

# *NATIONAL FILM PRESERVATION FOUNDATION*

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## *FINANCIAL STATEMENTS*

*For the Years Ended December 31, 2009 and 2008*

*With INDEPENDENT AUDITOR'S REPORT*

**NATIONAL FILM PRESERVATION FOUNDATION  
FINANCIAL STATEMENTS  
DECEMBER 31, 2009 and 2008**

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## CARL M. ARNTZEN, CPA

44 Amber Drive, San Francisco, CA 94131

Member California Society of Certified Public Accountants  
California Board of Accountancy Certificate #18655

E Mail: [CarlArnt@pacbell.net](mailto:CarlArnt@pacbell.net)  
Tel: (415) 285-8886 Fax: (415) 285-8307

### 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, 2009 and 2008 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, 2009 and 2008 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 10, 2010

**NATIONAL FILM PRESERVATION FOUNDATION**  
**Statements of Financial Position**  
**December 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$1,331,766	\$1,049,675
Investments	199,590	657,417
Pledges receivable, current portion, net	225,000	204,500
Accounts receivable	29,961	10,154
Inventory	131,275	190,877
Prepaid expenses	6,467	7,646
Total current assets	<u>1,924,059</u>	<u>2,120,269</u>
Other Assets		
Pledges receivable, non-current, net	29,850	89,055
Equipment and furniture, net of accumulated depreciation	8,305	8,232
Deposits, rent	1,713	1,992
	<u>39,868</u>	<u>99,279</u>
<b>TOTAL ASSETS</b>	<u><u>\$1,963,927</u></u>	<u><u>\$2,219,548</u></u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable	\$27,315	\$59,980
Grants payable	577,152	619,636
Accrued compensation	9,989	14,694
Funds held for others	61,535	61,535
<b>TOTAL LIABILITIES</b>	<u>675,991</u>	<u>755,845</u>
<b>NET ASSETS</b>		
Unrestricted	1,033,086	1,170,148
Temporarily restricted	254,850	293,555
<b>TOTAL NET ASSETS</b>	<u>1,287,936</u>	<u>1,463,703</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$1,963,927</u></u>	<u><u>\$2,219,548</u></u>

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

**NATIONAL FILM PRESERVATION FOUNDATION**  
**Statements of Activities**  
**For the Years Ended December 31, 2009 and 2008**

	2009	2009	2009	2008	2008	2008
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>						
Grants and contributions	\$99,760	\$726,295	\$826,055	\$44,504	\$654,767	\$699,271
DVD sales	98,806	-	98,806	29,730	-	29,730
Contract income	12,500	-	12,500	5,109	1,000	6,109
Grant savings from under-budget projects	10,871	-	10,871	84,551	-	84,551
Investment income	23,959	-	23,959	65,178	-	65,178
Other income	3,616	-	3,616	5,562	-	5,562
Unrealized loss on investments	(554)	-	(554)	-	-	-
Net assets released from restriction	765,000	(765,000)	-	912,985	(912,985)	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>1,013,958</b>	<b>(38,705)</b>	<b>975,253</b>	<b>1,147,619</b>	<b>(257,218)</b>	<b>890,401</b>
<b>EXPENSES</b>						
Program expenses	1,056,049	-	1,056,049	1,078,303	-	1,078,303
Management and general	90,860	-	90,860	117,951	-	117,951
Fundraising	4,111	-	4,111	3,847	-	3,847
<b>TOTAL EXPENSES</b>	<b>1,151,020</b>	<b>-</b>	<b>1,151,020</b>	<b>1,200,101</b>	<b>-</b>	<b>1,200,101</b>
<b>CHANGE IN NET ASSETS</b>	<b>(137,062)</b>	<b>(38,705)</b>	<b>(175,767)</b>	<b>(52,482)</b>	<b>(257,218)</b>	<b>(309,700)</b>
<b>NET ASSETS-BEGINNING</b>	<b>1,170,148</b>	<b>293,555</b>	<b>1,463,703</b>	<b>1,222,630</b>	<b>550,773</b>	<b>1,773,403</b>
<b>NET ASSETS-ENDING</b>	<b>\$1,033,086</b>	<b>\$254,850</b>	<b>\$1,287,936</b>	<b>\$1,170,148</b>	<b>\$293,555</b>	<b>\$1,463,703</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, 2009**

	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	45,000	-	-	45,000
DVD production and manufacture	78,886	-	-	78,886
Salaries	247,627	30,953	2,814	281,394
Payroll taxes	19,561	2,445	222	22,228
Pension plan contributions	7,553	944	86	8,583
Other employee benefits	23,505	3,020	268	26,793
Accounting services	-	23,976	-	23,976
Audit and information returns	-	11,000	-	11,000
Rent	20,667	2,583	235	23,485
Travel and conferences	5,900	13,861	-	19,761
Legal and consulting	1,911	106	10	2,027
Office supplies	2,261	301	22	2,584
Telephone	1,818	142	103	2,063
Postage and delivery	2,746	257	94	3,097
Copying and printing	8,943	196	18	9,157
Equipment rental and maintenance	1,834	227	21	2,082
Depreciation	3,510	439	40	3,989
Insurance	2,630	328	30	2,988
Web hosting and internet	636	49	4	689
Subscriptions, publications and memberships	996	25	144	1,165
Miscellaneous	65	8	-	73
<b>TOTAL EXPENSES</b>	<b>\$ 1,056,049</b>	<b>\$ 90,860</b>	<b>\$ 4,111</b>	<b>\$ 1,151,020</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, 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
<b>TOTAL EXPENSES</b>	<b>\$1,078,303</b>	<b>\$117,951</b>	<b>\$3,847</b>	<b>\$1,200,101</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, 2009 and 2008**

	2009	2008
Cash Flows from operating activities:		
Change in net assets	\$ (175,767)	\$ (309,700)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	3,989	2,111
Unrealized losses on investments	554	-
Decrease in pledges receivable	38,705	133,273
(Increase) decrease in accounts receivable	(19,807)	92,263
Decrease (increase) in inventory	59,602	(36,067)
Decrease (increase) in prepaid expenses	1,179	(1,552)
(Decrease) increase in accounts payable	(32,665)	37,592
Decrease in grants payable	(42,484)	(89,213)
(Decrease) increase in accrued compensation	(4,705)	3,080
Increase in funds held for others	-	61,535
Net cash used by operating activities	(171,399)	(106,678)
Cash flows from investing activities:		
Proceeds from matured investments	656,863	592,054
Purchase of investments	(199,590)	-
Purchase of equipment	(4,062)	(7,061)
Decrease (increase) of rent deposit	279	(80)
Net cash provided by investing activities	453,490	584,913
Net increase in cash and cash equivalents	282,091	478,235
Cash and cash equivalents - beginning of year	1,049,675	571,440
Cash and cash equivalents - end of year	\$ 1,331,766	\$ 1,049,675

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 of and public access to American film. Since starting operations in 1997, the NFPF has provided preservation support to 202 organizations across 48 states, Puerto Rico, and D.C. and helped save 1,562 films.

The foundation produces DVD sets in the *Treasures from American Film Archives* series and books that advance national film preservation efforts. In 2009, we released *Treasures IV: American Avant-Garde Film, 1947-1986* and received seed-money grants to enable us to begin production of two more DVD anthologies. *Treasures IV* was honored with awards from Bologna, Italy's festival of film preservation, *Il Cinema Ritrovato*, and the National Society of Film Critics.

Also in 2009, the foundation wrapped up a collaboration involving the return of copies of long-unavailable American films from the National Film and Sound Archive of Australia. Through this effort eight American silent-era shorts that no longer survived in the United States were preserved on film and made available on the Internet. Late in the year the NFPF broke ground on a larger repatriation project with the New Zealand Film Archive.

The foundation receives most revenues through contributions from individuals, corporations, and foundations; donated services; government funding; and wholesale DVD sales. In 2009, the NFPF received \$530,000 in federal funds authorized through *The Library of Congress Sound Recording and Film Preservation Programs Reauthorization Act of 2008* (Public Law 110-336) and secured through the Library of Congress. These funds were distributed for film preservation. The foundation awarded \$625,000 in cash and laboratory services grants in 2009, and \$640,540 in cash and laboratory services grants in 2008.

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:

NATIONAL FILM PRESERVATION FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

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

**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.

- (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 \$10,000 in 2009 and \$25,000 in 2008, and made contributed service grants of \$45,000 in 2009 and \$60,540 in 2008.

- (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** – The foundation considers as cash equivalents all highly liquid investments with maturities of three months or less that may be broken without penalty. As of December 31, 2009, cash and cash equivalents were primarily in checking and money market accounts and certificates of deposit at the Bank of America and Wells Fargo Bank. These are insured up to the limit guaranteed by the FDIC. The NFPF also held \$161,093 in liquid assets in Payden Cash Reserves Money Market Fund. This fund is registered with the SEC.
- (f) **Investments.** The purpose of the NFPF investment policy is to provide a reliable source of funds for current and future use. In these financial statements, investments consist of (1) certificates of deposit having an initial maturity date exceeding three months and carrying a penalty for early withdrawal or (2) mutual funds. Investments are recorded at fair market value. The value of mutual funds is determined using quoted prices in active markets for identical assets (defined as "Level 1" under current accounting standards). Unrealized gains and losses are included in the changes in unrestricted net assets. In 2009, return from investments and interest from bank deposits was \$23,959, and in 2008, \$65,178.

NATIONAL FILM PRESERVATION FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

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

In 2009, prior year certificates of deposit matured and NFPF invested the proceeds in cash and cash equivalents and in a low-risk intermediate-term bond mutual fund, PIMCO Total Return Fund C, managed by Allianz Global Investors. As of December 31, 2009, the value of this PIMCO mutual fund, based on the quoted market value, was \$199,590.

- (g) 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, 2009, equipment and furniture had a net book value of \$8,305 (basis of \$19,582, less accumulated depreciation of \$11,277).
- (h) Inventory – The NFPF's inventory consists of assembled DVD sets in the *Treasures from American Film Archives* series. Copies of *Treasures IV* were manufactured and added to inventory in 2009. In 2008, the foundation manufactured and added to inventory copies of *Treasures Encore Edition* as well as the first pressing of *Treasures IV*. The inventory value of the DVD sets is based on the lesser of manufacturing cost or net realizable value.
- (i) Contract Income – In 2009, the foundation received contract income from the National Endowment for the Arts through a grant made possible through the *American Recovery & Reinvestment Act*. In 2008, contract income represented grant revenue received for the production of the *Treasures IV* DVD sets.
- (j) 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 and 2009, the NFPF held \$61,535 in this account.
- (k) 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.
- (l) 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 under laws and regulations whereby only any unrelated business income is subject to tax. Management believes that all revenues received by the NFPF are in keeping with the organization's exempt purposes and that the NFPF continues to qualify and to operate as a tax-exempt organization. Accordingly, no provision of income taxes is included in these financial statements.

NATIONAL FILM PRESERVATION FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

**Note 3 – Pledges Receivable**

Pledges receivable as of December 31, 2009 are as follows:

	Cash	Contributed Services	Total
Due in 2010	\$200,000	\$30,000	\$230,000
Less: Allowance for uncollectible pledges	<u>–</u>	<u>(5,000)</u>	<u>(5,000)</u>
Net current pledges receivable	<u>200,000</u>	<u>25,000</u>	<u>225,000</u>
Due in 2011 and 2012	–	40,000	\$40,000
Less: Allowance for uncollectible pledges	–	(10,000)	(10,000)
Less: Discount at 0.5%	–	<u>(150)</u>	<u>(150)</u>
Net noncurrent pledges receivable	–	<u>\$29,850</u>	<u>\$29,850</u>

**Note 4 - Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes:

Support for 2010, net of allowances	\$50,000
Avant-Garde Masters	50,000
Andy Warhol Foundation for the Visual Arts, <i>Treasures 6</i> DVD Grant	100,000
In-kind service grants for 2010, net of allowances	25,000
In-kind service grants for 2011–12, net of allowances & present value discount	<u>29,850</u>
	<u>\$254,850</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 \$110,000 in 2009 and \$132,500 in 2008. In 2008, payments to related parties for services provided to the NFPF were \$4,000. No such payments were made in 2009.

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

The office lease was renewed in late 2009 and runs through November 2012. Under the former lease, the monthly payment was \$1,992 from January to November 2008. The new agreement decreased the monthly payment to \$1,573 for December 2009 and the first 11 months of 2010. The rent deposit was similarly decreased.

NATIONAL FILM PRESERVATION FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

**Note 7 – Commitments, Contingencies and Concentrations (Continued)**

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. The monies are set aside "to promote and ensure the preservation and public accessibility of the nation's film heritage." 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) renewed the NFPF's authorization through federal fiscal year 2016. Through the authority of this legislation, the NFPF received \$530,000 in federal funds in 2009; these funds were appropriated through the Library of Congress.

Subsequent events have been evaluated through March 10, 2010.