

NATIONAL FILM PRESERVATION FOUNDATION

FINANCIAL STATEMENTS

For The Years Ended December 31, 2008 and 2007

with

INDEPENDENT AUDITOR'S REPORT

**NATIONAL FILM PRESERVATION FOUNDATION
FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007**

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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, 2008 and 2007 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control over financial reporting. Accordingly, I express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2008 and 2007 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 18, 2009

NATIONAL FILM PRESERVATION FOUNDATION
Statements of Financial Position
December 31, 2008 and 2007

	2008	2007
ASSETS		
Current Assets		
Cash and cash equivalents	\$1,049,675	\$571,440
Investments	657,417	1,245,471
Pledges receivable, current portion, net	204,500	225,986
Accounts receivable	10,154	106,417
Inventory	190,877	154,810
Prepaid expenses	7,646	6,094
Total current assets	2,120,269	2,310,218
Pledges receivable, non-current, net	89,055	200,842
Equipment and furniture, net of accumulated depreciation	8,232	3,282
Deposits	1,992	1,912
TOTAL ASSETS	\$2,219,548	\$2,516,254
LIABILITIES		
Current Liabilities		
Accounts payable	\$59,980	\$22,388
Grants payable	619,636	708,849
Accrued compensation	14,694	11,614
Funds held for others	61,535	-
TOTAL LIABILITIES	755,845	742,851
NET ASSETS		
Unrestricted	1,170,148	1,222,630
Temporarily restricted	293,555	550,773
TOTAL NET ASSETS	1,463,703	1,773,403
TOTAL LIABILITIES AND NET ASSETS	\$2,219,548	\$2,516,254

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

NATIONAL FILM PRESERVATION FOUNDATION
Statements of Activities
For the Years Ended December 31, 2008 and 2007

	2008	2008	2008	2007	2007	2007
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE						
Grants and contributions	\$44,504	\$654,767	\$699,271	\$47,125	\$868,804	\$915,929
DVD sales	29,730	-	29,730	182,236	-	182,236
Contract income	5,109	1,000	6,109	304,969	-	304,969
Grant savings from under-budget projects	84,551	-	84,551	-	-	-
Investment income	65,178	-	65,178	80,459	-	80,459
Other income	5,562	-	5,562	8,769	-	8,769
Net assets released from restriction	912,985	(912,985)	-	813,540	(813,540)	-
TOTAL SUPPORT AND REVENUE	1,147,619	(257,218)	890,401	1,437,098	55,264	1,492,362
EXPENSES						
Program expenses	1,078,303	-	1,078,303	1,176,836	-	1,176,836
Management and general	117,951	-	117,951	104,012	-	104,012
Fundraising	3,847	-	3,847	3,631	-	3,631
TOTAL EXPENSES	1,200,101	-	1,200,101	1,284,479	-	1,284,479
CHANGE IN NET ASSETS	(52,482)	(257,218)	(309,700)	152,619	55,264	207,883
NET ASSETS-BEGINNING	1,222,630	550,773	1,773,403	1,070,011	495,509	1,565,520
NET ASSETS-ENDING	\$1,170,148	\$293,555	\$1,463,703	\$1,222,630	\$550,773	\$1,773,403

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, 2008**

	Program Costs	Management & General	Fund Raising	Total
Program grants				
Library of Congress	\$ 530,000	-	-	\$ 530,000
Avant Garde	50,000	-	-	50,000
In-kind services	60,540	-	-	60,540
Archival DVD payouts	31,200	-	-	31,200
DVD production and manufacture	106,536	-	-	106,536
Salaries	212,402	\$53,773	\$2,689	268,864
Payroll taxes	16,370	4,144	207	20,721
Pension plan contributions	5,736	1,452	73	7,261
Other employee benefits	18,622	4,714	236	23,572
Accounting services	-	26,182	-	26,182
Audit and information returns	-	9,825	-	9,825
Rent	16,156	4,090	205	20,451
Travel, board meeting, and conferences	7,543	10,310	69	17,922
Legal and consulting	926	131	7	1,064
Office supplies	2,850	711	32	3,593
Telephone	2,186	229	148	2,563
Postage and delivery	2,649	392	82	3,123
Copying and printing	6,930	270	13	7,213
Equipment rental and maintenance	1,479	374	19	1,872
Depreciation	1,668	422	21	2,111
Insurance	2,529	641	32	3,202
Web hosting and internet	737	115	6	858
Subscriptions, publications, and memberships	890	87	4	981
Miscellaneous	354	89	4	447
TOTAL EXPENSES	\$1,078,303	\$117,951	\$3,847	\$1,200,101

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
Avant-Garde	50,000	-	-	50,000
In-kind services	80,120	-	-	80,120
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 and manufacture	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
TOTAL EXPENSES	\$ 1,176,836	\$ 104,012	\$ 3,631	\$ 1,284,479

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, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Change in net assets	\$ (309,700)	\$ 207,883
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	2,111	2,190
Decrease (increase) in pledges receivable	133,273	(25,764)
Decrease (increase) in accounts receivable	92,263	(53,380)
Increase in inventory	(36,067)	(111,349)
Increase in prepaid expenses	(1,552)	(145)
Increase (decrease) in accounts payable	37,592	(17,322)
Increase (decrease) in grants payable	(89,213)	201,667
Increase in accrued compensation	3,080	3,077
Increase in funds held for others	61,535	-
Net cash provided (used) by operating activities	<u>(106,678)</u>	<u>206,857</u>
 Cash flows from investing activities:		
Sale (purchase) of investments	588,054	(518,806)
Purchase of equipment	(7,061)	(2,083)
Increase of deposits	(80)	-
Net cash provided (used by) investing activities	<u>580,913</u>	<u>(520,889)</u>
 Net increase (decrease) in cash and cash equivalents	<u>474,235</u>	<u>(314,032)</u>
Cash and cash equivalents - beginning of year	<u>571,440</u>	<u>885,472</u>
 Cash and cash equivalents - end of year	<u><u>\$ 1,045,675</u></u>	<u><u>\$ 571,440</u></u>

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) 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 187 institutions across 46 states, Puerto Rico, and D.C. and helped save 1,420 films. The foundation also produces DVD sets in the *Treasures from American Film Archives* series and books that advance national film preservation efforts. In 2008, we completed production and manufacture of *Treasures IV: American Avant-Garde Film 1947-1986* and a reprint of the *Treasures Encore DVD* set. The *Treasures IV* DVD set will be released in March 2009.

The foundation receives most revenues through contributions from individuals, corporations, and foundations; donated services; government funding; and wholesale DVD sales. In 2008, 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. The foundation awarded \$640,540 in cash and laboratory services grants in 2008, and \$660,120 in 2007. Also in 2008, the NFPF shared \$31,200 in revenues from the *Treasures* DVD series with project contributors.

The foundation is the charitable affiliate of the National Film Preservation Board of the Library of Congress.

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.

NATIONAL FILM PRESERVATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

- (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 NFPF recognized contributed service revenue of \$25,000 in 2008 and \$175,000 in 2007, and made contributed service grants of \$60,540 in 2008 and \$80,120 in 2007.

- (d) **Allocation of Expenses** – Salaries and non-salary administrative costs are allocated to program and supporting services through 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 which carry a maturity date exceeding three months and may be broken without penalty. As of December 31, 2008, cash and cash equivalents were primarily in money market accounts and breakable certificates of deposit at the Bank of America. These are insured up to the limit guaranteed by the FDIC. The NFPF also held \$210,412 in liquid assets in Payden Bunker Hill Money Market Fund. This fund is registered with the SEC.
- (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, 2008, equipment and furniture had a basis of \$15,520, less accumulated depreciation of \$7,288.
- (g) **Inventory** – The NFPF's inventory consists of assembled DVD sets in the *Treasures from American Film Archives* series. Two sets—*Treasures IV* and a reprint of *Treasures Encore* edition—were manufactured and added to inventory in 2008. The former will be released for sale in 2009. As specified by generally accepted accounting principles, the inventory value of the DVD sets is based on the lesser of manufacturing cost or net realizable value.

NATIONAL FILM PRESERVATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of Significant Accounting Policies (Continued)

- (h) Contract Income – In 2008 and 2007, contract income represents grant revenue received for the production of the *Treasures III* and *Treasures IV* DVD sets.
- (i) Funds held for others – In 2008, the NFPF agreed to handle the financial management of a National Film Registry project on behalf of National Film Preservation Board. Funds for this effort are listed under “Funds held for others.” As of December 31, 2008, the NFPF held \$61,535 in this account.
- (j) 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.
- (k) Income Tax Status – The NFPF is a nonprofit organization under section 501(c)(3) of the Internal Revenue Code. As a public charity, the NFPF is exempt from federal and state income tax.
- (l) Investments – For the purpose of the financial statements, investments are certificates of deposit having a maturity date exceeding three months and carrying a penalty for early withdrawal. Investments are recorded at fair market value. Unrealized gains and losses are included in the changes to unrestricted net assets. In 2008, return from investments and interest from bank deposits was \$65,178. Return in 2007 represented \$80,459 from investments and interest. On December 31, 2008, investments were as follows:

Bank of America 7-month investment CD \$ 441,218
Bank of America 7-month investment CD \$ 216,199

Note 3 – Pledges Receivable

Pledges receivable as of December 31, 2008 are as follows:

	Cash	Contributed Services	Total
Due in 2009	\$190,000	\$40,000	\$230,000
Less: Allowance for uncollectible pledges	<u>(9,500)</u>	<u>(16,000)</u>	<u>(25,500)</u>
Net current pledged receivable	<u>180,500</u>	<u>24,000</u>	<u>204,500</u>
Due in 2010 through 2013	50,000	70,000	\$120,000
Less: Allowance for uncollectible pledges	(2,500)	(28,000)	(30,500)
Less: Discount at .05%	<u>(236)</u>	<u>(209)</u>	<u>(445)</u>
Net noncurrent pledges receivable	<u>\$47,264</u>	<u>\$41,791</u>	<u>\$89,055</u>

NATIONAL FILM PRESERVATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS

Note 4 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:	
Support for 2009, net of allowances	\$130,500
Avant-Garde Masters	50,000
In-kind service grants for 2009, net of allowances	24,000
In-kind service grants for 2010-13, net of allowances & present value discount	41,791
Support for 2010 through 2013, net of allowances & present value discount	<u>47,264</u>
	<u>\$293,555</u>

Note 5 – Retirement Plan

The NFPF initiated a SEP IRA plan for employees in 2002 and contributed to the plan in 2008 and 2009, for the years 2007 and 2008 respectively. The foundation also has a contributory 403 (b) plan that is funded solely by voluntary participant salary deferrals.

Note 6 – Related Party Transactions

Contribution revenues from organizations to which board members are related were \$132,500 in 2008 and \$160,000 in 2007. Payments to related parties for services provided to the NFPF were \$4,000 in 2008 and \$21,373 in 2007.

Note 7 – Commitments, Contingencies and Concentrations

The office lease runs through November 2009. The monthly payment was \$1,678 from January to November 2008, increasing to \$1,992 in December 2008.

The National Film Preservation Foundation continues to seek to broaden its base of program support. Receivables are subject to credit risk. The NFPF 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 2008, the NFPF received \$530,000 in federal funds authorized through *The National Film Preservation Foundation Reauthorization Act of 2006* 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 Library of Congress Sound Recording and Film Preservation Programs Reauthorization Act of 2008 (Public Law 110-336), signed into law on October 2, 2008, renewed the NFPF’s authorization through federal fiscal year 2016.