559,496	$ 31,527,492

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

	Unrestricted	Temporarily Restricted	Total
Interest and dividends	$ 208,016	$ 206,675	$ 414,691
Realized and unrealized gains	103,909	2,049,340	2,153,250
Total investment return	311,925	2,256,015	2,567,941
Less: Management fees	(118,177)	-	(118,177)
Non-operating investment return	$ 193,748	$ 2,256,015	$ 2,449,764

Investment returns for the year ended August 31, 2016 are summarized as follows:

	Unrestricted	Temporarily Restricted	Total
Interest and dividends	$ 141,597	$ 559,612	$ 701,209
Realized and unrealized gains	36,900	518,919	555,819
Total investment return	178,497	1,078,531	1,257,028
Less: Management fees	(84,603)	-	(84,603)
Non-operating investment return	$ 93,894	$ 1,078,531	$ 1,172,425

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.

8. FAIR VALUE MEASUREMENTS

The following fair value hierarchy table presents information about the Institute's assets and liabilities measured at fair value on a recurring basis as of August 31, 2017. 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, 2017 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, 2017
Cash equivalents	$ 979,853	$ -	$ -	$ 979,853
Fixed income securities	11,586,075	-	-	11,586,075
Mutual funds – bonds	2,754,407	-	-	2,754,407
Mutual funds – equities	6,938,841	-	-	6,938,841
Alternative investment	-	-	12,280,173	12,280,173
Total	$ 22,259,176	$ -	$ 12,280,173	$ 34,539,349

Assets and Liabilities Measured at Fair Value on a Recurring Basis as of August 31, 2016 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, 2016
Cash equivalents	$ 274,164	$ -	$ -	$ 274,164
Fixed income securities	11,442,717	-	-	11,442,717
Mutual funds – bonds	3,821,227	-	-	3,821,227
Mutual funds – equities	4,161,575	-	-	4,161,575
Alternative investment	-	-	12,101,974	12,101,974
Total	$ 19,699,683	$ -	$ 12,101,974	$ 31,801,657

8. FAIR VALUE MEASUREMENTS (Continued)

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

The changes in the recorded amount of the investment for the years ended August 31, 2017 and 2016 are summarized as follows:

	2017	2016
Balance, beginning of year	$ 12,101,974	$ -
Sales	(1,373,000)	-
Purchases	-	11,781,000
Unrealized gain	1,551,199	320,974
Balance, end of year	$ 12,280,173	$ 12,101,974

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, 2016, 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, 2017.

9. LINE OF CREDIT

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

On July 31, 2017, the Institute renewed a $66,522 irrevocable and unconditional standby letter of credit which serves as the security deposit for the New York office. This instrument renews annually.

10. COMMITMENTS

The Institute leases office space under non-cancelable operating leases that contain terms where the monthly payment increases over the lease term and contain certain renewal options. The deferred rent liability arising from escalating lease terms is amortized over the lease term. At August 31, 2017 and 2016, the deferred rent liability (which is included with accrued expenses on the Statement of Financial Position) was $425,601 and $451,716, 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 $4,178,745 and $3,887,161 for the fiscal years ended August 31, 2017 and 2016, respectively:

Future commitments as of August 31, 2017 are as follows:

Years Ending August 31,	Office Space	Film Festival	Total
2018	$ 862,452	$ 903,457	$ 1,765,909
2019	862,452	865,908	1,728,360
2020	862,452	698,832	1,561,284
2021	862,452	539,932	1,402,384
2022	924,425	634,286	1,558,711
Later years	-	-	-
	$ 4,374,233	$ 3,642,415	$ 8,016,648

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

11. PROGRAM EXPENSES

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

		2017		2016
Film Festival	$	17,612,143	$	17,392,057
Feature Film		3,674,935		4,474,895
Theatre		2,209,129		1,974,621
Documentary		4,860,729		4,863,483
Film Music		789,079		725,628
Native Program		772,114		664,685
Other		5,581,977		4,183,070
Total program expenses	$	35,500,106	$	34,278,439

12. TEMPORARILY RESTRICTED NET ASSETS

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

		2017		2016
Time Restricted Pledges	$	3,787,945	$	3,711,025
Endowment appreciation and earnings with no purpose restriction		10,825,360		8,987,521
Film Festival		1,711,451		2,162,011
Feature Film		284,508		2,024,311
Theatre		-		-
Diversity & Outreach		1,894,865		-
Documentary		3,983,809		6,021,021
Total temporarily restricted net assets	$	22,487,938	$	22,905,889

13. EMPLOYEE BENEFIT PLANS

The Institute has adopted a qualified profit sharing plan under section 401(k) of the Internal Revenue Code for the benefit of its employees. All Institute staff are eligible to participate with one year of service and a minimum service of 1,000 hours. The plan allows eligible employees to contribute up to 100 percent of their compensation subject to limits determined by the Internal Revenue Service. The Institute makes a committed safe harbor contribution and a discretionary percentage contribution to eligible staff. 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, 2017 and 2016, the Institute contributed $701,852 and $806,204, respectively, to the plan.

14. RELATED PARTY TRANSACTIONS

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

Sundance Group
Sundance Group provides security for Mr. Redford during the Film Festival. Expenses related to these services were $0 and $7,946 for the years ended August 31, 2017 and 2016 respectively. The Institute had no payables due to Sundance Group for the years ended August 31, 2017 and 2016, respectively.

Sundance Partners
Sundance Partners provides catering and lodging at the Sundance Resort during the Institute's summer program activities. Expenses related to these services were $1,155,607 and $1,006,462 for the years ended August 31, 2017 and 2016 respectively. The Institute had payables due to Sundance Partners of $179,516 and $0 for the years ended August 31, 2017 and 2016, respectively.

Sundance TV
In August 2014, AMC Networks on behalf of SundanceTV signed a three year Presenting Sponsor Agreement as the official television network of the Sundance Film Festival. The annual scheduled payment is $785,000 for 2017. The pledge receivable balance for this agreement was $0 and $785,000 as of August 31, 2017 and 2016, respectively.

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

SundanceTV collects and remits funds to the Institute on behalf of other donors. SundanceTV paid the Institute $500,000 and $475,000 on behalf of Acura for their Presenting Level Sponsorship of the Film Festival for the years ended August 31, 2017 and 2016, respectively. In addition, SundanceTV also paid $125,000 for Geico and $275,000 for DirecTV for the year ended August 31, 2017, and paid $125,000 for Brookeside Chocolate, $250,000 for Don Julio Sponsorship, $85,000 for Don Julio Product, $125,000 for Geico and $0 for DirecTV for the year ended August 31, 2016.

Board of Trustees
The Institute received contributions of $1,321,187 and $1,158,646 from members of the Institute's Board of Trustees (the "Board") for the years ended August 31, 2017 and 2016, 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.

15. CONCENTRATION OF CREDIT AND MARKET RISK

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

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

The Institute's promises to give include amounts due from three large donors comprising 36% and 39% of total promises to give at August 31, 2017 and 2016, respectively.

16. ENDOWMENT

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

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

16. ENDOWMENT (Continued)

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

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

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

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

16. ENDOWMENT (Continued)

Endowment net asset composition by type of fund as of August 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted:				
Core (General)	$ -	$ 3,887,838	$ 4,671,413	$ 8,559,251
Core (Ford)	-	1,687,081	1,700,000	3,387,081
Theatre (Duke)	-	2,491,852	3,000,000	5,491,852
Documentary (Engelhard)	-	920,750	1,000,000	1,920,750
	-	8,987,521	10,371,413	19,358,934
Board-designated endowment funds	1,345,880	-	-	1,345,880
Total endowment net assets	$ 1,345,880	$ 8,987,521	$ 10,371,413	$ 20,704,814

Changes in endowment net assets for the fiscal year ended August 31, 2016.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 1,276,327	8,343,594	$ 10,328,905	$ 19,948,826
Investment income	38,346	559,612	-	597,958
Net appreciation (realized and unrealized)	35,834	518,919	-	554,753
Contributions and net appreciation in life insurance	-	-	42,508	42,508
Appropriation of endowment assets for expenditures	(4,627)	(434,604)	-	(439,231)
Endowment net assets, end of year	$ 1,345,880	$ 8,987,521	$ 10,371,413	$ 20,704,814

16. ENDOWMENT (Continued)

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

	2017	2016
Permanently restricted net assets		
The portion of perpetual endowment funds that is required to be retained permanently either by donor stipulation or by UPMIFA	$ 10,392,840	$ 10,371,413
Total endowment funds classified as permanently restricted net assets	10,392,840	10,371,413
Temporarily restricted net assets		
The portion of perpetual endowment funds subject to a time restriction under UPMIFA:		
Without purpose restrictions	6,709,675	5,574,919
With purpose restrictions	4,115,685	3,412,602
Total endowment funds classified as temporarily restricted net assets	$ 10,825,360	$ 8,987,521

Funds with deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or applicable state law requires the Institute to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in unrestricted net assets. As of August 31, 2017 and 2016, there were no deficiencies.

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

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

16. ENDOWMENT (Continued)

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

17. SUBSEQUENT EVENTS

Management has evaluated subsequent events for the period after August 31, 2017 through November 15, 2017, the date the financial statements were available to be issued.