

# *NATIONAL FILM PRESERVATION FOUNDATION*

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## *FINANCIAL STATEMENTS*

*For The Years Ended December 31, 2007 and 2006*

*with*

*INDEPENDENT AUDITOR'S REPORT*

**NATIONAL FILM PRESERVATION FOUNDATION  
FINANCIAL STATEMENTS  
DECEMBER 31, 2007 and 2006**

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### **Independent Auditor's Report**

To the Board of Directors  
NATIONAL FILM PRESERVATION FOUNDATION  
San Francisco, California

I have audited the accompanying statements of financial position of the National Film Preservation Foundation as of December 31, 2007 and 2006 and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I have conducted my audit in accordance with U. S. generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the National Film Preservation Foundation as of December 31, 2007 and 2006 and the changes in its net assets and its cash flows for the years then ended in conformity with U. S. generally accepted accounting principles.

*Carl M. Arntzen, CPA*

Carl M. Arntzen, CPA  
March 6, 2008

**NATIONAL FILM PRESERVATION FOUNDATION**  
**Statements of Financial Position**  
**December 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$571,440	\$885,472
Investments	1,245,471	726,665
Pledges receivable, current portion, net	225,986	235,569
Accounts receivable	106,417	52,537
Inventory	154,810	43,462
Prepaid expenses	6,094	5,949
Total current assets	2,310,218	1,949,654
Pledges receivable, non-current, net	200,842	165,995
Equipment and furniture, net of accumulated depreciation	3,282	3,389
Deposits	1,912	1,912
<b>TOTAL ASSETS</b>	<b>\$2,516,254</b>	<b>\$2,120,950</b>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable	\$22,388	\$39,711
Grants payable	708,849	507,182
Accrued compensation	11,614	8,537
<b>TOTAL LIABILITIES</b>	742,851	555,430
<b>NET ASSETS</b>		
Unrestricted	1,222,630	1,070,011
Temporarily restricted	550,773	495,509
<b>TOTAL NET ASSETS</b>	1,773,403	1,565,520
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$2,516,254</b>	<b>\$2,120,950</b>

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

**NATIONAL FILM PRESERVATION FOUNDATION**  
**Statements of Activities**  
**For the Years Ended December 31, 2007 and 2006**

	2007	2007	2007	2006	2006	2006
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>						
Grants and contributions	\$47,125	\$868,804	\$915,929	\$93,004	\$820,769	\$913,773
DVD sales	182,236		182,236	52,911		52,911
Contract income	304,969		304,969	138,067		138,067
Investment income	80,459		80,459	74,293		74,293
Other income	8,769		8,769	2,617		2,617
Net assets released from restriction	813,540	(813,540)		847,195	(847,195)	
<b>TOTAL SUPPORT AND REVENUE</b>	<b>1,437,098</b>	<b>55,264</b>	<b>1,492,362</b>	<b>1,208,087</b>	<b>(26,426)</b>	<b>1,181,661</b>
<b>EXPENSES</b>						
Program expenses	1,176,836		1,176,836	1,112,669		1,112,669
Management and general	104,012		104,012	89,633		89,633
Fundraising	3,631		3,631	3,685		3,685
<b>TOTAL EXPENSES</b>	<b>1,284,479</b>		<b>1,284,479</b>	<b>1,205,987</b>		<b>1,205,987</b>
<b>CHANGE IN NET ASSETS</b>	<b>152,619</b>	<b>55,264</b>	<b>207,883</b>	<b>2,100</b>	<b>(26,426)</b>	<b>(24,326)</b>
<b>NET ASSETS-BEGINNING</b>	<b>1,070,011</b>	<b>495,509</b>	<b>1,565,520</b>	<b>1,067,911</b>	<b>521,935</b>	<b>1,589,846</b>
<b>NET ASSETS-ENDING</b>	<b>\$1,222,630</b>	<b>\$550,773</b>	<b>\$1,773,403</b>	<b>\$1,070,011</b>	<b>\$495,509</b>	<b>\$1,565,520</b>

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

**NATIONAL FILM PRESERVATION FOUNDATION**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2007**

	Program Costs	Management & General	Fund Raising	Total
Program grants				
Library of Congress	\$530,000			\$530,000
In-kind services	80,120			80,120
Avant-Garde	50,000			50,000
Salaries	212,994	\$44,157	\$2,597	259,748
Payroll taxes	16,412	3,402	200	20,014
Pension plan contributions	6,307	1,308	77	7,692
Other employee benefits	17,814	3,694	217	21,725
DVD production	216,849	-	-	216,849
Accounting services	-	28,827	-	28,827
Audit and information returns	-	8,500	-	8,500
Rent	15,880	3,292	194	19,366
Travel and conferences	4,304	7,827	6	12,137
Legal and consulting	1,416	35	2	1,453
Office supplies	2,190	463	36	2,689
Telephone	2,228	221	151	2,600
Postage and delivery	3,146	362	39	3,547
Copying and printing	9,047	463	27	9,537
Equipment rental and maintenance	1,176	244	14	1,434
Depreciation	1,796	372	22	2,190
Insurance	2,456	509	30	2,995
Web hosting and internet	483	36	2	521
Subscriptions, publications and memberships	934	35	2	971
Miscellaneous	1,284	265	15	1,564
<b>TOTAL EXPENSES</b>	<b>\$1,176,836</b>	<b>\$104,012</b>	<b>\$3,631</b>	<b>\$1,284,479</b>

The accompanying notes are and integral part of these financial statements.

**NATIONAL FILM PRESERVATION FOUNDATION**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2006**

	Program Costs	Management & General	Fund Raising	Total
Program grants				
Library of Congress	\$530,000			\$530,000
In-kind services	64,340			64,340
Avant Garde	50,000			50,000
Salaries	212,233	\$44,000	\$2,588	258,821
Payroll taxes	16,576	3,437	202	20,215
Pension plan contributions	6,172	1,280	75	7,527
Other employee benefits	16,329	3,398	200	19,927
DVD production	124,959			124,959
Other special projects	44,824			44,824
Accounting services		19,771		19,771
Audit and information returns		8,125		8,125
Rent	14,560	3,019	178	17,757
Travel and conferences	6,932	3,341	7	10,280
Legal and consulting	2,693	483	28	3,204
Office supplies	2,310	463	24	2,797
Telephone	2,700	294	223	3,217
Postage and delivery	2,679	394	63	3,136
Copying and printing	6,788	152	9	6,949
Equipment rental and maintenance	1,153	239	14	1,406
Depreciation	1,595	330	19	1,944
Insurance	2,583	535	32	3,150
Web hosting and internet	836	67	4	907
Subscriptions, publications and memberships	1,096	33	2	1,131
Miscellaneous	1,311	272	17	1,600
<b>TOTAL EXPENSES</b>	<b>\$1,112,669</b>	<b>\$89,633</b>	<b>\$3,685</b>	<b>\$1,205,987</b>

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

**NATIONAL FILM PRESERVATION FOUNDATION**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2007 and 2006**

	2007	2006
Cash Flows from operating activities:		
Change in net assets	\$207,883	(\$24,326)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	2,190	1,944
Decrease (increase) in pledges receivable	(25,764)	64,071
Increase in accounts receivable	(53,380)	(36,218)
Increase in inventory	(111,349)	(5,160)
Decrease (increase) in prepaid expenses	(145)	816
Increase (decrease) in accounts payable	(17,322)	24,028
Increase in grants payable	201,667	202,471
Increase in accrued compensation	3,077	2,694
Net cash provided (used) by operating activities	206,857	230,320
Cash flows from investing activities:		
Purchase of investments	(518,806)	223,738
Purchase of equipment	(2,083)	(1,682)
Increase of deposits	-	(210)
Net cash provided (used by) investing activities	(520,889)	221,846
Net change (decrease) in cash and cash equivalents	(314,032)	452,166
Cash and cash equivalents - beginning of year	885,472	433,306
Cash and cash equivalents - end of year	\$571,440	\$885,472

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

NATIONAL FILM PRESERVATION FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

**Note 1 – Organization**

The National Film Preservation Foundation ([www.filmpreservation.org](http://www.filmpreservation.org)) is the nonprofit organization created by the U.S. Congress to preserve and to make publicly accessible our nation's film heritage. The foundation's programs preserve American films that would be unlikely to survive without public support, improve film access for education and exhibition, and encourage public commitment to preserving film as an art form, historical record, and cultural resource.

The NFPF (1) gives film preservation and access grants to archives, historical societies, libraries, museums, and universities, and (2) organizes, secures funding for, and manages collaborative projects that enable film institutions to work together to promote the preservation and public access to American film. Since starting operations in 1997, the NFPF has provided preservation support to 167 institutions across 44 states, Puerto Rico, and D.C. and helped save 1,270 films. The foundation also produces DVD sets in the *Treasures from American Film Archives* series and books that advance national film preservation efforts.

The foundation receives most revenues through contributions from individuals, corporations, and foundations, donated services, government funding, and wholesale DVD sales. In 2007, the NFPF received \$530,000 in federal funds authorized through *The National Film Preservation Foundation Reauthorization Act of 2006* (Public Law 109-9, Title IIIB) and secured through the Library of Congress. These funds were distributed as preservation and access grants.

**Note 2 - Summary of Significant Accounting Policies**

- (a) Accrual Basis - The financial statements have been prepared on the accrual basis.
- (b) Basis of Presentation - Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Grants and contributions are recognized at their fair value when an unconditional promise is made to the NFPF. Receivables are recognized net of an allowance for uncollectibles based on management's analysis of specific promises and a discount on long-term pledges for the time value of money based on a risk-free rate of return. Net assets and changes therein are classified and reported as follows:

**Unrestricted net assets** - Net assets that are not subject to donor-imposed stipulations.

**Temporarily restricted net assets** – These net assets are subject to donor-imposed restrictions that permit the Foundation to use or expend the assets as specified. The restriction is either satisfied by the passage of time or the actions of the NFPF. When such conditions are met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Conditional funds** – Conditional funds are recognized as revenue when the conditions stipulated by the funder are fulfilled.

NATIONAL FILM PRESERVATION FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

**Note 2 - Summary of Significant Accounting Policies (Continued)**

- (c) Contributed Services - Contributed services are recognized as contribution support and revenue when pledged if such services require specialized skills and are provided by individuals or firms possessing those skills. These are services that would typically need to be purchased if not provided by donation. Professional services grants, consisting of services donated by laboratory and post-production facilities are recognized when awarded by the Foundation.

The Foundation recognized contributed service revenue of \$175,000 in 2007 and \$45,000 in 2006, and made contributed service grants of \$80,120 in 2007 and \$64,340 in 2006.

- (d) Allocation of Expenses – Salaries and non-salary administrative costs are allocated to program and supporting services through a percentages derived from a staff time sampling taken over the course of the year.
- (e) Cash and Cash Equivalents - For the purpose of the statement of cash flows, cash and cash equivalents include funds in demand deposit accounts, short-term and liquid investments with a maturity date within six months of year-end. As of December 31, 2007, cash and cash equivalents were primarily in money market accounts and certificates of deposit. These are insured up to the limit guaranteed by the FDIC.
- (f) Equipment and Furniture – Equipment and furniture are stated at cost if purchased and fair value if acquired through donation. Depreciation is calculated using the straight-line depreciation method and is applied over the estimated useful lives of the assets. As of December 31, 2007, equipment and furniture had a basis of \$19,759, less accumulated depreciation of \$16,477.
- (g) Inventory – The NFPF's inventory consists of assembled DVD sets in the *Treasures from American Film Archives* series. As specified by generally accepted accounting principles, the inventory value of these materials is based on the lesser of cost or net realizable value.
- (h) Contract Income – In 2007 and 2006, contract income represents grant revenue received for the production of the *Treasures III* and *Treasures IV* DVD sets.
- (i) Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.
- (j) Income Tax Status- The NFPF is a nonprofit organization under section 501 (c) (3) on the Internal Revenue Code. As a public charity, the Foundation is exempt from federal and state income tax.
- (k) Investments – For the purpose of the financial statements, investments are money market funds and certificates of deposit with a maturity date exceeding six months beyond year-end.

NATIONAL FILM PRESERVATION FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

**Note 2 - Summary of Significant Accounting Policies (Continued)**

Investments are recorded at fair market value. Unrealized gains and losses are included in the changes to unrestricted net assets. Investment return for 2007 was \$80,459 in dividends and interest. Investment return for 2006 represented \$74,310 in dividends and interest less \$16 in realized loss. At December 31, 2007, investments were as follows:

Payden Bunker Hill Money Market Fund	\$ 485,131
Bank of America Certificates of Deposit (Maturing July 2008)	<u>760,340</u>
Total	<u>\$1,245,471</u>

The Payden Bunker Hill Money Market Fund is registered with the SEC.

**Note 3 - Pledges Receivable**

Pledges receivable as of December 31, 2007 were as follows:

	Cash	Contributed Services	Total
Due in 2008	\$190,000	\$50,540	\$240,540
Less: Allowance for uncollectible pledges	<u>(9,500)</u>	<u>(5,054)</u>	<u>(14,554)</u>
Net current pledged receivable	<u>180,500</u>	<u>45,486</u>	<u>225,986</u>
Due in 2009 through 2012	115,000	110,000	225,000
Less: Allowance for uncollectible pledges	(5,750)	(11,000)	(16,750)
Less: Discount at 3%	<u>(4,525)</u>	<u>(2,883)</u>	<u>(7,408)</u>
Net noncurrent pledges receivable	<u>\$104,725</u>	<u>\$96,117</u>	<u>\$200,842</u>

**Note 4 - Temporarily Restricted Net Assets**

Temporarily restricted net assets were available for the following purposes:

Support for 2008, net of allowances	\$180,500
Andy Warhol Foundation for the Visual Arts ( <i>Treasures IV</i> )	93,945
Cecil B. DeMille Foundation ( <i>Treasures Encore</i> )	30,000
In-kind service grants for 2008, net of allowances	45,486
In-kind service grants for 2009-12, net of allowances & present value discount	96,117
Support for 2009 through 2012, net of allowances & present value discount	<u>104,725</u>
	<u>\$550,773</u>

**Note 5 - Retirement Plan**

The Foundation initiated a SEP IRA plan for employees in 2002 and contributed to the plan in 2007 and 2008. The Foundation also has a contributory 403 (b) plan that is funded solely by voluntary participant salary deferrals.

NATIONAL FILM PRESERVATION FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

**Note 6 – Related Party Transactions**

Contribution revenues from organizations to which board members are related were \$160,000 in 2007 and \$175,450 in 2006. Payments to related parties for services provided to the NFPF were \$21,373 in 2007 and \$15,700 in 2006.

**Note 7 – Commitments, Contingencies and Concentrations**

The office lease runs through November 2008. The monthly payment was \$1,608 from January to November 2007, increasing to \$1,678 in December 2007.

The National Film Preservation Foundation continues to seek to broaden its base of program support. Receivables are subject to credit risk. The Foundation incurs various contractual obligations in the course of delivering grant programs and executing special projects supported by outside funders. The Foundation makes every effort to meet these obligations.

In 2007, the Foundation received \$530,000 in federal funds authorized through *The National Film Preservation Foundation Reauthorization Act of 2005* (Public Law 109-9, Title IIIB) and appropriated through the Library of Congress. These monies are set aside "to promote and ensure the preservation and public accessibility of the nation's film heritage held at the Library of Congress and other public and nonprofit archives throughout the United States." Under the terms of this legislation, the funds are made available "to match any private contributions (whether in currency, services or property) made to the corporation by private persons and State and local governments." The authorization extends through federal fiscal year 2009.